NEW ISSUE - BOOK ENTRY ONLY **RATINGS: See "RATINGS" herein**

*Mayer Brown LLP and Charity & Associates, P.C., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2015 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes assuming the accuracy of the certifications of the Authority and continuing compliance by the Authority with the requirements of the Code. In addition, interest on the Series 2015 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2015 Bonds is, however, taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors as to the federal, state and local tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series 2015 Bonds. See "**TAX MATTERS**" herein.*

$176,920,000
CHICAGO TRANSIT AUTHORITY

$131,270,000
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2015 (FEDERAL TRANSIT ADMINISTRATION SECTION 5307 URBANIZED AREA FORMULA FUNDS)

$45,650,000
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2015 (FEDERAL TRANSIT ADMINISTRATION SECTION 5337 STATE OF GOOD REPAIR FORMULA FUNDS)

Dated: Date of Issuance **Due: June 1, as shown on the inside front cover**

The Chicago Transit Authority (the "**Authority**") Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the "**Series 2015 5307 Bonds**"), are being issued pursuant to the Trust Indenture dated as of November 1, 2004, between the Authority and Amalgamated Bank of Chicago, as trustee, as heretofore supplemented and as further supplemented by a Fifth Supplemental Indenture dated as of August 1, 2015, between the Authority and Amalgamated Bank of Chicago, as trustee (the "**5307 Indenture**").

The Chicago Transit Authority Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the "**Series 2015 5337 Bonds**," and together with the Series 2015 5307 Bonds, the "**Series 2015 Bonds**"), are being issued pursuant to the Trust Indenture dated as of April 1, 2008, between the Authority and Amalgamated Bank of Chicago, as trustee, as heretofore supplemented and as further supplemented by a Fourth Supplemental Indenture dated as of August 1, 2015, between the Authority and Amalgamated Bank of Chicago, as trustee (the "**5337 Indenture**," and together with the 5307 Indenture, the "**Indentures**").

The Series 2015 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Individual purchases of Series 2015 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Series 2015 Bonds will not receive bonds representing their beneficial ownership in the Series 2015 Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series 2015 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the Series 2015 Bonds, which is payable on June 1 and December 1 of each year, commencing December 1, 2015, and principal of the Series 2015 Bonds, are payable to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the Series 2015 Bonds through their respective DTC Participants or DTC Indirect Participants.

The Series 2015 Bonds are limited obligations of the Authority. The Series 2015 5307 Bonds are secured under the 5307 Indenture by a pledge of the Authority's share of Federal Transit Administration Section 5307 Urbanized Area Formula funds (the "**5307 Grant Receipts**") on a parity with the Authority's currently outstanding 5307 Bonds described herein. The Series 2015 5337 Bonds are secured under the 5337 Indenture by a pledge of the Authority's share of Section 5337 State of Good Repair Formula funds (the "**5337 Grant Receipts**") on a parity with the Authority's currently outstanding 5337 Bonds described herein. The Series 2015 Bonds are not a general obligation of the Authority, and the revenues of the Authority (other than the 5307 Grant Receipts and the 5337 Grant Receipts) are not pledged or available for the payment of the Series 2015 Bonds or the interest thereon. The Authority has no taxing power.

The maturities, amounts, interest rates and yields of the Series 2015 Bonds are set forth on the inside front cover. The Series 2015 Bonds are not subject to optional or mandatory redemption prior to their stated maturity dates.

The Series 2015 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity thereof by Mayer Brown LLP, Chicago, Illinois, and Charity & Associates, P.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Thompson Coburn LLP, Chicago, Illinois, and for the Authority by its General Counsel. The Series 2015 Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about September 16, 2015.

RBC Capital Markets **Citigroup**

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

Barclays **Cabrera Capital Markets, LLC** **Estrada Hinojosa & Company, Inc** **PNC Capital Markets LLC**

Dated August 5, 2015

$131,270,000
CHICAGO TRANSIT AUTHORITY
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2015
(FEDERAL TRANSIT ADMINISTRATION SECTION 5307
URBANIZED AREA FORMULA FUNDS)

MATURITY SCHEDULE

Maturity Date June 1	Principal Amount	Interest Rate	Yield	Price	CUSIP®*
2018	$27,000,000	5.000%	1.600%	108.974	167723FV2
2019	31,275,000	5.000	1.860	111.198	167723FW0
2020	31,585,000	5.000	2.210	112.407	167723FX8
2021	41,410,000	5.000	2.540	112.991	167723FY6

$45,650,000
CHICAGO TRANSIT AUTHORITY
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2015
(FEDERAL TRANSIT ADMINISTRATION
SECTION 5337 STATE OF GOOD REPAIR FORMULA FUNDS)

MATURITY SCHEDULE

Maturity Date June 1	Principal Amount	Interest Rate	Yield	Price	CUSIP®*
2018	$ 290,000	5.000%	1.600%	108.974	167723FZ3
2019	305,000	5.000	1.860	111.198	167723GA7
2020	320,000	5.000	2.210	112.407	167723GB5
2021	335,000	5.000	2.540	112.991	167723GC3
2022	350,000	5.000	2.840	113.104	167723GD1
2023	370,000	5.000	2.980	113.816	167723GE9
2024	13,855,000	5.000	3.180	113.744	167723GF6
2025	14,550,000	5.000	3.290	114.107	167723GG4
2026	15,275,000	5.000	3.420	114.062	167723GH2

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Rating Services, a business unit of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series 2015 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

Chicago Transit Authority System Map

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CHICAGO TRANSIT AUTHORITY

CHICAGO TRANSIT BOARD

Terry Peterson, Chairman
Charles E. Robinson
Alejandro Silva
Kevin Irvine
Ashish Sen
Arabel Alva Rosales
Andre Youngblood

OFFICERS

Dorval Carter, President
Ronald DeNard, Chief Financial Officer and Treasurer
Karen Seimetz, General Counsel
Gregory Longhini, Assistant Secretary

CO-BOND COUNSEL

Mayer Brown LLP
Charity & Associates, P.C.
Chicago, Illinois

FINANCIAL ADVISORS

A.C. Advisory, Inc.
Public Financial Management, Inc.
Chicago, Illinois

VERIFICATION AGENT

AMTEC
Avon, Connecticut

In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market prices of the Series 2015 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside front cover page of this Official Statement, and such public offering prices may be changed from time to time by the Underwriters.

This Official Statement does not constitute an offer to sell the Series 2015 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than those 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 2015 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 2015 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from the Authority and other 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 Authority or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisors 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 Authority, the Underwriters or the Financial Advisors.

This Official Statement contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of 5307 Grant Receipts and 5337 Grant Receipts received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and 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, and 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 which could affect the amount of 5307 Grant Receipts and 5337 Grant Receipts received include, among others, receipt of anticipated amounts under the FTA's Urbanized Area Formula Program (49 U.S.C. 5307) and FTA's State of Good Repair Formula Program (49 U.S.C. 5337), periodic reauthorization of such program, changes in political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, natural disasters, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions **"SECURITY FOR THE SERIES 2015 BONDS"** and **"FEDERAL TRANSIT PROGRAM"** and such statements speak only as of the date of this Official Statement. The Authority 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 Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

The Series 2015 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.

OVERVIEW

This Overview does not constitute a part of the Official Statement for the issuance and sale by the Chicago Transit Authority of its $131,270,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) and $45,650,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the ***"Series 2015 Bonds"****), and does not purport to be complete. This Overview is for informational purposes only and is subject to more complete discussion contained in the Official Statement. Capitalized terms used and not defined in this Overview are defined in the Official Statement.*

Issuer	Chicago Transit Authority (the **"Authority"**) operates the nation's second largest public transportation system (the **"Transportation System"**), providing mass transit services within a 314 square mile area including the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.5 million. The Authority carries over 80 percent of the public transit riders in the six-county northeastern Illinois region, comprising the Counties of Cook, DuPage, Kane, Lake, McHenry and Will. Transit services provided by the Authority are part of the regional public mass transportation service system in northeastern Illinois provided through the independent operations of the Authority, Metra (suburban rail) and Pace (suburban bus) (the Authority, Metra and Pace are referred to collectively as the **"Service Boards"**). For a detailed description of the Authority and its operations, see **"THE AUTHORITY"** in the Official Statement.
Series 2015 Bonds	$131,270,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) and $45,650,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds).
Ratings	Standard & Poor's Ratings Services has assigned its municipal bond rating of "A" (stable outlook) to the Series 2015 Bonds. Fitch Ratings has assigned its municipal bond rating of "BBB" (stable outlook) to the Series 2015 Bonds. See **"RATINGS"** in the Official Statement.
Plan of Finance	The proceeds from the sale of the Series 2015 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds (as hereinafter defined) and (ii) pay costs in connection with the issuance of the Series 2015 5307 Bonds. The proceeds from the sale of the Series 2015 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds (as hereinafter defined) and (ii) pay costs in connection with the issuance of the Series 2015 5337 Bonds. See **"PLAN OF FINANCE"** in the Official Statement.
Regional Transportation Authority	The Regional Transportation Authority (the **"RTA"**) oversees public transportation in northeastern Illinois. The RTA provides funding, planning and fiscal oversight for the Service Boards in part through the imposition of sales taxes throughout the northeastern Illinois region. The RTA Act (70 ILCS 3615, the **"RTA Act"**) vests responsibility for operating budget and financial oversight of the Service Boards in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. See **"THE AUTHORITY—The RTA"** in the Official Statement.

Source of Payment and Security for the Series 2015 Bonds	The Series 2015 5307 Bonds are payable solely from and secured solely by (i) 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon. The Series 2015 5337 Bonds are payable solely from and secured solely by (i) 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2015 BONDS"** in the Official Statement.
5307 Grant Receipts	The sole source of 5307 Grant Receipts available to the Authority to pay principal of and interest on the Series 2015 5307 Bonds is the Authority's annual share of Section 5307 Formula Funds. See **"FEDERAL TRANSIT PROGRAM"** in the Official Statement for descriptions of the Section 5307 Program and the methods by which the amount of Section 5307 Formula Funds available to the Authority on an annual basis are determined. See **"CERTAIN INVESTMENT CONSIDERATIONS."**
5337 Grant Receipts	The sole source of 5337 Grant Receipts available to the Authority to pay principal of and interest on the Series 2015 5337 Bonds is the Authority's annual share of Section 5337 Formula Funds. See **"FEDERAL TRANSIT PROGRAM"** in the Official Statement for descriptions of the Section 5337 Program and the methods by which the amount of Section 5337 Formula Funds available to the Authority on an annual basis are determined. See **"CERTAIN INVESTMENT CONSIDERATIONS."**
Additional Bonds	The issuance of one or more Series of Additional Bonds is authorized pursuant to the Indentures for the purpose of funding the cost of construction of one or more Eligible Projects under the Indentures or refunding any Subordinated Indebtedness thereunder issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account established under the Indentures. See **"SECURITY FOR THE SERIES 2015 BONDS — Additional Bonds"** in the Official Statement.
Limited Obligation	The Series 2015 5307 Bonds are limited obligations of the Authority payable solely from and secured solely by (i) 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the related Rebate Fund), including investment earnings thereon. The Series 2015 5337 Bonds are limited obligations of the Authority payable solely from and secured solely by (i) 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the related Rebate Fund), including investment earnings thereon. The Series 2015 Bonds are not a general obligation of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2015 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2015 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2015 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.
Interest Payment Dates	Interest on the Series 2015 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2015, until maturity or earlier redemption. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months at the rates set forth on the inside front cover of the Official Statement.

Trustee	Amalgamated Bank of Chicago, Chicago, Illinois, will serve as Trustee and Paying Agent under the Indentures.
Book-Entry Form and Denominations	The Series 2015 Bonds will be issued in fully registered book-entry form in denominations of $5,000 or any integral multiple thereof.
Tax Matters	Mayer Brown LLP and Charity & Associates, P.C., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2015 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes assuming the accuracy of the certifications of the Authority and the continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986, as amended (the **"Code"**). In addition, the interest on the Series 2015 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income, but is, however, taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors as to the federal, state and local tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series 2015 Bonds. Interest on the Series 2015 Bonds is not exempt from Illinois income taxes. See **"TAX MATTERS"** in the Official Statement.
Delivery and Clearance	The Series 2015 Bonds are expected to be available for delivery at DTC in New York, New York, on or about September 16, 2015.
Legal Matters	Certain legal matters will be passed upon for the parties to the financing by their respective counsel as set forth on the cover page to the Official Statement.
Additional Information	Additional information may be obtained upon request to Ronald DeNard, Chief Financial Officer and Treasurer, Chicago Transit Authority, 567 West Lake Street, Chicago, Illinois 60661; phone: (312) 681-3400.

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OFFICIAL STATEMENT

$176,920,000
CHICAGO TRANSIT AUTHORITY

$131,270,000 **CAPITAL GRANT RECEIPTS REVENUE BONDS,** **REFUNDING SERIES 2015** **(FEDERAL TRANSIT ADMINISTRATION** **SECTION 5307 URBANIZED AREA** **FORMULA FUNDS)**	**$45,650,000** **CAPITAL GRANT RECEIPTS REVENUE BONDS,** **REFUNDING SERIES 2015** **(FEDERAL TRANSIT ADMINISTRATION** **SECTION 5337 STATE OF GOOD REPAIR** **FORMULA FUNDS)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto (the **"Official Statement"**), is to set forth certain information concerning the issuance by the Chicago Transit Authority (the **"Authority"**) of $131,270,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the **"Series 2015 5307 Bonds"**) and $45,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the **"Series 2015 5337 Bonds,"** and together with the Series 2015 5307 Bonds, the **"Series 2015 Bonds"**). The Series 2015 5307 Bonds, together with the Outstanding 5307 Bonds (as defined herein), and any Series of Additional Bonds that may be issued in the future under the 5307 Indenture (as such terms are defined herein), are collectively referred to in this Official Statement as the **"5307 Bonds**." The Series 2015 5337 Bonds, together with the Outstanding 5337 Bonds (as defined herein), and any Series of Additional Bonds that may be issued in the future under the 5337 Indenture (as such terms are defined herein), are collectively referred to in this Official Statement as the **"5337 Bonds**."

The Series 2015 Bonds are being issued pursuant to the laws of the State of Illinois, including the Metropolitan Transit Authority Act, as amended (70 ILCS 3605/1 *et seq.*) (the **"Act"**) and the Local Government Debt Reform Act, as amended (30 ILCS 350/1 *et seq.*). The Series 2015 Bonds are authorized by an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the **"CTA Board"**), on July 15, 2015.

Series 2015 5307 Bonds

The Series 2015 5307 Bonds are being issued under and secured by the Trust Indenture dated as of November 1, 2004 (the **"5307 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5307 Trustee"**), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of August 1, 2015 (**"Fifth Supplemental Indenture"**), between the Authority and the 5307 Trustee. The 5307 Master Trust Indenture, as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture, is herein referred to as the **"5307 Indenture."**

A portion of the funding that the Authority receives for the support of urban mass transportation capital improvement projects that it undertakes is in the form of federal grant funding from the Federal Transit Administration of the United States Department of Transportation (the **"FTA"**). Under the FTA's Urbanized Area Formula Program, 49 U.S.C. Section 5307 (**"Section 5307 Program"**), funds are made available to urbanized areas to finance capital, operating and planning assistance for mass transportation **("Section 5307 Formula Funds"**). See **"FEDERAL TRANSIT PROGRAM."** The Authority has agreed to deposit all Section 5307 Formula Funds received by the Authority (the **"5307 Grant Receipts"**) in the Grant Receipts Deposit Fund established under the 5307 Indenture. The 5307 Indenture provides for the withdrawal of amounts from the Grant Receipts Deposit Fund for deposit with the 5307 Trustee for the purpose of paying debt service on the 5307 Bonds. See **"SECURITY FOR THE SERIES 2015 BONDS - Flow of Funds - Grant Receipts."**

The proceeds from the sale of the Series 2015 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds (the **"Refunded 5307 Bonds"**), and (ii) pay costs in connection with the issuance of the Series 2015 5307 Bonds. See **"PLAN OF FINANCE"** and **"SOURCES AND USES OF FUNDS."**

The Refunded 5307 Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the 5307 Grant Receipts. See **"THE AUTHORITY - Capital Plan"** for a further explanation of how the Authority's capital plan is developed.

Series 2015 5337 Bonds

The Series 2015 5337 Bonds are being issued under and secured by the Trust Indenture dated as of April 1, 2008 (the **"5337 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5337 Trustee"**), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of August 1, 2015 (**"Fourth Supplemental Indenture"**), between the Authority and the 5337 Trustee. The 5337 Master Trust Indenture, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture, is herein referred to as the **"5337 Indenture."**

A portion of the funding that the Authority receives for the support of urban mass transportation capital improvement projects that it undertakes is in the form of federal grant funding from the FTA's Urbanized Area Formula Program (**"Section 5337 Program"**), 49 U.S.C. Section 5337 (**"Section 5337"**), funds are made available for replacement and rehabilitation of capital projects required to maintain public transportation systems in a state of good repair (**"Section 5337 Formula Funds"**). The Authority previously received funds available under the FTA's Fixed Guideway Modernization Program (the **"Section 5309 Formula Program"**) 49 U.S.C. Section 5309 (**"Section 5309"**) under which funds were made available to modernize or improve existing rail or fixed guideway systems. MAP-21 (as defined herein) restructured the Federal Transit Program to end the Section 5309 Rail Modernization Formula Program and created a broader formula program in Section 5337 that incorporates the rail modernization formula program formerly included in Section 5309. As a result, the Authority no longer receives fixed guideway modernization program funds under Section 5309. See **"FEDERAL TRANSIT PROGRAM."** The Authority has agreed to deposit all Section 5337 Formula Funds received by the Authority (the **"5337 Grant Receipts"**) in the Grant Receipts Deposit Fund established under the 5337 Indenture. The 5337 Indenture provides for the withdrawal of amounts from the Grant Receipts Deposit Fund for deposit with the 5337 Trustee for the purpose of paying debt service on the 5337 Bonds. See **"SECURITY FOR THE SERIES 2015 BONDS - Flow of Funds - Grant Receipts."**

The proceeds from the sale of the Series 2015 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds (the **"Refunded 5337 Bonds,"** and together with the Refunded 5307 Bonds, the **"Refunded Bonds"**), and (ii) pay costs in connection with the issuance of the Series 2015 5337 Bonds. See **"PLAN OF FINANCE"** and **"SOURCES AND USES OF FUNDS."**

The Refunded 5337 Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the 5337 Grant Receipts. See **"THE AUTHORITY - Capital Plan"** for a further explanation of how the Authority's capital plan is developed.

The Authority

The Authority is a political subdivision, body politic and municipal corporation of the State of Illinois created by the Act. The Authority began operating in 1947. Currently, the Authority operates the nation's second largest public transportation system, which serves the City of Chicago and 35 surrounding suburbs.

The Series 2015 Bonds

The Series 2015 Bonds are being issued pursuant to the Indentures and will be dated the date of their issuance, bear interest at the rates and mature at the times and in the principal amounts set forth on the inside front cover page of this Official Statement.

Interest on the Series 2015 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2015.

The Series 2015 Bonds are issuable as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2015 Bonds. Purchases of beneficial ownership interests in the Series 2015 Bonds will be made only in book-entry form in denominations of $5,000 or any integral multiple thereof.

The Series 2015 Bonds are not subject to redemption prior to their maturity at the option of the Authority as described herein under **"DESCRIPTION OF THE SERIES 2015 BONDS – No Redemption."**

Security for the Series 2015 5307 Bonds

The 5307 Bonds, including the Series 2015 5307 Bonds, are limited obligations of the Authority payable from and secured solely by (i) the 5307 Grant Receipts, and (ii) amounts on deposit in the funds and accounts under the 5307 Indenture (except the Rebate Fund), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2015 BONDS**.**"** The sole source of 5307 Grant Receipts is the Authority's annual share of Section 5307 Formula Funds. See **"FEDERAL TRANSIT PROGRAM – Section 5307 and Section 5337 Formula Programs"** and **"CERTAIN INVESTMENT CONSIDERATIONS."**

The Series 2015 5307 Bonds are being issued as Refunding Bonds and Parity Obligations (as such terms are defined in the 5307 Indenture) under the 5307 Indenture on a parity with the Authority's Capital Grant Receipts Revenue Bonds, Series 2004A (Federal Transit Administration Section 5307 Formula Funds), currently outstanding in the principal amount of $17,310,000 (the **"2004A 5307 Bonds"**), its Capital Grant Receipts Revenue Bonds, Series 2004B (Federal Transit Administration Section 5307 Formula Funds), currently outstanding in the principal amount of $6,760,000 (the **"2004B 5307 Bonds"** and, together with the Series 2004A 5307 Bonds, the **"2004 5307 Bonds"**), its Capital Grant Receipts Revenue Bonds, Series 2006A (Federal Transit Administration Section 5307 Formula Funds), currently outstanding in the principal amount of $155,990,000 (the **"2006 5307 Bonds"**), its Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $100,000,000 (the **"2008 5307 Bonds"**), its Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $63,895,000 (the **"2010 5307 Bonds")**, and its Capital Grant Receipts Revenue Bonds, Refunding Series 2011 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $56,525,000 (the **"2011 5307 Bonds"** which, together with the 2004 5307 Bonds, the 2006 5307 Bonds, the 2008 5307 Bonds and the 2010 5307 Bonds, as such Bonds may be Outstanding, are referred to in this Official Statement as the **"Outstanding 5307 Bonds"**), and with certain other obligations that may be issued by the Authority as described herein. See **"SECURITY FOR THE SERIES 2015 BONDS – Parity Obligations**.**"**

Security for the Series 2015 5337 Bonds

The 5337 Bonds, including the Series 2015 5337 Bonds, are limited obligations of the Authority payable from and secured solely by (i) the 5337 Grant Receipts, and (ii) amounts on deposit in the funds and accounts under the 5337 Indenture (except the Rebate Fund), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2015 BONDS."** The sole source of 5337 Grant Receipts is the Authority's annual share of Section 5337 Formula Funds. See **"FEDERAL TRANSIT PROGRAM – Section 5307 and Section 5337 Formula Programs"** and **"CERTAIN INVESTMENT CONSIDERATIONS."**

The Series 2015 5337 Bonds are being issued as Refunding Bonds and Parity Obligations (as such terms are defined in the 5337 Indenture) under the 5337 Indenture on a parity with the Capital Grant Receipts Revenue Bonds, Series 2008 (Federal Transit Administration Section

5309 Fixed Guideway Modernization Formula Funds) (the **"2008 5337 Bonds"**) currently outstanding in the principal amount of $110,135,000, the Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds) (the **"2008A 5337 Bonds"**) currently outstanding in the principal amount of $129,385,000, the Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds) (the **"2010 5337 Bonds,"** which, together with the 2008 5337 Bonds and the 2008A 5337 Bonds, as such Bonds may be Outstanding, are referred to in this Official Statement as the **"Outstanding 5337 Bonds,"** and with certain other obligations that may be issued by the Authority as described herein. See **"SECURITY FOR THE SERIES 2015 BONDS – Parity Obligations**."

Limited Obligations of the Authority

The Series 2015 Bonds are limited obligations of the Authority. The Series 2015 5307 Bonds are secured under the 5307 Indenture by a pledge of the Authority's share of 5307 Grant Receipts on a parity with the Authority's currently outstanding 5307 Bonds described herein. The Series 2015 5337 Bonds are secured under the 5337 Indenture by a pledge of the Authority's share of 5337 Grant Receipts on a parity with the Authority's currently outstanding 5337 Bonds described herein. The Series 2015 Bonds are not a general obligation of the Authority, and the revenues of the Authority (other than as described herein) are not pledged for the payment of the Series 2015 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2015 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2015 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.

Recent Developments Regarding Federal Mass Transit Funding

The authorization for the current Surface Transportation Program has been extended several times, including the extension under the *"Highway and Transportation Funding Act of 2015,"* signed into law on May 29, 2015 and extending the authorization through July 31, 2015. In an effort to continue federal highway and FTA programs beyond July 31, 2015, the U.S. House of Representatives passed a bill on July 29, 2015 that would extend surface transportation funding through October 29, 2015. Such bill was approved by the U.S. Senate on July 30, 2015. This extension, the "*Surface Transportation and Veterans Healthcare Choice Improvement Act of 2015*" (the "**Extension Act**"), was signed into law by the President on July 31, 2015 and extends the authorization through October 29, 2015. Under the provisions of the Extension Act, $8.068 billion will be transferred from the General Fund of the United States Treasury to the Highway Trust Fund (the **"HTF"**), of which $2.0 billion will be allocated to the Mass Transit Account (the **"MTA"**) to fund grants under the federal transit programs, including the Section 5307 Program and the Section 5337 Program. As of the date of this Official Statement, the Authority has no assurance that the current authorizations will be extended, that new authorizations will be approved, or that additional fund transfers to the HTF and MTA will be authorized in the near term.

See **"FEDERAL TRANSIT PROGRAM"** and **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."**

Certain References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in **APPENDIX A - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Definitions of Certain Terms"** or, if not defined therein, in the Indentures for the respective series of the 2015 Bonds.

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of Bondholders and there is no assurance that such information will be maintained or updated at such website locations in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

PLAN OF FINANCE

The proceeds from the sale of the Series 2015 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds, as set forth in the tables below, to their maturity or earlier redemption date specified below, and (ii) pay costs in connection with the issuance of the Series 2015 5307 Bonds.

5307 Refunded Bonds

Series Designation	Maturity Date (June 1)	Principal Amount Refunded	Redemption Date
2004B	2016	$ 5,015,000	NA*
2006A	2018	27,000,000	December 1, 2016
	2019	31,275,000	December 1, 2016
	2020	31,585,000	December 1, 2016
	2021	41,410,000	December 1, 2016

The proceeds from the sale of the Series 2015 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds, as set forth in the tables below, to their maturity or earlier redemption date specified below, and (ii) pay costs in connection with the issuance of the Series 2015 5337 Bonds.

* Payable on June 1, 2016 maturity date.

5337 Refunded Bonds

Series Designation	Maturity Date (June 1)	Principal Amount Refunded	Redemption Date
2008A	2016	$ 1,510,000	NA*
	2024	13,470,000	December 1, 2018
	2026	29,415,000	December 1, 2018

* Payable on June 1, 2016 maturity date.

To provide for the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2015 Bonds will be used, together with other available funds, to purchase Government Obligations, the principal of which, together with interest to be earned thereon and any initial cash balance, shall be sufficient to pay all of (i) the interest on each Refunded Bond that will become due and payable to its maturity date, or earlier redemption date, and (ii) the principal of each Refunded Bond on its maturity date or the redemption price of 100% of the principal amount thereof upon earlier redemption (the **"Defeasance Payment Requirements"**). The Government Obligations and initial cash balance for each series of the Refunded Bonds shall be held in a separate escrow account established pursuant to an escrow agreement (individually for each series, an **"Escrow Agreement,"** and collectively, the **"Escrow Agreements"**) with the Trustee, as escrow agent, for each series of the Refunded Bonds. The principal of, redemption premium (if any) and interest on the Refunded Bonds shall be payable from the separate escrow accounts administered for the benefit of the Authority and the holders of the outstanding Refunded Bonds. Neither the maturing principal of the Government Obligations purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security or be available for the payment of the principal of or interest on the Series 2015 Bonds. Pursuant to the Escrow Agreements, the Trustee certifies that the Government Obligations and the initial cash balances on deposit in each escrow account will be sufficient, without reinvestment, to pay the Defeasance Payment Requirements of the Refunded Bonds as the same shall become due and payable. The mathematical computation of the adequacy of the cash flows from the Government Obligations together with the initial cash deposit to satisfy the Defeasance Payment Requirements of the Refunded Bonds as described above will be verified at the time of the delivery of the Series 2015 Bonds by AMTEC, Avon, Connecticut, independent certified public accountants. See **"CERTAIN VERIFICATIONS."**

The Refunded Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the applicable 5307 Grant Receipts or 5337 Grant Receipts. 5307 Grant Receipts or 5337 Grant Receipts not otherwise used for the payment of the related Refunded Bonds may be used for other purposes. The Authority expects, subject to receipt of all necessary Board approvals and as permitted by the Indentures, to issue Additional Bonds at future dates to finance capital needs as they may be identified in its capital plan from time to time and to the extent that they are also eligible under the FTA's Section 5307 Program and the Section 5337 Program. See **"THE AUTHORITY — Capital Plan"** for a further explanation of how the Authority's capital plan is developed.

SOURCES AND USES OF FUNDS

	Series 2015 5307 Bonds	Series 2015 5337 Bonds
Sources of Funds		
Par Amount	$131,270,000.00	$45,650,000.00
Net Original Issue Premium	15,233,478.55	6,345,154.15
Prior Bond Funds	42,975.02	21,029.70
Total Sources of Funds	$146,536,453.57	$52,016,183.85
Uses of Funds		
Deposit to Escrow Account	$145,515,914.44	$51,642,758.29
Costs of Issuance*	1,020,539.13	373,425.56
Total Uses of Funds	$146,536,453.57	$52,016,183.85

* Includes Underwriters' Discount.

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DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will be dated the date of their issuance and mature at the times and in the principal amounts set forth on the inside front cover of this Official Statement. Interest on the Series 2015 Bonds shall be payable on June 1 and December 1 of each year, commencing December 1, 2015. Interest on the Series 2015 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2015 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (**"DTC"**). DTC will act as securities depository for the Series 2015 Bonds. Ownership interests in the Series 2015 Bonds may be purchased by or through a DTC Participant (as described below) in book-entry form only in denominations of $5,000 or any integral multiple thereof. See **APPENDIX B – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."**

No Redemption

The Series 2015 Bonds are <u>not</u> subject to optional or mandatory redemption prior to maturity.

Book-Entry Only System

As noted above, DTC will act as securities depository for the Series 2015 Bonds. See **APPENDIX B – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."**

Payments of interest on and principal of the Series 2015 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Series 2015 Bonds. Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Authority and the applicable Trustee with respect to interest on and principal of the Series 2015 Bonds to the extent of the sum or sums so paid.

The Authority and each Trustee cannot and do not give any assurances that DTC Participants or DTC Indirect Participants will distribute to the beneficial owners (i) payments of interest and principal with respect to the Series 2015 Bonds, (ii) confirmation of ownership interests in the Series 2015 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as Owner of the Series 2015 Bonds, or that they will do so on a timely basis.

Transfers and Exchanges of Series 2015 Bonds Upon Abandonment of Book-Entry-Only System

The Owners of the Series 2015 Bonds have no right to the appointment or retention of a securities depository for the Series 2015 Bonds. DTC may resign as securities depository under the conditions provided in the Letter of Representations from the Authority to DTC. In the event of any such resignation, the Authority shall (i) appoint a successor securities depository qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository, and transfer or cause the transfer of one or more separate Series 2015 Bond certificates to such successor securities depository or (ii) notify DTC of the availability through DTC of Series 2015 Bond certificates and transfer or cause the transfer of one or more Series 2015 Bond certificates to DTC Participants having Series 2015 Bonds credited to their DTC accounts. In such event, the Series 2015 Bonds will no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving Series 2015 Bonds shall designate, in accordance with the provisions of the Indentures.

SECURITY FOR THE SERIES 2015 BONDS

The Series 2015 Bonds (and all other Parity Obligations) issued under each Indenture are limited obligations of the Authority issued pursuant to the Act and the Local Government Debt Reform Act.

The Series 2015 5307 Bonds are payable solely from and secured solely by (i) 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon.

The Series 2015 5337 Bonds are payable solely from and secured solely by (i) 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon.

The Series 2015 Bonds are not general obligations of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2015 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2015 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2015 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.

See the discussion herein under the heading **"CERTAIN INVESTMENT CONSIDERATIONS."**

Grant Receipts

The 5307 Grant Receipts and 5337 Grant Receipts are collectively referred to herein as the **"Grant Receipts."** The sole source of 5307 Grant Receipts available to the Authority to pay principal of and interest on the 5307 Bonds is its annual share of Section 5307 Formula Funds.

The sole source of 5337 Grant Receipts available to the Authority to pay principal of and interest on the 5337 Bonds is its annual share of Section 5337 Formula Funds.

See **"FEDERAL TRANSIT PROGRAM"** for descriptions of the Section 5307 Program and the Section 5337 Program and the methods by which the amount of Section 5307 Formula Funds and Section 5337 Formula Funds available to the Authority on an annual basis are determined.

Pledge of Security

Certain defined terms referenced in this section shall apply to the 5307 Indenture and Section 5337 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."** *Reference is hereby made to the Indentures for a complete statement of the provisions thereof.*

5307 Bonds. The 5307 Indenture pledges for the payment of the principal and Redemption Price of, and interest on, the 5307 Bonds and the payment of permitted obligations meeting the definition of Parity Obligations under the 5307 Indenture, in accordance with their terms and the provisions of the 5307 Indenture, and a lien is thereby granted for such purpose, subject only to the provisions of the 5307 Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the 5307 Indenture, (i) the 5307 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the 5307 Indenture (except the Rebate Fund), including investment earnings thereon, subject however to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund and the General Fund established under the 5307 Indenture as permitted under the 5307 Indenture (see **"- Funds and Accounts"** and **"- Flow of Funds – Grant Receipts"** below), and (iii) any and all other moneys and securities furnished from time to time to the 5307 Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the 5307 Trustee under the terms of the 5307 Indenture; *provided* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the 5307 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Hedging Transactions."** The 5307 Grant Receipts become pledged and therefore subject to the lien of the 5307 Indenture upon the receipt of such 5307 Grant Receipts by the Authority. Pursuant to Section 13 of the Local Government Debt Reform Act, the 5307 Grant Receipts and the other moneys and securities pledged by the 5307 Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

5337 Bonds. The 5337 Indenture pledges for the payment of the principal and Redemption Price of, and interest on, the 5337 Bonds and the payment of permitted obligations meeting the definition of Parity Obligations under the 5337 Indenture, in accordance with their terms and the provisions of the 5337 Indenture, and a lien is thereby granted for such purpose, subject only to the provisions of the 5337 Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the 5337 Indenture, (i) the 5337 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the 5337 Indenture (except the Rebate Fund), including investment earnings thereon, subject however to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund and the General Fund established under the 5337 Indenture as permitted under the 5337 Indenture (see **"- Funds and Accounts"** and **"- Flow of Funds – Grant Receipts"** below), and (iii) any and all other moneys and securities furnished from time to time to the 5337 Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the 5337 Trustee under the terms of the 5337 Indenture; *provided* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the 5337 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE - Hedging Transactions."** The 5337 Grant Receipts become pledged and therefore subject to the lien of the 5337 Indenture upon the receipt of such 5337 Grant Receipts by the Authority. Pursuant to Section 13 of the Local Government Debt Reform Act, the 5337 Grant Receipts and the other moneys and securities pledged by the 5337 Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Parity Obligations

The Series 2015 5307 Bonds are secured, as described under this caption, on a parity with the Outstanding 5307 Bonds. The Series 2015 5337 Bonds are secured, as described under this caption, on a parity with the Outstanding 5337 Bonds. Furthermore, each Indenture permits one or more Series of Bonds (**"Additional Bonds"**) to be issued on a parity with the Series 2015 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, for the purpose of paying the costs of construction of Eligible Projects or refunding any Subordinated Indebtedness issued under such Indenture for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds, and to make deposits to any Fund, Account or Sub-Account under such Indenture. Each Indenture also permits the issuance of one or more Series of Bonds (**"Refunding Bonds"**) on a parity with the Series 2015 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, to refund or advance refund any or all Outstanding Bonds of one or more Series or any Outstanding Section 207 Obligations under such Indenture (as described in the next paragraph), to pay costs and expenses incident to the issuance of such Refunding Bonds, and to make deposits to any Fund, Account or Sub-Account under such Indenture. See **"- Additional Bonds"** and **"- Refunding Bonds"** below.

Each Indenture permits the issuance of obligations, on a parity with the Series 2015 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, incurred by the Authority for the making of periodic payments (but not termination payments, which can only be secured on a subordinate basis) to any one or more Swap Providers (a **"Section 206 Obligation"**). Pursuant to each Indenture, the Authority may also incur obligations, that may be secured on a parity with the Series 2015 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, to reimburse amounts payable under reimbursement agreements or other evidences of indebtedness between the Authority and a Credit Bank (a **"Section 207 Obligation"**). Section 206 Obligations and Section 207 Obligations under each Indenture are referred to in this Official Statement, together with the respective 5307 Bonds or 5337 Bonds issued under such Indenture, as **"Parity Obligations."**

Funds and Accounts

Establishment of Funds and Accounts. Pursuant to each Indenture, the Authority establishes (i) the Grant Receipts Deposit Fund, which is held by the Authority; and (ii) the Debt Service Fund, the Construction Fund and the General Fund, each of which is held in trust by the applicable Trustee. Subject to use and application in accordance with each Indenture, moneys and investments held in the Grant Receipts Deposit Fund, the Debt Service Fund, the Construction Fund and the General Fund are pledged as security for the payment of debt service on the respective 5307 Bonds or 5337 Bonds and other Parity Obligations issued thereunder. Each Indenture also establishes a Rebate Fund which is not pledged to the payment of the bonds or other Parity Obligations issued thereunder. Each Indenture establishes three separate accounts in the Debt Service Fund, known as the **"Interest Account,"** the **"Principal Account"** and the **"Variable Rate Stabilization Account."** See the subheadings **"Variable Rate Stabilization Account"** and **"General Fund"** below for additional information regarding these funds and accounts. For a description of the priority of payments made from the Debt Service Fund, see **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Debt Service Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Debt Service Fund."** Each Indenture establishes a **"2015 Project Account"** in the Construction Fund.

Variable Rate Stabilization Account. Currently, there are no Variable Rate Bonds Outstanding under either Indenture, and no Qualified Swap Agreements relating to Bonds that are not Variable Rate Bonds that, as of the date of computation, require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index, as calculated under such Indenture. The Variable Rate Stabilization Account established under each Indenture is required to be funded in an amount equal to the Variable Rate Stabilization Account Requirement, which is calculated as 3.5 percent of the sum of (a) the principal amount of certain Outstanding Variable Rate Bonds, if any, and (b) the notional amount of all Qualified Swap Agreements, if any, relating to Bonds that are not Variable Rate Bonds that, as of the date of computation, require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index, as calculated under such Indenture. In the future, if the Authority issues Variable Rate Bonds or enters into Qualified Swap Agreements of the types described above pursuant to either Indenture, Grant Receipts pledged under the same Indenture may be applied to meet the requirement. See **"- Flow of Funds –Grant Receipts"** below, **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Deposit and Application of Grant Receipts"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE –**

Deposit and Application of Grant Receipts." For a description of the application of amounts on deposit in the Variable Rate Stabilization Account, see **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Debt Service Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Debt Service Fund."**

General Fund. A General Fund is established under each Indenture. Moneys in each General Fund shall be promptly withdrawn by the applicable Trustee and paid over to the Authority free from the lien of the Indenture under which it is established; *provided* that no such withdrawal from the General Fund may occur unless, at the time of such withdrawal, (i) no deficiency shall exist with respect to the required deposits to the Interest Account and the Principal Account of the Debt Service Fund established under the same Indenture; (ii) the sum then held in the Variable Rate Stabilization Account established under the same Indenture shall be not less than the Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred under the same Indenture and remain unremedied. The Authority may establish (i) one or more Debt Service Reserve Accounts within each General Fund for the purpose of providing additional security for the payment of one or more Series of Bonds and (ii) one or more Subordinated Indebtedness Accounts within each General Fund for the purpose of securing the payment of Subordinated Indebtedness. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - General Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – General Fund."**

Flow of Funds – Grant Receipts

Each Indenture requires that all Grant Receipts secured thereunder and received by the Authority shall be promptly deposited into the Grant Receipts Deposit Fund established thereunder. On the first Business Day of each Bond Year and (if required) on any subsequent Business Day during the Bond Year, the Authority is required to withdraw from the Grant Receipts Deposit Fund established under each Indenture and to pay over to the Trustee thereunder an amount sufficient to enable such Trustee to make payments into the following several Funds and Accounts established under the same Indenture:

First: Into the Interest Account of the Debt Service Fund, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations under such Indenture for each remaining Interest Period that ends in the current Bond Year;

Second: Into the Principal Account of the Debt Service Fund to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations under such Indenture for the current Bond Year;

Third: Into the Variable Rate Stabilization Account of the Debt Service Fund, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement;

Fourth: Into the Rebate Fund, the amount specified in a certificate of the Authority filed with the Trustee pursuant to such Indenture; and

Fifth: Into the General Fund, the amount specified in a certificate of an Authorized Officer of the Authority filed with the Trustee pursuant to such Indenture.

See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Deposit and Application of Grant Receipts"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Deposit and Application of Grant Receipts."**

Moneys held in the Grant Receipts Deposit Fund established under each Indenture may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects (as defined under such Indenture). If, however, after the first Business Day of any Bond Year a deficiency then exists in the deposits required to be made to the Grant Receipts Deposit Fund as described above, no withdrawals may be made unless the Authority has obligated a sum sufficient for the payment to the applicable Trustee of the amounts required by such Indenture as set forth above from appropriations applicable from the current or prior federal fiscal years (each a **"Federal Fiscal Year"** or **"FFY"**). Each Indenture also requires that if, as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the applicable Trustee as described above from current Federal Fiscal Year appropriations have not been obtained, then the Authority must take all necessary actions to reprogram available Formula Funds pledged under such Indenture appropriated in prior Federal Fiscal Years to the extent required to make such payments. See **"FEDERAL TRANSIT PROGRAM – Indenture Covenants with Respect to Section 5307 and Section 5337 Formula Program,"** and **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority."**

Additional Bonds

The issuance of one or more Series of Additional Bonds is authorized pursuant to each Indenture for the purpose of paying the cost of construction of one or more Eligible Projects under such Indenture or refunding any Subordinated Indebtedness thereunder issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account established under such Indenture. Such Additional Bonds may be issued only upon the delivery of a certificate of the Authority determining that the average Annual Apportionment Amount (as defined in **APPENDIX A**) for the three completed Federal Fiscal Years immediately preceding the date of issuance of such

Series of Additional Bonds is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding under such Indenture immediately following the issuance of such Additional Bonds constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in such Indenture shall be applied in determining the Annual Debt Service Requirements of such Bonds. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Additional Bonds for Construction Purposes"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Additional Bonds for Construction Purposes."**

The Authority may, subject to receipt of all necessary CTA Board approvals and as permitted by the applicable Indenture, issue Additional Bonds at future dates to finance capital needs as they may be identified in its capital plan from time to time and to the extent that they are also eligible under the applicable Section 5307 Program or Section 5337 Program. See **"THE AUTHORITY – Capital Plan"** for a further explanation of how the Authority's capital plan is developed.

Refunding Bonds

Each Indenture authorizes the issuance of one or more Series of Refunding Bonds to refund or advance refund any or all Outstanding Bonds of one or more Series under such Indenture, and any or all Outstanding Section 207 Obligations under such Indenture, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account established thereunder. Such Refunding Bonds may be issued only upon the receipt by the applicable Trustee of either (a) the certificate of the Authority described above under **"- Additional Bonds,"** as applied to the Refunding Bonds or (b) a certificate of the Authority stating that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding under such Indenture, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding under such Indenture, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests, if any of the Bonds Outstanding under such Indenture immediately prior to or after the issuance of the Refunding Bonds constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in such Indenture shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN**

PROVISIONS OF THE 5307 INDENTURE - Refunding Bonds" and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Refunding Bonds."**

Subordinate Obligations

No provision of either Indenture limits the ability of the Authority to issue bonds or other obligations payable from the Grant Receipts pledged to secure Bonds issued under such Indenture on a basis junior and subordinate to the payment of principal of, premium, if any, and interest on the Bonds issued thereunder. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Subordinated Indebtedness"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Subordinated Indebtedness."**

Investments

All amounts held under either Indenture are invested at the direction of the Authority in Investment Securities, as defined in **APPENDIX A**, subject to certain limitations contained therein. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Investment of Certain Moneys"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Investment of Certain Moneys."**

FEDERAL TRANSIT PROGRAM

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FEDERAL TRANSIT PROGRAM AS DESCRIBED HEREIN ARE SUBJECT TO CHANGE AT THE DISCRETION OF THE UNITED STATES CONGRESS, AND THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE PROGRAM WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE AUTHORITY TO RECEIVE ADEQUATE SECTION 5307 FORMULA FUNDS TO MAKE DEBT SERVICE PAYMENTS ON THE OUTSTANDING 5307 BONDS (INCLUDING THE SERIES 2015 BONDS) AND ADEQUATE SECTION 5337 FORMULA FUNDS TO MAKE DEBT SERVICE PAYMENTS ON THE OUTSTANDING 5337 BONDS (INCLUDING THE SERIES 2015 BONDS).

IN ADDITION, VARIOUS FACTORS BEYOND THE CONTROL OF THE AUTHORITY MAY AFFECT SUCH RECEIPTS, INCLUDING, WITHOUT LIMITATION NON-REAUTHORIZATION OF FUTURE FEDERAL TRANSPORTATION LEGISLATIVE PROGRAMS, FEDERAL BUDGETARY LIMITATIONS AND OTHER POSSIBLE CHANGES IN THE FEDERAL TRANSIT PROGRAM, THE AUTHORITY'S CONTINUED ELIGIBILITY AND APPLICATION FOR SUCH FUNDING AND CHANGES IN THE ALLOCATION BY THE RTA OF ITS FORMULA FUNDS AMONG THE SERVICE BOARDS. IN ADDITION, THE CALCULATION OF THE ANNUAL APPORTIONMENT UNDER THE FEDERAL TRANSIT PROGRAM FROM WHICH THE GRANT RECEIPTS ARE PAID IS BASED ON A FORMULA THAT TAKES INTO ACCOUNT, AMONG

OTHER FACTORS, TRANSIT PROPERTIES, THE TRANSIT SERVICES PROVIDED AND THE DEGREE SUCH SERVICES ARE UTILIZED. ACTIONS THAT THE AUTHORITY MAY TAKE AS A RESULT OF ITS BUDGETARY DECISIONS, SUCH AS DECREASES IN THE AMOUNTS DEVOTED TO CAPITAL PURPOSES, SERVICE CUTS OR FARE INCREASES, MAY HAVE A NEGATIVE IMPACT ON THESE COMPONENTS OF THE FORMULA USED TO CALCULATE THE ANNUAL APPORTIONMENT RESULTING IN A DECREASE IN THE AMOUNT OF FEDERAL TRANSIT FUNDS AVAILABLE TO THE AUTHORITY FOR GRANT RECEIPTS.

See **"CERTAIN INVESTMENT CONSIDERATIONS."**

General

The FTA's Urbanized Area Formula Program (the **"Section 5307 Formula Program"**), under which Section 5307 Formula Funds are disbursed to qualified recipients and FTA's State of Good Repair Formula Program (the **"Section 5337 State of Good Repair Program")** under which Section 5337 Formula Funds are disbursed to qualified recipients, are part of the Federal Transit Program (the **"Federal Transit Program"**) created by the United States Congress in support of public transit in the United States. As codified under Title 49 of the U.S. Code, one of the purposes of the Federal Transit Program is to provide funds for, and assist in financing, urban mass transportation capital improvement projects such as the Authority's Capital Improvement Plan.

History and Overview of the Federal Transit Program

The various purposes and administrative authority of the Federal Transit Program have been periodically modified and reauthorized by Congress. The Federal Transit Program had its origin in 1955 when the United States Congress authorized the Administrator of the Housing and Home Finance Agency to make loans to public bodies to assist in financing urban mass transportation capital improvement projects. This authority was later transferred to the United States Department of Housing and Urban Development and then expanded in 1964 with the passage of the Urban Mass Transportation Act (the **"UMT Act"**). In 1968, the Secretary of the Department of Transportation (the **"Secretary of Transportation"**) was given the authority to administer the UMT Act and the Urban Mass Transportation Administration (the **"UMTA"**) was created within the United States Department of Transportation. The UMT Act was reauthorized in 1970, 1974, 1978, 1982, 1987, 1991, 1998, 2005 and, most recently, in 2012. The President signed the most recent multi-year reauthorization legislation for the Federal Transit Program, the "*Moving Ahead for Progress in the 21st Century Act"* (P.L. 112-141), into law on July 6, 2012 (**"MAP-21"**).

Authorization. The first step in the implementation of the Federal Transit Program is the adoption by Congress of multi-year (or, under interim authorizations multi-month) authorizing federal legislation which has: (i) established or extended the funding sources for the Federal Transit Program; (ii) established the specific programs and procedures through which federal financial assistance for the Federal Transit Program is apportioned and made available to public entities, including the Authority; and (iii) set upper limits on funding for specific programs and for the overall Federal Transit Program. An "*authorization*" is the process by which Congress approves the parameters for the expenditure of federal revenues on federal programs. For the Federal Transit Program, authorization historically has been, and continues to be, provided on a multi-year basis. This permits grant recipients more certainty in planning long-term transit projects. The most recent multi-year authorization, MAP-21, became effective on October 1, 2012 and expired on September 30, 2014. The Highway and Transportation Funding Act of 2014 (P.L. 113-159) extended the MAP-21 programs through May 31, 2015. On May 29, 2015, the President signed the Highway and Transportation Funding Act of 2015 that extended the MAP-21 programs through July 31, 2015. In an effort to continue federal highway and FTA programs beyond July 31, 2015, the U.S. House of Representatives passed a bill on July 29, 2015 that would extend surface transportation funding through October 29, 2015. Such bill was approved by the U.S. Senate on July 30, 2015. This extension, the "*Surface Transportation and Veterans Healthcare Choice Improvement Act of 2015*" (the "**Extension Act**"), was signed into law by the President on July 31, 2015 and extends the authorization through October 29, 2015. Under the provisions of the Extension Act, $8.068 billion will be transferred from the General Fund of the United States Treasury to the Highway Trust Fund (the **"HTF"**), of which $2.0 billion will be allocated to the Mass Transit Account (the **"MTA"**) to fund grants under the federal transit programs, including the Section 5307 Program and the Section 5337 Program. As of the date of this Official Statement, the Authority has no assurance that the current authorizations will be extended, that new authorizations will be approved, or that additional fund transfers to the HTF and MTA will be authorized in the near term. See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."**

Annual Appropriations. An "*appropriation*" is the result of the annual federal budget process through which federal revenues are allocated to specific federal programs. Unlike an authorization, which only sets the upper limits on future funding for specific programs, an appropriation provides funds or permission to exercise contract authority to spend funds. All federal programs require congressional budget and/or contract authority before revenues may be committed and spent. Thus, the Federal Transit Program is subject to a two-step authorizing and appropriations process, with authorizing legislation describing the purposes for a specific program and setting a proposed level of spending, and appropriations legislation providing the budget authority or legal ability to spend federal revenues.

Funding the Federal Transit Program. Section 5338(a) of title 49 of the U.S. Code provides for the formula grant programs of the Federal Transit Program to be funded from the Mass Transit Account (the **"MTA"**) of the Highway Trust Fund (**"HTF"**). The HTF is a federal fund established to fund public transit and highway projects that is financed primarily by motor fuel taxes with dedicated revenues held in trust for reimbursement of expenditures for costs of eligible transportation projects. The MTA is an account within the HTF reserved for funding public transit projects.

The HTF is funded by collection of federally-imposed motor vehicle excise taxes on gasoline and diesel fuels and user fees. The 18.4 cents per gallon of federal gasoline excise taxes is the largest revenue source for the HTF and 2.86 cents per gallon go to the MTA. The MTA receives approximately 16 percent of federal gasoline tax revenues and 12 percent of federal diesel fuel tax revenues collected nationwide. The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently on a multi-year basis by MAP-21, which generally authorized HTF collections through FFY 2016. As previously noted, Congress has enacted several additional short-term extensions and has extended the Federal Transit Program and the life of the HTF through October 29, 2015. See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."** The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Since 2008, the actual amounts collected from dedicated motor fuel taxes and deposited in the HTF have not been sufficient to support the level of funding Congress authorized for the programs funded from the HTF and the MTA. To make up shortfalls of dedicated motor fuel tax revenues to satisfy project grant commitments and in response to future shortfalls predicted by the Congressional Budget Office (**"CBO"**) as well as other governmental entities, the United States Congress has transferred funds into the HTF from the General Fund of the United States Treasury.

The table below sets forth the history of maximum authorized spending levels of federal funding for the Federal Transit Program from the MTA:

Federal Transit Program Authorized Funding Levels
(in billions of dollars)

	2010	2011	2012	2013	2014	2015
MTA of HTF	$8.343	$8.361	$8.361	$8.478	$8.595	$8.595

The following table shows historical annual HTF receipts deposited into the MTA for the period FFY 2010 to FFY 2014.

Total Actual Annual Receipts - Mass Transit Account ($000)

FFY	Receipts
2010	$4,816,211
2011	$4,927,132
2012	$5,005,898
2013	$4,649,359
2014	$4,965,590

Source: Federal Highway Administration, Table FE-1

General Fund Transfers. As part of the overall federal funding of the HTF, and in response to shortfalls predicted by the CBO, the United States Congress has transferred funds from the General Fund of the United States Treasury to the HTF.

MAP-21 provided for additional transfers from the General Fund of the United States Treasury to the HTF of $6.2 billion in FFY 2013 all of which was transferred to the Highway Account of the HTF and $12.8 billion in Federal Fiscal Year 2014, of which $2.2 billion was intended for the MTA (not accounting for *"sequestration"*). In addition, MAP-21 transferred $2.4 billion from the Leaking Underground Storage Tank Trust Fund to the Highway Account of the HTF. The 2014 Transportation Funding Act provided for additional transfers from the General Fund of the United States Treasury to the HTF of $9.7 billion, of which $2 billion was provided to the MTA. The 2014 Transportation Funding Act also transferred $1 billion from the Leaking Underground Storage Tank Trust Fund to the Highway Account of the HTF.

General Revenues have provided a portion of Formula Program funding since 1976. The MTA (created in 1983) provided 24% of such funding in FFY 1986 and has provided an average of 80% of such funding since 1998. The table below shows the MTA revenues and Formula Program authorized funding levels for the years shown.

Federal Fiscal Year	**Tax Rate (¢ per gallon)**	**MTA Tax Revenues ($ millions)**	**Transit Funding Authorization by Source ($ millions)**		
			MTA	General Revenues	Total
1986	1.00	$1,113	$1,100	$3,540	$4,640
1990	1.00	1,395	1,300	2,350	3,650
1995	1.50	2,192	2,875	2,250	5,125
2000	2.86	4,673	4,644	1,159	5,803
2005	2.86	4,984	6,690	955	7,646
2010	2.86	4,816	8,343	2,169	10,512
2014	2.86	4,965	8,595	2,100	10,695

Source: Federal Highway Administration, Table FE-1

Sequestration. The Federal Office of Management and Budget issues annual reports pursuant to the Sequestration Transparency Act of 2012 (P.L. 112-155) on the consequences of sequestration for governmental operations or partial government shutdown. The mandate from the Budget Control Act of 2011 (P. L. 112-25) requires, among other things, a reduction for certain nonexempt defense discretionary programs, which began in 2013. While the HTF is not included in sequestration, and is therefore exempt from reduction, General Fund transfers into HTF resulting from MAP-21 are subject to reductions, if any, for sequestration. Although no sequestration reductions occurred for FFY 2015, sequestration reductions of General Fund transfers into the HTF in the amount of approximately $748.8 million occurred in FFY 2014, and could occur in the future.

Section 5307 Formula Funds and Section 5337 Formula Funds are funded by the gallonage taxes on highway motor fuel and are not subject to sequestration or the effects of a partial government shut down. These protections are in effect through FFY 2015. There can be no assurance, however, that Congress will continue any such budgetary protections in the future.

See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."**

Section 5307 and Section 5337 Formula Programs

Section 5307 Formula Program. The Section 5307 Formula Program is a grant program for urbanized areas with populations greater than 50,000 (each an *"urbanized area")* and provides capital, operating or planning assistance for public transportation. The Authority does not qualify for operating assistance grants under the Section 5307 Formula Program (which are generally available only to urbanized areas with populations below 200,000), but is eligible for grants related to capital and planning assistance. Funds are apportioned to urbanized areas utilizing a formula based on population, population density, and other factors associated with transit service and ridership. The transit service-related data used to determination the allocation of Section 5307 Formula Funds is compiled in strict adherence with requirements set forth in the legislatively-mandated National transit database (the **"NTD").** FTA compiles this summary of nation-wide data annually from transit operator-supplied, FTA-validated, individual reports containing extensive information about each transit property and the service it provides. Except when significant new transit service is added or significant existing service dropped during a year, the yearly data submitted by transit properties remains relatively constant as does the annual apportionments as a consequence.

Section 5337 State of Good Repair Program. The Section 5337 State of Good Repair Program is a grant program for urbanized areas with populations greater than 50,000 and provides funding for capital projects to maintain fixed guideway public transportation systems and high intensity motorbus public transportation systems (*(i.e,* motorbus transportation provided on facilities with access for other high-occupancy vehicles). To the extent that the Section 5337 State of Good Repair Program provides federal funding to maintain fixed guideway public transportation systems, the program replaces the rail modernization program previously authorized under Section 5309 of the Federal Transit Acts. Section 5337 State of Good Repair Program fixed guideway public transportation systems funds are apportioned to recipients in urbanized areas taking into account the fixed guideway vehicle revenue miles and directional route miles, weighted by the amount of rail modernization program funds the recipient would have received for FFY 2011. As is the case for the transit service-related factors used for the Section 5307 Formula Program, the vehicle revenue miles and directional route miles data for the Section 5337 State of Good Repair Program is compiled in strict adherence with requirements set forth in the legislatively-mandated NTD. The weighting of Section 5337 State of Good Repair Program formula to transit systems that received rail modernization funds in FFY 2011 results in relatively constant annual apportionments.

Funding of the Section 5307 and Section 5337 Formula Programs. The federal portion of the Section 5307 and Section 5337 Formula Programs is funded from the MTA. Once appropriated by Congress, Section 5307 and Section 5337 Formula Funds are allocated in accordance with the specifications of the authorizing legislation. Within ten days of the President's signing of appropriation legislation, FTA publishes a notice in the Federal Register (the **"Apportionment Notice"**) listing the amount of Section 5307 and Section 5337 Formula

Funds apportioned for each urbanized area. The Authority receives a portion of the funds that are apportioned to the Chicago, Illinois/Northwestern Indiana Urbanized Area (the **"Local Urbanized Area"**). For urbanized areas that cross state boundaries, such as the Local Urbanized Area, funding is allocated among the transit agencies based on agreement among the recipients on the final split of federal funds, as the FTA has not promulgated rules for further redistribution. Agreements are typically documented via the transmittal of identical letters from transit agencies within the urbanized areas to the FTA Regional Office of jurisdiction and the agreements to which the Authority is a party have been largely standardized over the years so that usually only very minor differences require negotiation.

Designated Recipient. For grant purposes and to assure coordination of funds in each urbanized area, Section 5307 and Section 5337 require that the Governor of each state designate a recipient or recipients (each a **"Designated Recipient"***)* to receive and dispense Section 5307 Formula Funds in urbanized areas with populations of greater than 200,000. For an urbanized area with more than one Designated Recipient, such as the Local Urbanized Area, the amounts available under both the Section 5307 and Section 5337 Formula Programs, as published in the Apportionment Notice, must be further allocated among the region's Designated Recipients by the Metropolitan Planning Organization or Organizations (each an **"MPO"**) for the urbanized area. For the Local Urbanized Area, this process is completed by the Chicago Metropolitan Agency for Planning (**"CMAP"**) and the Regional Transportation Authority (**"RTA"**). The Governor of Illinois has designated the Authority as the Designated Recipient of Section 5307 and Section 5337 Formula Funds for the Authority's allocation. As a Designated Recipient, the Authority is directly responsible for administering its allocation of the program, including applying for the appropriated funds.

Project Development and Selection. Before a grant recipient of Section 5307 or Section 5337 Formula Funds may apply for a grant, the recipient is required to develop a program of projects (the **"Program of Projects"**) for which the recipient proposes to use the respective Section 5307 or Section 5337 Formula Funds. The Program of Projects consists of a list of individual projects (e.g., lease/purchase of buses, construction of a maintenance facility, overhaul of locomotives, etc.) with brief descriptions of the work to be accomplished for each of the individual projects for which money is requested. Complying with a planning process is among the requirements grant recipients must satisfy in the development of the Program of Projects. Federal law requires that individual Transportation Improvement Programs (**"TIPs"**) be developed by each MPO**.** The TIP provides a detailed outline of projects that are proposed for implementation in the urbanized area covered by the MPO with a five-year timeframe. In addition, a statewide TIP (**"STIP"**), combining the TIPs for all of a state's urbanized areas, is submitted to the FTA for approval and projects must be included in the STIP to be eligible for funding. The grant recipient applies to FTA to fund a Program of Projects composed of projects as included in the TIP. Although not required by federal law, non-federal funds are also included in Illinois' STIP/TIPs in order to give a complete picture of transportation initiatives for the five year period. Processes are in place to make interim changes between STIP approvals. The Federal Highway Administration and FTA must approve the STIP.

*Grant Application and Obligation of Funds***.** Once the Apportionment Notice is published listing actual amounts of Section 5307 or Section 5337 Formula Funds available to the

Authority, the relevant MPO has made its allocations through the TIP, the grant recipient may electronically submit grant applications for a Program of Projects to the FTA. A typical grant application includes line item budget and project implementation information. During the application review process, the FTA confirms that required planning, environmental, and other necessary legal requirements have been satisfactorily fulfilled. Since 1995, the FTA has allowed grant applicants to self-certify compliance with many of the statutory requirements. Following successful review of an application for funds by a transit agency, FTA approves the application, obligates federal funds for specific Section 5307 or Section 5337 Formula Program eligible projects, and reserves the approved level of federal funding for those projects. Once obligated and reserved for the approved projects, such funds are available to the Designated Recipient until expended or until those funds are de-obligated if they will not be expended for the obligated purposes.

Program Implementation. Upon electronic acceptance of a Section 5307 or Section 5337 Formula Program grant by a transit agency such as the Authority, federal funds are "*set up*" in the FTA's Capital Project Accounting System (**"CPAS"**). The project description and budget line items in CPAS indicate those activities and amounts for which the Authority can seek federal reimbursement. Recipients of FTA funds are required to have financial systems sufficient to adequately account for, report on and bill for federal funds. The Authority's financial systems, including the CPAS, and methods of accounting, are reviewed by the FTA periodically, and no less than tri-annually, in accordance with the FTA's financial management oversight review process. Program implementation includes a wide range of activities which occur after the federal grant approval, largely on the part of the grant recipient, to undertake the project for which grant funds were made available and to seek drawdowns from such grant funds for eligible costs.

Grant Payments. Section 5307 and Section 5337 Formula Programs grant payments flow directly from the U.S. Treasury to a designated bank account of a transit agency such as the Authority via electronic transfer. Grant recipients may requisition funds for reimbursement of budgeted amounts in the CPAS for payment of invoices for eligible expenses. For the Authority those eligible expenses include payment of debt service on the respective Series 2015 5307 Bonds and Series 2015 5337 Bonds and the FTA has acknowledged the eligibility of the use of such grant receipts for such purposes by issuing a "*Letter of No Prejudice*" to the Authority. The Federal Transit Program requires that grant funds drawn for payment of debt service be disbursed by the grant recipient within three business days of receipt.

Grant recipients are required to make purchases and perform construction in accordance with all applicable federal and state statutes, rules and regulations. Quarterly written reports and periodic on-site review meetings are designed to keep the FTA informed of progress and any problems occurring as work proceeds.

Reprogramming. Once projects are in the implementation phase - where the FTA has approved project budgets and plans - but before actual expenditure, projects and their corresponding sources of funding may be reprogrammed. Reprogramming involves the amendment of previously approved capital project plans and budgets to allow for the expenditure of apportioned and allocated Federal Transit Program formula funds on other eligible and approved projects. The Authority has agreed in each Indenture to take all the necessary steps to reprogram available Section 5307 or Section 5337 Formula Funds appropriated in prior Federal Fiscal Years to the extent there are insufficient Grant Receipts to pay debt service on the respective 5307 Bonds or 5337 Bonds. See **"SECURITY FOR THE SERIES 2015 BONDS - Flow of Funds - Grant Receipts."**

Lapsing of Apportioned Section 5307 and Section 5337 Formula Funds. Section 5307 and Section 5337 Formula Funds apportioned to an urbanized area must be requested by the Designated Recipient in the area and obligated by FTA within five years following the year of apportionment. If such funds are not obligated within this timeframe, the unobligated funds apportioned to the urbanized area lapses and revert to FTA. FTA, in turn, which reapportions those lapsed funds in the following FFY nationally on the basis of the applicable federal formulas. Once Section 5307 or Section 5337 Formula Funds are obligated by FTA to a Designated Recipient such as the Authority, the funds remain available until spent by the Designated Recipient or de-obligated by FTA. Historically, the Authority has taken all steps necessary to apply for all apportioned and available funds in a FFY and to retain those funds for expenditure in accordance with grant purposes.

Authority Participation in Section 5307 and Section 5337 Formula Programs

General. The financing of, or the reimbursement for prior expenditures related to, the Authority's capital plan is eligible for payment from the Grant Receipts made available to the Authority under the Section 5307 Program and the Section 5337 Program. The Authority may finance additional projects, not currently approved by the Authority and RTA Boards and included in the list of projects comprising the Authority's capital plan, with the proceeds of the respective 5307 Bonds and 5337 Bonds to the extent that such additional projects are approved by the Authority and RTA Boards for inclusion in the Authority's capital plan and meet the eligibility requirements of the Indentures and the applicable Section 5307 Program and the Section 5337 Program. In addition, the Authority may pay for the costs of projects meeting the eligibility requirements of the Section 5307 Program and the Section 5337 Program directly from Grant Receipts available and released from the lien of the Indentures after all required deposits have been made for each Bond Year. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the Section 5307 Program and the Section 5337 Program in order to be eligible to receive Grant Receipts for the payment of the respective series of 5307 Bonds and 5337 Bonds and to facilitate the prompt receipt by the Authority of Grant Receipts. See **APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority"** and **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties Regarding the Authority's Participation in Section 5307 and Section 5337 Formula Programs."**

Authority Satisfaction of Local Share Requirement. The Federal Transit Program, of which the Section 5307 Program and the Section 5337 Program is a part, requires grant recipients such as the Authority to provide a matching non-federal share for a portion of the total costs of projects eligible for reimbursement. The Section 5307 Program and the Section 5337 Program provide for funding of up to 80 percent of the net project cost for eligible capital projects. The remainder of the net project costs are required to be funded from non-federal sources and, with certain exceptions, sources other than revenues derived from providing mass transit. Federal legislation permits states to apply amounts equal to toll revenue that has been used for the construction or improvement of public highway facilities as a credit toward the non-federal matching requirement for transit projects. The Federal Highway Administration has allocated $696 million in transportation development credits (formerly referred to as toll revenue credits) to the State of Illinois that can be used to meet the non-federal matching requirements of Federal Transit Program funds available to transit providers in Illinois. If fully leveraged, this allocation represents the non-federal matching requirement for approximately $3 billion in Federal Transit Program funds.

The Illinois Department of Transportation (**"IDOT"**), as administrator of the transportation development credits allocated to the State, approves the use of such credits for the purpose of fulfilling the non-federal matching requirement at the time grant applications are made to the FTA. The Authority requests transportation development credits through the Illinois Department of Transportation annually. The State approves the request and officially forwards the approval notice to FTA and the Authority for each grant. This allows the grants to be approved using transportation development credits as the local match.

Historically, IDOT and the FTA have approved the use of transportation development credits to meet the non-federal matching requirements with respect to the projects for Outstanding Bonds. Use of transportation development credits to meet the federal matching requirement under the Section 5307 Program and the Section 5337 Program will enable the Authority to use Grant Receipts for 100 percent of the debt service on the Series 2015 Bonds. The use of transportation development credits does not constitute a pledge of funds by the State. No assurance can be given that the State will approve the use of transportation development credits for the purpose of meeting the non-federal matching requirement; that credits for toll revenue expended on public highway facilities will continue to be recognized for this purpose under the Federal Transit Program; or whether the matching requirements will continue to be at the levels of the current Section 5307 Program and Section 5337 Program.

CMAP/RTA Allocation. Section 5307 Formula Funds and Section 5337 Formula Funds are apportioned by the FTA to the Local Urbanized Area. Funds apportioned to the Local Urbanized Area are currently allocated between Indiana and Illinois by CMAP, the MPO with jurisdiction over the Local Urbanized Area, and the RTA. The Chicago, Illinois share of the Section 5307 Formula Funds and the Section 5337 Formula Funds are further divided, as determined by the RTA, between the Service Boards. Historically, the allocation policy has resulted in allocation to each Service Board of total grant funds received for all formula grant programs as follows: 58 percent to the Authority, 34 percent to Metra and 8 percent to Pace. See **"THE AUTHORITY — The RTA"** and **"CERTAIN INVESTMENT CONSIDERATIONS – RTA Allocation to the Authority."**

Beginning in FFY 2013 with the Federal MAP-21 transit authorization, two new formula programs were implemented, and this resulted in a larger apportionment of total federal formula funds to the Illinois and Indiana Local Urbanized Area. In addition to Section 5307 urbanized area funds, the Federal formula funds now included one new larger program Section 5337 State of Good Repair (SOGR) which incorporated the former 5309 Fixed Guideway formula program, and a smaller Section 5339 Bus & Bus Facilities. These programmatic changes resulted in a significant increase in the total of federal formula receipts for the Illinois and Indiana Local Urbanized Area. As a result, the share that those Section 5307 allocations represent of the Authority's total federal formula program receipts has decreased.

The table on the following page sets forth, for the FFYs 1989 through 2015, the allocation of Section 5307 Formula Funds to the Local Urbanized Area (such allocation referred to in the tables as the **"Apportionment"**), and the portion of the Apportionment designated for reallocation by the RTA. The table also shows the Section 5307 Formula Funds allocated by the RTA to the Authority in these years. Please note that, prior to FFY 1998, a portion of the total Apportionment of Section 5307 Formula Funds was allocated to operating assistance rather than to capital purposes. Operating assistance, as a use of Section 5307 Formula Funds, was phased out gradually over several years, which had the effect of increasing the amount and percentage of the total apportionment that went to capital purposes (second column of the Section 5307 table).

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Section 5307 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA

FFY	Chicago, Illinois - Northwestern Indiana Urbanized Area Apportionment	Illinois Share of Apportionment for Capital Purposes	Percent of Apportionment Representing Illinois Share of Apportionment for Capital Purposes	Additional Apportionment Allocated from Small Urbanized Areas to the Illinois Share	Amount of Apportionment Available for Allocation by RTA	Authority's Share of RTA's Allocation of Apportionment	Percent of Apportionment Allocated by RTA to Service Boards that RTA Allocates to Authority
1989	$127,216,030	$ 71,608,448	56.3%	$3,076,379	$ 74,684,827	$ 39,779,442	55.6%
1990	129,537,325	74,565,100	57.6%	3,123,179	77,688,279	42,359,009	56.8%
1991	137,406,291	78,809,952	57.4%	3,332,947	82,142,899	50,734,241	64.4%
1992	135,294,920	79,838,897	59.0%	4,366,737	84,205,634	45,416,143	56.9%
1993	114,384,364	60,731,370	53.1%	3,737,520	64,468,890	39,943,872	65.8%
1994	158,569,976	102,756,433	64.8%	5,346,931	108,103,364	62,391,453	60.7%
1995	157,922,848	107,365,991	68.0%	5,517,481	112,883,472	66,595,890	62.0%
1996	127,782,235	97,425,146	76.2%	4,522,303	101,947,449	53,949,288	55.4%
1997	131,887,681	102,321,493	77.6%	4,736,797	107,058,290	61,918,213	60.5%
1998	152,230,242	138,704,840	91.1%	5,509,622	144,214,462	79,916,844	57.6%
1999	167,113,625	157,966,749	94.5%	6,089,511	164,056,260	95,448,016	60.4%
2000	178,741,915	169,753,163	95.0%	6,624,296	176,377,459	102,610,363	60.4%
2001	184,873,615	175,625,150	95.0%	7,013,911	182,639,061	106,201,321	60.5%
2002	202,416,015	191,012,720	94.4%	7,687,200	198,699,920	115,798,354	60.6%
2003	207,630,956	197,895,728	95.3%	1,055,341	198,951,069	115,633,961	58.4%
2004	206,199,235	196,777,085	95.4%	3,577,960	200,355,045	116,345,988	59.1%
2005	219,681,170	207,598,706	94.5%	2,349,956	209,948,662	122,314,262	58.9%
2006	206,185,774	196,964,492	95.5%	3,478,895	200,443,387	103,368,905 (1)	52.5%
2007	217,980,206	208,231,440	95.5%	3,677,898	211,909,338	122,545,497	58.9%
2008	236,394,434	225,822,125	95.5%	4,027,448	229,849,573	133,087,409	58.9%
2009	247,951,415	237,073,826	95.6%	4,191,428	241,265,254	139,760,381	59.0%
2010	246,458,013	235,907,242	95.7%	4,094,711	240,001,953	139,100,007	59.0%
2011	242,185,715	231,847,604	95.7%	4,033,774	235,881,378	136,490,604	58.9%
2012	237,681,626	227,355,080	95.7%	4,022,882	231,377,962	133,737,028	58.8%
2013	243,898,183	232,300,100	95.2%	4,740,323	237,040,423	123,453,366	53.1%
2014	248,726,641	237,212,881	95.4%	4,151,173	241,364,054	125,579,498	52.9%
2015	247,783,226	236,434,754	95.4%	3,990,134	240,424,888	124,916,687	52.8%

Source: FFYs 1989-2015: Authority

(1) Prior to 2004, RTA did not provide a separate breakout for funds from Small Urbanized Areas.

In FFY 2006 the RTA requested that the Authority, in its grant application to the FTA, request $11.8 million less in Section 5307 Formula Funds than the amount that the RTA would have typically approved as the Authority's request from the Local Urbanized Area apportionment. The $11.8 million in Section 5307 Formula Funds was instead requested as part of Pace's grant application. In return, the RTA distributed $11.8 million in RTA discretionary capital funds to the Authority. These RTA discretionary capital funds were not deposited under the Indenture in the Grant Receipts Deposit Fund but were used by the Authority to finance Section 5307 eligible projects that would have otherwise been funded Section 5307 Formula Funds. Without this exchange, the Authority's allocation of Section 5307 Formula Funds in FFY 2006 would have been $115.2 million.

The table on the following page sets forth the allocation of Section 5309 Rail Modernization Funds for the FFYs 1989 through 2012 and the Section 5337 State of Good Repair Formula Funds allocation for FFY 2013 and 2015 to the Local Urbanized Area. The Section 5337 Program was created by MAP-21 to replace the Section 5309 Fixed Guideway Modernization Program and became effective as of FFY 2013.

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Section 5309/5337 Formula Funds Apportioned to
Chicago, Illinois - Northwestern Indiana Urbanized Area
Allocated to Illinois for Further Allocation by RTA

FFY	Chicago, Illinois - Northwestern Indiana Urbanized Area Apportionment	Illinois Share of Apportionment for Capital Purposes	Percent of Apportionment Representing Illinois Share of Apportionment for Capital Purposes	Additional Apportionment Allocated from Small Urbanized Areas to the Illinois Share	Amount of Apportionment Available for Allocation by RTA	Authority's Share of RTA's Allocation of Apportionment	Percent of Apportionment Allocated by RTA to Service Boards that RTA Allocates to Authority
1989	$ 85,805,763	$ 80,400,000	93.7%	$ -	$ 80,400,000	$ 49,500,000	61.6%
1990	59,498,399	55,750,000	93.7%	-	55,750,000	30,700,000	55.1%
1991	89,765,208	84,110,000	93.7%	-	84,110,000	35,435,000	42.1%
1992	83,263,607	78,018,000	93.7%	-	78,018,000	46,370,000	59.4%
1993	95,910,090	89,867,754	93.7%	-	89,867,754	52,695,000	58.6%
1994	106,448,328	99,742,083	93.7%	-	99,742,083	55,979,000	56.1%
1995	104,160,523	97,598,410	93.7%	-	97,598,410	55,819,000	57.2%
1996	93,740,449	87,834,801	93.7%	-	87,834,801	53,514,000	60.9%
1997	103,913,474	97,366,925	93.7%	-	97,366,925	57,727,067	59.3%
1998	107,434,390	100,666,023	93.7%	-	100,666,023	59,682,475	59.3%
1999	113,008,639	105,900,396	93.7%	-	105,900,396	61,126,843	57.7%
2000	121,618,120	113,968,340	93.7%	-	113,968,340	65,790,201	57.7%
2001	126,992,048	119,004,246	93.7%	-	119,004,246	68,752,957	57.8%
2002	132,997,580	124,632,032	93.7%	-	124,632,032	71,734,178	57.6%
2003	139,131,661	130,380,280	93.7%	-	130,380,280	75,368,893	57.8%
2004	139,271,688	130,511,499	93.7%	3,504,312	134,015,811	76,726,355	57.3%
2005	139,260,042	130,506,540	93.7%	1,943,575	132,450,115	76,278,262	57.6%
2006	148,635,642	139,286,460	93.7%	2,321,756	141,608,216	83,212,490	58.8%
2007	158,124,928	148,178,870	93.7%	2,661,899	150,840,769	87,868,470	58.3%
2008	166,374,638	155,909,420	93.7%	3,156,546	159,065,966	92,465,034	58.1%
2009	173,603,836	162,684,155	93.7%	3,334,878	166,019,033	96,410,964	58.1%
2010	172,867,327	161,993,972	93.7%	3,164,656	165,158,628	95,911,716	58.1%
2011	172,891,401	162,016,532	93.7%	3,089,615	165,106,147	96,028,538	58.2%
2012	172,466,436	161,618,297	93.7%	3,069,133	164,687,430	95,927,170	58.2%
2013	208,170,422	195,792,484	94.1%	4,960,979	200,753,463	126,561,966	63.0%
2014	213,971,735	201,211,811	94.0%	4,328,770	205,540,581	129,579,932	63.0%
2015	214,866,868	202,168,236	94.1%	4,248,288	206,416,524	130,132,156	63.0%

Source: FFYs 1989-2015: Authority

(1) Prior to 2004, RTA did not provide a separate breakout for funds from Small Urbanized Areas.

The RTA's Estimates of the Allocation of Section 5307 and Section 5337 Apportionments to the Authority FFY 2016- FFY 2020

The table below sets forth, for the FFYs 2016 through 2020, the RTA's estimate of its apportionment of Section 5307 and Section 5337 Formula Funds and its allocation to the Authority.

	2016	2017	2018	2019	2020
5307 Grant Apportionment					
Total RTA 5307	$241,364,054	$248,604,976	$256,063,124	$263,745,018	$271,657,369
Authority	$125,579,499	$129,346,884	$133,227,290	$137,224,109	$141,340,832
Authority%	**52.03%**	**52.03%**	**52.03%**	**52.03%**	**52.03%**
5337 Grant Apportionment					
Total RTA 5337	$205,540,582	$211,706,800	$218,058,004	$224,599,743	$231,337,736
Authority	$129,579,932	$133,467,330	$137,471,350	$141,595,490	$145,843,355
Authority% 5337	**63.04%**	**63.04%**	**63.04%**	**63.04%**	**63.04%**

Source: RTA 2016-2020 Capital Federal Funding Estimates

The Authority does not receive Section 5307 Formula Funds or Section 5337 Formula Funds from the FTA until moneys are expended for costs permitted by the underlying grants. Historically, the Authority does not expend the full amount of its Annual Apportionment Amount in the year the grants are awarded and the Section 5307 Formula Funds and the Section 5337 Formula Funds are obligated. The amount of Annual Apportionment Amounts from prior Federal Fiscal Years not expended varies throughout the year and from year to year. See **"SECURITY FOR THE SERIES 2015 BONDS — Flow of Funds — Grant Receipts," APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority"** for a description of covenant of the Authority, regarding the use of such unexpended Annual Apportionment Amounts, in the event that grant approvals required to provide sufficient Grant Receipts to pay debt service on the Bonds have not been obtained.

Indenture Covenants with Respect to Section 5307 and Section 5337 Formula Programs

Failure to maintain general eligibility for the receipt of federal funds under the Section 5307 and Section 5337 Formula Program could prevent the Authority from receiving Grant Receipts sufficient to pay debt service on the applicable Series 2015 5307 Bonds or Section 5337 Bonds when due. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the respective Section 5307 and Section 5337 Formula Program in order to be eligible to receive Grant Receipts for the payment of the respective Series 2015 5307 Bonds and Series 2015 5337 Bonds and to facilitate the prompt receipt of such Grant Receipts. The Authority has further covenanted to: (i) to take all reasonable actions necessary or desirable to facilitate prompt payment of Section 5307 and Section 5337 Formula

Funds to the Authority, (ii) apply for the appropriation of Section 5307 and Section 5337 Formula Funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee described above under the caption **"SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Flow of Funds - Grant Receipts"** to the end of the next Bond Year and cause such Section 5307 and Section 5337 Formula Funds to be obligated for such purposes as to the earliest possible date in such FFY, and (iii) if, as of the last Business Day of any FFY, the grant approvals required to make the payments to the Trustee described in (ii) above have not been obtained, take all necessary actions to reprogram available Section 5307 and / or Section 5337 Formula Funds appropriated in prior FFYs to the extent required to make such payments. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE – Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority."**

Flow of Grant Receipts

The following is an overview of the requisition and application of Grant Receipts to provide for the security and payment of the Authority's Outstanding 5307 Bonds and Outstanding 5337 Bonds (including the Series 2015 Bonds).

The Authority requisitions Grant Receipts for payment of debt service on the Outstanding Bonds (including the Series 2015 Bonds) through the FTA's Capital Project Accounting System. The payment of principal of and interest on the Series 2015 5307 Bonds or Series 2015 5337 Bonds is eligible for payment from the Formula Funds pledged to secure such Series of Bonds made available to the Authority under the applicable Formula Program.

Pursuant to the Federal Transit Program, payments of Grant Receipts flow directly from the U.S. Treasury to the Authority via electronic transfer. The Grant Receipts become pledged and subject to the lien of the Indenture securing such Bonds upon the receipt of such Grant Receipts by the Authority and prior to the deposit of such funds in the Grant Receipts Deposit Fund under the Indenture. Pursuant to Section 13 of the Local Government Debt Reform Act, Grant Receipts are immediately subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Each Indenture requires that all Grant Receipts pledged under such Indenture that are received by the Authority shall be promptly deposited into the Grant Receipts Deposit Fund established under such Indenture. The Federal Transit Program requires that all Grant Receipts of the Authority for payment of debt service on Outstanding Bonds (including the Series 2015 Bonds) be disbursed by the Authority within three business days of receipt and be applied solely to the purposes for which they were requisitioned (payment of debt service on the Outstanding Bonds).

The flow of funds under each Indenture provides for the transfer of funds on the first Business Day of each Bond Year which generally corresponds to the beginning of the FFY (the 12-month period commencing on October 2 of a year, and ending on October 1 of the next succeeding year) from the Grant Receipts Deposit Fund to the Debt Service Fund under such

Indenture in amounts sufficient to pay the principal of and interest on the Outstanding Bonds (including the Series 2015 Bonds) due and payable for the current Bond Year under such Indenture.

The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the applicable Formula Program in order to be eligible to receive Grant Receipts for the payment of the Series 2015 Bonds secured by such Indenture and to facilitate the prompt receipt of such Grant Receipts. Failure to comply with such laws could result in the Authority becoming ineligible to receive federal grant funds, including Formula Funds.

The Authority has covenanted in the Indenture: (i) to take all reasonable actions necessary or desirable to facilitate prompt payment of Formula Funds to the Authority, (ii) apply for the appropriation of Section 5307 Formula Funds and Section 5337 Formula Funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the applicable Trustee described under the caption **"SECURITY FOR THE SERIES 2015 BONDS - Flow of Funds – Grant Receipts"** to the end of the next Bond Year and cause such Section 5307 Formula Funds or Section 5337 Formula Funds to be obligated for such purposes as of the earliest possible date in such FFY, and (iii) if, as of the last Business Day of any FFY, the grant approvals required to make the payments to the Trustee described in (ii) above have not been obtained, take all necessary actions to reprogram available Section 5307 Formula Funds and Section 5337 Formula Funds appropriated in prior FFYs to the extent required to make such payments.

The Authority's covenants under each Indenture are enforceable by the Trustee as provided in such Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Events of Defaults and Remedies"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Events of Defaults and Remedies."**

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5307 BONDS HISTORICAL DEBT SERVICE COVERAGE AND DEBT SERVICE REQUIREMENTS

5307 Bonds Historical Coverage of Debt Service by 5307 Formula Fund Allocations

The following table sets forth the historical coverage of debt service on the 5307 Bonds by the 5307 Formula Funds allocated to the Authority and available to be requisitioned by the Authority for the payment of debt service on the 5307 Bonds for the periods shown:

PERIOD ENDING JUNE 1	AUTHORITY'S 5307 FORMULA FUNDS ALLOCATED*	MAXIMUM ANNUAL DEBT SERVICE	DEBT SERVICE COVERAGE
2005	$122,314,262	$30,339,225	4.03x
2006	103,368,905	51,699,863	2.00
2007	122,545,497	51,699,863	2.37
2008	133,087,409	56,949,238	2.34
2009	139,760,381	56,949,238	2.45
2010	139,100,007	60,143,988	2.31
2011	136,490,604	60,659,125	2.25
2012	133,737,028	60,659,125	2.20
2013	123,453,366	60,659,125	2.04
2014	125,579,498	60,659,125	2.07
2015	124,916,687	60,655,913	2.06

* See **"FEDERAL TRANSIT PROGRAM – CMAP/RTA Allocation – Table entitled *Section 5307 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA.*"** Note that for any period the 5307 Formula Funds allocated to the Authority may be more or less than the actual 5307 Grant Receipts for the same period, due to the fact that Grant Receipts reflect amounts requisitioned by the Authority from funds allocated to the Authority for the same period or unused allocations carried over from a prior period.

5307 Bonds Debt Service Requirements

The following table sets forth the debt service requirements for the 5307 Bonds following the refunding of the Refunded 5307 Bonds:

ENDING JUNE 1	OUTSTANDING 5307 BONDS	SERIES 2015 5307 BONDS PRINCIPAL	SERIES 2015 5307 BONDS INTEREST	TOTAL DEBT SERVICE
2016	$ 32,600,662.50	$	$ 4,649,145.83	$ 37,249,808.33
2017	37,265,275.00		6,563,500.00	43,828,775.00
2018	11,309,275.00	27,000,000.00	6,563,500.00	44,872,775.00
2019	11,309,275.00	31,275,000.00	5,213,500.00	47,797,775.00
2020	11,309,275.00	31,585,000.00	3,649,750.00	46,544,025.00
2021	11,309,275.00	41,410,000.00	2,070,500.00	54,789,775.00
2022	35,909,275.00			35,909,275.00
2023	35,909,262.50			35,909,262.50
2024	35,910,825.00			35,910,825.00
2025	35,905,987.50			35,905,987.50
2026	35,907,887.50			35,907,887.50
2027	35,339,750.00			35,339,750.00
2028	35,336,250.00			35,336,250.00
2029	20,975,000.00			20,975,000.00
Total	$386,297,275.00	$131,270,000.00	$28,709,895.83	$546,277,170.83

5337 BONDS HISTORICAL DEBT SERVICE COVERAGE AND DEBT SERVICE REQUIREMENTS

5337 Bonds Historical Coverage of Debt Service by 5337 Formula Fund Allocations

The following table sets forth the historical coverage of debt service on the 5337 Bonds by the 5337 Formula Funds allocated to the Authority and available to be requisitioned by the Authority for the payment of debt service on the 5337 Bonds for the periods shown:

PERIOD ENDING JUNE 1	AUTHORITY'S 5337 GRANT RECEIPTS*	MAXIMUM ANNUAL DEBT SERVICE	DEBT SERVICE COVERAGE
2008	$92,465,034	$29,467,825	3.14x
2009	96,410,964	29,467,825	3.27
2010	95,911,716	30,808,825	3.11
2011	96,028,538	30,808,825	3.12
2012	95,927,170	30,808,825	3.11
2013	126,561,966	30,808,825	4.11
2014	129,579,932	30,808,825	4.21
2015	130,132,156	30,808,825	4.22

*See **"FEDERAL TRANSIT PROGRAM – CMAP/RTA Allocation – Table entitled *Section 5337 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA.*"** Note that for any period the 5337 Formula Funds allocated to the Authority may be more or less than the actual 5337 Grant Receipts for the same period, due to the fact that Grant Receipts reflect amounts requisitioned by the Authority from funds allocated to the Authority for the same period or unused allocations carried over from a prior period.

5337 Bonds Debt Service Requirements

The following table sets forth the debt service requirements for the 5337 Bonds following the refunding of the Refunded 5337 Bonds:

ENDING JUNE 1	OUTSTANDING 5337 BONDS	SERIES 2015 5337 BONDS PRINCIPAL	SERIES 2015 5337 BONDS INTEREST	TOTAL DEBT SERVICE
2016	$ 27,027,575.00	$ -	$ 1,616,770.83	$ 28,644,345.83
2017	28,235,575.00	-	2,282,500.00	30,518,075.00
2018	28,235,725.00	290,000.00	2,282,500.00	30,808,225.00
2019	28,229,800.00	305,000.00	2,268,000.00	30,802,800.00
2020	28,230,625.00	320,000.00	2,252,750.00	30,803,375.00
2021	28,230,425.00	335,000.00	2,236,750.00	30,802,175.00
2022	28,231,750.00	350,000.00	2,220,000.00	30,801,750.00
2023	28,231,775.00	370,000.00	2,202,500.00	30,804,275.00
2024	14,760,687.50	13,855,000.00	2,184,000.00	30,799,687.50
2025	14,761,412.50	14,550,000.00	1,491,250.00	30,802,662.50
2026	14,760,375.00	15,275,000.00	763,750.00	30,799,125.00
2027	14,426,000.00			14,426,000.00
2028	14,421,750.00			14,421,750.00
Total	$297,783,475.00	$45,650,000.00	$21,800,770.83	$365,234,245.83

THE AUTHORITY

General

The Metropolitan Transportation Authority Act authorized the creation of the Authority in 1945 as a political subdivision, body politic, and municipal corporation of the State. The Authority began operating on October 1, 1947, after it acquired the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, the Authority became the sole operator of Chicago transit when it purchased the Chicago Motor Coach system. The Authority was formed primarily for the purpose of operating and maintaining a public transportation system in the metropolitan area of Cook County.

Operations

The Authority is the nation's second largest public transit system. The Authority operates public mass transit service, including bus and rail service, in the City of Chicago and 35 surrounding suburbs/neighboring communities. The service area of the Authority has a population of approximately 3.5 million. The Authority carries over 80% percent of the public transit riders in the six-county Northeastern Illinois region, comprised of the Counties of Cook, DuPage, Kane, Lake, McHenry and Will (the **"Northeastern Illinois Transit Region"** or the **"Region"**). The transit services provided by the Authority are part of the regional public mass transportation service system in the Region provided through the independent operations of the Authority, Metra (suburban rail) and Pace (suburban bus). The Authority, Metra and Pace are referred to collectively as the **"Service Boards."**

The Authority has approximately 1,885 buses that operate over 128 routes. The buses serve approximately 11,048 posted bus stops. The Authority's 1,400 rapid transit cars operate over eight routes. These trains serve 146 stations. Together, the Authority's buses and trains provide about 1.7 million passenger trips each weekday.

Funding

On November 19, 2014, the CTA Board adopted the President's 2015 Budget Recommendations (the **"President's 2015 Budget Recommendations"**) and was approved by the RTA Board on December 17, 2014. The President's 2015 Budget Recommendations include, among other things, the President's 2015 Proposed Operating Budget, 2016 - 2017 Proposed Operating Financial Plan and 2015 - 2019 Capital Improvement Plan and Program. The Authority's Operating Budget for Fiscal Year 2015 (ending December 31, 2015) and its operating financial plan for Fiscal Years 2016 and 2017 were considered and approved by the CTA Board and approved by the RTA, as described below under **"- RTA Financial Oversight."**

The Authority's current operating budget for 2015 is approximately $1,443.7 million. Approximately 40.8% of the operating budget is funded from fare revenues. Another 6.8% of the operating budget is funded from contributions from local governments, reduced fare subsidies and other revenue sources (including investment income and advertising and concession revenues). The balance of the operating budget of approximately 52.4% or $756.185 million is funded from public funding available through the RTA and other sources.

Approved operating budgets, including the Authority's operating budget for fiscal year 2015, may be obtained upon request of the Authority and from the Authority's web site, *www.transitchicago.com/business/financebudget.aspx.*

The Authority's capital budget for 2015 is approximately $802 million. The capital budget is funded from a combination of Federal, State, and local dedicated funds and grants and the proceeds of bonds. The Authority's five-year capital budget for 2015 - 2019 is $2.4 billion. See **"Capital Plan"** below.

Administration

The governing and administrative body of the Authority is the CTA Board consisting of seven members. Three CTA Board members are appointed by the Governor of the State, with the advice and consent of the Illinois Senate, subject to approval by the Mayor of the City. One of the members appointed by the Governor must be a resident of the metropolitan area outside the City. Four members are appointed by the Mayor with the advice and consent of the City Council, subject to approval by the Governor. The CTA Board elects one of its members as chairman for a maximum term of three years. Each member serves for a seven-year term and until his or her successor has been appointed and qualified; *provided* that, in the case of an appointment to fill a vacancy, the appointed member serves during the remainder of the vacated term and until his or her successor has been appointed and qualified.

The current members of the CTA Board are as follows:

Terry Peterson, Chairman of the Board, was reappointed to the CTA Board by Mayor Emanuel in September 2013. His current term as a member runs through September 1, 2020, and he was elected Chair by the transit board effective September 1, 2013. He has been a member since October 2009. Mr. Peterson is currently Vice President of Governmental Affairs at Rush University Medical Center in which he leads and implements federal, state and local government relations initiatives. Formerly, he was CEO of the Chicago Housing Authority and prior to that he was Alderman of the City of Chicago's 17th Ward.

Reverend Charles E. Robinson has been pastor of Holy Starlight M.B. Church in the Lawndale community since 1987. Reverend Robinson was initially appointed to the CTA Board by Mayor Richard M. Daley in 2002 and reappointed by Mayor Daley in 2008 for a term that expired in September 2014 and pursuant to State law continues to serve on the CTA Board until reappointed or replaced. Reverend Robinson has served as Chairman of the Community Bank of Lawndale's Advisory Board, President of the North Lawndale Ministers' Council, and Vice President of the Westside Baptist Ministers' Conference.

Alejandro Silva, Chairman of the Committee on Finance, Audit and Budget, was appointed to the CTA Board by Mayor Richard M. Daley in March 2004 and reappointed by Mayor Daley in February 2009 for a term expiring on September 1, 2015. Mr. Silva is the Chairman of the Evans Food Group, Ltd., an international food production company with facilities in North America and Europe. A native of Mexico, Mr. Silva is active in numerous business and civic organizations, such as the Mexican American Chamber of Commerce and the Chicago Council on Foreign Relations.

Kevin Irvine was appointed to the CTA Board in December 2011 by Mayor Emanuel for a term that expired in September 2014 and pursuant to State law continues to serve on the CTA Board until reappointed or replaced. He is currently an advisor on the Chicago Transit Authority Infrastructure Accessibility Task Force and was formerly Chair of the ADA Advisory Committee. He also served as senior and transportation advocate for Equip for Equality, Inc. (EFE), an Illinois designated protection agency for people with disabilities.

Ashish Sen was appointed to the CTA Board in March 2012 by Governor Pat Quinn for a four year term expiring in September 2016. He is Professor Emeritus at the University of Illinois in Chicago. Mr. Sen served as Director of the Bureau of Transportation Statistics for the United States Department of Transportation and was former member of the Board of Chicago Board of Education and Chairman of the Budget Committee.

Arabel Alva Rosales was appointed to the CTA Board in March 2015 by Governor Bruce Rauner for a term expiring in September 2021. She is President of AAR & Associates, Ltd in Chicago and is very active in numerous business and civic organizations including the City of Chicago Affirmative Action Advisory Board, IHCC Foundation, Women's Business Development Center and the Better Government Association Advisory Council.

Andre Youngblood was appointed to the CTA Board in March 2015 by Governor Bruce Rauner for a term expiring in September 2018. He is currently an Underwriting Director at the Allianz Insurance Corporation with over twenty years of experience in the insurance industry.

The current officers of the Authority are as follows:

Dorval Carter became President of the Chicago Transit Authority in May 2015. Before that he was the US Department of Transportation Acting Chief of Staff. In addition he previously held positions at the Federal Transit Administration (FTA) including Assistant Chief Counsel and Regional Counsel; he was sworn in as the Federal Transit Administration's 14th Chief Counsel in 2009 and later served as the Acting Deputy Administrator for the FTA. He began his legal career with the Authority, where he held various positions including staff attorney, legal assistant to the General Attorney, Acting General Attorney, and Deputy General Attorney for Corporate Law and later served as the Executive Vice President and Chief Administrative Officer of the Chicago Transit Authority, including serving as its Acting President. Mr. Carter is a member of the Transportation Research Board's National Research Council and Chair of the TRB's Committee on Transit and Intermodal Transportation Law. He is a Senior Fellow from the Council for Excellence in Government Fellows Program and Vice Chairman of the Board of Directors for Saint Anthony Hospital. A graduate of Carroll University in Waukesha, Wisconsin, where he is a member of the Board of Trustees, he also holds a Juris Doctor degree from Howard University School of Law and is a member of the Illinois and Federal Bars.

Ronald DeNard, Chief Financial Officer and Treasurer, was appointed in February 2013 by the President and has considerable private and public sector experience spanning over 25 years managing financial operations. Previously, he was the Chief Financial Officer of Johnson Publishing Company, Director of Finance of Exelon, Vice President of

Finance at L'Oreal and Soft Sheen Carson and Chief Financial Officer of the Chicago Park District.

Karen G. Seimetz has been the General Counsel of the Chicago Transit Authority since December 2010 and oversees and manages the day-to-day operations of its Law Department involving litigation, transactions, procurement, real estate, ethics and labor and employment-related disputes. Prior to joining the Authority, she spent 14 years in the Law Department at the City of Chicago and, before coming to the Authority, was the Department's First Assistant Corporation Counsel. She began her legal career at the law firm of Phelan, Pope and John, a firm specializing in complex litigation, where she became a partner.

Gregory Longhini is the Assistant Board Secretary of the CTA Board. Mr. Longhini joined the Authority in 1998. Previously, Mr. Longhini had been a Deputy Commissioner of the Chicago Department of Planning and Development and a Senior Research Associate with the American Planning Association.

Divisions

The Authority is comprised of four major divisions: transit operations, facilities maintenance and construction, power and way maintenance and construction, and operations support. As of June 6, 2015, the Authority had approximately 11,117 employees.

Labor Relations

As of June 3, 2015, the Authority has labor agreements with seventeen different unions representing approximately 10,000 employees.

The Amalgamated Transit Union Locals 241 and 308 (the **"ATU Locals"**) represent approximately 8,600 of the Authority's unionized employees. The Authority and the ATU Locals are parties to a tentative agreement for a collective bargaining agreement for the term January 1, 2012 through December 31, 2015.

The Craft Coalition of Trades Unions (the **"Craft Unions"**) consists of thirteen unions that represent approximately 1,300 of the Authority's craft employees. The Authority and Crafts Unions are parties to a tentative agreement for a collective bargaining agreement for the term January 1, 2012 through December 31, 2016.

I.A.M.-Dist. No. 8 (**"I.A.M.-8"**) represents approximately forty of the Authority's civil, structural and track engineers. The Authority and I.A.M.-8 are parties to a tentative agreement for a collective bargaining agreement in regards to those employees for the term January 1, 2012 through December 31, 2016. The Authority and I.A.M.-8 are negotiating the terms of a first collective bargaining agreement with respect to certain architects, engineers and quality improvement technicians now represented by the union.

The Authority has three separate contracts with IBEW Local 134, which represents certain of the Authority's electricians along with the controllers, yardmasters and road masters. The Authority has tentative agreements for collective bargaining agreements for each of these units for the term January 1, 2012 through December 31, 2016.

Ironworkers Local 1 represents approximately 80 employees. The Authority and Local 1 are parties to a collective bargaining agreement with a term from June 1, 2013 to May 31, 2016.

Capital Plan

The Authority prepares a capital plan each year which is comprised of capital projects the Authority intends to undertake within a five-year period to renovate and improve the physical infrastructure of its system, subject to available funding. Generally, the capital plan is based on available funding for the current year of the plan and on projected funding receipts for the four out-years of the plan. Sources of funding available to the Authority for its capital projects include: federal grant funding from the Federal Transit Administration of the United States Department of Transportation (the **"FTA"**) under the FTA's Urbanized Area Formula Program, 49 U.S.C. Section 5307 Urbanized Area Formula Program 49 U.S.C. Section 5337 State of Good Repair Program, other federal funds, funding from the State of Illinois Department of Transportation, and funding from the RTA. A capital plan may be revised from time to time, depending on changing circumstances, to add or delete specific capital projects.

The Authority's 2015-2019 $2.4 billion Capital Improvement Program (the **"Capital Plan"**) includes funds to purchase replacement buses and railcars and to complete the major rehabilitation of the Wilson Station and rebuilding of the 95th Street Terminal. Other projects will upgrade maintenance facilities, modernize the Authority's bus and rail fleets, replace track and upgrade signals on segments of the O'Hare Blue Line, upgrade stations and track throughout the system, replace track and structure on the Brown Line and rehabilitate a number of power substations on the Blue, Brown and Red Lines. The Capital Plan contemplates that the Authority will issue $145 million of Bonds or other debt.

Authority Ridership Trends

Total Authority ridership for 2014 decreased by 15.0 million rides which represented a 2.83 percent decline from the 2013 total, due, in part, to the sustained period of extreme cold weather conditions in the first quarter of the year. Of note, rail ridership reached its highest total in 2014 since modern records began in 1961. Total Authority ridership for 2013 decreased by 16.3 million rides which represented a 2.99 percent decline from the 2012 total, which was due, in part, to the five-month shutdown of the Red Line during its renovation. Total Authority ridership for 2012 increased by 13.6 million rides which represented a 2.56 percent growth from the 2011 total. In 2012, the annual total of 545.5 million rides was the highest annual total in the last 22 years, and followed an increase of 2.9 percent in 2011, making 2011-2012 one of the strongest two-year periods in the past 50 years. The following table provides a breakdown of the Authority's ridership trends since 2009 (including rail-to-rail transfers).

YEARLY RIDERSHIP - UNLINKED PASSENGER TRIPS(1)
(In Millions)

Authority	**2009**	**2010**	**2011(2)**	**2012**	**2013**	**2014**	**2015(4)**
Bus	318.7	306.0	310.3	314.4	300.1	276.1	279.7
Rail	202.6	210.9	221.6	231.1	229.1	238.1	242.8
Total	521.2	516.9	531.9	545.5	529.2	514.2	522.5
Change	-0.97%	-0.83%	2.90%	2.56%	-2.99%(3)	-2.83%	1.61%

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(1) Each boarding of a transit vehicle by a passenger is counted as an unlinked passenger trip. A single journey by one passenger, consisting of one or more trips (boardings), is referred to as a linked trip.
(2) In 2008, the Illinois General Assembly and the Chicago City Council passed requirements that the Authority provide free bus and rail service to certain qualifying groups. On March 17, 2008 the "*Seniors Ride Free*" program began. On May 1, 2008, the Authority began to implement a military free ride program; this program was fully implemented on August 4, 2008. Beginning October 24, 2008, the Authority also began providing free rides to eligible persons with disabilities through the "*Circuit Breaker Permit Ride Free*" program. On September 1, 2011, the "*Seniors Ride Free*" program transitioned to an income-based qualification.
(3) Reduction in passenger trips due, in part, to an increase in the prices of passes and impact of the Red Line renovation.
(4) Projected.

2015 Operating Budget

On November 19, 2014, the CTA Board approved the Operating Budget for Fiscal Year 2015 and 2016-2017 Financial Plan. RTA's Board subsequently approved the operating budget as submitted on December 17, 2014. The Authority's Operating Budget for Fiscal Year 2015 is balanced, as required, at $1.444 billion. The operating budget includes $756.2 million in public funding and $589.2 million in fare and pass revenues.

Financial Information

The Series 2015 Bonds are not general obligations of the Authority and the assets and revenues of the Authority (other than the Grant Receipts) are not pledged for the payment of the Series 2015 Bonds or the interest thereon. Solely for informational purposes, the Authority has included its audited financial statements for its fiscal years 2013 and 2014 (ending December 31) attached hereto as **APPENDIX C**.

Debt Obligations

As of July 1, 2015, the Authority had approximately $4.322 billion aggregate principal amount of outstanding bonded indebtedness and approximately $174.561 million of outstanding capitalized lease obligations.

Obligations Secured by a Parity Pledge of 5307 Grant Receipts. Of the outstanding bonded indebtedness referenced above, approximately $410,615,000 aggregate principal amount of Outstanding 5307 Bonds (including the Refunded Bonds) is secured by a parity pledge of 5307 Grant Receipts. See **"5307 BONDS HISTORICAL DEBT SERVICE COVERAGE**

AND DEBT SERVICE REQUIREMENTS" for a summary of the annual debt service for the Outstanding 5307 Bonds (excluding the Refunded Bonds) and the Series 2015 5307 Bonds.

Obligations Secured by a Parity Pledge of 5337 Grant Receipts. Of the outstanding bonded indebtedness referenced above, approximately $265,205,000 aggregate principal amount of Outstanding 5337 Bonds (including the Refunded Bonds) is secured by a parity pledge of 5337 Grant Receipts. See **"5337 BONDS HISTORICAL DEBT SERVICE COVERAGE AND DEBT SERVICE REQUIREMENTS"** for a summary of the annual debt service for the Outstanding 5337 Bonds (excluding the Refunded Bonds) and the Series 2015 5337 Bonds.

Obligations Secured by a Pledge of Sales Tax Receipts. Of the amounts referenced above, approximately $199,200,000 aggregate principal amount of outstanding debt is secured by a pledge of sales tax receipts, consisting of (i) the currently outstanding Pension and Retirement Debt Obligations, which include $1,255,130,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2008A (Pension Funding), and $618,945,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding), (ii) $550,000,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2010, (iii) $476,905,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2011, and (iv) $555,000,000 Sales and Transfer Tax Receipts Revenue Bonds, Series 2014. The existing Pension and Retirement Debt Obligations are also secured by a pledge of certain transfer taxes.

Capitalized Lease Obligations. The capitalized lease obligations outstanding consist of (i) $72,285,000 of obligations under the Public Building Commission Lease incurred in connection with the acquisition and construction of the Authority's headquarters and (ii) $102,276,254 of lease obligations incurred in connection with the financing of a portion of the Authority's bus fleet.

Obligations Secured by a Pledge of Farebox Revenues. The Authority has entered into Loan Agreements with the United States Department of Transportation in the aggregate principal amount of $199,200,000 (the **"TIFIA Loans"**) pursuant to the credit program under the Transportation Infrastructure Finance and Innovation Act. The TIFIA Loans are secured by a pledge of the Authority's farebox revenues (**"Farebox Revenues"**) under a master trust indenture. In addition, the Authority has entered into an agreement with Cubic Transportations Systems Chicago, Inc. for the financing, installation and operation of a fare collection system, which agreement includes a payment obligation to Cubic in the amount of $30,000,000 per year for the term of the agreement, with the primary source of repayment being the Farebox Revenues.

Pension and Other Post-Employment Benefit Obligations

General Overview. The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a trusted, single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees (the **"Retirement Plan"**). The Retirement Plan was first established by an agreement between the Authority and its collective bargaining units in 1949 (**"Plan Agreement"**), available at http://www.ctaretirement.org/retirement-plan/CTABooklet.pdf), which has since been amended and is currently governed by Section 22-101 of the Illinois Pension Code (40 ILCS 5/22-101) (the **"Pension Code"**). The Authority's contributions to the Retirement Plan and benefits for participants in the Retirement Plan are governed by the Plan Agreement and the Pension Code.

The Retirement Plan is governed by an 11-member Board of Trustees (the **"Board"**) established under the Pension Code. The Retirement Plan's primary sources of funding come from the Authority's contributions, the employees' contributions, and investment income on the Retirement Plan's assets. The amount of benefits payable under the Retirement Plan, the calculation of the Authority and employee contribution amounts, and other aspects of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code. The Authority's minimum contributions and the employee contributions, determined pursuant to statutorily prescribed formulas under the Pension Code, do not equal the Annual Required Contribution (or **"ARC"**) as determined by the independent actuary engaged by the Retirement Plan. As of the 2014 Actuarial Valuation, the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined Annual Required Contribution and have resulted in an Unfunded Actuarial Accrued Liability (or **"UAAL"**) of $1,212.9 million and a Funded Ratio of 60.9%.

In 2008, the Authority issued its Pension and Retirement Debt Obligations (**"Pension Bonds"**) in two series in an aggregate amount of $1,936,855,000. Proceeds of the Pension Bonds in the amount of approximately $1,110 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529 million were deposited into the RHCT. For more information, see **"THE AUTHORITY — Debt Obligations**." As a result of 2008 amendments to the Pension Code, the Authority's required annual contributions to the Retirement Plan are reduced by the amount of yearly debt service paid on the Pension and Retirement Debt Obligations up to a maximum of 6% of compensation paid by the Authority for the year.

The Authority also maintains three separate, non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the **"Supplemental Pension Plans"**). The Supplemental Pension Plans are closed to new participants and are described in the Authority's audited financial statements for Fiscal Years 2013 and 2014 attached to this Official Statement as **APPENDIX C**. Prior to 2008, health care benefits for retirees were administered by the Retirement Plan. Amendments to the Pension Code enacted by the Illinois State legislature in 2008 (the **"2008 Amendments"**), transferred administration of the retiree health care benefits formerly administered by the Retirement Plan to a separate and newly created Retiree Health Care Trust (**"RHCT"**) and terminated the obligation of the Retirement Plan to provide or fund health care benefits for current or future retirees. In *Matthews et al. v. Chicago Transit Authority et al.* 11 CH 15446, Authority employees and retirees claimed that, due to changes in healthcare arising under the 2008 Amendments, the Authority, the Retirement Plan and the RHCT breached certain fiduciary and contractual obligations to provide healthcare benefits under collective bargaining agreements. No fact discovery has occurred in the case but the Circuit Court and Illinois Appellate Court have ruled on certain issues. In May 2015, the parties argued all issues in the case before the Illinois Supreme Court, and a decision is pending. As is true with any complex litigation and particularly in the absence of a ruling from the Illinois Supreme Court and any fact discovery, neither the Authority nor its counsel is able to predict either the eventual outcome of such litigation or its impact on the Authority's finances.

Additional Information.[*] Information relating to the Retirement Plan is contained in the Authority's audited financial statements for Fiscal Years 2013 and 2014 attached to this Official Statement as **APPENDIX C**. Additional information regarding the Retirement Plan and the RHCT is available on the website maintained by the Retirement Plan and the RHCT at www.ctaretirement.org. In addition documents produced by the Retirement Plan and the RHCT, including their respective actuarial valuations (the **"Actuarial Valuations"**) prepared by independent actuaries and their respective financial statements prepared by independent auditors are available at www.ctaretirement.org). The 2014 Annual Review by the State of Illinois Office of Auditor General's "*2014 Annual Review of Information Submitted by the Retirement Plan for CTA Employees*" and its "*2014 Annual Review of Information Submitted by the Retiree Health Care Trust*" is available at www.auditor.illinois.gov). A copy of the Investment Policy of the Retirement Plan is available at http://www.ctaretirement.org/retirement-plan/investment-policy/.

The RTA

The RTA was created by the RTA Act in 1974. The RTA provides funding, planning and fiscal oversight for regional bus and rail operations in northeastern Illinois. The regional bus and rail systems are operated by three **"Service Boards"** - the Authority; the Commuter Rail Division (**"Metra"**), and the Suburban Bus Division (**"Pace"**).

Pursuant to P.A. 95-708, effective as of April 1, 2008, the governing body of the RTA is its Board of Directors which consists of sixteen persons. Five directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. Four directors are appointed by the commissioners of the Cook County Board elected from districts in which a majority of the electors reside outside the City of Chicago. One director is appointed by the President of the Cook County Board, with the advice and consent of the commissioners of the Cook County Board, selected from districts in which a majority of electors reside outside the City of Chicago. One director each is appointed by the Chairman or Chief Executive of the County Boards of the Collar Counties, with the advice and consent of the respective County Boards. The Chairman of the Board of the RTA is appointed by eleven members of the Board with at least two votes from each sub-region of Chicago, Suburban Cook County and the Collar Counties. The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

RTA Financial Oversight

The RTA Act vests responsibility for operating budget financial oversight for each Service Board in the RTA. Responsibility for operations and day-to-day management of rail and bus service rests with the Service Boards. The RTA's financial oversight responsibility is implemented principally through the operating budget process, in which each Service Board,

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[*] The references in this paragraph to the locations of the Additional Information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of Bondholders and there is no assurance that such Additional Information will be maintained or updated at such website locations in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Board nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

including the Authority, submits an annual budget and two-year financial plan for approval by the RTA. The RTA Act sets criteria which proposed budgets and financial plans must meet in order for the RTA Board to adopt a consolidated budget and financial plan.

The RTA Board, by the affirmative vote of twelve of its directors, determines whether the results of operations are substantially in accordance with the adopted budget and certifies such to the Governor, the Mayor of the City of Chicago and the Auditor General of the State. If a Service Board is found not to be substantially in compliance with its budget, the RTA may direct that Service Board to submit a revised budget meeting the mandated criteria. If a Service Board's budget does not meet the criteria, the RTA must release 75 percent of a Service Board's statutory share of sales tax and Public Transportation Fund revenues, to the Service Board. The RTA has never withheld funds from the Authority as the result of a non-compliant budget submission.

The RTA Act also requires the RTA to prepare and adopt each year a five-year capital program. The Authority submits its five-year capital plan to the RTA for inclusion as a component of the RTA's five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000, unless the project has been incorporated in the five-year capital program.

CERTAIN INVESTMENT CONSIDERATIONS

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Authority to pay principal of and interest on the Series 2015 Bonds, and which could also affect the marketability of, or the market price for, the Series 2015 Bonds to an extent that cannot be determined.

The purchase of the Series 2015 Bonds involves certain investment considerations that are discussed throughout this Official Statement. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in the Official Statement. **Each prospective purchaser of any Series 2015 Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing investments such as the Series 2015 Bonds.**

Limited Obligations

The Series 2015 Bonds are limited obligations of the Authority issued pursuant to the Act and the Local Government Debt Reform Act. The Series 2015 5307 Bonds are payable solely from and secured solely by (i) 5307 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon. The Series 2015 5337 Bonds are payable solely from and secured solely by (i) 5337 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon.

The Series 2015 Bonds are not general obligations of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2015 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2015 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2015 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.

Uncertainties in Receipt of Sufficient Grant Receipts

There can be no assurance that sufficient 5307 Grant Receipts will be received by the Authority to pay the debt service on the 5307 Bonds, including the Series 2015 5307 Bonds, when due. There can be no assurance that sufficient 5337 Grant Receipts will be received by the Authority to pay the debt service on the 5337 Bonds, including the Series 2015 5337 Bonds, when due.

While the Authority believes that sufficient 5307 Grant Receipts and 5337 Grant Receipts will be received to pay debt service on the respective series of the 5307 Bonds and 5337 Bonds, including the Series 2015 Bonds, to their maturity, various factors beyond the control of the Authority may affect such receipts, including, without limitation non-reauthorization of future federal transportation legislative programs, federal budgetary limitations and other possible changes in the Federal Transit Program, the Authority's continued eligibility and application for such funding and changes in the allocation by the RTA of its Formula Funds among the Service Boards). In addition, the calculation of the annual apportionment under the Federal Transit Program from which the Grant Receipts are paid is based on a formula that takes into account, among other factors, transit properties, the transit services provided and the degree such services are utilized. Actions that the Authority may take as a result of its budgetary decisions, such as decreases in the amounts devoted to capital purposes, service cuts or fare increases, may have a negative impact on these components of the formula used to calculate the annual apportionment resulting in a decrease in the amount of federal transit funds available to the Authority for Grant Receipts. See **"FEDERAL TRANSIT PROGRAM."**

Uncertainties in Federal Transit Program and Funding

Legislative Authorization. Congressional authorization of the Federal Transit Program, historically has been provided on a multi-year basis to permit grant recipients more certainty in planning long-term transit projects. The most recent long-term authorizing legislation SAFETEA-LU was enacted in 2005 and expired on September 30, 2009 without enactment of a new multi-year reauthorization program. In order to avoid a halt in the Federal Transit Program, Congress enacted successive short term interim authorizations. The President signed the most recent authorizing legislation, MAP-21 into law on July 6, 2012 which extended the program through September 30, 2014. The authorization for the current Surface Transportation Program has been extended several times, including the extension under the *"Highway and Transportation Funding Act of 2015,"* signed into law on May 29, 2015 and extending the authorization through July 31, 2015. In an effort to continue federal highway and FTA programs beyond July 31, 2015, the U.S. House of Representatives passed a bill on July 29, 2015 that would extend surface transportation funding through October 29, 2015. Such bill was approved by the U.S. Senate on July 30, 2015. This extension, the *"Surface Transportation and Veterans Healthcare Choice Improvement Act of 2015"* (the **"Extension Act"**), was signed into law by the President on July 31, 2015 and extends the authorization through October 29, 2015. Under the provisions of the Extension Act, $8.068 billion will be transferred from the General Fund of the United States Treasury to the HTF, of which $2.0 billion will be allocated to the MTA to fund grants under the federal transit programs, including the Section 5307 Program and the Section 5337 Program. As of the date of this Official Statement, the Authority has no assurance that the current authorizations will be extended, that new authorizations will be approved, or that additional fund transfers to the HTF and MTA will be authorized in the near term.

In addition, the federal legislative authorization for the collection of a majority of the federal motor fuel taxes and other taxes that make up the primary source of revenue for highway and transit spending expires on September 30, 2016. As of the date of this Official Statement, the Authority has no assurance that the current authorizations will be extended or that new authorizations will be approved in the near term.

Dedicated Motor Fuel Tax Funding of Federal Transit Program. Historically, funding of the Federal Transit Program was provided by dedicated Motor Fuel Tax Revenues that are deposited in the Mass Transit Account (MTA) of the Highway Trust Fund (HTF) in the federal treasury. Since 2008, dedicated Motor Fuel Tax Revenues have declined and have not been sufficient to fund the level of federal appropriations for the Federal Transit Program.

One significant factor affecting the availability of Motor Fuel Tax Revenues in the HTF is the decline in vehicle miles traveled (**"VMT"**) since 2007, which impacts revenue from gasoline and diesel fuel sales. Decline in VMT and increases in vehicle fuel economy will have an adverse impact on the HTF. On August 28, 2012 the U.S. DOT and the U.S. EPA implemented new corporate average fuel economy standards that increased the standard from the 2016 standard of 35.5 mpg to a standard of 54.5 mpg in 2025. The availability of Motor Fuel Tax Revenues in the HTF can also be affected by the rate of expenditure of moneys in the HTF as well as a number of other revenue-impacting factors.

General Fund Appropriations to HTF. In recent years total federal allocations for transportation projects has exceeded funding available from dedicated Motor Fuel Tax Revenues and other sources. Shortfalls have been made up from transfers from the federal General Fund. In response to shortfalls predicted by the Congressional Budget Office as well as other governmental entities, the United States Congress transferred from the General Fund of the United States Treasury to the HTF in FFYs 2008, 2009 and 2010 an aggregate total of approximately $34.5 billion, of which approximately $5 billion was provided to the MTA within the HTF. These actions allowed state departments of transportation to continue to meet their financial obligations and sustain hundreds of millions of dollars of construction projects that had been put on hold after U.S. Secretary of Transportation Mary Peters announced on September 5, 2008 that federal-aid payments to the states would be partially withheld because of a shortage of funds. MAP-21 provided for additional transfers from the General Fund of the United States Treasury to the HTF of $6.2 billion in FFY 2013 and $12.8 billion in FFY 2014, of which $2.2 billion was provided to the MTA. In addition, MAP-21 transferred $2.4 billion from the Leaking Underground Storage Tank Trust Fund to the HTF. There is no assurance that subsequent transfers will continue.

*Federal Budget Issues; Sequestration***.** The Budget Control Act of 2011 (the **"BCA"**) mandates significant reductions and spending caps on the federal budget for the federal fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the **"Super Committee"**) to develop a plan by November 23, 2011 to further reduce the federal deficit in the amount of $1.5 trillion. As the Super Committee failed to act, the BCA mandated that a 2% reduction in certain governmental spending was triggered to take effect on January 2, 2013. Certain prior transfers from the General Fund of the United States Treasury to the HTF were subject to such reduction. See **"FEDERAL TRANSIT PROGRAM — Funding of Federal Transit Program - Sequestration"** herein.

Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon the Authority and its receipt of Grant Receipts, and its ability to pay debt service on the Series 2015 Bonds and Parity Obligations.

Shortfalls in Available Highway Transportation Funds for Reimbursements. The Federal Highway Administration (**"FHWA"**) has reported that, as of March 31, 2015, the MTA had a cash balance of $2.6 billion. The Congressional Budget Office has indicated that if the United States Congress does not take action to replenish the HTF, the HTF may have difficulty meetings all of its funding obligations during the summer of 2015. In the event the MTA did not have sufficient funds to fund all existing obligation authority the FTA would be required to take measures which would delay reimbursements that are owed to transit agencies such as the Authority. The FTA would implement procedures to slow down reimbursement authorizations to extend the Program, including changing from daily to weekly reimbursements, aligning reimbursements with HTF deposits (bi-weekly) and making proportional payments to states based on available cash. The specific actions to be taken would depend upon the exact nature of the shortfall. If such measures are instituted, the Authority may not have sufficient Grant Receipts to pay principal of and interest on the Series 2015 Bonds as and when due.

Congressional Proposals Regarding Federal Transit Program Authorization and Funding. Various proposals are being considered to address the HTF's future funding, including an increase in motor fuel taxes, a variety of new taxes (including a tax on VMT) and other funding sources for the HTF. There can be no assurance that any of these proposals will be enacted by the United States Congress. In addition, there can be no assurance that Congress will continue to appropriate General Fund revenues to make up such shortfalls. The willingness of Congress to appropriate general fund revenues for such purpose is dependent on many factors including economic conditions and the sufficiency of available federal funds to satisfy other federal programs and governmental purposes of the federal government.

Terms of the Federal Transit Program. The terms and conditions of the Authority's participation in the Federal Transit Program are subject to change at the discretion of Congress. There can be no assurance that the laws and regulations now governing the program will not be changed in the future in a manner than could adversely affect the ability of the Authority to timely receive sufficient Grant Receipts in amounts to make payments of scheduled debt service on the 5307 Bonds and the 5337 Bonds, including the Series 2015 Bonds, when due.

Uncertainties Regarding the Authority's Participation in the Federal Formula Programs

Authority Actions Impacting Formula Funds. The annual apportionment under the Federal Transit Program of 5307 Formula Funds and 5337 Formula Funds to transit agencies, including the Authority, is based on a formula that takes into account, among other factors, transit properties, the transit services provided and the degree such services are utilized. Actions that the Authority may take as a result of its budgetary decisions, such as decreases in the amounts devoted to capital purposes, service cuts or fare increases, may have a negative impact on these components of the formula used to calculate the annual apportionment resulting in a decrease in the amount of federal transit funds available to the Authority for Grant Receipts. In addition, the receipt of Formula Funds is dependent on the funding of required matching funds for the Project by the Authority. The Authority expects to continue to receive transportation development credits to use as a "soft-match." See **"FEDERAL TRANSIT PROGRAM - Authority Participation in Section 5307 and Section 5337 Formula Programs**

Failure to Maintain Eligibility for Formula Funds. Failure to maintain general eligibility for the receipt of federal funds under the Section 5307 Formula Program and the Section 5337 Formula Program could prevent the Authority from receiving Grant Receipts sufficient to pay debt service on the 5307 Bonds and the 5337 Bonds, including the Series 2015 Bonds, when due. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the Section 5307 Formula Program and the Section 5337 Formula Funds in order to be eligible to receive Grant Receipts for the payment of the Series 2015 Bonds and to facilitate the prompt receipt of such Grant Receipts.

RTA Allocation to the Authority

The RTA determines the allocation between the three Service Boards of the Section 5307 Formula Funds and Section 5337 Formula Funds annually available to Illinois from the Local Urbanized Area. While this allocation has been performed in accordance with a policy put in place by the RTA, no assurance can be given that this policy (i) will not be deviated from on an exception basis, (ii) will not change in the future, or (iii) would maintain, if changed, the proportionate share the Authority receives under the current policy.

Limitations on Remedies of Bondholders

The remedies available upon an event of default under either Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to the enforceability of the various documents by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

Neither Indenture contains a provision allowing for the acceleration of the series of the Series 2015 Bonds issued thereunder in the event of a default in the payment of principal of and interest on such series of the Series 2015 Bonds when due. In the event of a default under an Indenture, each Bondholder under such Indenture will have the right to exercise the remedies provided in such Indenture. See **APPENDIX A -- "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Events of Default and Remedies"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Events of Default and Remedies."**

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2015 Bonds are subject to the approving opinion of Mayer Brown LLP, Chicago, Illinois, and Charity & Associates, P.C., Chicago, Illinois, Co-Bond Counsel. The proposed forms of the opinions to be delivered by Co-Bond Counsel are attached hereto as **APPENDIX D**. Approval of certain other legal matters will be passed upon for the Authority by its General Counsel, and for the Underwriters by Thompson Coburn LLP, Chicago, Illinois, Underwriters' Counsel.

TAX MATTERS

Interest Not Exempt From State of Illinois Income Taxes

Interest on the Series 2015 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2015 Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the application of any such state and local taxes.

Certain United States Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of ownership of the Series 2015 Bonds. It deals only with the Series 2015 Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Series 2015 Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, persons that are not citizens or residents of the United States or persons whose functional currency is not the U.S. dollar. The summary is based on Co-Bond Counsel's review of the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

The Code contains a number of provisions relating to the taxation of securities such as the Series 2015 Bonds (including but not limited to the tax treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Series 2015 Bonds.

Summary of Co-Bond Counsel Opinion

Mayer Brown LLP and Charity & Associates, P.C., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2015 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes assuming the accuracy of the certifications of the Authority and continuing compliance by the Authority with the requirements of the Code. In addition, interest on the Series 2015 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2015 Bonds is, however, taken into account as earnings and profits of a corporation when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors as to the federal, state and local tax consequences of their acquisition, ownership or disposition of, or the accrual or receipt of interest on the Series 2015 Bonds.

In rendering the foregoing opinions, Co-Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications and compliance with certain covenants of the Authority and the Trustee contained in various documents included in the transcript of proceedings, which are intended to evidence and assure that the Series 2015 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of such certifications and representations and will not monitor compliance with such covenants.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes. Some of these require continued compliance after the issuance of the Series 2015 Bonds in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with such requirements could cause the interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes, in some cases, effective from the date such Series 2015 Bonds are initially issued. The Authority has covenanted in each Indenture to not take any action or knowingly permit any action on its part to be taken which would cause the interest on the Series 2015 Bonds to be included in the gross income of the owners of the Series 2015 Bonds for federal income tax purposes.

Under the Code, interest on the Series 2015 Bonds earned by certain foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code, and interest on the Series 2015 Bonds could be subject to the tax imposed by Section 1375 of the Code on excess net passive income of certain S corporations. Under the Code, the receipt of interest excluded from gross income for federal income tax purposes can have certain collateral federal income tax consequences, adversely affecting items of income, deductions or credits for certain taxpayers, including financial institutions, property and casualty insurance companies, recipients of Social Security and Railroad Retirement benefits, individuals otherwise eligible for the earned income credit and taxpayers who are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations. Co-Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors on the application of such collateral consequences.

Further, from time to time, legislative proposals are pending in Congress which, if enacted, would alter or amend one or more of the federal tax consequences referred to above in certain respects or would adversely affect the market value of the Series 2015 Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that such proposal would not apply to obligations (such as the Series 2015 Bonds) issued prior to enactment of such proposal. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Co-Bond Counsel as of the date thereof. Co-Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Co-Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinions of Co-Bond Counsel express the professional judgment of Co-Bond Counsel regarding the legal issues expressly addressed therein. By rendering its legal opinion, Co-Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Original Issue Discount

An amount equal to the excess of the stated redemption price at maturity of any Series 2015 Bonds (the **"Discount Bonds"**) over the issue price (the **"Offering Price"**) of such Discount Bonds, will be treated as "*original issue discount*." A bond's stated redemption price at maturity is the aggregate of all payments required to be made on the bond except *"qualified stated interest."* Qualified stated interest is generally interest that is unconditionally payable in cash or property, other than debt instruments of the issuing entity, at fixed intervals of one year or less during the entire term of the instrument at an interest rate or rates that satisfy requirements under the Treasury Regulations. The Offering Price will be the first price at which a substantial amount of the bonds are sold to the public, excluding sales to bond houses, brokers or similar persons acting as underwriters, placement agents or wholesalers. With respect to a taxpayer who purchases a Discount Bond in the initial public offering at the Offering Price and who holds such Discount Bond to maturity, the full amount of original issue discount will constitute interest which is not includible in the gross income of the owner of such Discount Bond for Federal income tax purposes to the same extent as current interest and will not be treated as taxable capital gain upon payment of such Discount Bond upon maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of a constant yield computed at the end of each six month period (or shorter period from the date of original issue). The amount of original issue discount accruing during such period will be added to the owner's tax basis for the Discount

Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, acceleration, redemption prior to maturity or payment at maturity). An owner of a Discount Bond who disposes of it prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Offering Price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the tax consequences of the ownership of such Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Market Discount

If a Series 2015 Bond is purchased at any time for a price that is less than the Series 2015 Bond's Offering Price plus accrued original issue discount, if any, the purchaser may be treated as having purchased the Series 2015 Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2015 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2015 Bond. Purchasers should consult their own tax advisors regarding the potential implications of the market discount rules with respect to the Series 2015 Bonds.

Bond Premium

An amount equal to the excess of the purchase price of a Series 2015 Bond over the stated redemption price payable at maturity of such Series 2015 Bond constitutes amortizable bond premium that may not be deducted for Federal income tax purposes. For purposes of determining gain or loss on the sale or other disposition of such Series 2015 Bond, the tax basis of each Series 2015 Bond is decreased by the amount of the bond premium that has been amortized. Bond premium is amortized by offsetting the interest on the Series 2015 Bond allocable to an accrual period with the bond premium allocable to the accrual period. The bond premium allocable to an accrual period is the excess of the interest on the Series 2015 Bond allocable to the accrual period over the product of the owner's adjusted acquisition price at the beginning of the accrual period and the owner's yield (determined on the basis of a constant yield over the term of the Series 2015 Bond). If the bond premium allocable to an accrual period exceeds the interest on the Series 2015 Bond allocable to the accrual period, the excess is a nondeductible loss for Federal income tax purposes that reduces the owner's basis in such Series 2015 Bond.

Sale and Retirement of the Series 2015 Bonds

Holders of the Series 2015 Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Series 2015 Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Series 2015 Bond and the holder's adjusted tax basis in the Series 2015 Bond. Such gain or loss will be capital gain or loss, except to the extent of accrued market discount not previously included in income, and will be long term capital gain or loss if at the time of disposition such Series 2015 Bond has been held for more than one year.

Backup Withholding and Information Reporting

Information reporting will apply to payments of the proceeds of the sale or other disposition of the Series 2015 Bond with respect to certain non-corporate holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2015 Bonds, the application of the proceeds thereof in accordance with the Indentures, or the collection or application of Grant Receipts or other moneys to be pledged to pay the principal of and interest on the Series 2015 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2015 Bonds, the Indentures or any other agreement entered into in connection therewith, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or its authority with respect to the Series 2015 Bonds, or the Indentures or any other agreement entered into in connection therewith.

RATINGS

The Series 2015 Bonds have been assigned the ratings of "A" (stable outlook) by Standard & Poor's Ratings Services, a business of Standard & Poor's Financial Services LLC, and "BBB" (stable outlook) by Fitch Ratings. Previously, the Authority received ratings on capital grant bonds from a third rating agency. No other ratings other than those described in this paragraph have been sought in connection with the issuance of the Series 2015 Bonds. There is no assurance that any credit ratings given to the Series 2015 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The Authority does not undertake any responsibility to oppose any downward revision or withdrawal of rating. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the

Series 2015 Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from such rating agencies.

FINANCIAL ADVISORS

A.C. Advisory, Inc., Chicago, Illinois, and Public Financial Management, Inc., Chicago Illinois, serve as Financial Advisors to the Authority with respect to the sale of the Series 2015 Bonds. The Financial Advisors have not conducted a detailed investigation of the affairs of the Authority to determine the completeness or accuracy of this Official Statement. Because of their limited participation, the Financial Advisors have not independently verified any of the data contained herein and have no responsibility for the accuracy or completeness thereof.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the **"Rule"**), the Authority will enter into a Continuing Disclosure Undertaking for the benefit of the Bondholders (as defined in such agreement) from time to time of the Series 2015 Bonds. The form of the Continuing Disclosure Undertaking, including the nature of the information that the Authority has agreed to supply on an annual basis, is attached to this Official Statement as **APPENDIX E. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE UNDERTAKING."**

In March of 2010 and August of 2013, the Authority made certain filings with EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations that had not yet been satisfied. The rating agencies took certain rating actions with respect to the ratings of Ambac Assurance Corporation, Assured Guaranty Municipal Corp., and Assured Guaranty Municipal Corp. (collectively, the **"Bond Insurers"**). The Bond Insurers provided municipal bond insurance policies relating to certain series of the Authority's capital grant receipts revenue bonds, Public Building Commission of Chicago bonds and the Pension and Retirement Debt Obligations. Event notices with respect to such rating changes were not filed with EMMA as required by the Rule. The Authority made such required filings on May 29, 2014, June 4, 2014, June 9, 2014 and June 10, 2014.

In August of 2013, the Authority made a filing of certain updated 5307 Formula Funds information with EMMA to fulfill previous continuing disclosure undertaking filing obligations that had not yet been satisfied.

As of the date hereof, the Authority is in compliance with the continuing disclosure obligations related to its outstanding bonds. In order to ensure future compliance, the Authority has established certain procedures, including its development of a checklist and a tickler system, to ensure timely and complete filings.

UNDERWRITING

The Series 2015 Bonds are being purchased by the Underwriters listed on the cover hereof (the **"Underwriters"**), subject to certain conditions set forth in a bond purchase agreement relating to the Series 2015 Bonds (the **"Bond Purchase Agreement"**).

Pursuant to the Bond Purchase Agreement, the Underwriters have agreed to purchase the Series 2015 Bonds at a purchase price of $197,710,563.00 (representing the principal amount of the Series 2015 Bonds, less the Underwriters' discount of 778,069.70, plus net original issue premium of $21,568,632.70). The initial public offering prices of the Series 2015 Bonds may be changed from time to time by the Underwriters after the Series 2015 Bonds have been released for sale. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2015 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, among others, the approval of certain legal matters by the Underwriters' counsel.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (**"TMC"**) and UBS Financial Services Inc. (**"UBSFS"**). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015 Bonds.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Bonds, has entered into a separate agreement with Credit Suisse Securities USA LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC.

Loop Capital Markets LLC (**"LCM"**), one of the Underwriters of the Bonds, has entered into an agreement (the **"Distribution Agreement"**) with Deutsche Bank Securities Inc. (**"DBS"**) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

CERTAIN VERIFICATIONS

AMTEC of Avon, Connecticut (the **"Verifier"**), independent certified public accountants, upon delivery of the Series 2015 Bonds, will deliver a report stating that the firm has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the investment in the Governmental Obligations, together with any initial cash balance, to meet the timely payment of the applicable principal or redemption price of, and interest on the Refunded Bonds, as described under **"PLAN OF FINANCE,"** and (ii) the actuarial yields on the Series 2015 Bonds and the Government Obligations; such computations with respect to such yields to be used to support the conclusion of Co-Bond Counsel that the Series 2015 Bonds are not "*arbitrage bonds*" under Section 148 of the Code. The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Series 2015 Bonds.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers, holders or beneficial owners of any of the Series 2015 Bonds. All of the summaries of the Series 2015 Bonds, each Indenture, applicable legislation, and other agreements and documents in this Official Statement are made subject to the provisions of the Series 2015 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

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

The execution and delivery of this Official Statement has been duly authorized by the Authority.

CHICAGO TRANSIT AUTHORITY

By: /s/ Ronald Denard
Its: Chief Financial Officer and Treasurer

APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

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The following sets forth definitions of certain terms used in the Indentures and certain provisions of the Indentures. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the Indentures for a complete statement of the provisions thereof.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Indentures.

"*Accountant*" means an independent certified public accountant or a firm of independent certified public accountants (who may be the accountants who regularly audit the books and accounts of the Authority) who are selected and paid by the Authority.

"*Accreted Amount*" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture or Indenture authorizing such Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

"*Act*" means the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605, as the same may be amended and supplemented from time to time.

"*Additional Bonds*" means Bonds authenticated and delivered pursuant to the provisions of the Indentures summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and **"Summary of Certain Provisions of the 5337 Indenture – Additional Bonds for Construction Purposes"** in this Appendix A.

"*Additional Project*" means any Eligible Project that the Authority determines to finance in whole or in part by the issuance of Additional Bonds.

"*Annual Apportionment Amount*" means, (i) in reference to the 5307 Program, with respect to any Federal Fiscal Year, the amount of FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds that the Authority is entitled to receive from the FTA pursuant to appropriations designated for that Federal Fiscal Year, and, (ii) in reference to the 5337 Program, with respect to any Federal Fiscal Year, the amount of FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds that the Authority is entitled to receive from the FTA pursuant to appropriations designated for that Federal Fiscal Year.

"*Annual Debt Service Requirement*" means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

"*Authority*" means the Chicago Transit Authority, duly organized and existing under the Act.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof, or, in the case of Additional Bonds or Refunding Bonds, such other denominations as may be specified in the Supplemental Indenture authorizing the issuance thereof.

"*Authorized Officer*" means the Chairman of the Board, President or Treasurer of the Authority or any other officer or employee of the Authority authorized to perform specific acts or duties under the Indentures by ordinance duly adopted by the Authority.

"*Average Annual Debt Service Requirement*" means, as of any date of calculation, the mathematical mean of the Annual Debt Service Requirements for all Outstanding Parity Obligations.

"*Board*" means the Chicago Transit Board.

"*Bond*" or "*Bonds*" means, with respect to each Indenture, any bond or bonds, including the Series 2015 Bonds issued thereunder (presently, in the case of the 5307 Indenture, the 2004 5307 Bonds, the 2006 5307 Bonds, the 2008 5307 Bonds, the 2010 5307 Bonds and the 2011 5307 Bonds and in the case of the 5337 Indenture, the 2008 5309 Bonds, the 2008A 5309 Bonds and the 2010 5309 Bonds), Additional Bonds and Refunding Bonds, authenticated and delivered thereunder, other than Subordinated Indebtedness.

"*Bond Financed Projects*" means capital improvements to the Transportation System, each constituting an Eligible Project, financed with the proceeds of the Refunded Bonds.

"*Bond Insurance Policy*" means any municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof as may be provided in the Supplemental Indenture authorizing such Series or as otherwise may be designated by the Authority. See "RIGHTS OF BOND INSURERS."

"*Bond Insurer*" means any person authorized under law to issue a Bond Insurance Policy, which in the case of the 5307 Indenture includes the issuers of the Bond Insurance Policies for the Outstanding 5307 Bonds and in the case of the 5337 Indenture includes the issuer of the Bond Insurance Policies for the Outstanding 5337 Bonds.

"*Bond Year*" means the 12-month period commencing on October 2 of a year, and ending on October 1 of the next succeeding year.

"*Business Day*" means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized or required by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Appreciation and Income Bond*" means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified therefor and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified therefor, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

"*Capital Appreciation Bond*" means any Bond the interest on which (i) shall be compounded periodically on certain designated dates, (ii) shall be payable only at maturity or redemption prior to maturity and (iii) shall be determined by subtracting from the Accreted Amount the initial public offering price thereof, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The term "Capital Appreciation Bond" as used throughout the Indentures also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"*Code*" or "*Code and Regulations*" means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Construction Fund*" means the Construction Fund established under each of the Indentures.

"*Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Authority (including the General Counsel of the Authority).

"*Credit Bank*" means, as to any particular Series of Bonds, the person (other than a Bond Insurer) providing a Credit Facility.

"*Credit Facility*" means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy.

"*Current Funds*" means moneys which are immediately available in the hands of the payee at the place of payment.

"*Current Interest Bond*" means any Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Bond. The term "Current Interest Bond" also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

"*Debt Service Fund*" means the Debt Service Fund established under each of the Indentures.

"*Debt Service Reserve Account*" means any debt service reserve account established within the General Fund pursuant to a Supplemental Indenture or an Indenture.

"*Defeasance Obligations*" means Government Obligations that are not subject to redemption or prepayment other than at the option of the holder thereof.

"*Eligible Project*" means a capital improvement to the Transportation System the financing costs of which may be paid by the Authority from Grant Receipts.

"*Event of Default*" means any event so designated and specified in the Indentures.

"*Federal Fiscal Year*" means the annual period commencing on October 1 of a calendar year and ending September 30 of the next calendar year.

"*Fiduciary*" *or* "*Fiduciaries*" means the Trustee, the Registrar, and the Paying Agents under each Indenture and any depositary of moneys and securities held under the Indenture, or any or all of them, as may be appropriate.

"*Fifth Supplemental Indenture*" means the Fifth Supplemental Indenture dated as of August 1, 2015, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture.

"*First Supplemental Indenture*" means with respect to the 5307 Indenture, the First Supplemental Indenture dated as of November 1, 2006, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the First Supplemental Indenture dated as of November 26, 2008, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*Fiscal Year*" means the period January 1 through December 31 of the same year.

"*Fourth Supplemental Indenture*" means with respect to the 5307 Indenture, the Fourth Supplemental Indenture, dated as of November 4, 2011, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Fourth Supplemental Indenture dated as of August 1, 2015, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*FTA*" means the Federal Transit Administration of the United States Department of Transportation of the United States of America.

"*General Fund*" means the General Fund established under each Indenture.

"*Government Obligations*" means any direct obligations of the United States of America and any obligations guaranteed as to the timely payment of principal and interest by the United States of America or any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States of America.

"*Grant Receipts*" means with respect to the 5307 Indenture, the 5307 Grant Receipts and with respect to the 5337 Indenture the 5337 Grant Receipts and, when referring to both Indentures, the 5307 Grant Receipts and the 5337 Grant Receipts, collectively.

"*Grant Receipts Deposit Fund*" means the Grant Receipts Deposit Fund established under each Indenture.

"*Indenture*" or *"Indentures"* means, individually, the 5307 Indenture or the 5337 Indenture, as applicable, and, collectively, the 5307 Indenture and the 5337 Indenture, in each case as from time to time amended and supplemented. References to the "Indenture" under "Summary of Certain Provisions of the 5307 Indenture" means the 5307 Indenture and references to the "Indenture" under "Summary of Certain Provisions of the 5337 Indenture" means the 5337 Indenture.

"*Insured Bond*" means any Bond with respect to which the payment of principal and interest is guaranteed under a Bond Insurance Policy.

"*Interest Account*" means the account of that name in the Debt Service Fund established under each Indenture.

"*Interest Commencement Date*" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"*Interest Payment Date*" means any Payment Date on which interest on any Parity Obligation is payable.

"*Interest Period*" means the period from the date of any Parity Obligation to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"*Interest Requirement*" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding and each Section 207 Obligation then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year or Interest Period if the interest on the Bonds or Section 207 Obligations were deemed to accrue daily during such Bond Year or Interest Period in equal amounts, and employing the methods of calculation set forth (i) in the Indenture as described in this Appendix A under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture – Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Hedging Transactions**" and "**Summary of Certain Provisions of the 5337 Indenture – Hedging Transactions**" in the case of a Qualified Swap Agreement and (ii) as described in this Appendix A under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture – Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Optional Tender Bonds and Variable Rate Bonds**" in the cases of Optional Tender Bonds and Variable Rate Bonds; *provided, however,* that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds allocable to the payment of such interest as provided in the Indenture or a Supplemental Indenture or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely. Unless the Authority shall otherwise provide in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement.

"*Investment Securities*" means any of the following securities or investments authorized by law as permitted investments of Authority funds at the time of purchase thereof:

(i) Government Obligations;

(ii) obligations of any of the following federal agencies, which obligations are fully guaranteed by the full faith and credit of the United States of America:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(iii) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- obligations of the Resolution Funding Corporation (REFCORP)
- senior debt obligations of the Federal Home Loan Bank System (FHLB)
- senior debt obligations of other government sponsored agencies approved by each Bond Insurer

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(v) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's Investors Service and "A-1+" by Standard & Poor's and which matures not more than 270 calendar days after the date of purchase;

(vi) investments in a money market fund rated “AAAm” or “AAAm-G” or better by Standard & Poor’s and rated “Aaa” by Moody’s Investors Service;

(vii) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s Investors Service and Standard & Poor’s or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s Investors Service and Standard & Poor’s;

(ix) investment agreements approved in writing by each Bond Insurer (supported by appropriate opinions of counsel); and

(x) other forms of investments (including repurchase agreements) approved in writing by each Bond Insurer.

“*Maximum Annual Debt Service Requirement*” means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and any succeeding Bond Year.

“*Optional Tender Bonds*” means any Bonds with respect to which the Owners thereof have the option to tender to the Authority, to any Fiduciary or to any agent thereof, all or a portion of such Bonds for payment or purchase.

“*Outstanding,*” when used with reference to Parity Obligations, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the applicable Indenture, all Section 206 Obligations incurred under Qualified Swap Agreements and all Section 207 Obligations incurred under Credit Facilities except:

(i) Any Parity Obligations canceled by the Trustee or the Person entitled to payment of any Section 206 Obligation or Section 207 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Trustee or the Authority, as the case may be, for cancellation;

(ii) Parity Obligations (or portions of Parity Obligations) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the applicable Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Parity Obligations (or portions of Parity Obligations) are to be redeemed, notice of such redemption shall have been given as provided in the applicable Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the applicable Indenture as a result of transfer, exchange or redemption or in replacement of Bonds mutilated, destroyed, stolen or lost;

(iv) Parity Obligations deemed to have been paid as a result of defeasance in accordance with the applicable Indenture; and

(v) Optional Tender Bonds deemed to have been purchased in accordance with the provisions of the Supplemental Indenture authorizing their issuance in lieu of which other Bonds have been authenticated and delivered under such Supplemental Indenture.

"*Owner*" means any person who shall be the registered owner of any Bond or Bonds.

"*Parity Obligation*" means any Bond, any Section 206 Obligation and any Section 207 Obligation.

"*Paying Agent*" means with respect to any Bonds, any bank, national banking association or trust company designated by ordinance of the Board or by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Indenture and with respect to a Qualified Swap Agreement, the Swap Provider.

"*Payment Date*" means any date on which the principal of (including any Sinking Fund Installment) or interest on any Series of Bonds is payable in accordance with its terms and the terms of the Indenture or the Supplemental Indenture creating such Series or, in the case of Section 207 Obligations or amounts that are payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Section 207 Obligation or such Qualified Swap Agreement.

"*Person*" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*Principal*" *or* "*principal*" means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in the Indenture in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "*principal*" means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, "*principal amount*" means the Accreted Amount (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity or (iii) with respect to a Section 207 Obligation, the principal amount payable on each repayment date.

"*Principal Account*" means the account of that name in the Debt Service Fund established under each Indenture.

"*Principal Payment Date*" means any Payment Date upon which the principal of any Parity Obligation is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment.

"*Principal Requirement*" for any Bond Year, as applied to the Bonds of any Series or any Section 207 Obligation, means, the last day of the Bond Year (the "Applicable Principal Payment Date") an amount calculated beginning

(i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

which amount shall equal the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year of

(i) the principal of the Current Interest Bonds of such Series or Section 207 Obligations scheduled to mature or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date, and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date,

determined by employing the methods of calculation set forth in the Indenture and summarized in this Appendix A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Optional Tender Bonds and Variable Rate Bonds**" in the cases of

Optional Tender Bonds and Variable Rate Bonds, were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided, however,* that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

"*Project Account*" means any project account within the Construction Fund established under each of the Indentures, including the accounts established in connection with the issuance of the Series 2015 Bonds to pay costs of issuance, and any additional project account established in connection with the issuance of a Series of Additional Bonds.

"*Purchase Price*" means the purchase price established in any Supplemental Indenture authorizing Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

"*Qualified Swap Agreement*" means an agreement between the Authority and a Swap Provider under which the Authority agrees to pay the Swap Provider an amount calculated at an agreed-upon rate and/or index based upon a notional amount and the Swap Provider agrees to pay the Authority or the Authority agrees to pay the Swap Provider for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Service (if such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or of the person who guarantees the obligation of the Swap Provider to make its payments to the Authority, as of the date the swap agreement is entered into, a rating that is equal to or higher than "A" and (b) the Authority has notified each Rating Service (whether or not such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) in writing at least 15 days prior to executing and delivering the swap agreement of its intention to enter into the swap agreement.

"*Rating Services*" means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by or on behalf of the Authority, and which ratings are then currently in effect.

"*Rebate Fund*" means the Rebate Fund established under each of the Indentures.

"*Redemption Price*" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption.

"*Refunded Bonds*" means, for each Series, the portion of the Outstanding Bonds identified under "PLAN OF FINANCE" in this Official Statement.

"*Refunding Bonds*" means Bonds issued pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Refunding Bonds**" in this Appendix A.

"*Registrar*" means any bank, national banking association or trust company appointed by an Authorized Officer under the Indenture and designated as registrar for the Bonds of any Series, and its successor or successors.

"*RTA*" means the Regional Transportation Authority, a political subdivision of the State of Illinois organized and existing under the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615.

"*Second Supplemental Indenture*" means with respect to the 5307 Indenture, the Second Supplemental Indenture dated as of April 1, 2008, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Second Supplemental Indenture dated as of May 1, 2010, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*Section 206 Obligations*" means any payment obligations incurred by the Authority to any one or more Swap Providers pursuant to the provisions of the Indenture summarized in the first paragraph under the heading **"Summary of Certain Provisions of the 5307 Indenture – Hedging Transactions"** and "**Summary of Certain Provisions of the 5337 Indenture – Hedging Transactions**" in this Appendix A.

"*Section 207 Obligations*" means any obligations incurred by the Authority to reimburse the issuer or issuers of one or more Credit Facilities securing one or more Series of Bonds as described in the provisions of Section 207 of each Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture – Credit Facilities to Secure Bonds; Section 207 Obligations**" and "**Summary of Certain Provisions of the 5337 Indenture – Credit Facilities to Secure Bonds; Section 207 Obligations**" in this Appendix A, including any fees or other amounts payable to the issuer of any such Credit Facilities, whether such obligations are set forth in one or more reimbursement agreements entered into between the Authority and the Credit Bank, or in one or more notes or other evidences of indebtedness executed and delivered by the Authority pursuant thereto, or any combination thereof.

"*Serial Bonds*" means the Bonds of a Series which shall be stated to mature in annual installments.

"*Series*" means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"*Series 2015 5307 Bonds*" means the $131,270,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), of the Authority authorized by the 2015 Bond Ordinance and the 5307 Indenture.

"*Series 2015 5337 Bonds*" means the $45,650,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), of the Authority authorized by the 2015 Bond Ordinance and the 5337 Indenture.

"*Series 2015 Bonds*" means, collectively, the Series 2015 5307 Bonds and the Series 2015 5337 Bonds.

"*Sinking Fund Installment*" means with respect to any Series of Additional Bonds or Refunding Bonds, each principal amount of Bonds scheduled to be redeemed through sinking fund redemption provisions by the application of amounts on deposit in the Principal Account, established pursuant to the Indenture.

"*SLG's*" means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

"*Subordinated Indebtedness*" means indebtedness permitted to be issued or incurred pursuant to the Indenture. See "**Summary of Certain Provisions of the 5307 Indenture – Subordinated Indebtedness**" and "**Summary of Certain Provisions of the 5337 Indenture – Subordinated Indebtedness**".

"*Subordinated Indebtedness Account*" means any subordinate indebtedness account established within the General Fund pursuant to a Supplemental Indenture.

"*Supplemental Indenture*" means any Supplemental Indenture authorized pursuant to the Indenture.

"*Swap Provider*" means any counterparty with whom the Authority enters into a Qualified Swap Agreement.

"*Term Bonds*" means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

"*Third Supplemental Indenture*" means with respect to the 5307 Indenture, the Third Supplemental Indenture dated as of May 1, 2010, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Third Supplemental Indenture dated as of January 1, 2013, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*Transportation System*" means the Transportation System of the Authority, as defined in the Act.

"*Trust Estate*" means, with respect to each Indenture, the Grant Receipts and all other property pledged to the Trustee pursuant therefore.

"*Trustee*" means, with respect to the 5307 Indenture, the 5307 Trustee and with respect to the 5337 Indenture, the 5337 Trustee, as applicable.

"*Variable Rate Bonds*" means any Bonds the interest rate on which is not established at the time of issuance thereof at a single numerical rate for the entire term thereof.

"*Variable Rate Stabilization Account*" means the account by that name in the Debt Service Fund.

"*Variable Rate Stabilization Account Requirement*" means, as of any date of computation, the higher of (1) the amount determined by the Authority in a certificate of an Authorized Officer filed with the Trustee or (2) an amount equal to 3.5 percent of the sum of (a) the principal amount of all Outstanding Variable Rate Bonds, exclusive of (i) the principal amount of Outstanding Variable Rate Bonds that bear interest at a fixed rate to maturity and (ii) the principal amount of Outstanding Variable Rate Bonds with respect to which the Authority has entered into a Qualified Swap Agreement which, as of such date of computation and for at least the period of one year following such date of computation, requires the Authority to pay a fixed interest rate, and (b) the notional amount of all Qualified Swap Agreements, relating to Bonds that are not Variable Rate Bonds, that as of such date require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index.

"*2004A 5307 Bonds*" means the $150,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2004A (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2004B 5307 Bonds*" means the $100,000,000 original principal amount of Capital Grant Receipts Revenue Bonds, Series 2004B (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2004 5307 Bonds*" means collectively, the 2004A 5307 Bonds and the 2004B 5307 Bonds.

"*2006 5307 Bonds*" means the $275,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2006A (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2008 5307 Bonds*" means the $100,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2008 5309 Bonds*" means the $150,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2008A 5309 Bonds*" means the $175,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2010 5307 Bonds*" means the $63,895,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Series 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2010 5309 Bonds*" means the $26,820,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2010 (Federal Transit Administration Section

5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2011 5307 Bonds*" means the $56,525,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2011 (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2015 Bond Ordinance*" means the ordinance adopted by the Board on July 15, 2015.

"*2015 Project Account*" means the account by that name in the Construction Fund established under the Indentures.

"*5307 Grant Receipts*" means all amounts received by the Authority from its share of FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds.

"5307 Indenture" means the 5307 Master Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture and as from time to time supplemented and amended.

"5307 Master Indenture" means the Trust Indenture dated as of November 1, 2004, between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

"*5307 Trustee*" means the Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the 5307 Indenture.

"*5337 Grant Receipts*" means all amounts received by the Authority from its share of FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds.

"5337 Indenture" means the 5337 Master Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, and as from time to time supplemented and amended.

"5337 Master Indenture" means the Trust Indenture dated as of April 1, 2008, between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

"*5337 Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the 5337 Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE

The following summary sets forth certain provisions of the 5307 Indenture. The defined terms contained herein are to be read solely in reference to the 5307 Indenture. This summary is provided for the convenience of the reader and does not purport to be comprehensive or *definitive. Reference is made to the 5307 Indenture for a complete statement of the provisions thereof.*

Pledge Effected by the Indenture; Limited Obligations

Pursuant to the Indenture, (i) the 5307 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the Indenture (except the Rebate Fund), subject, however, to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture – Covenants of the Authority - FTA Funds**" below and from the General Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - General Fund**" below, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds and the payment of Section 206 Obligations and Section 207 Obligations and a lien is granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture, *provided,* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture.

Pursuant to Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350/13, the 5307 Grant Receipts and the other moneys and securities pledged by the Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Parity Obligations are limited obligations of the Authority payable solely from the 5307 Grant Receipts pledged for their payment in accordance with the Indenture. The Parity Obligations are not, and shall not be or become, an indebtedness or obligation of the State of Illinois, the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Parity Obligation be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

No lien upon any physical properties of the Authority is created by the Indenture.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement under the provisions of the Indenture as summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds**" below and for the purpose of determining the amount to be deposited into the Interest Account pursuant to the

Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" below, interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the Bond Market Association Municipal Swap Index[1], (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus fifty basis points, and (e) the interest rate set forth in a certificate of an Authorized Officer filed with the Trustee.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Bonds constitute Optional Tender Bonds, then in determining the Interest Requirement and the Principal Requirement of a Series of Bonds, the options of the Owners of such Bonds to tender the same for payment prior to their stated Principal Payment Date shall be ignored. If any of the Bonds constitute Variable Rate Bonds, the interest rate used in determining the Interest Requirement for such Variable Rate Bonds shall be the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" above, or, if and so long as a Qualified Swap Agreement is in effect that provides for a fixed interest rate, the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Hedging Transactions.**" The conversion of Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the provisions of the Indenture, as summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds.**" In determining the Interest Requirement or the Principal Requirement of any Section 207 Obligation, such Section 207 Obligation shall be deemed to be Outstanding only to the extent that, on the date of computation, there are unpaid drawings or advances under the terms of the Credit Facility that created the Section 207 Obligation.

Funds and Accounts

The Authority under the Indenture establishes the Grant Receipts Deposit Fund, which shall be a special fund of the Authority held by the Authority as part of the Trust Estate, and the Construction Fund, the General Fund and the Debt Service Fund, each of which is a

[1] Now known as the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index.

special fund of the Authority held in trust by the Trustee as part of the Trust Estate. Subject to use and application in accordance with the Indenture, all of the moneys and securities held in the Grant Receipts Deposit Fund, the Construction Fund, the Debt Service Fund and the General Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Parity Obligations and is subject to the lien of the Indenture. The Authority also establishes under the Indenture a Rebate Fund, which is not pledged to payment of the Bonds. The Interest Account, the Principal Account and the Variable Rate Stabilization Account are established as special accounts within the Debt Service Fund and the 2015 Project Account is established as a special account within the Construction Fund.

The Trustee shall withdraw from the appropriate Project Account in the Construction Fund and deposit into the Rebate Fund the amount specified by the Authority. The Trustee shall also withdraw moneys from the appropriate Project Account in the Construction Fund to pay costs of issuance of the Bonds in accordance with the directions of the Authority. All other payments from the Construction Fund shall be subject to the provisions and restrictions set forth in the Indenture.

Deposit and Application of 5307 Grant Receipts

All 5307 Grant Receipts received by the Authority shall be deposited promptly into the Grant Receipts Deposit Fund. On the first Business Day of each Bond Year, and (if required) on any subsequent Business Day during the Bond Year the Authority shall withdraw from the Grant Receipts Deposit Fund and pay over to the Trustee an amount sufficient to enable the Trustee to make payments into the following several Funds and Accounts, but as to each such Fund or Account only within the limitation indicated below with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

> FIRST: Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations for each remaining Interest Period that ends in the current Bond Year.
>
> SECOND: Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations for the current Bond Year.
>
> THIRD: Into the Variable Rate Stabilization Account, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement.
>
> FOURTH: Into the Rebate Fund, the amount specified in the certificate of an Authorized Officer filed with the Trustee pursuant to the Indenture.

FIFTH: Into the General Fund, the amount specified in a certificate of an Authorized Officer filed with the Trustee.

Debt Service Fund

The Trustee shall pay to the respective Paying Agents or to any Swap Provider, as applicable, in Current Funds (i) out of any capitalized interest account established with respect to any Series of Bonds on or before each Interest Payment Date specified in the Supplemental Indenture authorizing such Series, the applicable amount set forth in such Supplemental Indenture; (ii) out of the Interest Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i) above; (iii) out of the Variable Rate Stabilization Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i), or clause (ii) above; (iv) out of the Principal Account on or before each Principal Payment Date, an amount equal to the principal amount of the Outstanding Bonds and Section 207 Obligations, if any, which mature on such date; and (v) out of the Principal Account on or before each Principal Payment Date occasioned by redemption of Outstanding Bonds from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof. The Trustee shall also pay out of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment) the accrued interest included in the purchase price of Outstanding Bonds purchased for retirement.

Amounts in the Principal Account available for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds as provided below.

(1) Amounts deposited to the credit of the Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment). All such purchases of Outstanding Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. The principal amount of any Bonds so purchased shall be deemed to constitute part of the Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

(2) At any time up to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Authority may purchase with any available funds Outstanding Bonds for which such Sinking Fund Installment was established and surrender such Bonds to the Trustee at any time up to said date.

(3) After giving effect to the Outstanding Bonds purchased by the Trustee and Outstanding Bonds surrendered by the Authority as described in paragraphs (1) and (2) above, which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay out of the Principal Account to the appropriate Paying Agents, on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Outstanding Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(4) If the principal amount of Outstanding Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase or redemption from moneys other than from the Principal Account of Outstanding Bonds of any Series and maturity for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Authority establishes in a certificate delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

Moneys held in the Accounts of the Debt Service Fund shall be invested as provided in the Indenture. See "**Summary of Certain Provisions of the 5307 Indenture - Investment of Certain Moneys**" below in this APPENDIX A. Investment income earned as a result of such investment shall be retained in said Accounts.

The amount, if any, deposited in the Interest Account from the proceeds of Bonds shall be set aside in such Account and applied to the payment of the interest on the Bonds with respect to which such proceeds were deposited in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

If on any date, the amount held in the Variable Rate Stabilization Account exceeds the Variable Rate Stabilization Account Requirement, the Trustee, at the direction of the Authority, is required to transfer such excess to the General Fund.

General Fund

The Authority may establish within the General Fund one or more Debt Service Reserve Accounts for the purpose of providing additional security for the payment of one or more Series of Bonds. The Authority may provide for the application of moneys in the General Fund to maintain such Debt Service Reserve Account and for the use of moneys held in such Debt Service Reserve Account.

The Authority may establish one or more Subordinated Indebtedness Accounts within the General Fund for the purpose of securing the payment of Subordinated Indebtedness; *provided, however,* that in no event shall the administration of any such Account limit the application of moneys in the General Fund (including any Account therein) for the payment of interest or Principal due on Outstanding Bonds and Section 207 Obligations (or any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement).

If on any Interest Payment Date or Principal Payment Date the aggregate amount to the credit of the Debt Service Fund is less than the amount required to pay interest or Principal due on the Outstanding Bonds and Section 207 Obligations (and any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement), the Trustee is required to apply amounts from the General Fund (including any amount then held in a Debt Service Reserve Account or a Subordinated Indebtedness Account) to the extent necessary to cure such deficiency, in the following order of priority: first, to the credit of the Interest Account and then to the credit of the Principal Account; provided, however, that any withdrawal from a Debt Service Reserve Account shall be limited by the terms and conditions governing withdrawals from such Account.

Subject to any provisions limiting withdrawals from Debt Service Reserve Accounts and Subordinated Indebtedness Accounts, at the direction of the Authority, moneys held in the General Fund may be withdrawn from the General Fund and (i) transferred to any other Fund, Account or Sub-Account maintained under the Indenture or any Supplemental Indenture; (ii) used to purchase, pay, redeem or defease Outstanding Bonds; or (iii) used for any other purpose permitted by the Indenture.

Subject to the following paragraph, moneys in the General Fund shall be withdrawn promptly by the Trustee and paid over to the Authority free from the lien of the Indenture.

Any withdrawal of amounts held in a Debt Service Reserve Account or a Subordinated Indebtedness Account pursuant to the above paragraph shall be limited by the terms of administration of such Account. No withdrawal from the General Fund pursuant to the above paragraph shall be made unless, at the time of such withdrawal, (i) no deficiency exists with respect to the required deposits to the Interest Account and the Principal Account pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" above; (ii) the sum then held in the Variable Rate Stabilization Account shall be not less than the

Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred and remain unremedied.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Accounts, the General Fund and its Accounts, the Rebate Fund and the Construction Fund and its Accounts shall be invested and reinvested by the Trustee at the oral direction of the Authority to the fullest extent practicable in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Funds or Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in subparagraph (vi) of the definition of Investment Securities, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Moneys held in any separate, segregated account of the Construction Fund held by the Authority in any depositary of moneys and securities held under the Indenture may be invested and reinvested by the Authority in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such accounts.

Investment Securities in any Fund, Account or Sub-Account created under the provisions of the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account.

Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee as often as may be necessary to determine the amounts held therein, except that valuations of Government Obligations held in the Debt Service Fund and its Accounts shall be made at least once each year on such dates as shall be determined by the Trustee.

The value of Investment Securities shall mean the fair market value thereof, *provided, however,* that all SLG's shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citibank.

Additional Bonds for Construction Purposes

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of paying the Cost of Construction of one or more Eligible Projects or refunding any Subordinated Indebtedness issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account under the Indenture. The Additional Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it of a certificate of an Authorized Officer:

(1) Setting forth the average Annual Apportionment Amount for the three completed Federal Fiscal Years immediately preceding the date of issuance of such Series of Additional Bonds; and

(2) Determining that the average Annual Apportionment Amount determined pursuant to clause (1) above is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding immediately following the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth and summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds.

The proceeds, including accrued interest, of Additional Bonds of each Series shall be applied upon their delivery as follows:

(a) there shall be deposited in any Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture providing for the issuance of such Bonds; and

(b) the remaining balance shall be deposited in the Project Account established in the Construction Fund for the Additional Project specified in such Supplemental Indenture.

Such Additional Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers to the Trustee upon the authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, and any or all Outstanding Section 207 Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account under the Indenture.

Refunding Bonds of a Series to refund or advance refund Outstanding Bonds or Section 207 Obligations shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to certain other documents, securities and moneys required by the Indenture) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Defeasance**" so that the Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Defeasance.**"

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds and Section 207 Obligations to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case any be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds or the Persons entitled to payment of the Section 207 Obligations, as the case may be, to be refunded or advance refunded, or (ii) Defeasance Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the defeasance provisions of the Indenture.

(3) Either (i) the certificate of an Authorized Officer required under the Indenture in connection with the issuance of Additional Bonds as described under "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**," as applied to the Refunding Bonds to be issued pursuant to the provisions of the Indenture summarized under this heading, or (ii) a certificate of an Authorized Officer evidencing that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding, after the issuance of such Refunding Bonds and the redemption of provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in the previous paragraph, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions of the Indenture summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows:

(1) there shall be deposited in any other Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing

such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds;

(2) the amount of such proceeds needed for the refunding of the Bonds to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes; and

(3) any balance of such proceeds shall be applied in accordance with the written instructions of the Authority, signed by an Authorized Officer and filed with the Trustee.

Refunding Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers upon authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds and Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for the issuance thereof.

Hedging Transactions

If the Authority shall enter into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(1) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Authority under such Qualified Swap Agreement;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from 5307 Grant Receipts shall be made from amounts on deposit to the credit of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment); and

(3) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the Interest Account.

If the Authority shall enter into a swap agreement of the type generally described in the preceding paragraph that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(1) the interest rate adjustments or assumptions referred to in subparagraph (1) of the preceding paragraph shall not be made;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such swap agreement shall be made either (i) from sources other than 5307 Grant Receipts or (ii) if made from 5307 Grant Receipts, such payments, and any lien on 5307 Grant Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on 5307 Grant Receipts created by the Indenture as security for the payment of Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as 5307 Grant Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as 5307 Grant Receipts are to be deposited. See "Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts."

With respect to a Qualified Swap Agreement described in the first paragraph under this heading or a swap agreement described in the preceding paragraph, any termination payment required to be made by the Authority to the Swap Provider shall be made either (i) from sources other than 5307 Grant Receipts, or (ii) if made from 5307 Grant Receipts, such termination payment and any lien on 5307 Grant Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on 5307 Grant Receipts created by the Indenture as security for the payment of Parity Obligations.

Credit Facilities to Secure Bonds; Section 207 Obligations

The Authority reserves the right to provide one or more Credit Facilities, or a combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owner thereof. In connection with any such Credit Facility, the Authority may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility, and the method by which the Authority will reimburse the Credit Bank that issued such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Authority and such Credit Bank.

At the election of the Authority expressed in a certificate of an Authorized Officer filed with the Trustee, any such obligation of the Authority to reimburse or otherwise make payments to the Credit Bank shall constitute a Parity Obligation under the Indenture (a "Section 207 Obligation") to the same extent as any Series of Bonds, and any and all amounts payable by the Authority to reimburse such Credit Bank, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Parity Obligations.

Each Section 207 Obligation shall be repayable over a period of not less than five years. The principal amount of all Section 207 Obligations incurred under a Credit Facility reimbursement agreement and payable in any period of 365 consecutive days shall not exceed 15 percent of the principal amount of all such Section 207 Obligations then Outstanding under such Credit Facility reimbursement agreement.

Subordinated Indebtedness

Nothing in the Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority (to the extent now or hereafter permitted by law) from (i) issuing bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from 5307 Grant Receipts, or (ii) incurring contractual obligations that are payable from 5307 Grant Receipts, but only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all Parity Obligations issued and Outstanding under the Indenture.

Covenants of the Authority

Pledge of 5307 Grant Receipts. The Authority covenants that the 5307 Grant Receipts and other moneys, securities and funds so pledged, and subject to the lien of the Indenture, are and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the 5307 Grant Receipts and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

Indebtedness and Liens. The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements and Subordinated Indebtedness, which are secured by a pledge of or lien on the 5307 Grant Receipts or the moneys, securities or funds held or set aside by the Authority or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the 5307 Grant Receipts or such moneys, securities or funds; *provided, however,* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring (i) evidences of indebtedness payable from or secured by amounts that may be withdrawn from the General Fund free from the lien of the Indenture as provided by the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - General Fund**" above or (ii) evidences of indebtedness payable from, or secured by the pledge of, 5307 Grant Receipts to be derived on and after such date as the pledge of 5307 Grant Receipts provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Construction of Project. To the extent that construction of the Bond Financed Projects is not complete as of the date of the Fifth Supplemental Indenture, the Authority shall forthwith proceed to complete the construction of the Bond Financed Projects as Eligible Projects in conformity with all requirements of all governmental authorities having jurisdiction thereover, and in accordance with and as more fully shown on the plans therefor, and the specifications relative thereto, subject to such modifications of such plans and specifications as may be approved from time to time by the Authority.

Payment of Lawful Charges. The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the 5307 Grant Receipts; *provided, however,* that this covenant shall not require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Accounts and Reports. The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the 5307 Grant Receipts and the Funds, Accounts and Sub-Accounts established by the Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. The Authority further covenants that it will keep an accurate record of the 5307 Grant Receipts received and of the payment thereof to the Trustee.

Not later than June 1 of each year the Authority will cause an independent audit to be made of its books and accounts for the preceding Fiscal Year, including its books and accounts relating to the 5307 Grant Receipts. Promptly thereafter reports of each such annual audit, signed by an Accountant, shall be mailed by the Authority to the Trustee and the Trustee shall make such reports available for inspection by the Owners of the Bonds.

Tax Covenants. The Authority shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2015 5307 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2015 5307 Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Authority shall not permit any of the proceeds of the Series 2015 5307 Bonds or other moneys to be invested in any manner that would cause any Series 2015 5307 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Authority shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

FTA Funds. (a) The Authority shall comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under 49 United States Code Section 5307 in order to be eligible to receive 5307 Grant Receipts for the payment of Parity Obligations and to facilitate the prompt receipt by the Authority of 5307 Grant Receipts.

(b) Within 10 days of the date that any FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds appropriated with respect to a Federal Fiscal

Year become available for disbursement to the Authority for payment obligations then due, the Authority shall take all reasonable actions as shall be necessary or desirable to facilitate the prompt payment of such Section 5307 Urbanized Area Formula funds to the Authority. All of such moneys constituting 5307 Grant Receipts, when received by the Authority, shall be deposited promptly into the Grant Receipts Deposit Fund.

(c) For each Federal Fiscal Year, the Authority shall apply for the appropriation of FTA Section 5307 Urbanized Area Formula funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee required to be made under the provisions of the Indenture summarized in this APPENDIX A under the heading **"Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts"** above to the end of the next Bond Year, and shall cause such FTA Section 5307 Urbanized Area Formula funds to be obligated for such purposes on the earliest possible date in each Federal Fiscal Year.

(d) If as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the Trustee as described under this heading in subsection (c) above from the current Federal Fiscal Year appropriations have not been obtained, then the Authority shall reprogram available FTA Section 5307 Urbanized Area Formula funds appropriated in prior Federal Fiscal Years to the extent required to make such payments.

(e) Moneys held in the Grant Receipts Deposit Fund may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects; *provided*, *however*, that after the first Business Day of any Bond Year if any deficiency then exists in the deposits required to be made by the Trustee pursuant to the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" above, no such withdrawal shall be made unless the Authority shall have obligated from appropriations applicable from the current or prior Federal Fiscal Years a sum sufficient for the payments to the Trustee required to be made pursuant to the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" in the current Bond Year.

Events of Default and Remedies

Each of the following events is declared an "*Event of Default*" under the Indenture:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Parity Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Parity Obligation, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in the Parity Obligations contained, and such default shall continue for a period of 60 days after

written notice thereof to the Authority by the Trustee or after written notice thereof to the Authority and to the Trustee by (a) the Owners of not less than a majority in principal amount of the Outstanding Bonds or (b) the Person entitled to payment under any other Outstanding Parity Obligation; or

(4) if the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Illinois.

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any Fund, Account or Sub-Account pursuant to the terms of the Indenture, and (ii) all 5307 Grant Receipts as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and 5307 Grant Receipts and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to the provisions summarized under this heading;

(2) to the payment of the principal of, Redemption Price of and interest on the Parity Obligations then due, as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Parity Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Parity Obligations which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Parity Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Authority under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Parity Obligations held by or for the account of the Authority have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

In the preceding three paragraphs, interest on Parity Obligations includes net payments to a Swap Provider under a Qualified Swap Agreement, as provided in the Indenture.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted therein, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name. All actions against the Authority under the Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, any Credit Bank, Swap Provider or Bond Insurer or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of the Indenture.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture relating to extension of payment of the Bonds.

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of its Bond from the sources provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer shall be treated as the Owner of Bonds upon which such Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to the provisions of the Indenture relating to events of default and remedies upon an event of default; *provided, however,* that (a) the Owners of the Bonds shall retain the right to exercise all rights under such provisions related to the enforcement of the tax covenants of the Authority contained in the Indenture, and (b) such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, until the Authority has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest Payment Date or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Credit Bank or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Supplemental Indentures Not Requiring Consent of Owners

The Authority and the Trustee may without the consent of, or notice to, any of the Owners or any Credit Bank, Bond Insurer and Swap Provider, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(1) to authorize Additional Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;

(2) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Parity Obligations, or of other notes, bonds, obligations or evidences of indebtedness;

(3) to impose additional covenants or agreements to be observed by the Authority;

(4) to impose other limitations or restrictions upon the Authority;

(5) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the 5307 Grant Receipts or any other moneys, securities or funds;

(7) authorize the issuance of Subordinated Indebtedness and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Indenture as then in effect;

(8) to cure any ambiguity, omission or defect in the Indenture;

(9) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;

(10) to provide for the appointment of any successor Fiduciary; and

(11) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

Supplemental Indentures Effective upon Consent of Owners

Except for Supplemental Indentures described under the preceding heading, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in the Indenture (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon or impair the exclusion from federal income taxation of interest on any Bond without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds. Any amendment or modification of the Indenture that adversely affects or diminishes the rights of any Credit Bank or Swap Provider with respect to the payment of any Section 206 Obligation or any Section 207 Obligation or the security provided by the Indenture with respect to the payment of any Section 206 Obligation or Section 207 Obligation shall not take effect unless such amendment of modification is consented to by such Credit Bank or Swap Provider (or in the event of an assignment of such Section 206 Obligation or Section 207 Obligation, the Person entitled to payment of such Section 206 Obligation or Section 207 Obligation).

Subject to the provisions of the Indenture summarized below under "**Summary of Certain Provisions of the 5307 Indenture - Termination of Rights of Bond Insurers,**" the rights of the Owner of an Insured Bond to consent to any amendment or modification of the Indenture are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose. Upon the authorization of a Supplemental Indenture making an amendment or modification to the Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in the Indenture provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Authority, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter provided under this heading. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the provisions described under this heading and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Authority a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given.

Required Consent of Bond Insurer to Supplemental Indentures

Any provision of the Indenture expressly recognizing or granting rights in or to a Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of such Bond Insurer.

The consent of the Bond Insurer shall be required in addition to the consent of the Owners of the Bonds, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture; (ii) removal of the Trustee or any Paying Agent and selection and appointment of any successor Trustee or Paying Agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Owners of the Bonds.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any 5307 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall thereupon be discharged and satisfied and (ii) to the applicable Credit Banks and Swap Providers (or their assignees) all payments due upon the instruments creating Section 206 Obligations and Section 207 Obligations, then the pledge of any 5307 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and obligations of the Authority to the Credit Banks, the Swap Providers and any of their assignees with respect to payment of Section 206 Obligations and Section 207 Obligations shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Authority, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Authority for any year or part thereof requested, and shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption or for the payment of Section 206 Obligations and Section 207 Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture summarized under this heading and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the provisions of the Indenture summarized under this heading shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Authority, shall be applied by the Trustee to the purchase of such Bonds in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the Authority on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Authority shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Authority the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Termination of Rights of Bond Insurers

All rights of any Bond Insurer under the Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE

The following summary sets forth certain provisions of the 5337 Indenture. The defined terms contained herein are to be read solely in reference to the 5337 Indenture. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the 5337 Indenture for a complete statement of the provisions thereof.

Pledge Effected by the Indenture; Limited Obligations

Pursuant to the Indenture, (i) the 5337 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the Indenture (except the Rebate Fund), subject, however, to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture – Covenants of the Authority - FTA Funds**" below and from the General Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - General Fund**" below, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds and the payment of Section 206 Obligations and Section 207 Obligations and a lien is granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture, *provided,* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture.

Pursuant to Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350/13, the 5337 Grant Receipts and the other moneys and securities pledged by the Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Parity Obligations are limited obligations of the Authority payable solely from the 5337 Grant Receipts pledged for their payment in accordance with the Indenture. The Parity Obligations are not, and shall not be or become, an indebtedness or obligation of the State of Illinois, the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Parity Obligation be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

No lien upon any physical properties of the Authority is created by the Indenture.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement under the provisions of the Indenture as summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5337 Indenture - Refunding Bonds**" below and for the purpose of determining the amount to be deposited into the Interest Account pursuant to the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" below, interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the SIFMA Municipal Swap Index, (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus fifty basis points, and (e) the interest rate set forth in a certificate of an Authorized Officer filed with the Trustee.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Bonds constitute Optional Tender Bonds, then in determining the Interest Requirement and the Principal Requirement of a Series of Bonds, the options of the Owners of such Bonds to tender the same for payment prior to their stated Principal Payment Date shall be ignored. If any of the Bonds constitute Variable Rate Bonds, the interest rate used in determining the Interest Requirement for such Variable Rate Bonds shall be the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest**

Rates" above, or, if and so long as a Qualified Swap Agreement is in effect that provides for a fixed interest rate, the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Hedging Transactions.**" The conversion of Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the provisions of the Indenture, as summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5337 Indenture - Refunding Bonds.**" In determining the Interest Requirement or the Principal Requirement of any Section 207 Obligation, such Section 207 Obligation shall be deemed to be Outstanding only to the extent that, on the date of computation, there are unpaid drawings or advances under the terms of the Credit Facility that created the Section 207 Obligation.

Funds and Accounts

The Authority under the Indenture establishes the Grant Receipts Deposit Fund, which shall be a special fund of the Authority held by the Authority as part of the Trust Estate, and the Construction Fund, the General Fund and the Debt Service Fund, each of which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate. Subject to use and application in accordance with the Indenture, all of the moneys and securities held in the Grant Receipts Deposit Fund, the Construction Fund, the Debt Service Fund and the General Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Parity Obligations and is subject to the lien of the Indenture. The Authority also establishes under the Indenture a Rebate Fund, which is not pledged to payment of the Bonds. The Interest Account, the Principal Account and the Variable Rate Stabilization Account are established as special accounts within the Debt Service Fund and the 2015 Project Account is established as a special account within the Construction Fund.

The Trustee shall withdraw from the appropriate Project Account in the Construction Fund and deposit into the Rebate Fund the amount specified by the Authority. The Trustee shall also withdraw moneys from the appropriate Project Account in the Construction Fund to pay costs of issuance of the Bonds in accordance with the directions of the Authority. All other payments from the Construction Fund shall be subject to the provisions and restrictions set forth in the Indenture.

Deposit and Application of 5337 Grant Receipts

All 5337 Grant Receipts received by the Authority shall be deposited promptly into the Grant Receipts Deposit Fund. On the first Business Day of each Bond Year, and (if required) on any subsequent Business Day during the Bond Year the Authority shall withdraw from the Grant Receipts Deposit Fund and pay over to the Trustee an amount sufficient to enable the Trustee to make payments into the following several Funds and Accounts, but as to each such Fund or Account only within the limitation indicated below with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

First: Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations for each remaining Interest Period that ends in the current Bond Year.

Second: Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations for the current Bond Year.

Third: Into the Variable Rate Stabilization Account, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement.

Fourth: Into the Rebate Fund, the amount specified in the certificate of an Authorized Officer filed with the Trustee pursuant to the Indenture.

Fifth: Into the General Fund, the amount specified in a certificate of an Authorized Officer filed with the Trustee.

Debt Service Fund

The Trustee shall pay to the respective Paying Agents or to any Swap Provider, as applicable, in Current Funds (i) out of any capitalized interest account established with respect to any Series of Bonds, on or before each Interest Payment Date specified in the Supplemental Indenture authorizing such Series, the applicable amount set forth in such Supplemental Indenture; (ii) out of the Interest Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i) above; (iii) out of the Variable Rate Stabilization Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i), or clause (ii) above; (iv) out of the Principal Account on or before each Principal Payment Date, an amount equal to the principal amount of the Outstanding Bonds and Section 207 Obligations, if any, which mature on such date; and (v) out of the Principal Account on or before each Principal Payment Date occasioned by redemption of Outstanding Bonds from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof. The Trustee shall also pay out of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment) the accrued interest included in the purchase price of Outstanding Bonds purchased for retirement.

Amounts in the Principal Account available for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds as provided below.

(1) Amounts deposited to the credit of the Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment). All such purchases of Outstanding Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. The principal amount of any Bonds so purchased shall be deemed to constitute part of the Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

(2) At any time up to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Authority may purchase with any available funds Outstanding Bonds for which such Sinking Fund Installment was established and surrender such Bonds to the Trustee at any time up to said date.

(3) After giving effect to the Outstanding Bonds purchased by the Trustee and Outstanding Bonds surrendered by the Authority as described in paragraphs (1) and (2) above, which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay out of the Principal Account to the appropriate Paying Agents, on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Outstanding Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(4) If the principal amount of Outstanding Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase or redemption from moneys other than from the Principal Account of Outstanding Bonds of any Series and maturity for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Authority establishes in a certificate delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

Moneys held in the Accounts of the Debt Service Fund shall be invested as provided in the Indenture. See "**Summary of Certain Provisions of the 5337 Indenture - Investment of Certain Moneys**" below in this APPENDIX A. Investment income earned as a result of such investment shall be retained in said Accounts.

The amount, if any, deposited in the Interest Account from the proceeds of Bonds shall be set aside in such Account and applied to the payment of the interest on the Bonds with respect to which such proceeds were deposited in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

If on any date, the amount held in the Variable Rate Stabilization Account exceeds the Variable Rate Stabilization Account Requirement, the Trustee, at the direction of the Authority, is required to transfer such excess to the General Fund.

General Fund

The Authority may establish within the General Fund one or more Debt Service Reserve Accounts for the purpose of providing additional security for the payment of one or more Series of Bonds. The Authority may provide for the application of moneys in the General Fund to maintain such Debt Service Reserve Account and for the use of moneys held in such Debt Service Reserve Account.

The Authority may establish one or more Subordinated Indebtedness Accounts within the General Fund for the purpose of securing the payment of Subordinated Indebtedness; *provided, however,* that in no event shall the administration of any such Account limit the application of moneys in the General Fund (including any Account therein) for the payment of interest or Principal due on Outstanding Bonds and Section 207 Obligations (or any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement).

If on any Interest Payment Date or Principal Payment Date the aggregate amount to the credit of the Debt Service Fund is less than the amount required to pay interest or Principal due on the Outstanding Bonds and Section 207 Obligations (and any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement), the Trustee is required to apply amounts from the General Fund (including any amount then held in a Debt Service Reserve Account or a Subordinated Indebtedness Account) to the extent necessary to cure such deficiency, in the following order of priority: first, to the credit of the Interest Account and then to the credit of the Principal Account; provided, however, that any withdrawal from a Debt Service Reserve Account shall be limited by the terms and conditions governing withdrawals from such Account.

Subject to any provisions limiting withdrawals from Debt Service Reserve Accounts and Subordinated Indebtedness Accounts, at the direction of the Authority, moneys held in the General Fund may be withdrawn from the General Fund and (i) transferred to any other Fund, Account or Sub-Account maintained under the Indenture or any Supplemental Indenture; (ii) used to purchase, pay, redeem or defease Outstanding Bonds; or (iii) used for any other purpose permitted by the Indenture.

Subject to the following paragraph, moneys in the General Fund shall be withdrawn promptly by the Trustee and paid over to the Authority free from the lien of the Indenture.

Any withdrawal of amounts held in a Debt Service Reserve Account or a Subordinated Indebtedness Account pursuant to the above paragraph shall be limited by the terms of administration of such Account. No withdrawal from the General Fund pursuant to the above paragraph shall be made unless, at the time of such withdrawal, (i) no deficiency exists with respect to the required deposits to the Interest Account and the Principal Account pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" above; (ii) the sum then held in the Variable Rate Stabilization Account shall be not less than the Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred and remain unremedied.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Accounts, the General Fund and its Accounts, the Rebate Fund and the Construction Fund and its Accounts shall be invested and reinvested by the Trustee at the oral direction of the Authority to the fullest extent practicable in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Funds or Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in subparagraph (vi) of the definition of Investment Securities, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Moneys held in any separate, segregated account of the Construction Fund held by the Authority in any depositary of moneys and securities held under the Indenture may be invested and reinvested by the Authority in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such accounts.

Investment Securities in any Fund, Account or Sub-Account created under the provisions of the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account.

Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee as often as may be necessary to determine the amounts held therein, except that valuations of Government Obligations held in the Debt Service Fund and its Accounts shall be made at least once each year on such dates as shall be determined by the Trustee.

The value of Investment Securities shall mean the fair market value thereof, *provided, however,* that all SLG's shall be valued at par, all Investment Securities maturing without 90 days shall be valued at par, and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citibank.

Additional Bonds for Construction Purposes

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of paying the Cost of Construction of one or more Eligible Projects or refunding any Subordinated Indebtedness issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account under the Indenture. The Additional Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it of a certificate of an Authorized Officer:

(1) Setting forth the average Annual Apportionment Amount for the three completed Federal Fiscal Years immediately preceding the date of issuance of such Series of Additional Bonds; and

(2) Determining that the average Annual Apportionment Amount determined pursuant to clause (1) above is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding immediately following the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth and summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds.

The proceeds, including accrued interest, of Additional Bonds of each Series shall be applied upon their delivery as follows:

(a) there shall be deposited in any Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture providing for the issuance of such Bonds; and

(b) the remaining balance shall be deposited in the Project Account established in the Construction Fund for the Additional Project specified in such Supplemental Indenture.

Such Additional Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers to the Trustee upon the authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more

Series, and any or all Outstanding Section 207 Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account under the Indenture.

Refunding Bonds of a Series to refund or advance refund Outstanding Bonds or Section 207 Obligations shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to certain other documents, securities and moneys required by the Indenture) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Defeasance**" so that the Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Defeasance.**"

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds and Section 207 Obligations to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case any be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds or the Persons entitled to payment of the Section 207 Obligations, as the case may be, to be refunded or advance refunded, or (ii) Defeasance Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the defeasance provisions of the Indenture.

(3) Either (i) the certificate of an Authorized Officer required under the Indenture in connection with the issuance of Additional Bonds as described under "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**," as applied to the Refunding Bonds to be issued pursuant to the provisions of the Indenture summarized under this heading, or (ii) a certificate of an Authorized Officer evidencing that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding, after the issuance of such Refunding Bonds and the redemption of provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in the previous paragraph, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions of the Indenture summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows:

(1) there shall be deposited in any other Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds;

(2) the amount of such proceeds needed for the refunding of the Bonds to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes; and

(3) any balance of such proceeds shall be applied in accordance with the written instructions of the Authority, signed by an Authorized Officer and filed with the Trustee.

Refunding Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers upon authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds and Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for the issuance thereof.

Hedging Transactions

If the Authority shall enter into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(1) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Authority under such Qualified Swap Agreement;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from 5337 Grant Receipts shall be made from amounts on deposit to the credit of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment); and

(3) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the Interest Account.

If the Authority shall enter into a swap agreement of the type generally described in the preceding paragraph that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(1) the interest rate adjustments or assumptions referred to in subparagraph (1) of the preceding paragraph shall not be made;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such swap agreement shall be made either (i) from sources other than 5337 Grant Receipts or (ii) if made from 5337 Grant Receipts, such payments, and any lien on 5337 Grant Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on 5337 Grant Receipts created by the Indenture as security for the payment of Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as 5337 Grant Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as 5337 Grant Receipts are to be deposited. See "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts.**"

With respect to a Qualified Swap Agreement described in the first paragraph under this heading or a swap agreement described in the preceding paragraph, any termination payment required to be made by the Authority to the Swap Provider shall be made either (i) from sources other than 5337 Grant Receipts, or (ii) if made from 5337 Grant Receipts, such termination payment and any lien on 5337 Grant Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on 5337 Grant Receipts created by the Indenture as security for the payment of Parity Obligations.

Credit Facilities to Secure Bonds; Section 207 Obligations

The Authority reserves the right to provide one or more Credit Facilities, or a combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owner thereof. In connection with any such Credit Facility, the Authority may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility, and the method by which the Authority will reimburse the Credit Bank that issued such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Authority and such Credit Bank.

At the election of the Authority expressed in a certificate of an Authorized Officer filed with the Trustee, any such obligation of the Authority to reimburse or otherwise make payments to the Credit Bank shall constitute a Parity Obligation under the Indenture (a "Section 207 Obligation") to the same extent as any Series of Bonds, and any and all amounts payable by the Authority to reimburse such Credit Bank, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Parity Obligations.

Each Section 207 Obligation shall be repayable over a period of not less than five years. The principal amount of all Section 207 Obligations incurred under a Credit Facility reimbursement agreement and payable in any period of 365 consecutive days shall not exceed 15 percent of the principal amount of all such Section 207 Obligations then Outstanding under such Credit Facility reimbursement agreement.

Subordinated Indebtedness

Nothing in the Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority (to the extent now or hereafter permitted by law) from (i) issuing bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from 5337 Grant Receipts, or (ii) incurring contractual obligations that are payable from 5337 Grant Receipts, but only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all Parity Obligations issued and Outstanding under the Indenture.

Covenants of the Authority

Pledge of 5337 Grant Receipts. The Authority covenants that the 5337 Grant Receipts and other moneys, securities and funds so pledged, and subject to the lien of the Indenture, are and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the 5337 Grant Receipts and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

Indebtedness and Liens. The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements and Subordinated Indebtedness, which are secured by a pledge of or lien on the 5337 Grant Receipts or the moneys, securities or funds held or set aside by the Authority or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the 5337 Grant Receipts or such moneys, securities or funds; *provided, however,* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring (i) evidences of indebtedness payable from or secured by amounts that may be withdrawn from the General Fund free from the lien of the Indenture as provided by the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - General Fund**" above or (ii) evidences of indebtedness payable from, or secured by the pledge of, 5337 Grant Receipts to be derived on and after such date as the pledge of 5337 Grant Receipts provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Construction of Project. To the extent that construction of the Bond Financed Projects is not complete as of the date of the Fourth Supplemental Indenture, the Authority shall forthwith proceed to complete the construction of the Bond Financed Projects as Eligible Projects in conformity with all requirements of all governmental authorities having jurisdiction thereover, and in accordance with and as more fully shown on the plans therefor, and the specifications relative thereto, subject to such modifications of such plans and specifications as may be approved from time to time by the Authority.

Payment of Lawful Charges. The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the 5337 Grant Receipts; *provided, however,* that this covenant shall not require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Accounts and Reports. The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the 5337 Grant Receipts and the Funds, Accounts and Sub-Accounts established by the Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. The Authority further covenants that it will keep an accurate record of the 5337 Grant Receipts received and of the payment thereof to the Trustee.

Not later than June 1 of each year the Authority will cause an independent audit to be made of its books and accounts for the preceding Fiscal Year, including its books and accounts relating to the 5337 Grant Receipts. Promptly thereafter reports of each such annual audit, signed by an Accountant, shall be mailed by the Authority to the Trustee and the Trustee shall make such reports available for inspection by the Owners of the Bonds.

Tax Covenants. The Authority shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2015 5337 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2015 5337 Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Authority shall not permit any of the proceeds of the Series 2015 5337 Bonds or other moneys to be invested in any manner that would cause any Series 2015 5337 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Authority shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

FTA Funds. (a) The Authority shall comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under 49 United States Code Section 5337 in order to be eligible to receive 5337 Grant Receipts for the payment of Parity Obligations and to facilitate the prompt receipt by the Authority of 5337 Grant Receipts.

(b) Within 10 days of the date that any FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds appropriated with respect to a Federal Fiscal Year become available for disbursement to the Authority for payment obligations then due, the Authority shall take all reasonable actions as shall be necessary or desirable to facilitate the prompt payment of such 5337 State of Good Repair Formula funds to the Authority. All of such moneys constituting 5337 Grant Receipts, when received by the Authority, shall be deposited promptly into the Grant Receipts Deposit Fund.

(c) For each Federal Fiscal Year, the Authority shall apply for the appropriation of FTA Section 5337 State of Good Repair Formula funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee required to be made under the provisions of the Indenture summarized in this APPENDIX A under the heading **"Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts"** above to the end of the next Bond Year, and shall cause such FTA 5337 State of Good Repair Formula funds to be obligated for such purposes on the earliest possible date in each Federal Fiscal Year.

(d) If as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the Trustee as described under this heading in subsection (c) above from the current Federal Fiscal Year appropriations have not been obtained, then the Authority shall reprogram available FTA 5337 State of Good Repair Formula funds appropriated in prior Federal Fiscal Years to the extent required to make such payments.

(e) Moneys held in the Grant Receipts Deposit Fund may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects; *provided*, *however*, that after the first Business Day of any Bond Year if any deficiency then exists in the deposits required to be made by the Trustee pursuant to the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" above, no such withdrawal shall be made unless the Authority shall have obligated from appropriations applicable from the current or prior Federal Fiscal Years a sum sufficient for the payments to the Trustee required to be made pursuant to the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" in the current Bond Year.

Events of Default and Remedies

Each of the following events is declared an "*Event of Default*" under the Indenture:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Parity Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Parity Obligation, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in the Parity Obligations contained, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or after written notice thereof to the Authority and to the Trustee by (a) the Owners of not less than a majority in principal amount of the Outstanding Bonds or (b) the Person entitled to payment under any other Outstanding Parity Obligation; or

(4) if the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Illinois.

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any Fund, Account or Sub-Account pursuant to the terms of the Indenture, and (ii) all 5337 Grant Receipts as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and 5337 Grant Receipts and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to the provisions summarized under this heading;

(2) to the payment of the principal of, Redemption Price of and interest on the Parity Obligations then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Parity Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Parity Obligations which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Parity Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Authority under the

Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Parity Obligations held by or for the account of the Authority have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

In the preceding three paragraphs, interest on Parity Obligations includes net payments to a Swap Provider under a Qualified Swap Agreement, as provided in the Indenture.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted therein, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name. All actions against the Authority under the Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, any Credit Bank, Swap Provider or Bond Insurer or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of the Indenture.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture relating to extension of payment of the Bonds.

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of its Bond from the sources provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer shall be treated as the Owner of Bonds upon which such Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to the provisions of the Indenture relating to events of default and remedies upon an event of default; *provided, however,* that (a) the Owners of the Bonds shall retain the right to exercise all rights under such provisions related to the enforcement of the tax covenants of the Authority contained in the Indenture, and (b) such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, until the Authority has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest Payment Date or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Credit Bank or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Supplemental Indentures Not Requiring Consent of Owners

The Authority and the Trustee may without the consent of any of the Owners or any Credit Bank, Bond Insurer and Swap Provider, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(1) to authorize Additional Bonds and Refunding Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;

(2) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Parity Obligations, or of other notes, bonds, obligations or evidences of indebtedness;

(3) to impose additional covenants or agreements to be observed by the Authority;

(4) to impose other limitations or restrictions upon the Authority;

(5) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the 5337 Grant Receipts or any other moneys, securities or funds;

(7) authorize the issuance of Subordinated Indebtedness and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Indenture as then in effect;

(8) to cure any ambiguity, omission or defect in the Indenture;

(9) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;

(10) to provide for the appointment of any successor Fiduciary; and

(11) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

Supplemental Indentures Effective upon Consent of Owners

Except for Supplemental Indentures described under the preceding heading, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in the Indenture (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon or impair the exclusion from federal income taxation of interest on any Bond without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds. Any amendment or modification of the Indenture that adversely affects or diminishes the rights of any Credit Bank or Swap Provider with respect to the payment of any Section 206 Obligation or any Section 207 Obligation or the security provided by the Indenture with respect to the payment of any Section 206 Obligation or Section 207 Obligation shall not take effect unless such amendment of modification is consented to by such Credit Bank or Swap Provider (or in the event of an assignment of such Section 206 Obligation or Section 207 Obligation, the Person entitled to payment of such Section 206 Obligation or Section 207 Obligation).

Subject to the provisions of the Indenture summarized below under "**Summary of Certain Provisions of the 5337 Indenture - Termination of Rights of Bond Insurers,**" the rights of the Owner of an Insured Bond to consent to any amendment or modification of the Indenture are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose. Upon the authorization of a Supplemental Indenture making an amendment or modification to the Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in the Indenture provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Authority, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter provided under this heading. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the provisions described under this heading and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Authority a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any 5337 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall thereupon be discharged and satisfied and (ii) to the applicable Credit Banks and Swap Providers (or their assignees) all payments due upon the instruments creating Section 206 Obligations and Section 207 Obligations, then the pledge of any 5337 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and obligations of the Authority to the Credit Banks, the Swap Providers and any of their assignees with respect to payment of Section 206 Obligations and Section 207 Obligations shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Authority, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Authority for any year or part thereof requested, and shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption or for the payment of Section 206 Obligations and Section 207 Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture summarized under this heading and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the provisions of the Indenture summarized under this heading shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance

Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Authority, shall be applied by the Trustee to the purchase of such Bonds in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the Authority on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Authority shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Authority the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Termination of Rights of Bond Insurers

All rights of any Bond Insurer under the Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

APPENDIX B

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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INFORMATION CONCERNING DTC

General. The Series 2015 Bonds are available in book-entry only form. Purchasers of the Series 2015 Bonds will not receive certificates representing their interests in the Series 2015 Bonds. Ownership interests in the Series 2015 Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System"**) maintained by The Depository Trust Company **"DTC"**), New York, New York.

The following information concerning DTC and the Book-Entry System has been obtained from DTC. The Issuer take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 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 certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets 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 Ownership Interests. Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Certificate (the **"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 2015 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 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 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 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. 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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as prepayments and proposed amendments to the Indenture or Lease. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices will be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal, Prepayment Price and Interest. Payment of principal and interest components of the Series 2015 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 Issuer or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest components of the Series 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2015 Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, Series 2015 Bonds will be printed and delivered.

If the Book-Entry Only System is discontinued, the following provisions would apply: Each Certificate when delivered will be registered by the Trustee in the name of the owner thereof on the Certificate Register. Certificates are transferable only upon the Certificate Register upon presentation and surrender of the Certificate, together with instructions for transfer. Certificates may be exchanged for Certificates in the same aggregate principal component and maturity upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Years Ended December 31, 2014 and 2013
(With Independent Auditor's Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Chicago Transit Authority (CTA), as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the CTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the CTA, as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans.* The provisions of this Statement are effective for the CTA's fiscal year ended December 31, 2014, with earlier application being encouraged. The CTA's supplemental retirement plans have implemented this statement for their fiscal year ended December 31, 2014. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CTA's basic financial statements. The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2014 and 2013, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules of expenses and revenues – budget and actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules of expenses and revenues – budget and actual are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated May 4, 2015 on our consideration of the CTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CTA's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath

Chicago, Illinois
May 4, 2015

Introduction

The following discussion and analysis of the financial performance and activity of the Chicago Transit Authority (CTA) provide an introduction and understanding of the basic financial statements of the CTA for the fiscal years ended December 31, 2014 and 2013. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2014

- Net position totaled $885,477,000 at December 31, 2014.
- Net position increased $52,518,000 in 2014, which compares to an increase of $280,102,000 in 2013.
- Total net capital assets were $4,823,134,000 at December 31, 2014, an increase of 8.57% over the balance at December 31, 2013 of $4,442,538,000.

Financial Highlights for 2013

- Net position totaled $832,959,000 at December 31, 2013.
- Net position increased $280,102,000 in 2013, which compares to a decrease of $196,274,000 in 2012.
- Total net capital assets were $4,442,538,000 at December 31, 2013, an increase of 17.15% over the balance at December 31, 2012 of $3,792,311,000.

The Financial Statements

The basic financial statements provide information about the CTA's business-type activities and the Open Supplemental Retirement Fund (fiduciary activities). The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Overview of the Financial Statements for Business-Type Activities

The financial statements consist of the (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position, (3) Statements of Cash Flows, and (4) Notes to the Financial Statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with U.S. generally accepted accounting principles.

Statements of Net Position

The Statements of Net Position reports all financial and capital resources for the CTA (excluding fiduciary activities). The statements are presented in the format where assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the Statements of Net Position is to show a picture of the liquidity and health of the organization as of the end of the year.

(Continued)

The Statements of Net Position (the unrestricted net position) are designed to present the net available liquid (noncapital) assets, net of liabilities, for the entire CTA. Net position is reported in three categories:

- *Net Investment in Capital Assets—This component of net position consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.*
- *Restricted—This component of net position consists of restricted assets where constraints are placed upon the assets by creditors (such as debt covenants), grantors, contributors, laws, and regulations, etc.*
- *Unrestricted—This component consists of net position that does not meet the definition of net investment in capital assets, or a restricted component of net position.*

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position includes operating revenues, such as bus and rail passenger fares, rental fees received from concessionaires, and the fees collected from advertisements on CTA property; operating expenses, such as costs of operating the mass transit system, administrative expenses, and depreciation on capital assets; and nonoperating revenue and expenses, such as grant revenue, investment income, and interest expense. The focus of the Statements of Revenues, Expenses, and Changes in Net Position is the changes in net position. This is similar to net income or loss and portrays the results of operations of the organization for the entire operating period.

Statements of Cash Flows

The Statements of Cash Flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities. This statement also portrays the health of the CTA in that current cash flows are sufficient to pay current liabilities.

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the basic financial statements and describe the significant accounting policies, related-party transactions, deposits and investments, capital assets, capital lease obligations, bonds payable, long-term liabilities, defined-benefit pension plans, derivative financial instruments, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

(Continued)

Financial Analysis of the CTA's Business-Type Activities

Statements of Net Position

The following table reflects a condensed summary of assets, liabilities, and net position of the CTA as of December 31, 2014, 2013, and 2012:

Table 1
Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
December 31, 2014, 2013, and 2012
(In thousands of dollars)

	2014	2013	2012
Assets:			
Current assets	$ 673,418	$ 677,410	$ 678,900
Capital Assets, net	4,823,134	4,442,538	3,792,311
Noncurrent assets	954,950	1,942,841	2,482,899
Total assets	6,451,502	7,062,789	6,954,110
Total deferred outflows of resources	12,015	10,054	7,616
Total assets and deferred outflows of resouces	$ 6,463,517	$ 7,072,843	$ 6,961,726
Liabilities:			
Current liabilities	$ 648,886	$ 738,733	$ 630,516
Long-term liabilities	4,929,154	5,500,128	5,778,181
Total liabilities	5,578,040	6,238,861	6,408,697
Total deferred inflows of resources	-	1,023	172
Net position			
Net investment in capital assets	2,727,982	2,610,183	2,383,120
Restricted:			
Payment of leasehold obligations	28,358	51,585	43,920
Debt service	78,405	77,661	75,333
Unrestricted (deficit)	(1,949,268)	(1,906,470)	(1,949,516)
Total net position	885,477	832,959	552,857
Total liabilities, deferred inflows and net position	$ 6,463,517	$ 7,072,843	$ 6,961,726

Year Ended December 31, 2014

Current assets is slightly lower than prior year due to lower accounts receivable balances.

Capital assets (net) increased by 8.57% to $4,823,134,000 due to an increase in vehicle purchases. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 50.85% to $954,950,000 primarily due the acceleration of the purchase option date related to a lease/leaseback transaction.

Current liabilities decreased 12.16% to $648,886,000 primarily due to lower capital lease obligations and accounts payable.

(Continued)

Long-term liabilities decreased 10.38% to $4,929,154,000. The decrease is primarily due to the lower capital lease obligations associated with the acceleration of the purchase option date for certain capital lease agreements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, decreased 2.24% over the prior year.

Year Ended December 31, 2013

Current assets decreased by 0.22% to $677,410,000. The decrease in cash and investments is offset by an increase in receivables with the overall balance of current assets on par with the prior year.

Capital assets (net) increased by 17.15% to $4,442,538,000 due to an increase in vehicle purchases and new fare collection equipment. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 21.75% to $1,942,841,000 primarily due to use of bond proceeds to fund various capital projects.

Current liabilities increased 17.16% to $738,733,000 primarily due to an increase in the current portion of capital lease obligations which is based on terms set forth in the lease agreements.

Long-term liabilities decreased 4.81% to $5,500,128,000. The decrease is primarily due to a shift in categorization from long term to short term based on terms set forth in the capital lease agreements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, decreased 2.21% over the prior year.

(Continued)

Statements of Revenues, Expenses, and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses, and changes in net position (in thousands) for the years ended December 31, 2014, 2013, and 2012:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2014, 2013, and 2012
(In thousands of dollars)

	2014	**2013**	**2012**
Operating revenues	$ 633,626	$ 624,954	$ 596,499
Operating expenses:			
Operating expenses	1,331,898	1,280,661	1,292,918
Depreciation	419,151	365,560	379,510
Total operating expenses	1,751,049	1,646,221	1,672,428
Operating loss	(1,117,423)	(1,021,267)	(1,075,929)
Nonoperating revenues:			
Public funding from the RTA	739,238	753,308	645,524
Interest revenue from leasing transactions	75,589	111,151	116,039
Other nonoperating revenues	50,106	52,857	62,163
Total nonoperating revenues	864,933	917,316	823,726
Nonoperating expenses	(246,571)	(289,518)	(310,473)
Change in net position before capital contributions	(499,061)	(393,469)	(562,676)
Capital contributions	551,579	673,571	366,402
Change in net position	52,518	280,102	(196,274)
Total net position, beginning of year	832,959	552,857	749,131
Total net position, end of year	$ 885,477	$ 832,959	$ 552,857

Year Ended December 31, 2014

Total operating revenues increased by $8,672,000, or 1.39% primarily due to increases in farebox revenue.

In 2014, CTA completed the transition to a new fare collection system, Ventra. There were no changes to the fare policy however riders continued to transition from passes to other fare media options. CTA's ridership decreased by 2.8% or 15 million rides, however the combined fare and pass revenue increased due to the structure of the fare policy and rider preference. CTA's average fare of $1.13 was $0.05 higher than 2013.

In 2014, CTA provided approximately 78.3 million free rides, a decrease of 1.7 million or 2.16% over 2013. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

(Continued)

Total operating expenses increased $104,828,000, or 6.37%. The increase is primarily driven by higher depreciation, labor and materials expenses. Depreciation expense increased $53,591,000 due to the increase in vehicle, equipment and track structure assets. Labor expense increased $27,085,000 due negotiated wage increases and an increase in actuarial estimates for fringe benefit costs including workers compensation and pension. Materials expense was also impacted by the 2014 polar vortex and increased $20,610,000 over prior year.

Year Ended December 31, 2013

Total operating revenues increased by $28,455,000, or 4.77% primarily due to increases in farebox revenue.

In 2013, CTA implemented a new fare policy which increased the price of passes. As a result, some riders transitioned from passes to other fare media options. CTA's ridership decreased by 3.0% or 16.3 million rides, however the combined fare and pass revenue increased due to the new fare policy. CTA's average fare of $1.09 was $0.08 higher than 2012.

In 2013, CTA provided approximately 80.0 million free rides, an increase of 10.9 million or 15.8% over 2012. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under the new program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses decreased $26,207,000, or 1.57%. The decrease is primarily driven by lower materials and security expenses. Materials expense decreased $25,084,000 due to new supply chain management strategies. Security services expense was decreased $13,308,000 primarily due to the reinstatement of the customer service assistants at rail stations which reduced the need for outsourced security service.

(Continued)

Table 3, which follows, provides a comparison of amounts for these items:

Table 3
Operating Revenues and Expenses
Years ended December 31, 2014, 2013, and 2012
(In thousands of dollars)

	2014	2013	2012
Operating Revenues:			
Farebox revenue	$ 364,144	$ 323,302	$ 272,195
Pass revenue	219,155	250,727	276,604
Total farebox and pass revenue	583,299	574,029	548,799
Advertising and concessions	27,561	25,677	25,675
Other revenue	22,766	25,248	22,025
Total operating revenues	$ 633,626	$ 624,954	$ 596,499
Operating Expenses:			
Labor and fringe benefits	$ 998,059	$ 970,974	$ 969,637
Materials and supplies	80,963	60,353	85,437
Fuel	59,476	61,836	62,908
Electric power	33,568	26,174	25,020
Purchase of security services	13,628	24,160	37,468
Other	121,309	122,993	95,000
Operating expense before provisions	1,307,003	1,266,490	1,275,470
Provision for injuries and damages	24,895	14,171	17,448
Provision for depreciation	419,151	365,560	379,510
Total operating expenses	$ 1,751,049	$ 1,646,221	$ 1,672,428

Capital Asset and Debt Administration

Capital Assets

The CTA invested $ 11,032,581,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2014. Net of accumulated depreciation, the CTA's capital assets at December 31, 2014 totaled $4,823,134,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $380,596,000, or 8.57%, over the December 31, 2013 balance primarily due to the purchase of new rail vehicles and overhauls on aging bus and rail fleets.

The CTA invested $10,325,899,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2013. Net of accumulated depreciation, the CTA's capital assets at December 31, 2013 totaled $4,442,538,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $650,227,000, or 17.15%, over the December 31, 2012 balance primarily due to an increase in vehicle purchases, new fare collection equipment and two major rail construction projects.

Additional information on the capital assets can be found in note 6 of the audited financial statements.

(Continued)

Debt Administration

Long-term debt includes capital lease obligations payable, accrued pension costs, bonds payable and certificates of participation.

At December 31, 2014, the CTA had $386,303,000 in capital lease obligations outstanding, a decrease from the prior year due to the acceleration of the purchase option of one lease transaction. The bonds payable liability increased $514,644,000 due to one new bond issuance in 2014.

At December 31, 2013, the CTA had $1,608,763,000 in capital lease obligations outstanding, a decrease from the prior year due to the early termination of one lease transaction. The bonds payable liability decreased $81,104,000 over the prior year. There were no new bond issuances during 2013.

Additional information on the debt activity can be found in notes 7, 8, 9 and 10 of the audited financial statements.

2015 Budget and Economic Factors

On November 13, 2014, the CTA Board adopted an annual operating budget for fiscal year 2015. After adoption, the budget was submitted to and approved by the RTA on December 17, 2014. The 2015 budget is balanced at $1.443 billion, with no service reductions and no transfers of capital funds. The 2015 budget is 4.5% higher than the 2014 forecast, with increases in expenses due to contractual wage increases, enhanced rail service, and additional investments in cleanliness and safety.

System-generated revenue is projected to be $687.5 million in 2015, representing a 0.6% increase over the 2014 forecast. Public funding is projected to be $756.1 million, representing a 5% increase over 2014 forecast.

The Chicago-area unemployment rate has dropped from as high as 10.4 percent in 2010 to 6.1 percent in 2014. The total number of employed in the Chicago region is 3.6 million in 2014. This is the fourth consecutive year of gains in employment and the highest total since 2008, before the recession. The economic recovery is expected to continue to increase public funding from sales tax receipts and the Real-Estate Transfer Tax. Final estimates from 2014 show a public funding total of $731.8 million, about $18 million higher than revised estimates.

The CTA enters the fourth year of a negotiated labor agreement in 2015. This labor agreement provides for modest wage increases, a reformed health care plan, and updated work rules. Together, these changes help bend the labor cost curve and provide stability in labor expenses, which are the bulk of CTA's expenses. Other management efficiencies, such as supply chain reform, absenteeism reduction, fleet replacements, increased camera network, and Bus and Rail apprentice programs help to reduce and contain expenses across the agency. Since 2011, the CTA has developed and implemented an aggressive plan to fight crime and increase safety on the system by adding thousands of security cameras and strengthening policing strategies. In each subsequent year serious crime has decreased, including a 26% reduction in 2014. In addition to initiatives that reduce expenses, the CTA continues to enhance system generated revenues. In 2014, fare-card verification efforts were initiated to insure that the state- and federally- mandated free and reduced ride programs were being used by only authorized users. More aggressive advertising strategies (digital screens, broader content) have added $4.7 million annually in advertising revenue since 2011. The value of CTA concession contract renewals has increased by 132% since 2011.

(Continued)

The CTA continues to take delivery of 714 new rail cars replacing rail cars that have been in service up to 40 years. Through 2014 the CTA has placed into service 600 new railcars with the remaining cars to be placed into service in 2015. When delivery is complete these cars will comprise approximately 55% of rail revenue fleet. In addition, since 2013 the CTA put 200 new buses into service and will put another 175 new buses into service in 2015. By the end of 2015, over 1,000 existing buses (approximately 55% of the fleet) will have completed a comprehensive mid-life overhaul.

Major infrastructure projects taking place in 2014 and continuing into 2015 include the continuing construction of a new 95th Street Terminal, reconstruction of the Wilson Red Line station into a modern transfer station, the Ravenswood Connector project to increase speed and reliability of the Brown and Purple lines; the Your New Blue modernization of the Blue Line O'Hare branch; and the opening of the new Cermak-McCormick Place Green Line station.

Other projects that will begin in 2015 include construction of a new central Loop elevated station and central Loop bus rapid transit route; the rehabilitation of the Quincy Loop elevated station and the Illinois Medical District Blue Line station; and the upgrade of CTA's subway tunnel wireless communications to 4G technology. Also in 2015, the CTA will continue to develop plans to extend the Red Line from 95th Street to 130th Street and plans for Phase One of the Red and Purple Modernization Program to modernize Red and Purple lines on the North Side.

Legislation

On January 18, 2008, Public Act 95-708 became law. This legislation provides funding for CTA operations, pension and retiree healthcare from four sources: 1) a 0.25 percent increase in the RTA sales tax in each of the six counties, 2) a $1.50 per $500 of transfer price increase in the City of Chicago's real estate transfer tax, 3) an additional 5% state match on the real estate transfer tax and all sales tax receipts except for the replacement and use tax, and 4) a 25% state match on the new sales tax and real estate transfer tax. The proceeds from the increase in the RTA sales tax will be used to fund some existing programs such as ADA paratransit services, as well as some new initiatives such as the Suburban Community Mobility Fund and the Innovation, Coordination and Enhancement Fund. The balance of these additional proceeds along with the 5% state match on: existing, additional sales tax and real estate transfer tax; and the state 25% match on the new sales tax will be divided among the CTA (48%), Metra (39%) and Pace (13%) according to the statutory formula. On February 6, 2008, the Chicago City Council authorized an increase in the real estate transfer tax in the amount of $1.50 per $500 of transfer price, the proceeds of which (after deducting costs associated with collection) will be entirely directed to the CTA. Additionally the state 25% match on the real estate transfer tax will be entirely directed to CTA as well.

Pursuant to Public Act 94-839, the CTA was required to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. This legislation also required the RTA to monitor the payment by the CTA of its required retirement system contributions. If the CTA's contributions were more than one month overdue, the RTA would pay the amount of the overdue contributions directly to the trustee of the CTA's retirement system out of moneys otherwise payable by the RTA to the CTA.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust was created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue $1.349 billion in pension obligation bonds to fund the Retirement Plan. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding.

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue $640 million in pension obligation bonds to fund the healthcare trust. Subsequent to the 2008 legislation, the Board of Trustees of the Retiree Healthcare Trust amended the eligibility requirements to receive postemployment health benefits. After 2010, employees will be eligible for retiree healthcare at or after the age of 55 with 20 years of continuous service.

The pension and retiree healthcare bonds were issued on August 6, 2008 and $1.1 billion was deposited in the pension trust and $528.8 million was deposited in the healthcare trust.

Contacting the CTA's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the CTA's finances and to demonstrate the CTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chicago Transit Authority's Chief Financial Officer, 567 W. Lake Street, Chicago, IL 60661.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 16,506	$ 95,621
Cash and cash equivalents restricted for damage reserve	105,994	114,622
Investments	86,032	20
Total cash, cash equivalents, and investments	208,532	210,263
Grants receivable:		
Due from the RTA	273,431	276,970
Capital improvement projects from federal and state sources	-	33
Unbilled work in progress	109,401	88,703
Other	-	70
Total grants receivable	382,832	365,776
Accounts receivable, net	42,834	48,881
Materials and supplies, net	33,975	44,387
Prepaid expenses and other assets	5,245	7,080
Derivative instrument asset	-	1,023
Total current assets	673,418	677,410
Noncurrent assets:		
Other noncurrent assets:		
Restricted assets for repayment of leasing commitments	271,173	1,503,684
Bond proceeds held by trustee	665,931	420,670
Assets held by trustee for supplemental retirement plans	518	441
Net pension asset - supplemental retirement plans	17,328	18,046
Total other noncurrent assets	954,950	1,942,841
Capital assets:		
Capital assets not being depreciated:		
Land	115,982	116,462
Construction in process	760,040	922,428
Capital assets not being depreciated	876,022	1,038,890
Capital assets being depreciated	10,156,559	9,287,009
Less accumulated depreciation	(6,209,447)	(5,883,361)
Total capital assets being depreciated, net	3,947,112	3,403,648
Total capital assets, net	4,823,134	4,442,538
Total noncurrent assets	5,778,084	6,385,379
Total assets	6,451,502	7,062,789
Deferred outflows of resources		
Deferred loss on refunding	8,607	10,054
Accumulated decrease in fair value of hedging derivatives	3,408	-
Total deferred outflows of resources	12,015	10,054
Total assets and deferred outflows of resources	$ 6,463,517	$ 7,072,843

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 154,563	$ 168,274
Accrued payroll, vacation pay, and related liabilities	122,383	107,051
Accrued interest payable	22,335	20,370
Advances, deposits, and other	18,173	10,997
Unearned passenger revenue	49,073	41,834
Other unearned revenue	2,213	1,471
Unearned operating assistance	36,278	34,525
Derivative instrument liability	3,408	-
Current portion of long-term liabilities	240,460	354,211
Total current liabilities	648,886	738,733
Long-term liabilities:		
Self-insurance claims, less current portion	181,039	169,357
Capital lease obligations, less current portion	363,733	1,457,455
Bonds payable, less current portion	4,173,714	3,669,020
Certificates of participation payable, less current portion	36,724	43,486
Net pension obligation - supplemental retirement plans	84,130	59,455
Net other postemployment benefits obligation	4,213	4,120
Other long-term liabilities	85,601	97,235
Total long-term liabilities	4,929,154	5,500,128
Total liabilities	5,578,040	6,238,861
Deferred inflows of resources		
Accumulated increase in fair value of hedging derivative	-	1,023
Total deferred inflows of resources	-	1,023
Net position:		
Net investment in capital assets	2,727,982	2,610,183
Restricted:		
Payment of leasehold obligations	28,358	51,585
Debt service	78,405	77,661
Unrestricted (deficit)	(1,949,268)	(1,906,470)
Total net position	885,477	832,959
Total liabilities, deferred inflows of resources, and net position	$ 6,463,517	$ 7,072,843

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Operating revenues:		
Fare box revenue	$ 364,144	$ 323,302
Pass revenue	219,155	250,727
Total fare box and pass revenue	583,299	574,029
Advertising and concessions	27,561	25,677
Other revenue	22,766	25,248
Total operating revenues	633,626	624,954
Operating expenses:		
Labor and fringe benefits	998,059	970,974
Materials and supplies	80,963	60,353
Fuel	59,476	61,836
Electric power	33,568	26,174
Purchase of security services	13,628	24,160
Maintenance and repairs, utilities, rent, and other	121,309	122,993
	1,307,003	1,266,490
Provisions for injuries and damages	24,895	14,171
Provision for depreciation	419,151	365,560
Total operating expenses	1,751,049	1,646,221
Operating expenses in excess of operating revenues	(1,117,423)	(1,021,267)
Nonoperating revenues (expenses):		
Public funding from the RTA	739,238	753,308
Reduced-fare subsidies	28,321	21,948
Operating grant revenue	10,567	17,707
Contributions from local government agencies	5,000	5,000
Investment income	1,784	3,940
Gain (loss) on sale of assets	2,739	(1,009)
Recognition of leasing transaction proceeds	1,695	4,262
Interest expense on bonds and other financing	(199,397)	(175,817)
Interest revenue from leasing transactions	75,589	111,151
Interest expense on leasing transactions	(47,174)	(112,692)
Total nonoperating revenues, net	618,362	627,798
Change in net position before capital contributions	(499,061)	(393,469)
Capital contributions	551,579	673,571
Change in net position	52,518	280,102
Total net position – beginning of year	832,959	552,857
Total net position – end of year	$ 885,477	$ 832,959

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Cash received from fares	$ 590,538	$ 562,684
Payments to employees	(950,641)	(940,755)
Payments to suppliers	(321,061)	(261,264)
Other receipts	64,292	44,680
Net cash flows provided by (used in) operating activities	(616,872)	(594,655)
Cash flows from noncapital financing activities:		
Public funding from the RTA	744,530	668,216
Reduced-fare subsidies	28,321	21,948
Operating grant revenue	10,567	17,707
Contributions from local governmental agencies	5,000	5,000
Net cash flows provided by (used in) noncapital financing activities	788,418	712,871
Cash flows from capital and related financing activities:		
Interest income from assets restricted for payment of leasehold obligations	75,589	111,151
Interest expense on bonds	(203,697)	(182,593)
Decrease (increase) in restricted assets for repayment of leasing commitments	1,232,511	155,913
Repayment of lease obligations	(1,325,720)	(284,644)
Proceeds from issuance of bonds	600,154	-
Repayment of bonds payable	(85,151)	(80,894)
Repayment of other long-term liabilities	(11,245)	(2,058)
Payments for acquisition and construction of capital assets	(747,007)	(942,226)
Proceeds from the sale of property and equipment	3,859	5,355
Capital grants	530,984	678,143
Net cash flows provided by (used in) capital and related financing activities	70,277	(541,853)
Cash flows from investing activities:		
Purchases of unrestricted investments	(86,032)	(20)
Proceeds from maturity of unrestricted investments	20	1,000
Restricted cash and investment accounts:		
Purchases and withdrawals	(245,338)	(500,355)
Proceeds from maturities and deposits	-	883,830
Investment revenue	1,784	3,940
Net cash flows provided by (used in) investing activities	(329,566)	388,395
Net increase (decrease) in cash and cash equivalents	(87,743)	(35,242)
Cash and cash equivalents – beginning of year	210,243	245,485
Cash and cash equivalents – end of year	$ 122,500	$ 210,243

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	$ (1,117,423)	$ (1,021,267)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	419,151	365,560
(Increase) decrease in assets:		
Accounts receivable	6,047	(8,109)
Materials and supplies	10,412	1,669
Prepaid expenses and other assets	1,835	(1,681)
Net pension asset	718	670
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(10,985)	46,583
Accrued payroll, vacation pay, and related liabilities	15,332	4,970
Self-insurance reserves	18,116	5,067
Unearned passenger revenue	7,239	(11,345)
Other unearned revenue	742	(693)
Advances, deposits, and other	7,176	2,557
Accrued pension costs and OPEB	24,768	21,364
Net cash flows used in operating activities	$ (616,872)	$ (594,655)
Noncash investing and financing activities:		
Recognition of leasing proceeds	$ 1,695	$ 4,262
Accretion of interest on lease/leaseback obligations	73,513	109,188
Retirement of fully depreciated capital assets	157,423	81,368
Purchases of capital assets in accounts payable at year-end	45,829	48,555
Purchases of capital assets in other long-term liabilities	-	102,490
Recognition of revenue - RTA liability write-off (Note 4)	-	56,147
RTA assistance not received	273,431	276,970
Capital grant assistance not received		
Unbilled work in progress	109,401	88,703

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Position
Open Supplemental Retirement Plan
December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Assets:		
Contributions from employees	$ 383	$ 402
Investments at fair value:		
Short-term investments	1,493	2,011
Government agencies	8,104	8,842
Equity mutual funds	8,704	7,903
Common stock	23,447	24,450
Total investments at fair value	41,748	43,206
Securities lending collateral	19,895	13,059
Total assets	62,026	56,667
Liabilities:		
Accounts payable and other liabilities	85	105
Securities lending collateral obligation	19,895	13,059
Total liabilities	19,980	13,164
Net position restricted for pensions	$ 42,046	$ 43,503

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Position
Open Supplemental Retirement Plan
Years ended December 31, 2014 and 2013
(In thousands of dollars)

	2014	2013
Additions:		
Contributions:		
Employee	$ 82	$ 14
Employer	1,119	1,927
Total contributions	1,201	1,941
Investment income:		
Net increase (decrease) in fair value of investments	(2,363)	5,927
Investment income	4,365	3,232
Total investment income	2,002	9,159
Total additions	3,203	11,100
Deductions:		
Benefits paid to participants or beneficiaries	4,349	4,315
Trust fees	311	322
Total deductions	4,660	4,637
Net increase (decrease)	(1,457)	6,463
Net position restricted for pensions		
Beginning of year	43,503	37,040
End of year	$ 42,046	$ 43,503

NOTE 1 - ORGANIZATION

The Chicago Transit Authority (CTA) was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) "separate and apart from all other government agencies" to consolidate Chicago's public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

The Regional Transportation Authority Act (the Act) provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board, the Regional Transportation Authority (RTA), and designated three service boards (CTA, Commuter Rail Board, and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation, and that the CTA (collectively with the other service boards) finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

Financial Reporting Entity: As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the CTA has no component units and is not a component unit of any other entity.

The CTA participates in the Employees' Retirement Plan, which is a single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Employees' Plan is governed by Illinois state statute (40 ILCS 5/22-101). The fund, established to administer the Employees' Retirement Plan, is not a fiduciary fund or a component unit of the CTA. This fund is a legal entity separate and distinct from the CTA. This plan is administered by its own board of trustees comprised of 5 union representatives, 5 representatives appointed by the CTA, and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the Employees' Retirement Plan. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

The CTA participates in the Retiree Health Care Trust (RHCT), which provides and administers health care benefits for CTA retirees and their dependents and survivors. The Retiree Health Care Trust was established by Public Acts 94-839 and 95-708. The RHCT is not a fiduciary fund or a component unit of the CTA. This trust is a legal entity separate and distinct from the CTA. This trust is administered by its own board of trustees comprised of three union representatives, three representatives appointed by the CTA and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the RHCT. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

The CTA administers supplemental retirement plans that are separate, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) Board Member Plan, (2) Closed Supplemental Plan for members retired or terminated from employment before March 2005, including early retirement incentive, and (3) Open Supplemental Plan for members retiring or terminating after March 2005. The CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Open Supplemental Retirement Plan). The Open Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the Closed and Board Plans are included in the financial statements of the CTA's business-type activities.

The CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board, comprising four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois, the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA's financial statements, but is combined in pro forma statements with the RTA, as statutorily required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The basic financial statements provide information about the CTA's business-type and fiduciary (Open Supplemental Retirement Plan) activities. Separate statements for each category, business-type and fiduciary, are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations are provided; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The financial statements for the CTA's business-type activities are used to account for the CTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the CTA maintains its records on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the CTA are included in the Statements of Net Position.

The principal operating revenues of the CTA are bus and rail passenger fares. The CTA also recognizes as operating revenue the rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Operating expenses for the CTA include the costs of operating the mass transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the CTA receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the CTA on a reimbursement basis.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Open Supplemental Retirement Plan. The assets of the Open Supplemental Retirement Plan cannot be used to support CTA operations.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less.

Cash and Cash Equivalents Restricted for Damage Reserve: The CTA maintained cash and investment balances to fund the annual injury and damage obligations that are required to be designated under provisions of Section 39 of the Metropolitan Transportation Authority Act.

Investments: Investments, including the supplemental retirement plan assets, are reported at fair value based on quoted market prices and valuations provided by external investment managers.

Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, repurchase agreements, commercial paper rated within the highest classification set by two standard rating services, or money market mutual funds investing in obligations of the United States Treasury and United States agencies.

Materials and Supplies: Materials and supplies are stated at the lower of average cost or market value and consist principally of maintenance supplies and repair parts.

Other Noncurrent Assets: Other noncurrent assets include (a) cash and claims to cash that are restricted as to withdrawal or use for other than current operations, (b) resources that are designated for expenditure in the acquisition or construction of noncurrent assets, or (c) resources that are segregated for the liquidation of long-term debts.

Restricted assets for repayment of leasing commitments: The CTA entered into various lease/leaseback agreements in fiscal years 1995 through 2003. These agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the related capital assets to an equity investor trust, which would then lease the capital assets back to another trust established by the CTA under a separate lease. The CTA received certain funds as prepayment by the equity investor trust. These funds have been deposited in designated investment accounts sufficient to meet the payments required under the leases and are recorded as assets restricted for repayment of leasing commitments.

Bond proceeds held by trustee: In 2004, 2006, 2008, 2010 and 2011, the CTA issued Capital Grant Receipt Revenue Bonds. The proceeds from each sale were placed in trust accounts restricted for financing the costs of capital improvement projects associated with each issuance.

In 2008, the CTA issued Sales Tax Revenue Bonds to fund the employee retirement plan and to create a retiree health care trust. In 2010, the CTA issued Sales Tax Revenue Build America Bonds to fund the purchase of rail cars, the scheduled rehabilitation of rail cars, and the purchase and installation of replacements and upgrades for rail system components. In 2011, CTA issued Sales Tax Receipts Revenue Bonds to fund the purchase of rail cars and other projects. Project, debt service reserve, and capitalized interest accounts are maintained associated with these issuances. In 2014, CTA issued Sales Tax Receipts Revenue Bonds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA. The proceeds from the sale were placed in trust accounts restricted for financing the costs of acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. In 2006, the PBC issued refunding revenue bonds to refund all outstanding Series 2003 bonds.

Capital Assets: All capital assets are stated at cost. Capital assets are defined as assets which (1) have a useful life of more than one year and a unit cost of more than $5,000, (2) have a unit cost of $5,000 or less, but which are part of a network or system conversion, or (3) were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Interest is capitalized on constructed capital assets. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalized interest cost is amortized on the same basis as the related asset is depreciated. Projects funded with bond proceeds incurred $83,043,000 and $80,592,000 of interest expense for the years ended December 31, 2014 and 2013, respectively. Of those interest costs incurred, $4,646,000 and $10,768,000 were capitalized during the years ended December 31, 2014 and 2013, respectively.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	Years
Buildings	40
Elevated structures, tracks, tunnels, and power system	20-40
Transportation vehicles:	
Bus	7-12
Rail	25
Signal and communication	10-20
Other equipment	3-10

A full month's depreciation is taken in the month after an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded.

The transportation system operated by the CTA includes certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and other agreements.

Included with the CTA's *other equipment* capital assets, the CTA has capitalized an intangible asset, computer software. The CTA follows the same capitalization policy and estimated useful life for its intangible asset as it does for its *other equipment* capital assets. The CTA also amortizes the intangible asset utilizing the straight-line method.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self-insurance: The CTA is self-insured for various risks of loss, including public liability and property damage, workers' compensation, and health benefit claims, as more fully described in note 15. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate or vest.

Under GASB Statement No. 16, Accounting for Compensated Absences, applicable salary-related employer obligations are accrued in addition to the compensated absences liability. This amount is recorded as a portion of the accrued payroll, vacation pay, and related liabilities on the Statements of Net Position.

Bond Premiums: Bond premiums are amortized over the life of the bonds using the bonds outstanding method.

Net Position: Net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of legally restricted assets by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CTA's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This component of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Retirement Plan: The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense recorded by the CTA includes a provision for current service costs and the amortization of past service cost over a period of approximately 30 years.

Fare Box and Pass Revenues: Fare box and pass revenues are recorded as revenue at the time services are performed.

Classification of Revenues: The CTA has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including bus and rail passenger fares, rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unbilled Work In Progress: Unbilled work in progress represents grant expense that has not been billed to the funding agencies as of year-end. This would include contract retentions, accruals and expenditures for which, due to requisitioning restrictions of the agencies or the timing of the expenditures, reimbursement is requested in a subsequent period.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or change in net position.

Implementation of New Accounting Standards: In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. See note 13 for implementation of this Statement.

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. The objective of this Statement is to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The new standard provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

The implementation of this Statement did not have a material impact on the CTA.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement (1) requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee; (2) requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities, and (3) specifies the information required to be disclosed by governments that extend nonexchange financial guarantees, and (4) requires new information to be disclosed by governments that receive non-exchange financial guarantees. The implementation of this Statement did not have a material impact on the CTA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements:

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the CTA's financial periods beginning after June 15, 2014. Management has not determined what impact, if any, this GASB statement might have on its financial statements. Additional disclosures will be made along with a net pension liability accrual.

In November 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The requirements of this statement should be applied simultaneously with the provisions of Statement 68. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In February 2015, the GASB issued Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for the CTA's financial periods beginning after June 15, 2015. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with GAAP, except for the exclusion of certain income and expenses. For 2014 and 2013, these amounts include provision for injuries and damage in excess of (or under) budget, depreciation expense, pension expense in excess of pension contributions, actuarial adjustments, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the RTA Act, has approved for budgetary basis presentation the CTA's recognition of the amount of the injury and damage reserve and pension contribution, funded by the RTA in the approved annual budget. Provisions in excess of the approved annual budget that are unfunded are excluded from the recovery ratio calculation.

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

Prior to 2009, the RTA funded the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Under this funding policy favorable variances from budget remain as unearned operating assistance to the CTA, and can be used in future years with RTA approval. At the end of 2009, the RTA changed the funding policy to reflect actual collections rather than the budgeted funding marks. This new policy shifts the risk of shortfalls from actual collections to the respective service boards.

The RTA approves the proposed budget based on a number of criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the costs of providing services and funding operating deficits;
- That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;
- That the budget provides for the CTA to meet its required system-generated revenue recovery ratio; and
- That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

The RTA monitors the CTA's performance against the budget on a quarterly basis. If, in the judgment of the RTA, this performance is not substantially in accordance with the CTA's budget for such period, the RTA shall so advise the CTA and the CTA must, within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

NOTE 4 - BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS

Most of the CTA's public funding for operating needs is funneled through the RTA. The RTA allocates funds to the service boards based on a formula included in the 1983 Regional Transportation Authority Act and the 2008 Legislation (P.A. 95-0708) approved by Illinois lawmakers to provide increased operating funds to the Northeastern Illinois Transit System. Other funds are allocated based on the RTA's discretion.

The funding "marks" represent the amount of funds that each Service Board can expect to receive from the RTA and other sources. During 2013, an amendment to the budget was approved by the CTA Board.

The components of the operating funding from the RTA were as follows (in thousands of dollars):

		2014	2013
1983 Legislation	Illinois state sales tax allocation	$ 343,087	$ 327,537
1983 Legislation	RTA discretionary funding and other	196,254	181,009
2008 Legislation	Illinois state sales tax allocation & PTF	136,747	131,706
2008 Legislation	Real estate transfer tax	63,150	56,909
Other	Working cash borrowing	-	56,147
Final public funding		$ 739,238	$ 753,308

(Continued)

NOTE 4 - BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS (Continued)

During 2009, the RTA authorized a working cash borrowing in order to address the cash flow needs of the service boards. CTA received approximately $56,147,000 as a result of this borrowing, which was shown as a long-term liability on the Statements of Net Position. In 2013, an RTA ordinance was passed to waive collection of this amount and recognized as public funding revenue from the RTA on the Statements of Revenues, Expenses, and Changes in Net Position.

Reduced-fare subsidies received from the State of Illinois were $28,321,000 and $21,948,000 during the years ended December 31, 2014 and 2013, respectively, for discounted services provided to the elderly, disabled, or student riders.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments of the Business-type Activities

Cash, cash equivalents, and investments are reported in the Statements of Net Position of the business-type activities as follows as of December 31, 2014 and 2013 (in thousands of dollars):

	2014	2013
Current assets:		
Cash and cash equivalents	$ 16,506	$ 95,621
Restricted for injury and damage reserve	105,994	114,622
Investments	86,032	20
Noncurrent assets:		
Bond proceeds held by trustee	665,931	420,670
Held by trustee for supplemental retirement plan	518	441
Total	$ 874,981	$ 631,374

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2014 and 2013 (in thousands of dollars):

	2014	2013
Investments:		
Certificates of deposit	$ 20	$ 20
Money market mutual funds	49,502	39,305
U.S. government agencies	319,047	313,266
U.S. Treasury bills	85,070	71,429
Municipal bonds	26,181	-
Commercial paper	373,512	180,016
Total Investments	853,332	604,036
Deposits with financial institutions	21,649	27,338
Total deposits and investments	$ 874,981	$ 631,374

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan or the Retiree Healthcare Trust, which are separate legal entities. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee.

In accordance with the Act and the Investment Policy, CTA invests in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). CTA may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. CTA may invest bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC).
4. Commercial Paper. CTA may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding $500 million, provided that: (a) such obligations are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than 180 days from the date of purchase; and (b) such purchases do not exceed 10% of the corporation’s outstanding obligations.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Discount Obligations. CTA may invest in short-term discount obligations of the Federal National Mortgage Association.
7. Investment Pool. CTA may invest in a Public Treasurers’ Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
8. Repurchase Agreements. CTA may invest in repurchase agreements for securities that are authorized investments under the Investment Policy, subject to all of the requirements of the Act, provided that: (a) the securities shall be held by an authorized custodial bank; and (b) each transaction must be entered into under terms of an authorized master repurchase agreement.
9. Investment Certificates. CTA may invest in investment certificates issued by FDIC-insured savings banks or FDIC-insured savings and loan associations.
10. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the Authority or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, no lower than ‘A’ category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (10) shall, at the time of purchase, not exceed 10 years; provided that a longer maturity is authorized if the Authority has a put option to tender the bonds within 10 years from the date of purchase. These securities shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the CTA's deposits may not be returned. The CTA's investment policy requires that deposits which exceed the amount insured by the FDIC be collateralized, at the rate of 102% of such deposits, by bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America. As of December 31, 2014 and 2013, the CTA's bank balances were fully insured or collateralized.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the CTA's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Investment Policy limits the term of investments as follows:

Instrument type	Term of investment
U.S. treasuries	3 years
Repurchase agreements	330 days
Certificates of deposit	365 days
Commercial paper	270 days
U.S. Government agencies	3 years
Government money market funds	n.a.
Federal National Mortgage Assn.	3 years
Municipal bonds (callable)	10 years
Mutual funds	n.a.
Investment pool	n.a.

As of December 31, 2014, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1-5	5+
Money market mutual funds	$ 49,502	$ 49,502	$ -	$ -
U.S. government agencies	319,047	251,848	67,199	-
U.S. treasury bills	85,070	36,351	48,719	-
Municipal bonds	26,181	6,174	20,007	
Commercial paper	373,512	373,512	-	-
Total	$ 853,312	$ 717,387	$ 135,925	$ -

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2013, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

	Fair value	Investment maturities (by years) Less than 1	1-5	5+
Money market mutual funds	$ 39,305	$ 39,305	$ -	$ -
U.S. government agencies	313,266	287,205	26,061	-
U.S. treasury bills	71,429	71,429	-	-
Commercial paper	180,016	180,016	-	-
Total	$ 604,016	$ 577,955	$ 26,061	$ -

Credit Risk: Credit risk is the risk that the CTA will not recover its investments due to the failure of the counterparty to fulfill its obligation. As of December 31, 2014, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings			
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	Not rated
Money market mutual funds	$ 49,502	$ -	$ -	$ -	$ 49,502
U.S. government agencies	319,047	-	319,047	-	-
U.S. treasury bills	85,070	-	85,070	-	-
Municipal bonds	26,181	7,461	8,110	10,610	-
Commercial paper	373,512	373,512	-	-	-
Total	$ 853,312	$ 380,973	$ 412,227	$ 10,610	$ 49,502

As of December 31, 2013, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings			
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	Not rated
Money market mutual funds	$ 39,305	$ -	$ -	$ -	$ 39,305
U.S. government agencies	313,266	313,266	-	-	-
U.S. treasury bills	71,429	71,429	-	-	-
Commercial paper	180,016	180,016	-	-	-
Total	$ 604,016	$ 564,711	$ -	$ -	$ 39,305

In addition, the Investment Policy requires that whenever funds are deposited in a financial institution in an amount which causes the total amount of the Authority's funds deposited with such institution to exceed the amount which is protected by the FDIC, all deposits which exceed the amount insured be collateralized, at the rate of 102% of such deposit, by: bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the CTA will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

Concentration of Credit Risk: Except for investments in certificates of deposits and commercial paper, the CTA does not restrict the amount which may be invested in authorized investments of a single issuer or financial institution. No more than 30 percent of the maximum portfolio percentage amount allowed for investment in certificates of deposit may be invested in certificates of deposit of a single issuer of such certificates. No more than 25 percent of the maximum portfolio percentage amount allowed for investment in commercial paper may be invested in commercial paper of a single issuer of such commercial paper.

As of December 31, 2014, the CTA had investments in the U.S. Bank (17.8%), Federal Home Loan Bank (FHLB) (15.6%), Credit Suisse Ag (12.41%), Federal Home Loan Mortgage Corporation (FHLMC) (12.2%), Treasury Bills (10.0%) and Federal National Mortgage Association (FNMA) (9.3%) that exceeded 5 percent of the total investment balance. As of December 31, 2013, the CTA had investments in the Federal Home Loan Mortgage Corporation (FHLMC) (48.9%), Treasury Bills (11.8%) and U.S. Bank (8.7%) that exceeded 5 percent of the total investment balance.

Cash, Cash Equivalents, and Investments of the Fiduciary Activities

Cash, cash equivalents, and investments are reported in the Fiduciary Fund as follows as of December 31, 2014 and 2013 (in thousands of dollars):

	2014	2013
Investments, at fair value:		
Short-term investments	$ 1,493	$ 2,011
U.S. government agency commingled funds	8,104	8,842
Equity mutual funds	8,704	7,903
Common stock	23,447	24,450
Total	$ 41,748	$ 43,206

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Open Supplemental Retirement Plan, including the responsibility for allocating the assets of the trust fund among the separate accounts, for monitoring the diversification of the investments of the trust fund, for determining the propriety of investments of the trust fund in foreign securities and of maintaining the custody of foreign investments abroad, for assuring that the plan does not violate any provisions of applicable law limiting the acquisition or holding of certain securities or other property, and for the appointment and removal of an investment fiduciary. The Open Supplemental Retirement Plan is a qualified plan that is not subject to the Public Funds Investment Act.

In March 2005 the Employee Retirement Review Committee engaged a registered investment adviser under the Investment Advisers Act of 1940. The investment adviser is authorized to invest and reinvest the assets of the Open Supplemental Retirement Plan and keep the same invested, without distinction between principal and income, in any property, real, personal or mixed or share or part thereof, or part interest thereof, or part interest therein, wherever situated, and whether or not productive of income, including: capital, common and preferred stock, and short-term investments.

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Interest Rate Risk: Interest rate risk is the risk that the fair value of the Open Supplemental Retirement Plan investments will decrease as a result of an increase in interest rates. The Employee Retirement Review Committee mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines:

Asset class	Allocation
U.S. large cap equities	39.00%
U.S. mid size cap equities	14.00
U.S. small cap equities	12.00
Non-U.S. equities	10.00
U.S. fixed income	25.00
	100.00%

As of December 31, 2014, the maturities for the Plan's fixed-income investments are as follows (in thousands):

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 1,493	$ 1,493	$ -
U.S. government agency commingled funds	8,104	8,104	-
Total	$ 9,597	$ 9,597	$ -

As of December 31, 2013, the maturities for the Plan's fixed-income investments are as follows (in thousands):

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 2,011	$ 2,011	$ -
U.S. government agency commingled funds	8,842	8,842	-
Total	$ 10,853	$ 10,853	$ -

Credit Risk: Credit risk is the risk that the Open Supplemental Retirement Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation.

As of December 31, 2014, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	Government Secured	Not Rated
Short-term investment funds	$ 1,493	$ -	$ 1,493
U.S. government agency commingled funds	8,104	8,104	-
Total	$ 9,597	$ 8,104	$ 1,493

(Continued)

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2013, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	Government Secured	Not Rated
Short-term investment funds	$ 2,011	$ -	$ 2,011
U.S. government agency commingled funds	8,842	8,842	-
Total	$ 10,853	$ 8,842	$ 2,011

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Open Supplemental Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The investment securities are held in trust pursuant to a written trust agreement.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's foreign currency risk is limited to its investments in an international equity commingled fund with a fair value of $4,525,000 and $4,018,000 as of December 31, 2014 and 2013, respectively.

Securities Lending: The Open Supplemental Plan of the CTA participates in a domestic and international securities lending program whereby securities are loaned to investment brokers/dealers (borrower). Securities loaned are collateralized at 102% of the domestic equity and US dollar-denominated securities that can be loaned and not less than 105% of the borrowed securities if they are denominated in different currencies. The fair value of the securities loaned was approximately $19,411,000 and $12,777,000 as of December 31, 2014 and 2013, respectively. The fair value of the associated collateral received was approximately $19,895,000 and $13,059,000 as of December 31, 2014 and 2013, respectively.

Restricted Assets for Repayment of Leasing Commitments: The CTA has outstanding lease/leaseback obligations. When the CTA entered into these transactions it received advance payments. The CTA deposited a portion of the advance payment with a trustee, who was to purchase direct obligations of the U.S. government and other securities that would mature on the dates and in the amounts required to pay lease payments and the respective purchase option price. These investments are held by the trustee and are invested in U.S. Treasury strips, U.S. government obligations, or guaranteed investment contracts. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost on the Statements of Net Position.

(Continued)

NOTE 6 - CAPITAL ASSETS

The CTA has capital grant contracts with federal, state, and regional agencies, including the U.S. Department of Transportation, Federal Transit Administration (FTA), the State of Illinois Department of Transportation (IDOT), established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid-transit cars, buses, and equipment and is constructing, renewing, and improving various portions of track structures and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of the federal projects, with the balance of the cost being financed principally by IDOT, the RTA, and CTA bonds. Commitments of approximately $339,638,000 and $366,296,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2014 and 2013, respectively.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, FEMA, IEMA, or CTA bonds. Commitments of approximately $714,494,000 and $682,879,000 have been entered into for these state and local capital grants as of December 31, 2014 and 2013, respectively. Changes in capital assets for the year ended December 31, 2014 are as follows (in thousands of dollars):

	Balance at January 1, 2014	Increase	Decrease	Balance at December 31, 2014
Capital assets not being depreciated:				
Land	$ 116,462	$ 583	$ (1,063)	$ 115,982
Construction in process	922,428	846,771	(1,009,159)	760,040
Total capital assets not being depreciated	1,038,890	847,354	(1,010,222)	876,022
Capital assets being depreciated:				
Land improvements	30,294	3,970	-	34,264
Buildings	2,389,939	135,153	(255)	2,524,837
Transportation vehicles	2,883,979	551,127	(89,952)	3,345,154
Elevated structure track	1,989,728	226,199	-	2,215,927
Signal and communication	1,265,079	73,980	(5,444)	1,333,615
Other equipment	727,990	36,601	(61,829)	702,762
Total capital assets being depreciated	9,287,009	1,027,030	(157,480)	10,156,559
Less accumulated depreciation for:				
Land improvements	24,674	1,626	-	26,300
Buildings	1,201,543	84,651	(254)	1,285,940
Transportation vehicles	1,924,395	204,276	(90,002)	2,038,669
Elevated structure track	1,306,794	97,472	-	1,404,266
Signal and communication	855,669	57,987	(5,387)	908,269
Other equipment	570,286	37,497	(61,780)	546,003
Total accumulated depreciation	5,883,361	483,509	(157,423)	6,209,447
Total capital assets being depreciated, net	3,403,648	543,521	(57)	3,947,112
Total capital assets, net	$ 4,442,538	$ 1,390,875	$ (1,010,279)	$ 4,823,134

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2013 are as follows (in thousands of dollars):

	Balance at January 1, 2013	Increase	Decrease	Balance at December 31, 2013
Capital assets not being depreciated:				
Land	$ 119,451	$ 763	$ (3,752)	$ 116,462
Construction in process	505,302	919,661	(502,535)	922,428
Total capital assets not being depreciated	624,753	920,424	(506,287)	1,038,890
Capital assets being depreciated:				
Land improvements	29,138	1,156	-	30,294
Buildings	2,362,289	41,880	(14,230)	2,389,939
Transportation vehicles	2,558,862	382,292	(57,175)	2,883,979
Elevated structure track	1,963,076	26,652	-	1,989,728
Signal and communication	1,242,937	24,351	(2,209)	1,265,079
Other equipment	610,425	127,931	(10,366)	727,990
Total capital assets being depreciated	8,766,727	604,262	(83,980)	9,287,009
Less accumulated depreciation for:				
Land improvements	22,757	1,917	-	24,674
Buildings	1,132,055	81,685	(12,197)	1,201,543
Transportation vehicles	1,850,700	130,576	(56,881)	1,924,395
Elevated structure track	1,235,839	70,955	-	1,306,794
Signal and communication	803,240	54,638	(2,209)	855,669
Other equipment	554,578	25,789	(10,081)	570,286
Total accumulated depreciation	5,599,169	365,560	(81,368)	5,883,361
Total capital assets being depreciated, net	3,167,558	238,702	(2,612)	3,403,648
Total capital assets, net	$ 3,792,311	$ 1,159,126	$ (508,899)	$ 4,442,538

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2014 are as follows (in thousands of dollars):

	Balance at January 1, 2014	Additions	Reductions	Balance at December 31, 2014	Amount due beyond one year	Amount due within one year
Self insurance claims (note 14)	$ 262,138	$ 235,530	$ (217,414)	$ 280,254	$ 181,039	$ 99,215
Capital lease obligations:						
Capital lease obligations (note 8)	1,608,763	73,513	(1,295,973)	386,303	349,149	37,154
Premium on capital lease obligation	5,049	-	(432)	4,617	4,617	-
Unearned rev. – leasing trans. (note 8)	11,662	-	(1,695)	9,967	9,967	-
Total capital lease obligations	1,625,474	73,513	(1,298,100)	400,887	363,733	37,154
Bonds payable:						
Bonds payable (note 9)	3,700,755	555,000	(78,730)	4,177,025	4,088,345	88,680
Premium on bonds payable	46,995	45,154	(6,780)	85,369	85,369	-
Total bonds payable	3,747,750	600,154	(85,510)	4,262,394	4,173,714	88,680
Certificates of participation (note 10)	49,907	-	(6,421)	43,486	36,724	6,762
Net pension obligation (note 12)	59,455	24,675	-	84,130	84,130	-
Net OPEB obligation (note 13)	4,120	93	-	4,213	4,213	-
Other long-term liabilities:						
Fare system purchase agreement (note 11)	102,490	-	(8,260)	94,230	85,581	8,649
Other	3,005	-	(2,985)	20	20	-
Total other long-term liabilities	105,495	-	(11,245)	94,250	85,601	8,649
Total	$ 5,854,339	$ 933,965	$ (1,618,690)	$ 5,169,614	$ 4,929,154	$ 240,460

Changes in long-term obligations for the year ended December 31, 2013 are as follows (in thousands of dollars):

	Balance at January 1, 2013	Additions	Reductions	Balance at December 31, 2013	Amount due beyond one year	Amount due within one year
Self insurance claims (note 14)	$ 257,071	$ 212,518	$ (207,451)	$ 262,138	$ 169,357	$ 92,781
Capital lease obligations:						
Capital lease obligations (note 8)	1,777,681	109,188	(278,106)	1,608,763	1,440,744	168,019
Premium on capital lease obligation	5,494	-	(445)	5,049	5,049	-
Unearned rev. – leasing trans. (note 8)	15,924	-	(4,262)	11,662	11,662	-
Total capital lease obligations	1,799,099	109,188	(282,813)	1,625,474	1,457,455	168,019
Bonds payable:						
Bonds payable (note 9)	3,775,670	-	(74,915)	3,700,755	3,622,025	78,730
Premium on bonds payable	53,184	-	(6,189)	46,995	46,995	-
Total bonds payable	3,828,854	-	(81,104)	3,747,750	3,669,020	78,730
Certificates of participation (note 10)	55,886	-	(5,979)	49,907	43,486	6,421
Net pension obligation (note 12)	38,277	21,178	-	59,455	59,455	-
Net OPEB obligation (note 13)	3,934	186	-	4,120	4,120	-
Other long-term liabilities:						
RTA working cash borrowing (note 4)	56,147	-	(56,147)	-	-	-
Fare system purchase agreement (note 11)	-	102,490	-	102,490	94,230	8,260
Other	5,063	-	(2,058)	3,005	3,005	-
Total other long-term liabilities	61,210	102,490	(58,205)	105,495	97,235	8,260
Total	$ 6,044,331	$ 445,560	$ (635,552)	$ 5,854,339	$ 5,500,128	$ 354,211

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Capital Lease – 2008 Bus Lease: During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment with a book value of $61,815,000 and $71,696,000 at December 31, 2014 and 2013, respectively. The terms of the 2008 agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year. During 2013, CTA terminated the 2008 agreement and entered into a 2013 lease-purchase agreement with the same term and reduced rental payments. A deferred loss on refunding of $3,207,000 was recorded at the time of the 2013 transaction. The remaining unamortized loss of $2,224,000 is recorded as a deferred outflow of resources. The present value of the future payments to be made by the CTA under the lease of approximately $67,477,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a capital lease obligation.

Capital Lease – Public Building Commission: In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111,120,000.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to an including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over 27 years by approximately $388,000, resulting in an economic gain of approximately $20,404,000. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2,395,000. The remaining unamortized portion of $1,073,000 is recorded as a deferred outflow of resources in the accompanying Statements of Net Position.

The bonds are payable from and secured by the lease entered into between the Commission and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. The bond premium related to this transaction is presented as such on the Statements of Net Position. The present value of the future payments to be made by the CTA under the lease of approximately $74,690,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a capital lease obligation.

Capital Lease – Lease and Leaseback Transactions: In 2003, CTA entered into a lease and leaseback agreement with a third party pertaining to certain buses, with a book value of $9,221 and $831,000 at December 31, 2014 and 2013, respectively. Under the bus lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. On October 1, 2014, CTA exercised an option to early terminate the 2003 bus lease and therefore no capital lease obligation is reflected as of December 31, 2014.

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

During 2002, CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of $2,805 and $763,000 at December 31, 2014 and 2013, respectively. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. During 2012, CTA submitted notice to exercise the purchase option for lots 1 and 2 and accordingly lot 2 terminated in December 2013 and Lot 1 terminated in December 2014 and therefore no capital lease obligation is reflected as of December 31, 2014.

During 2002, CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of $3,758,000 and $4,527,000 at December 31, 2014 and 2013, respectively. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. During 2013, CTA exercised the early termination option of this agreement and therefore no capital lease obligation is reflected in the fiscal year ended December 31, 2014 or 2013.

During 1998, the CTA entered into lease and leaseback agreements with three third party investors pertaining to certain property, railway tracks and train stations on the Green Line, with a book value of $169,824,000 and $186,630,000 at December 31, 2014 and 2013, respectively. The 1998 Agreement, which provides certain cash and tax benefits to the third parties, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (the 1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1998 Lease). In 2008, one of the three investors chose to unwind the transaction and the corresponding agreements were terminated. The present value of the future payments to be made by the CTA under the lease of approximately $136,629,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a capital lease obligation. Subsequent to the fiscal year end the agreement with one of the two remaining investors was early terminated, see Note 18 for additional information.

During 1997, the CTA entered into four lease and leaseback agreements (the 1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $35,907,000 and $37,817,000 at December 31, 2014 and 2013, respectively. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (the Leases). The CTA received certain funds as prepayment by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due by the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the leases (net of the payment due from the Equity Trust in 2023 and 2024) of approximately $53,930,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a capital lease obligation. In connection with the 1997 Agreements, the CTA also received proceeds of $11,900,000. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to amortize recognition of the proceeds over the remaining lease term. Subsequent to the fiscal year end, each of the 1997 agreements were early terminated, see Note 18 for additional information.

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

During 1996, the CTA entered into similar lease and leaseback agreements (the 1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $38,163,000 and $40,948,000 at December 31, 2014 and 2013, respectively. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the 1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $53,577,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a capital lease obligation. In connection with the 1996 Agreements, the CTA also received proceeds of $10,900,000 and agreed to make approximately $80,000,000 of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to amortize recognition of the proceeds over the remaining lease term. Subsequent to the fiscal year end, each of the 1996 agreements were early terminated, see Note 18 for additional information.

During 1995, the CTA entered into sale/leaseback agreements (the 1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment with a book value of $29,524,000 and $38,303,000 at December 31, 2014 and 2013, respectively. At inception, the CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments. On October 1, 2014, CTA exercised an option to early terminate the 1995 Agreements and therefore no capital lease obligation is reflected as of December 31, 2014.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2014 are as follows (in thousands of dollars):

2014	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	$ 16,763	$ 398	$ (17,161)	$ -	$ 5,025	$ -
2002 (Buses)	61,761	3,789	(65,550)	-	3,789	-
1998 (Green)	149,455	10,246	(23,072)	136,629	10,246	23,072
1997 (Garages)	50,159	3,772	-	53,931	3,772	-
1996 (Skokie/Racine)	49,908	3,668	-	53,576	3,668	-
1995 (Pickle)	1,124,828	51,640	(1,176,468)	-	73,463	-
Total lease/leasebacks	1,452,874	73,513	(1,282,251)	244,136	99,963	23,072
2006 PBC lease	76,985	-	(2,295)	74,690	3,783	2,405
2008 Bus Lease	78,904	-	(11,427)	67,477	1,408	11,677
Total capital lease obligation	$ 1,608,763	$ 73,513	$ (1,295,973)	$ 386,303	$ 105,154	$ 37,154

* Additions include accretion of interest.

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Changes in capital leases for the year ended December 31, 2013 are as follows (in thousands of dollars):

2013	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	$ 16,186	$ 577	$ -	$ 16,763	$ 577	$ -
2002 (Buses)	133,392	8,061	(79,692)	61,761	8,061	61,761
2002 (QTE)	103,348	-	(103,348)	-	-	-
1998 (Green)	161,450	11,055	(23,050)	149,455	11,055	23,072
1997 (Garages)	46,650	3,509	-	50,159	3,509	-
1996 (Skokie/Racine)	46,491	3,417	-	49,908	-	-
1995 (Pickle)	1,105,957	82,569	(63,698)	1,124,828	82,569	69,464
Total lease/leasebacks	1,613,474	109,188	(269,788)	1,452,874	105,771	154,297
2006 PBC lease	79,190	-	(2,205)	76,985	6,189	2,295
2008 Bus Lease	85,017	-	(6,113)	78,904	2,097	11,427
Total capital lease obligation	$ 1,777,681	$ 109,188	$ (278,106)	$ 1,608,763	$ 114,057	$ 168,019

* Additions include accretion of interest.

<u>Future Minimum Lease Payments</u>: As of December 31, 2014 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2015	$ 37,154
2016	27,836
2017	18,363
2018	141,449
2019	15,651
2020 – 2024	234,217
2025 – 2029	22,060
2030 – 2033	22,330
Total minimum lease payments	519,060
Less interest	132,757
	$ 386,303

NOTE 9 - BONDS PAYABLE

2004 Series Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Urbanized Area Formula Funds): On October 20, 2004, the CTA issued Capital Grant Receipts Revenue Bonds, "2004 Project," in the amount of $250,000,000, along with a premium of $26,713,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for prior expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2004 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation.

The Series 2004 bonds bear interest ranging from 3.60% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2016.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2011 refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2013 and June 1, 2016 through June 1, 2020 of the 5307 Series 2006A bonds.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 27,385	$ 1,982	$ 29,367
2016	24,070	632	24,702
Total	$ 51,455	$ 2,614	$ 54,069

2006A Series Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Urbanized Area Formula Funds): On November 1, 2006, the CTA issued Capital Grant Receipts Revenue Bonds, "2006 Project," in the amount of $275,000,000, along with a premium of $19,652,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2006 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation.

The Series 2006A bonds bear interest ranging from 4.0% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2021.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The Capital Grant Receipts Revenue Bonds, Refunding Series 2011 refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2013 and June 1, 2016 through June 1, 2020 of the 5307 Series 2006A bonds.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 10,915	$ 8,072	$ 18,987
2016	-	7,800	7,800
2017	24,720	7,181	31,901
2018	27,000	5,888	32,888
2019	31,275	4,432	35,707
2020	31,585	2,860	34,445
2021	41,410	1,035	42,445
Total	$ 166,905	$ 37,268	$ 204,173

2008 Series (5309 Fixed Guideway Modernization Program) and 2008A Series (5307 Urbanized Area Formula Program) Capital Grant Receipts Revenue Bonds: On April 16, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, “2008 Project,” in the amount of $250,000,000, along with a premium of $18,637,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the “2008 Project.” The Federal Transit Administration’s section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation. The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

The Series 2008 (5309) and 2008A (5307) bonds bear interest ranging from 3.5% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2008 (5309)		2008A (5307)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 7,365	$ 5,887	$ -	$ 5,250	$ 7,365	$ 11,137
2016	7,700	5,529	-	5,250	7,700	10,779
2017	8,085	5,134	-	5,250	8,085	10,384
2018	8,490	4,720	-	5,250	8,490	9,970
2019	8,910	4,274	-	5,250	8,910	9,524
2020	9,380	3,794	-	5,250	9,380	9,044
2021	9,870	3,288	-	5,250	9,870	8,538
2022	10,390	2,757	18,005	4,777	28,395	7,534
2023	10,935	2,197	18,955	3,807	29,890	6,004
2024	11,510	1,608	19,950	2,786	31,460	4,394
2025	12,115	987	20,995	1,711	33,110	2,698
2026	12,750	335	22,095	580	34,845	915
Total	$ 117,500	$ 40,510	$ 100,000	$ 50,411	$ 217,500	$ 90,921

2008A Series (5309 Fixed Guideway Modernization Program) Capital Grant Receipts Revenue Bonds: On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, "2008 Project," in the amount of $175,000,000, along with a premium of $3,760,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2008 Project." The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

The Series 2008A (5309) bonds bear interest ranging from 5.0% to 6.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 8,560	$ 7,270	$ 15,830
2016	8,990	6,831	15,821
2017	9,440	6,358	15,798
2018	9,935	5,837	15,772
2019	10,480	5,276	15,756
2020	11,055	4,711	15,766
2021	11,610	4,145	15,755
2022	12,190	3,550	15,740
2023	12,800	2,909	15,709
2024	13,470	2,169	15,639
2025	14,280	1,337	15,617
2026	15,135	454	15,589
Total	$ 137,945	$ 50,847	$ 188,792

2008A Series (Pension Funding) and 2008B Series (Retiree Health Care Funding) Sales and Transfer Tax Receipts Revenue Bonds: On July 30, 2008, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds in the amount of $1,936,855,000 to fund the employee retirement plan and to create a retiree health care trust. The bonds were sold in two tranches, a $1.3 billion Series A to fund the employee's retirement plan and a $640 million Series B to fund a permanent trust that was established to cover other postemployment benefits for retirees' health care. The bonds are secured primarily by a pledge of and lien on the Sales Tax Receipts Fund and the Transfer Tax Receipts Fund deposits. The bonds were issued pursuant to the pension and retiree health care reform requirements set forth in Public Acts 94-839 and 95-705.

Public Act 94-839 required the CTA to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. Additionally, Public Act 94-839 required that the Retirement Plan's pension and retiree health care programs be separated into two distinct trusts by December 31, 2008.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue $1.9 billion in pension obligation bonds to fund the pension and retiree health care. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding. In accordance with Public Act 95-708, all retiree healthcare benefits are now paid from the newly established Retiree Health Care Trust.

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.9%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2013 through June 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 28,740	$ 127,834	$ 156,574
2016	30,550	126,024	156,574
2017	32,475	124,099	156,574
2018	34,520	122,053	156,573
2019	36,695	119,878	156,573
2020	39,010	117,566	156,576
2021	41,465	115,109	156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	$ 1,874,075	$ 2,196,855	$ 4,070,930

<u>2010A Sales Tax Receipts Revenue Bonds and Taxable Series 2010B Sales Tax Receipts Revenue Bonds (Build America Bonds)</u>: On March 23, 2010, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B Build America Bonds, in the amount of $550,000,000, along with a premium of $5,186,000. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to the purchase of new rail cars, overhaul and rehabilitation of existing rail cars, and the purchase and installation of upgrades for rail system components. The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) Program. This program allows state and local governments to issue taxable bonds for capital projects and to receive a federal subsidy payment from the U.S. Treasury Department for a portion of their borrowing costs.

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2010A and 2010B bonds bear interest ranging from 4.0% to 6.2%. Scheduled interest on the 2010 bonds was funded through December 1, 2010 with proceeds of the 2010 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2015 through June 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2010A		2010B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 5,715	$ 2,179	$ -	$ 30,798	$ 5,715	$ 32,977
2016	7,675	1,905	-	30,798	7,675	32,703
2017	9,925	1,521	-	30,798	9,925	32,319
2018	10,415	1,034	-	30,798	10,415	31,832
2019	10,915	536	-	30,798	10,915	31,334
2020	-	-	11,510	30,798	11,510	30,798
2021	-	-	12,095	30,214	12,095	30,214
2022	-	-	12,720	29,583	12,720	29,583
2023	-	-	13,405	28,900	13,405	28,900
2024	-	-	14,135	28,167	14,135	28,167
2025	-	-	14,930	27,372	14,930	27,372
2026	-	-	15,855	26,447	15,855	26,447
2027	-	-	16,835	25,464	16,835	25,464
2028	-	-	17,880	24,420	17,880	24,420
2029	-	-	18,985	23,311	18,985	23,311
2030	-	-	20,155	22,134	20,155	22,134
2031	-	-	21,400	20,885	21,400	20,885
2032	-	-	22,725	19,558	22,725	19,558
2033	-	-	24,135	18,149	24,135	18,149
2034	-	-	31,820	16,653	31,820	16,653
2035	-	-	33,785	14,680	33,785	14,680
2036	-	-	35,875	12,585	35,875	12,585
2037	-	-	38,090	10,361	38,090	10,361
2038	-	-	40,455	7,999	40,455	7,999
2039	-	-	42,955	5,491	42,955	5,491
2040	-	-	45,610	2,828	45,610	2,828
	$ 44,645	$ 7,175	$ 505,355	$ 579,989	$ 550,000	$ 587,164

NOTE 9 - BONDS PAYABLE (Continued)

2010 (5307 Urbanized Area Formula Program & 5309 Fixed Guideway Modernization Program) Refunding Series Capital Grant Receipts Revenue Bonds: On May 6, 2010, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program and 5309 Fixed Guideway Modernization Program Funds, in the amount of $90,715,000, along with a premium of $1,876,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Series 2010 bonds bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially on June 1, 2027 and June 1, 2028.

Net proceeds of $45,778,000 were deposited into an irrevocable trust with an escrow agent to provide for 2011 debt service payments on the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the 2011 liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2010 Series bonds which increased its total debt service payments over the next 19 years by $78,527,992 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,099,253. The defeased debt had a zero balance as of December 31, 2014 and 2013.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2010 of $547,766 was deferred and is being amortized over the 24 months. The deferred amount had a zero balance as of December 31, 2014 and 2013. Amortization of the deferred amount on the refunding was $0 for both years ended December 31, 2014 and 2013.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	2010 5307		**2010 5309**		**Total**	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ -	$ 3,195	$ -	$ 1,341	$ -	$ 4,536
2016	-	3,195	-	1,341	-	4,536
2017	-	3,195	-	1,341	-	4,536
2018	-	3,195	-	1,341	-	4,536
2019	-	3,195	-	1,341	-	4,536
2020	-	3,195	-	1,341	-	4,536
2021	-	3,195	-	1,341	-	4,536
2022	-	3,195	-	1,341	-	4,536
2023	-	3,195	-	1,341	-	4,536
2024	-	3,195	-	1,341	-	4,536
2025	-	3,195	-	1,341	-	4,536
2026	-	3,195	-	1,341	-	4,536
2027	31,170	2,415	13,085	1,014	44,255	3,429
2028	32,725	818	13,735	343	46,460	1,161
	$ 63,895	$ 41,573	$ 26,820	$ 17,449	$ 90,715	$ 59,022

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2011 (5307 Urbanized Area Formula Program) Refunding Series Capital Grant Receipts Revenue Bonds: On October 26, 2011, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program, in the amount of $56,525,000, along with a premium of $1,805,528, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004B and 2006A) bonds.

The Series 2011 bonds bear interest ranging from 4.5% to 5.25%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially from June 1, 2022 to June 1, 2029.

Net proceeds of $57,534,862 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2011 Series bonds which increased its total debt service payments over the next 18 years by $34,252,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $9,214,000. The balance of the defeased debt was $48,470,000 and $48,470,000 as of December 31, 2014 and 2013.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2011 of $6,794,000 was deferred and is being amortized over 18 years. The deferred amount ending balance for the year ended December 31, 2014 and 2013 was $5,310,000 and $5,778,000, respectively, and recorded as a deferred outflow of resources in the accompanying Statements of Net Position. Amortization of the deferred amount on the refunding was $469,000 and $469,000 for the year ended December 31, 2014 and 2013, respectively.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ -	$ 2,865	$ 2,865
2016	-	2,865	2,865
2017	-	2,865	2,865
2018	-	2,865	2,865
2019	-	2,865	2,865
2020	-	2,865	2,865
2021	-	2,865	2,865
2022	6,595	2,700	9,295
2023	6,920	2,353	9,273
2024	7,285	1,980	9,265
2025	7,665	1,594	9,259
2026	8,060	1,187	9,247
2027	-	975	975
2028	-	975	975
2029	20,000	488	20,488
Total	$ 56,525	$ 32,307	$ 88,832

2011 Sales Tax Receipts Revenue Bonds: On October 26, 2011, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2011, in the amount of $476,905,000, along with a premium of $21,392,000. The bonds were issued to pay for, or reimburse the CTA for prior expenditures relating to (i) the purchase of rail cars to replace existing cars and (ii) the finance of any other capital project designated by the CTA Board as part of the 2011 Project.

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2011 bonds bear interest ranging from 5.0% to 5.25%. Scheduled interest on the 2010 bonds will be funded through December 1, 2015 with proceeds of the 2011 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on December 1, 2021 through December 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ -	$ 24,965	$ 24,965
2016	-	24,965	24,965
2017	-	24,965	24,965
2018	-	24,965	24,965
2019	-	24,965	24,965
2020	-	24,965	24,965
2021	14,090	24,965	39,055
2022	14,800	24,261	39,061
2023	15,540	23,521	39,061
2024	16,360	22,705	39,065
2025	17,220	21,846	39,066
2026	18,120	20,942	39,062
2027	19,075	19,991	39,066
2028	20,080	18,989	39,069
2029	21,135	17,935	39,070
2030	22,250	16,825	39,075
2031	23,425	15,657	39,082
2032	24,655	14,428	39,083
2033	25,950	13,133	39,083
2034	27,315	11,771	39,086
2035	28,755	10,337	39,092
2036	30,265	8,827	39,092
2037	31,860	7,238	39,098
2038	33,540	5,566	39,106
2039	35,305	3,805	39,110
2040	37,165	1,951	39,116
	$ 476,905	$ 454,483	$ 931,388

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2014 Sales Tax Receipts Revenue Bonds: On July 10, 2014, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds, Series 2014 in the amount of $550,000,000, along with a premium of $45,154,000. The bonds were issued to provide funds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

The Series 2014 bonds bear interest ranging from 5.0% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2049.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ -	$ 28,597	$ 28,597
2016	-	28,597	28,597
2017	-	28,597	28,597
2018	-	28,597	28,597
2019	-	28,597	28,597
2020	-	28,597	28,597
2021	-	28,597	28,597
2022	-	28,597	28,597
2023	-	28,597	28,597
2024	-	28,597	28,597
2025	-	28,597	28,597
2026	-	28,597	28,597
2027	-	28,597	28,597
2028	-	28,597	28,597
2029	-	28,597	28,597
2030	-	28,597	28,597
2031	-	28,597	28,597
2032	-	28,597	28,597
2033	-	28,597	28,597
2034	-	28,597	28,597
2035	-	28,597	28,597
2036	-	28,597	28,597
2037	-	28,597	28,597
2038	-	28,597	28,597
2039	-	28,597	28,597
2040	-	28,597	28,597
2041	50,180	28,597	78,777
2042	52,690	26,088	78,778
2043	55,325	23,453	78,778
2044	58,090	20,687	78,777
2045	60,995	17,783	78,778
2046	64,195	14,580	78,775
2047	67,565	11,210	78,775
2048	71,115	7,663	78,778
2049	74,845	3,929	78,774
	$ 555,000	$ 897,512	$ 1,452,512

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The total bond debt service requirements to maturity for all outstanding bonds are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 88,680	$ 250,235	$ 338,915
2016	78,985	245,732	324,717
2017	84,645	241,304	325,949
2018	90,360	236,543	326,903
2019	98,275	231,407	329,682
2020-2024	610,615	1,064,231	1,674,846
2025-2029	712,945	867,836	1,580,781
2030-2034	675,210	663,670	1,338,880
2035-2039	953,065	410,564	1,363,629
2040-2044	445,530	142,306	587,836
2045-2049	338,715	55,165	393,880
	$ 4,177,025	$ 4,408,993	$ 8,586,018

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, Certificates of Participation (COP) totaling $78,430,000 were issued on behalf of the CTA. The COPs were used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments which are remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. During 2013, CTA terminated the original 2008 agreement and entered into three new agreements with the same terms and reduced interest rates. The total principal and interest remaining to be paid on the COPs as of December 31, 2014, is $47,470,000. Principal and interest paid in 2014 was approximately $7,750,000.

As of December 31, 2014, debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 6,762	$ 1,150	$ 7,912
2016	6,949	963	7,912
2017	7,142	770	7,912
2018	7,339	572	7,911
2019	7,543	369	7,912
2020	7,751	160	7,911
	$ 43,486	$ 3,984	$ 47,470

(Continued)

NOTE 11 – FARE COLLECTION SYSTEM PURCHASE AGREEMENT

CTA entered into a purchase agreement to finance a fare collection system with a value of $102,900,000. Under the purchase agreement, the CTA will make monthly payments of approximately $1,067,603 over the ten year term to finance the design, acquisition and installation of the open standards fare system. The present value of the future payments to be made by the CTA under the purchase agreement of approximately $94,230,000 is reflected in the accompanying December 31, 2014 Statements of Net Position as a long term liability.

The purchase agreement requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2015	$ 8,649	$ 4,162	$ 12,811
2016	9,056	3,755	12,811
2017	9,483	3,328	12,811
2018	9,929	2,882	12,811
2019	10,397	2,414	12,811
2020 - 2023	46,716	4,528	51,244
	$ 94,230	$ 21,069	$ 115,299

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Plan Descriptions

Employees' Plan: The CTA participates in a single employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees. The Retirement Plan for Chicago Transit Authority Employees (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101).

Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employees' Plan. Benefits are in the form of an annual retirement benefit payable monthly for life, in an amount based upon compensation and service. An employee who has reached age 65 may retire with unreduced benefits. Employees hired prior to September 5, 2001 may retire at any age with unreduced benefits after completion of 25 years of service, or at age 55 with reduced benefits after completion of 3 years of service. For those hired after September 5, 2001, but prior to January 18, 2008, unreduced benefits are payable at age 55 with 25 years of service, and reduced benefits are payable at age 55 with 3 years of service. Employees hired on or after January 18, 2008 are eligible for unreduced pension benefits after attaining age 64 with at least 25 years of service, and reduced pension benefits after attaining age 55 with at least 10 years of service. These minimum age and service requirements do not apply to members on a disability allowance. The covered payroll for the Employees' Plan for the fiscal years ended December 31, 2014 and 2013 was $550,616,000 and $548,515,000, respectively. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Supplemental Plans: The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) board member plan (2) closed supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) open supplemental plan for active employees and members retiring after March 2005. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Open Supplemental Retirement Plan). The Open Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the closed and board plans are included in the financial statements of the CTA's business-type activities.

Employees of the applicable employment classifications are eligible for retirement benefits based on age and service credit as follows: at age 65; or age 55 with at least 3 years of service credit; or at any age with 25 or more years of service credit. The minimum monthly benefit is equal to one-sixth of one percent of the employee's average annual compensation multiplied by the years of continuous service. Employees are eligible for disability benefits after completion of 10 years of creditable continuous service or 5 years if the disability results from an on the job injury. Death benefits are payable to a designated beneficiary upon death of the retiree. Qualified dependents of the employee are eligible for monthly survivor benefits if the option was selected by the retiree. Any purchased service credit will be included in the determination of retirement benefits.

During fiscal year 2008, a Voluntary Termination Program ("VTP") was adopted which allowed certain active members eligible for Supplemental Plan benefits under the qualified trust to purchase up to five years of "air-time" and the first year of eligibility service if not included in the determination of pension benefits. Members purchase "air-time" and the first year of eligibility service at a rate of six percent of pay. Members were required to make the election within a certain window of time and agree to terminate employment at a date accepted by the Board.

For the qualified portion of the Supplemental Plan, the actuarial accrued liabilities decreased from $53.3 million at January 1, 2014, to $52.0 million at December 31, 2014. The key factors causing the decrease in actuarial liabilities include: expected growth, favorable investment experience and retirement experience gains.

The CTA funds the Open Supplemental Plan per the actuarial annual required contribution, while funding for the Closed and Board Supplemental Retirement Plans are on a pay-as-you-go basis. Employees are not required to make contributions to the supplemental retirement plans except those related to purchase service credit (approved prior governmental service).

Participants in the supplemental retirement plans at December 31, 2014 are as follows:

	Open	**Closed**	**Board**
Retirees and beneficiaries currently receiving benefits	125	366	19
Terminated employees entitled to but not yet receiving benefits	11	8	5
Active plan members	10	-	4
Total	146	374	28

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Participants in the supplemental retirement plans at December 31, 2013 are as follows:

	Open	Closed	Board
Retirees and beneficiaries currently receiving benefits	125	378	21
Terminated employees entitled to but not yet receiving benefits	9	8	4
Active plan members	13	-	5
Total	147	386	30

The covered payroll for the Open Supplemental Retirement Plan for the fiscal years ended December 31, 2014 and 2013 was $1,443,000 and $1,647,000, respectively. The covered payroll for the Board Supplemental Retirement Plan was $125,000 and $139,000 for the fiscal years ended December 31, 2014 and 2013, respectively.

Funding Policy and Annual Pension Cost: Prior to 2008, contribution requirements of the Employees' Plan were governed by collective bargaining agreements. After 2008, contribution requirements are governed by Illinois state statute (40 ILCS 5/22-101). Contributions for the supplemental plans are actuarially determined but may be amended by the board of trustees of the Plan.

The CTA's annual pension cost for the current year, prior year and related information for fiscal year end 2014 and 2013 for each plan are as follows (in thousands of dollars):

	Employees' Plan Pension	Open Supplemental	Closed Supplemental	Board Plan
Contribution rates:				
CTA	14.25%	Actuarial	Pay-Go Funding	Pay-Go Funding
Plan members	10.125%	None	None	10.125%
Annual pension cost (APC) - 2014	$107,029	$1,848	$2,897	$303
Annual pension cost (APC) - 2013	$100,938	$2,597	$2,813	$310
Actual 2014 contributions:				
CTA	$82,198	$1,130	$3,023	$333
Plan members	$58,404	$0	$0	$0
Actual 2013 contributions:				
CTA	$79,431	$1,927	$3,114	$338
Plan members	$56,638	$0	$0	$0
Actuarial valuation date - 2014	January 1, 2014	December 31, 2014	December 31, 2014	December 31, 2014
Actuarial valuation date - 2013	January 1, 2013	December 31, 2013	December 31, 2013	December 31, 2013
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar
Remaining amortization period	30 years - Open	15 years - Closed	7 years - Closed	30 years - Open
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value
Actuarial assumptions:				
Investment rate of return	8.25%	7.0%	4.0%	4.0%
Projected salary increases	Service graded table starting at 9% with 4% ultimate rate after 5 years of service	3.5%	3.5%	3.5%
Includes inflation at	3.25	2.5%	N/A	N/A

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

The short-term salary increase and inflation assumptions for the Employees' Plan were updated to reflect the current economic environment and salary programs in place, and the pay increases embedded into the current collective bargaining agreements. There were no significant assumption changes for the Supplemental and Board plans from the prior year valuation.

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2014 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual Required Contribution	$ 107,096	$ 1,130	$ 4,595	$ 325
Interest on NPO	3,672	(1,263)	611	60
Adjustment to ARC	(3,739)	1,981	(2,309)	(82)
Annual pension cost	107,029	1,848	2,897	303
Contributions made	82,198	1,130	3,023	333
Increase (decrease) in NPO	24,831	718	(126)	(30)
NPO - December 31, 2013	44,511	(18,046)	13,605	1,339
NPO - December 31, 2014	$ 69,342	$ (17,328)	$ 13,479	$ 1,309

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2013 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual Required Contribution	$ 100,956	$ 1,927	$ 4,295	$ 331
Interest on NPO	1,955	(1,311)	626	63
Adjustment to ARC	(1,973)	1,981	(2,108)	(84)
Annual pension cost	100,938	2,597	2,813	310
Contributions made	79,431	1,927	3,114	338
Increase (decrease) in NPO	21,507	670	(301)	(28)
NPO - December 31, 2012	23,004	(18,716)	13,906	1,367
NPO - December 31, 2013	$ 44,511	$ (18,046)	$ 13,605	$ 1,339

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Three-year Trend Information: The following summarizes fund information for the plans (in thousands of dollars):

	Year ended	Annual pension cost (APC)	Actual contributions	Percentage of APC contributed	Net pension (asset) / obligation
Employees' Plan Pension	December 31, 2014	$ 107,029	$ 82,198	76.8%	$ 59,342
	December 31, 2013	100,938	79,431	78.7	44,511
	December 31, 2012	107,586	62,678	58.3	23,004
Open Supplemental Plan	December 31, 2014	$ 1,848	$ 1,130	61.1%	$ (17,328)
	December 31, 2013	2,597	1,927	74.2	(18,046)
	December 31, 2012	2,894	2,267	78.3	(18,716)
Closed Supplemental Plan	December 31, 2014	$ 2,897	$ 3,023	104.3%	$ 13,479
	December 31, 2013	2,813	3,114	110.7	13,605
	December 31, 2012	2,810	3,299	117.4	13,906
Board Supplemental Plan	December 31, 2014	$ 303	$ 333	109.9%	$ 1,309
	December 31, 2013	310	338	109.0	1,339
	December 31, 2012	327	323	98.8	1,367

Funded Status and Funding Progress: The following is funded status information for the Employees' Plan – Pension as of January 1, 2014, and the three supplemental plans as of December 31, 2014, the most recent actuarial valuation dates (in thousands of dollars):

	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Employees' Plan - Pension	1/1/2014	$ 1,892,714	$ 3,105,567	$ 1,212,853	60.9%	$ 550,616	220.3%
Open Supplemental Plan	12/31/2014	42,046	52,017	9,971	80.8%	1,443	691.0%
Closed Supplemental Plan	12/31/2014	-	27,167	27,167	0.0%	-	N/A
Board Supplemental Plan	12/31/2014	88	4,951	4,863	1.8%	125	3890.4%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS

Supplemental Plans: The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) board member plan (2) closed (Non-Qualified) supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) open (Qualified) supplemental plan for active employees and members retiring after March 2005. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Open Supplemental Retirement Plan). The Open Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the closed and board plans are included in the financial statements of the CTA's business-type activities. The Plans have implemented GASB statement 67 as of January 1, 2014. Fiscal year 2013 financial statements have not been restated to present GASB 67 disclosures as restatement is not deemed practical.

Summary of Significant Accounting Policies

Method used to value investments: The Board and Non-Qualified plans are administered on a pay as you go basis, and have no associated assets. For the Qualified plan, investments are reported at fair value. All assets for this plan are cash, cash equivalents, or exchange-traded securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description

Plan administration: Each of the plans are administered by the Employee Retirement Review Committee (EERC) of the CTA, whose members are appointed by the Board of Directors of the CTA, which retains oversight of the plan administration. The plans are each established by CTA ordinances, which grand the EERC operational authority and can be modified by the CTA Board.

Plan membership: At December 31, 2014, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

	Qualified	Non-Qualified	Board
Retirees and beneficiaries currently receiving benefits	125	366	19
Terminated employees entitled to but not yet receiving benefits	11	8	5
Active plan members	10	-	4
Total	146	374	28

The Non-Qualified plan is closed to new entrants. The Qualified and Board plans remain open.

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS (Continued)

Benefits provided:

Qualified and Non-Qualified: Employees of the CTA in certain employment classifications established by Board Ordinance are eligible to participate based on age and service credit as follows: at age 65 with completion of three years of service; or age 50 with completion of three years of service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement. An employee is eligible for a disability allowance if disability occurs after completing 10 years of service or after five years if the disability is covered under the Workmen's Compensation Act, as defined in the Retirement Plan for CTA Employees. Benefits are based on the highest average compensation over any four calendar years out of the final 10 prior to normal retirement (AAC). The minimum benefit payable to an employee under normal, early or disability retirement is equal to one-sixth of one percent of AAC multiplied by the years of service limited to a maximum of five percent of AAC. For normal retirement, the benefit is as follows: the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC over the benefit payable under the Retirement Plan for CTA employees. For early retirees, the benefit is as follows: the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, before any reduction for early retirement. This benefit commences at age 65. The minimum benefit commences at early retirement. Benefits can commence prior to age 65 under certain conditions. Employees hired before January 1, 2000, with more than 25 years of service can commence benefit payments immediately with no additional reduction. Employees hired after January 1, 2000, with more than 25 years of service can commence benefit payments at age 55 with no additional reduction. For employees with less than 25 years of service, benefits can commence any time after 55 with a 5 percent reduction for each year under 65. For disability retirees, the annual benefit is equal to the lesser of: one percent of AAC per year of service, and the excess of 75 percent of AAC over the benefit payable under the Retirement Plan for CTA employees. Termination benefits available to employees who complete 10 years of service are as follows: one percent of AAC per year of service, and 75 percent of AAC reduced by the benefit payable under the Retirement Plan for CTA employees. The benefit commences at age 65.

Participants who retire on or after February 1, 1984 may receive credit for service with a governmental agency which provides reciprocity of service with the CTA. To receive such service credit, the employee must commence working for the CTA within 12 months of terminating at the governmental agency and apply for the service credit within 18 months of first eligibility for bridged service. The employee is also required to complete a minimum period of employment with the CTA which depends on the level at which they are employed. In addition to the increased supplemental benefits, the Supplemental Plan is responsible for paying any additional benefits that the employee would be eligible for under the Retirement Plan for CTA Employees had they received this additional service under both plans.

(Continued)

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS (Continued)

Board Plan: Employees of the CTA in certain employment classifications established by Board Ordinance are eligible to participate based on age and service credit as follows: at age 65 with completion of two years of service; or age 50 with completion of five years of service. Benefits are based on the highest average compensation over any four calendar years out of the final 10 prior to normal retirement (AAC). The minimum benefit payable to an employee under normal, early or disability retirement is equal to one-sixth of one percent of AAC multiplied by the years of service limited to a maximum of five percent of AAC. For normal retirement, the benefit is as follows: With two years of service, 2.15 percent of AAC per year of service plus benefits payable under the supplemental plan. With five years of service, 2.15 percent of AAC per year of service subject to a minimum of 62.5 percent of pay and a maximum of 65 percent of pay plus the minimum benefit payable under the Supplemental Plan. Termination benefits available to employees who complete two years of service are as follows: With two years of service, 2.15 percent of AAC per year of service plus benefits payable under the supplemental plan, payable at age 65. With five years of service, 2.15 percent of AAC per year of service subject to a minimum of 62.5 percent of pay and a maximum of 65 percent of pay plus the minimum benefit payable under the Supplemental Plan, payable at age 50. A death benefit of $4,000 will be paid for a board member who dies while receiving a retirement allowance.

Contributions: The Board and Non-Qualified plans are administered on a pay as you go basis. The CTA contributes to the Qualified plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Investments

The Board and Non-Qualified plans are administered on a pay as you go basis. The Non-Qualified plan does not have any associated assets. The Board plan has a limited reserve held in cash or cash equivalents, which is not actively managed or associated with an investment policy. The Qualified plan's investment policy is established and may be amended by the CTA's Employment Retirement Review Committee. The primary objective of the policy is to provide a documented structure for the implementation of investment strategies which suggests the highest probability of maximizing the level of investment return within acceptable parameters for the total Fund's volatility and risk.

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS (Continued)

The following was the Committee's adopted asset allocation policy as of December 31, 2014:

U.S. Large Size Company Equities	39%	
U.S. Mid Size Company Equities	14%	
U.S. Small Size Company Equities	12%	
Non-U.S. Equities	10%	
Total Equities		***75%***
U.S. Fixed Income	25%	
Total Fixed Income		***25%***
Total Assets		***100%***

For the year ended December 31, 2014, the annual money-weighted rate of return on Qualified plan assets, net of pension plan investment expense, was 4.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

At December 31, 2014, none of the supplemental pension plans had receivables due from long-term contracts with the CTA.

Allocated Insurance Contracts

At December 31, 2014, none of the supplemental pension plans had allocated insurance contracts excluded from pension plan assets.

Reserves

At December 31, 2014, the Qualified and Non-Qualified supplemental pension plans had no reserves. The Board plan had $88,145 in reserves held in cash or cash equivalents. Although the Board plan is normally administered on a pay-as-you-go basis, the Employee Retirement Review Committee may authorize the reserves to be used to pay benefits if needed.

Deferred Retirement Option Program

At December 31, 2014, none of the supplemental pension plans had deferred retirement option plans.

(Continued)

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS (Continued)

Net Pension Liability of the CTA

The components of the net pension liability of the supplemental pension plans at December 31, 2014, were as follows:

	Qualified	Non-Qualified	Board
Total pension liability	52,118,205	18,101,817	5,127,749
Plan fiduciary net position	42,046,274	-	88,145
Net pension liability	10,071,931	18,101,817	5,039,604
Plan fiduciary net position as a percentage of the total pension liability	80.7%	0.0%	1.7%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	3.5% per year
Investment rate of return (Discount rate)	7.0% per year (Qualified plan) 3.6% per year (Non-qualified and Board plans)

Mortality rates were based on the RP-2000 Mortality projected to 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 (see the discussion of the pension plan's investment policy) are noted as follows: The 3.6% rate used for the Non-qualified and Board plans represents the 20-year municipal bond rate. The 7.0% rate used for the Qualified plan relates to fixed income government securities.

Discount rate: The discount rate used to measure the total pension liability was 7.0% for the Qualified plan and 3.6% for the Non-qualified and Board plans. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

NOTE 13 – GASB 67 DISCLOSURES - SUPPLEMENTAL PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Qualified, Non-qualified, and Board plans, calculated using the discount rates disclosed above for each plan, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Qualified Plan - 7.0%	14,804,485	10,071,931	6,022,680
Non-Qualified Plan - 3.6%	19,853,968	18,101,817	16,600,203
Board Plan - 3.6%	5,632,641	5,039,604	4,528,352

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – Other Postemployment Benefits (OPEB)

Employees' Plan – Retiree Healthcare Benefits: In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust (RHCT), a single employer defined benefit plan. The RHCT was established in May 2008 and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the RHCT. Members are eligible for health benefits based on their age and length of service with CTA. The legislation provides that CTA will have no future responsibility for retiree healthcare costs. The RHCT issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Supplemental and Board Plans – Retiree Healthcare Benefits: Employees of the CTA in certain employment classifications are eligible to participate in the supplemental retirement plan, a single employer defined benefit plan. Members of the Supplemental Plan with bridged service or service purchased through the Voluntary Termination Program are eligible for Supplemental Healthcare benefits if they retired under the Supplemental Plan and do not immediately qualify for healthcare benefits under the CTA RHCT. Supplemental Healthcare Plan benefits are administered through the CTA's healthcare program covering active members. Supplemental healthcare benefits cease when the member becomes eligible for healthcare coverage under the RHCT. Certain members not eligible for benefits under the RHCT will continue to receive benefits through the CTA's healthcare program covering active members. The benefits are dependent on the amount of bridged service and the amount of service at the CTA that is credited in the Employees Plan.

Chicago Transit Board members participate in a separate Board Member Retirement Plan, a single employer defined benefit plan, and a Supplemental Plan. Board members with greater than five years of service are eligible for healthcare benefits immediately after termination or retirement.

The Supplemental and Board Plans do not issue separate stand-alone financial reports.

Funding Policy - OPEB

Supplemental and Board Plan – Retiree Healthcare Benefits: Funding for the Supplemental and Board Retiree Healthcare Plans are on a pay-as-you-go basis.

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation. The annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* 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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2014 (dollar amounts in thousands):

	Supplemental & Board Plans
Annual required contribution	$ 1,061
Interest on net OPEB obligation	185
Adjustment to ARC	(351)
Annual OPEB cost	895
Contributions made	802
Increase (decrease) in net OPEB obligation	93
Net OPEB obligation – December 31, 2013	4,120
Net OPEB obligation – December 31, 2014	$ 4,213

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2013 (dollar amounts in thousands):

	Supplemental & Board Plans
Annual required contribution	$ 1,141
Interest on net OPEB obligation	177
Adjustment to ARC	(322)
Annual OPEB cost	996
Contributions made	810
Increase (decrease) in net OPEB obligation	186
Net OPEB obligation – December 31, 2012	3,934
Net OPEB obligation – December 31, 2013	$ 4,120

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows (dollar amounts in thousands):

(Continued)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Supplemental and Board Plan:

Year ended	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB obligation
2014	$ 895	$ 802	89.6%	$ 4,213
2013	996	810	81.3%	4,120
2012	951	704	74.0%	3,934

Funded Status and Funding Progress - OPEB

Supplemental and Board Plans – Retiree Healthcare Benefits:

As of January 1, 2015, the plan was not funded. The actuarial accrued liability for benefits was $12,963,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $12,963,000. The covered payroll (annual payroll of active employees covered by the plan) was $741,000, and the ratio of the UAAL to the covered payroll was 1,749.9 percent.

As of January 1, 2014, the plan was not funded. The actuarial accrued liability for benefits was $11,869,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $11,869,000. The covered payroll (annual payroll of active employees covered by the plan) was $581,000, and the ratio of the UAAL to the covered payroll was 2,041.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation of the Supplemental and Board Plans as of January 1, 2015, and January 1, 2014, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a medical and prescription trend rate of 8.25 percent initial to 5.0 ultimate. The Supplemental Plan UAAL is being amortized as a level dollar over a 15 year closed period. The Board Plan UAAL is amortized as a level dollar open 30 year amortization.

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The per capita healthcare claim costs and dependent contribution rates were assumed to decrease as follows:

Plan year	Trend rate
2015	8.25%
2016	7.75%
2017	7.25%
2018	6.75%
2019	6.25%
2020	5.75%
2021	5.25%
2022 and after	5.00%

NOTE 15 - RISK MANAGEMENT

The CTA is exposed to various types of risk of loss, including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risks of loss associated with providing health, dental, and life insurance benefits to employees.

The CTA provides health insurance benefits to employees through two insured health maintenance organizations and a self-insured comprehensive PPO plan. The CTA provides dental insurance benefits through an insured dental maintenance organization and a self-insured dental indemnity plan. The CTA does not purchase stop-loss insurance for its self-insured comprehensive PPO plan. The CTA provides life insurance benefits for active employees through an insured life insurance program.

CTA purchases property insurance for damage to CTA property including rolling stock. This insurance program is effective July 29, 2014 to July 29, 2015. Property limit of liability is $130,000,000 per occurrence, and is purchased in two layers. The first/primary layer provides a $25,000,000 limit. The excess layer provides the $105,000,000 limit excess and above the primary. The basic policy deductible is $250,000 per each occurrence, with some exceptions as defined more fully in the policy.

The CTA is also self-insured for general liability, workers' compensation, employee accidents, environmental, business interruption, terrorism, and automotive liability losses arising from automotive liability, property, property-related business interruption, terrorism, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of the CTA.

The RTA provides excess liability insurance to protect the self-insurance programs for general liability and terrorism currently maintained by the CTA. There are three insurance policies in effect from June 15, 2014 to June 15, 2015. The first policy provides $15,000,000 in excess of the $15,000,000 self-insured retention and $30,000,000 in the aggregate. The second policy provides $20,000,000 in excess of the $30,000,000 and $40,000,000 in the aggregate. The third policy provides $50,000,000 in excess of $50,000,000 and $100,000,000 in the aggregate. In 2014 and 2013, no CTA claim existed that is expected to exceed the $15,000,000 self-insured retention under this insurance policy.

NOTE 15 - RISK MANAGEMENT (Continued)

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2,500,000 per occurrence up to the total balance in the Fund or a maximum of $47,500,000. The CTA is obligated to reimburse the Fund for the principal amount borrowed plus a floating interest rate. However, reimbursement payments, including interest, cannot exceed $3,500,000 in any one year. No borrowings were made from the Fund in fiscal years 2014 or 2013.

Settlements did not exceed coverage for any of the past four years, and there has been no significant reduction in coverage during that period.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 2.0% and 2.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.5% and 3.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	Injury and damage	Group health and dental	Workers' compensation	Total
Balance at January 1, 2012	$ 78,255	$ 25,000	$ 149,746	$ 253,001
Funded*	24,000	138,368	70,364	232,732
Funding (excess)/deficiency per actuarial requirement	(6,552)	-	(7,220)	(13,772)
Payments*	(15,808)	(147,640)	(51,442)	(214,890)
Balance at December 31, 2012	79,895	15,728	161,448	257,071
Funded*	5,896	141,888	55,817	203,601
Funding (excess)/deficiency per actuarial requirement	8,275	-	642	8,917
Payments*	(12,319)	(139,316)	(55,816)	(207,451)
Balance at December 31, 2013	81,747	18,300	162,091	262,138
Funded*	3,500	144,337	57,603	205,440
Funding (excess)/deficiency per actuarial requirement	21,395	-	8,695	30,090
Payments*	(13,379)	(144,699)	(59,336)	(217,414)
Balance at December 31, 2014	$ 93,263	$ 17,938	$ 169,053	$ 280,254

(Continued)

NOTE 15 - RISK MANAGEMENT (Continued)

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance, and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See note 5 regarding cash and investment amounts maintained in this account.

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES

Fuel related derivative transactions are executed in accordance with the policies established by CTA's Energy Price Risk Management Policy ("the EPRM Policy"). The primary objective of the EPRM Policy is to identify opportunities to manage effectively the CTA's energy commodity costs to acceptable levels, establish guidelines for reporting and monitoring of energy commodity costs where the CTA uses financial instruments to manage price risks and to establish guidelines for the CTA's purchase of fixed price energy from its physical providers under existing contractual relationships with its providers. The Energy Price Risk Management Committee oversees the execution of the EPRM Policy with the assistance of an Energy Advisor.

The EPRM Policy explicitly prohibits the Authority from entering into contracts for more than its annual volume of energy usage. The EPRM Policy goals are to achieve budget objectives and reduce price volatility. Price risk management transactions are not intended to be speculative in nature. The EPRM Policy shall limit the amount and time period for which energy costs may be hedged through either derivative contracts or fixed price purchase contracts, as detailed below:

- Up to 100% of the volume of energy consumed may be hedged for a period of not to exceed 18 months
- Up to 50% of the volume of energy consumed may be hedged for a period of not to exceed 19-24 months
- 0% of volume of energy consumed may be hedged for a period beyond 24 months

The CTA used 17.3 million and 18.8 million gallons of diesel fuel to operate revenue vehicles during 2014 and 2013, respectively. The CTA has entered into heating oil commodity swap contracts to hedge changes in cash flows due to market price fluctuations related to expected purchases of diesel fuel for CTA buses.

On September 10, 2014, CTA obtained approval from the Board to enter into a fixed price purchase agreement with the provider of diesel fuel and terminate the hedging contracts with JP Morgan Chase, primarily due to the increased volatility and risks associated with the hedging agreements.

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

At December 31, 2014, the CTA's outstanding commodity swaps fair value along with the changes in fair values of commodity swaps held during the year then ended are as follows:

Commodity Swaps

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 1/1/2014	Fair Value 12/31/2014	Change in Fair Value	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: J.P. Morgan Chase							
126,000	01/01/14	01/31/14	$ 17,976	$ -	$ (17,976)	Variable	2.9225
84,000	01/01/14	03/31/14	14,022	-	(14,022)	Variable	2.9985
126,000	01/01/14	03/31/14	31,990	-	(31,990)	Variable	2.9695
126,000	01/01/14	03/31/14	96,978	-	(96,978)	Variable	2.7975
126,000	01/01/14	03/31/14	73,363	-	(73,363)	Variable	2.8600
168,000	01/01/14	03/31/14	27,289	-	(27,289)	Variable	3.0000
84,000	01/01/14	03/31/14	(210)	-	210	Variable	3.0550
126,000	01/01/14	03/31/14	29,157	-	(29,157)	Variable	2.9770
126,000	01/01/14	03/31/14	38,414	-	(38,414)	Variable	2.9525
84,000	01/01/14	03/31/14	35,055	-	(35,055)	Variable	2.9150
168,000	04/01/14	06/30/14	35,526	-	(35,526)	Variable	2.9550
126,000	04/01/14	06/30/14	95,930	-	(95,930)	Variable	2.7715
168,000	04/01/14	06/30/14	94,932	-	(94,932)	Variable	2.8370
84,000	04/01/14	06/30/14	8,324	-	(8,324)	Variable	2.9925
				-	-		
126,000	04/01/14	06/30/14	37,406	-	(37,406)	Variable	2.9265
126,000	04/01/14	06/30/14	34,197	-	(34,197)	Variable	2.9350
84,000	04/01/14	06/30/14	31,985	-	(31,985)	Variable	2.8985
84,000	04/01/14	06/30/14	30,349	-	(30,349)	Variable	2.9050
84,000	07/01/14	09/30/14	13,364		(13,364)	Variable	2.9525
126,000	07/01/14	09/30/14	40,419		(40,419)	Variable	2.8985
168,000	07/01/14	09/30/14	48,107		(48,107)	Variable	2.9100
84,000	07/01/14	09/30/14	29,964		(29,964)	Variable	2.9150
84,000	07/01/14	09/30/14	27,198		(27,198)	Variable	2.8975
84,000	09/01/14	12/31/14	12,732		(12,732)	Variable	2.9350
126,000	09/01/14	12/31/14	38,887		(38,887)	Variable	2.8825
168,000	09/01/14	12/31/14	44,311		(44,311)	Variable	2.8975
84,000	09/01/14	12/31/14	27,809		(27,809)	Variable	2.8750
252,000	09/01/14	12/31/14	7,963		(7,963)	Variable	3.0100
126,000	01/01/15	12/31/15	-	(1,495,063)	(1,495,063)	Variable	2.8450
126,000	01/01/15	12/31/15	-	406,140	406,140	Variable	2.1234
126,000	01/01/15	03/31/15	-	(162,679)	(162,679)	Variable	2.8850
126,000	01/01/15	03/31/15	-	(158,899)	(158,899)	Variable	2.8750

(Continued)

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Commodity Swaps

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 1/1/2014	Fair Value 12/31/2014	Change in Fair Value	Terms (Per Gallon) Receive	Pay
Counterparty: J.P. Morgan Chase							
84,000	01/01/15	03/31/15	$ -	$ (102,152)	$ (102,152)	Variable	2.8600
252,000	01/01/15	09/30/15	-	(653,814)	(653,814)	Variable	2.8870
168,000	01/01/15	03/31/15	-	(234,545)	(234,545)	Variable	2.9200
84,000	01/01/15	12/31/15	-	(228,270)	(228,270)	Variable	2.9075
126,000	04/01/15	06/30/15	-	(140,036)	(140,036)	Variable	2.8250
126,000	04/01/15	06/30/15	-	(143,816)	(143,816)	Variable	2.8350
84,000	04/01/15	06/30/15	-	(91,594)	(91,594)	Variable	2.8180
168,000	04/01/15	06/30/15	-	(221,995)	(221,995)	Variable	2.8950
42,000	07/01/15	09/30/15	-	(127,275)	(127,275)	Variable	2.8800
42,000	07/01/15	09/30/15	-	33,582	33,582	Variable	2.1347
42,000	10/01/15	12/31/15	-	(120,482)	(120,482)	Variable	2.8750
42,000	10/01/15	12/31/15	-	32,688	32,688	Variable	2.1755
Total			$ 1,023,437	$ (3,408,210)	$ (4,431,647)		

(Continued)

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

At December 31, 2013, the CTA's outstanding commodity swaps fair value along with the changes in fair values of commodity swaps held during the year then ended are as follows:

Commodity Swaps

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 1/1/2013	Fair Value 12/31/2013	Change in Fair Value	Terms (Per Gallon) Receive	Pay
Counterparty: J.P. Morgan Chase							
378,000	01/01/13	03/31/13	$ 53,536	$ -	$ (53,536)	Variable	$ 2.9675
84,000	01/01/13	03/31/13	(53,965)	-	53,965	Variable	3.2290
126,000	01/01/13	03/31/13	(44,490)	-	44,490	Variable	3.1325
84,000	01/01/13	03/31/13	(5,356)	-	5,356	Variable	3.0360
84,000	01/01/13	03/31/13	33,935	-	(33,935)	Variable	2.8800
126,000	01/01/13	03/31/13	101,904	-	(101,904)	Variable	2.7450
210,000	01/01/13	03/31/13	(6,463)	-	6,463	Variable	3.0250
168,000	01/01/13	03/31/13	(59,320)	-	59,320	Variable	3.1325
210,000	01/01/13	03/31/13	11,168	-	(11,168)	Variable	2.9970
252,000	04/01/13	06/30/13	37,019	-	(37,019)	Variable	2.9620
168,000	04/01/13	06/30/13	(23,385)	-	23,385	Variable	3.0575
126,000	04/01/13	06/30/13	67,392	-	(67,392)	Variable	2.8325
84,000	04/01/13	06/30/13	63,173	-	(63,173)	Variable	2.7600
126,000	04/01/13	06/30/13	(1,496)	-	1,496	Variable	3.0150
168,000	04/01/13	06/30/13	(43,517)	-	43,517	Variable	3.0975
168,000	04/01/13	06/30/13	21,660	-	(21,660)	Variable	2.9680
252,000	07/01/13	09/30/13	31,932	-	(31,932)	Variable	2.9515
168,000	07/01/13	09/30/13	(38,301)	-	38,301	Variable	3.0700
252,000	10/01/13	12/13/13	27,006	-	(27,006)	Variable	2.9485
126,000	1/1/2014	1/31/2014	-	17,976	17,976	Variable	2.9225
84,000	1/1/2014	3/31/2014	-	14,022	14,022	Variable	2.9985
126,000	1/1/2014	3/31/2014	-	31,990	31,990	Variable	2.9695
126,000	1/1/2014	3/31/2014	-	96,978	96,978	Variable	2.7975
126,000	1/1/2014	3/31/2014	-	73,363	73,363	Variable	2.8600
168,000	1/1/2014	3/31/2014	-	27,289	27,289	Variable	3.0000
84,000	1/1/2014	3/31/2014	-	(210)	(210)	Variable	3.0550
126,000	1/1/2014	3/31/2014	-	29,157	29,157	Variable	2.9770
126,000	1/1/2014	3/31/2014	-	38,414	38,414	Variable	2.9525
84,000	1/1/2014	3/31/2014	-	35,055	35,055	Variable	2.9150
168,000	4/1/2014	6/30/2014	-	35,526	35,526	Variable	2.9550
126,000	4/1/2014	6/30/2014	-	95,930	95,930	Variable	2.7715
168,000	4/1/2014	6/30/2014	-	94,932	94,932	Variable	2.8370
84,000	4/1/2014	6/30/2014	-	8,324	8,324	Variable	2.9925

(Continued)

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Commodity Swaps

Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 1/1/2013	Fair Value 12/31/2013	Change in Fair Value	Terms (Per Gallon) Receive	Terms (Per Gallon) Pay
Counterparty: J.P. Morgan Chase							
126,000	04/01/14	06/30/14	$ -	$ 37,406	$ 37,406	Variable	$ 2.9265
126,000	4/1/2014	6/30/2014	-	34,197	34,197	Variable	2.9350
84,000	4/1/2014	6/30/2014	-	31,985	31,985	Variable	2.8985
84,000	4/1/2014	6/30/2014	-	30,349	30,349	Variable	2.9050
84,000	7/1/2014	9/30/2014	-	13,364	13,364	Variable	2.9525
126,000	7/1/2014	9/30/2014	-	40,419	40,419	Variable	2.8985
168,000	7/1/2014	9/30/2014	-	48,107	48,107	Variable	2.9100
84,000	7/1/2014	9/30/2014	-	29,964	29,964	Variable	2.9150
84,000	7/1/2014	9/30/2014	-	27,198	27,198	Variable	2.8975
84,000	9/1/2014	12/31/2014	-	12,732	12,732	Variable	2.9350
126,000	9/1/2014	12/31/2014	-	38,887	38,887	Variable	2.8825
168,000	9/1/2014	12/31/2014	-	44,311	44,311	Variable	2.8975
84,000	9/1/2014	12/31/2014	-	27,809	27,809	Variable	2.8750
252,000	9/1/2014	12/31/2014	-	7,963	7,963	Variable	3.0100
Total			$ 172,432	$ 1,023,437	$ 851,005		

The fair value of the hedging derivative instruments is included on the Statements of Net Position as a Deferred Inflow (positive) or Deferred Outflow (negative) measured at fair market value based on quoted market prices. Related gains and/or losses are deferred on the Statements of Net Position until the derivative is settled then recognized as part of Fuel in the Statement of Revenues, Expenses and Changes in Net Position. The valuation of market changes for contracts entered into and settled resulted in a net (decrease)/increase of $2,580,094 and $(172,219) to the cost of fuel during the fiscal years ended December 31, 2014 and 2013, respectively.

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

The CTA follows GASB 53, Accounting and Financial Reporting for Derivative Instruments. This GASB provides guidance on the recognition, measurement and disclosure of derivative instruments entered into by state and local governments.

For accounting purposes, in order to qualify as a hedge, the relationship between the derivative and the underlying asset must result in a hedge that is "effective" in mitigating risk. If the hedge transaction is considered "ineffective" the valuation of the instrument is considered investment income or loss on the Statements of Revenues, Expenses and Changes in Net Position. GASB 53 outlines five methods for evaluating hedge effectiveness:

- Critical Terms
- Synthetic Instrument
- Dollar Offset
- Regression Analysis
- Other Quantitative Methods

For purposes of performing effectiveness testing, the CTA can use any or all of the evaluation methods and is not limited to using the same method from period to period. Therefore, if the result of any one prescribed evaluation method indicates the hedge is ineffective the CTA may apply another method to verify effectiveness. The CTA's commodity swaps have been evaluated using the Regression Analysis method and have been determined to be effective.

The following risks are generally associated with commodity swap agreements:

Credit risk – the risk that the counterparty fails to make required payments or otherwise comply with the terms of the swap agreement. This non-performance would usually result from financial difficulty, but could also occur for physical, legal, or business reasons. This risk is mitigated by establishing minimum credit quality criteria, establishing maximum credit limits, requiring collateral on counterparty downgrade.

The CTA will deem a counterparty as qualified if (a) the counterparty has demonstrated experience in successfully executing derivative contracts with other municipal entities, (b) it indicates a willingness to accept one way collateral should the CTA and its advisors so recommend, and (c)(i) its credit rating by one of three nationally recognized rating agencies is in the AA category and A+ or better by either of the remaining two agencies furnishing such ratings or (ii) its payments pursuant to the derivative contract are unconditionally guaranteed by an entity with credit ratings that satisfy the criteria set forth in (c)(i). The CTA will require that if any qualified counterparty is downgraded and no longer deemed qualified, the contract is subject to the termination provisions in the Master Agreement, unless the additional risk can be mitigated by a substitute guarantor or the contract is collateralized.

A counterparty that does not satisfy the aforementioned rating criteria shall be required to post an appropriate level of collateral as determined by the CTA. Collateral, if and as required by the Master Agreement and any credit support annex, shall be maintained with a mutually agreeable third party or trustee and shall be periodically marked to market by the agent or trustee. Collateral, if and as required, shall generally be provided in a manner satisfactory to CTA that its interests are: (a) perfected, (b) not a matter of preference, and (c) not subject to stay in the event of bankruptcy of the derivative contract counterparty. CTA shall not be required to provide collateral as party to a derivative contract unless it is clearly in the best interest of the CTA.

(Continued)

NOTE 16 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

The credit ratings for each of CTA's counterparties at December 31, 2014 were:

Counterparty	Moody's	Fitch	Standard & Poor's
J.P. Morgan Chase	Aa3	A+	A+

The credit ratings for each of CTA's counterparties at December 31, 2013 were:

Counterparty	Moody's	Fitch	Standard & Poor's
J.P. Morgan Chase	A3	A+	A

CTA's net credit exposure to any single counterparty (or guarantor thereof) generally should not exceed $50 million. CTA may increase its aggregate position beyond this limit to a particular counterparty if the amount in excess of the limit for that counterparty is fully collateralized. In measuring CTA's aggregate position with a counterparty, a calculation of net offset is permitted in such circumstances as two derivative contracts in which the market values offset one another.

Basis Risk – The risk that there is a mismatch between the variable rate payment received from the swap counterparty and the variable rate paid for diesel fuel purchases. The CTA mitigates this risk by conducting an extensive survey of relevant products and indices, and selecting one that has a strong correlation with the price changes of the cost of diesel fuel. CTA's standard practice is to purchase diesel fuel from oil vendors with pricing determined by industry publications (OPIS pricing). The spot prices published in such publications reflect the weekly delivered price by city and fuel grade. The NYMEX heating oil futures contract has proven to be an effective means of hedging the volatile price of diesel spot prices. Many providers of financial services offer over the counter (OTC) swaps referencing the price of the NYMEX futures heating oil contract.

Termination Risk – The risk that there will be a mandatory early termination of the commodity swap that would result in the CTA either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty or the CTA suffers degraded credit quality, illiquidity, bankruptcy, or failure to perform. The CTA mitigates this risk by establishing minimum credit quality criteria, establishing maximum credit limits, and requiring collateral on counterparty downgrade and employing credit rating surveillance. The CTA seeks to minimize the risks it carries by actively managing its derivative contracts. This will entail frequent monitoring of market conditions by CTA's Energy Advisor and the swap counterparty for emergent opportunities and risks. No termination event has occurred during 2014 or 2013.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Litigation: The CTA has been named as a defendant in various other legal proceedings arising in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of the CTA that resolution of these matters will not have a material adverse impact on the CTA's financial statements.

NOTE 17 - COMMITMENTS AND CONTINGENCIES (Continued)

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt was $72,285,000 as of December 31, 2014.

Lease Transactions:

Green Line

During 1998, the CTA entered into lease and leaseback agreements with three third party investors pertaining to certain property, railway tracks and train stations on the Green Line. The CTA's payments associated with these agreements were guaranteed by American International Group Inc. (AIG) as the "Debt Payment Undertaker." During 2008, AIG's credit rating was downgraded amid the U.S. mortgage meltdown and global economic crisis. This rating downgrade provided the third party investors with the option under their respective agreements to require CTA to replace AIG as the Debt Payment Undertaker. One of the three investors chose to unwind the transaction and the corresponding agreements were terminated. Another of the three investors entered into a conditional forbearance agreement that allows CTA to continue to use AIG as long as the rating does not fall below BB by Standard & Poor's and Ba2 by Moody's. The third investor has been granting the CTA short-term extensions regarding the replacement.

NOTE 18 – SUBSEQUENT EVENTS

TIFIA Loan agreement

On February 3rd, 2015, CTA entered into a second definitive loan agreement with the United States Department of Transportation (USDOT), acting by and through the Federal Highway Administration under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are part of the Authority's "Your New Blue" capital improvement program.

The maximum principal amount of the TIFIA loan is $120,000,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loan and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

The TIFIA loan is secured by two farebox receipts revenue bonds in the amounts of $42.6 million with a maturity date of December 1, 2029, bearing an interest rate of 2.02%, and $77.4 million with a maturity date of December 1, 2052, bearing an interest rate of 2.31%.

Lease unwind

The Green Line lease and leaseback agreement with the third investor described in Note 8 Capital Lease Obligations and Note 17 Commitments and Contingencies was terminated on March 6, 2015.

The two 1996 Agreements and the four 1997 Agreements described in Note 8 Capital Lease Obligations were terminated on April 7, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information – Pension
Schedules of Funding Progress (Unaudited)
Year Ended December 31, 2014
(In thousands of dollars)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Employees' Plan – Pension:						
1/1/2014	$ 1,892,714	$ 3,105,567	$ 1,212,853	60.9%	$ 550,616	220.3%
1/1/2013	1,702,788	2,867,335	1,164,547	59.4	548,515	212.3
1/1/2012	1,662,196	2,808,184	1,145,988	59.2	541,354	211.7
1/1/2011	1,909,967	2,724,191	814,224	70.1	528,288	154.1
1/1/2010	1,936,849	2,588,462	651,613	74.8	567,173	114.9
1/1/2009	1,995,953	2,632,356	636,403	75.8	578,521	110.0
1/1/2008	941,864	2,531,440	1,589,576	37.2	571,314	278.2
1/1/2007	1,007,305	2,466,106	1,458,801	40.8	562,567	259.3
1/1/2006	1,144,669	2,354,125	1,209,456	48.6	547,532	220.9
1/1/2005	1,313,087	2,291,162	978,075	57.3	544,442	179.6
Open Supplemental Plan:						
12/31/2014	$ 42,046	$ 52,017	$ 9,971	80.8%	$ 1,443	691.0%
1/1/2014	43,503	53,344	9,841	81.6	1,647	597.5
1/1/2013	37,040	54,716	17,676	67.7	2,282	774.6
1/1/2012	34,251	55,898	21,647	61.3	2,486	870.8
1/1/2011	35,626	55,705	20,079	64.0	4,259	471.4
1/1/2010	32,345	51,348	19,002	63.0	7,265	261.6
1/1/2009	22,434	36,519	14,085	61.4	11,691	120.5
1/1/2008	19,457	15,974	(3,483)	121.8	13,551	-25.7
1/1/2007	18,937	15,503	(3,434)	122.2	14,840	-23.1
1/1/2006	17,001	10,064	(6,937)	168.9	14,871	-46.6
Closed Supplemental Plan:						
12/31/2014	$ -	$ 27,167	$ 27,167	0.0%	$ -	0.0%
1/1/2014	-	27,678	27,678	-	-	-
1/1/2013	-	28,963	28,963	-	-	-
1/1/2012	-	29,979	29,979	-	-	-
1/1/2011	-	32,045	32,045	-	-	-
1/1/2010	-	30,696	30,696	-	-	-
1/1/2009	-	31,459	31,459	-	-	-
1/1/2008	-	32,887	32,887	-	-	-
1/1/2007	-	33,104	33,104	-	-	-
1/1/2006	-	34,835	34,835	-	-	-
Board Supplemental Plan:						
12/31/2014	$ 88	$ 4,951	$ 4,863	1.8%	$ 125	3890.4%
1/1/2014	75	4,848	4,772	1.5	139	3,433.1
1/1/2013	70	4,778	4,708	1.5	150	3138.7
1/1/2012	57	4,693	4,636	1.2	175	2469.1
1/1/2011	47	4,773	4,726	1.0	200	2363.0
1/1/2010	35	4,246	4,210	0.8	200	2105.1
1/1/2009	45	3,257	3,212	1.4	200	1606.0
1/1/2008	56	3,193	3,137	1.8	200	1568.5
1/1/2007	50	3,312	3,262	1.5	200	1631.0
1/1/2006	47	3,270	3,223	1.4	175	1841.7

*During the year ended December 31, 2005, the CTA established a qualified trust for members of the supplement retirement plan retiring after March 2005 (Open Supplemental Retirement Plan). With the establishment of the trust, the old supplemental retirement plan was effectively closed and subsequently only includes employees who retired prior to March 2005.

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information – Other Postemployment Benefits
Schedules of Funding Progress (Unaudited)
Year Ended December 31, 2014
(In thousands of dollars)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Supplemental & Board Plan - Healthcare:						
1/1/2015	$ -	$ 12,963	$ 12,963	0.0%	$ 741	1749.9%
1/1/2014	-	11,869	11,869	-	581	2,041.8
1/1/2013	-	13,168	13,168	-	752	1,750.5
1/1/2012	-	13,138	13,138	-	887	1,481.2
1/1/2011	-	18,400	18,400	-	2,219	829.2
1/1/2010	-	18,967	18,967	-	3,580	529.8
1/1/2009	-	16,830	16,830	-	4,420	380.8
1/1/2008	-	6,287	6,287	-	2,771	226.9
1/1/2007	-	6,796	6,796	-	3,332	204.0

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2014
(In thousands of dollars)

Employees' Plan – Pension

Year ended	Annual required contribution	Percentage contributed
12/31/14	$ 107,096	76.8%
12/31/13	100,956	78.7
12/31/12	107,569	58.3
12/31/11	76,137	79.1
12/31/10	63,451	90.3
12/31/09	88,422	40.8
12/31/08	178,966	651.5
12/31/07	185,944	13.5
12/31/06	153,204	15.6
12/31/05	133,816	14.8

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2014
(In thousands of dollars)

Open Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/14	$ 1,130	100.0%
12/31/13	1,927	100.0
12/31/12	2,267	100.0
12/31/11	2,207	100.1
12/31/10	2,577	100.9
12/31/09	2,410	307.4
12/31/08	230	3,475.0

Closed Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/14	$ 4,595	65.8%
12/31/13	4,295	72.5
12/31/12	4,116	80.2
12/31/11	4,041	85.3
12/31/10	3,770	86.4
12/31/09	3,635	93.0
12/31/08	3,599	96.1

Board Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/14	$ 325	102.7%
12/31/13	331	102.0
12/31/12	348	92.8
12/31/11	372	88.5
12/31/10	360	91.3
12/31/09	288	92.4
12/31/08	282	93.3

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2014
(In thousands of dollars)

Supplemental and Board Plans - Healthcare

Year ended	Annual required contribution	Percentage contributed
12/31/14	$ 1,061	75.7%
12/31/13	1,141	71.0
12/31/12	1,080	65.2
12/31/11	1,606	44.1
12/31/10	1,785	29.7
12/31/09	1,645	24.6
12/31/08	508	57.6

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Net Pension Liability and Related Ratios (Unaudited)
December 31, 2014

Supplemental Qualified Plan

Total Pension Liability	$ 52,118,205
Plan Fiduciary Net Position	$ 42,046,274
Plan's Net pension Liability	$ 10,071,931
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	80.67%
Covered Employee Payroll	1,443,142
Plan's Net pension Liability as a percentage of Covered Employee Payroll	697.92%

Supplemental Non-Qualified Plan

Total Pension Liability	$ 18,101,817
Plan Fiduciary Net Positoin	$ -
Plan's Net pension Liability	$ 18,101,817
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0%
Covered Employee Payroll	-
Plan's Net pension Liability as a percentage of Covered Employee Payroll	N/A

Board Member Plan

Total Pension Liability	$ 5,127,749
Plan Fiduciary Net Positoin	$ 88,145
Plan's Net pension Liability	$ 5,039,604
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	1.72%
Covered Employee Payroll	125,008
Plan's Net pension Liability as a percentage of Covered Employee Payroll	4031.43%

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Changes in Net Pension Liability - Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2014

	2014
Total Pension Liability	
Total Pension Liability - Beginning	53,463,526
Service Cost	61,255
Interest	3,581,854
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(639,916)
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(4,348,514)
Net Change in Total Pension Liability	(1,345,321)
Total Pension Liability - Ending	52,118,205
Plan Fiduciary Net Position	
Plan Fiduciary Net Position - Beginning	43,503,108
Contributions - Employer	1,130,000
Contributions - Member	-
Net Investment Income	2,072,992
Benefit Payments, Including Refunds of Member Contributions	(4,348,514)
Administrative Expense	(311,312)
Other	-
Net Change in Plan Fiduciary Net Position	(1,456,834)
Plan Fiduciary Net Position - Ending	42,046,274
CTA Net Pension Liability - Ending	10,071,931

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Changes in Net Pension Liability - Non-Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2014

	2014
Total Pension Liability	
Total Pension Liability - Beginning	16,974,779
Service Cost	-
Interest	758,880
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	351,228
Changes of Assumptions	1,735,356
Benefit Payments, Including Refunds of Member Contributions	(1,718,426)
Net Change in Total Pension Liability	1,127,038
Total Pension Liability - Ending	18,101,817
Plan Fiduciary Net Position	
Plan Fiduciary Net Position - Beginning	-
Contributions - Employer	1,718,426
Contributions - Member	-
Net Investment Income	-
Benefit Payments, Including Refunds of Member Contributions	(1,718,426)
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - Ending	-
CTA Net Pension Liability - Ending	18,101,817

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Changes in Net Pension Liability - Board Member Plan (Unaudited)
Year Ended December 31, 2014

	2014
Total Pension Liability	
Total Pension Liability - Beginning	4,698,229
Service Cost	44,806
Interest	216,129
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(77,032)
Changes of Assumptions	566,308
Benefit Payments, Including Refunds of Member Contributions	(320,691)
Net Change in Total Pension Liability	429,520
Total Pension Liability - Ending	5,127,749
Plan Fiduciary Net Position	
Plan Fiduciary Net Position - Beginning	75,488
Contributions - Employer	333,348
Contributions - Member	
Net Investment Income	
Benefit Payments, Including Refunds of Member Contributions	(320,691)
Administrative Expense	
Other	
Net Change in Plan Fiduciary Net Position	12,657
Plan Fiduciary Net Position - Ending	88,145
CTA Net Pension Liability - Ending	5,039,604

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2014

Qualified Plan

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$1,129,806	$1,926,220	$2,266,680	$2,207,234	$2,576,517	$ 2,410,415	$ 230,217	$ 199,807	$ -	$ 1,623,481
Contributions in relation to the actuarially determined contribution	1,130,000	1,927,000	2,267,000	2,210,000	2,600,000	7,410,415	8,000,000	-	-	15,786,575
Contribution deficiency (excess)	$ (194)	$ (780)	$ (320)	$ (2,766)	$ (23,483)	$(5,000,000)	$ (7,769,783)	$ 199,807	$ -	$(14,163,094)
Covered-employee payroll	$1,443,142	$1,646,705	$2,282,384	$2,485,883	$4,258,817	$ 7,265,182	$11,691,318	$13,551,057	$14,839,682	$ 14,870,708
Contributions as a percentage of covered-employee payroll	78.30%	117.02%	99.33%	88.90%	61.05%	102.00%	68.43%	0.00%	0.00%	106.16%

Non-qualified Plan

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$4,594,819	$4,295,468	$4,116,049	$4,041,329	$3,770,616	$ 3,635,284	$ 3,599,021	$ 3,450,405	$ 3,474,762	Not Available
Contributions in relation to the actuarially determined contribution	3,023,226	3,114,251	3,299,081	3,447,026	3,259,402	3,381,103	3,459,259	3,504,124	3,467,867	Not Available
Contribution deficiency (excess)	$1,571,593	$1,181,217	$ 816,968	$ 594,303	$ 511,214	$ 254,181	$ 139,762	$ (53,719)	$ 6,895	N/A
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	Not Available
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2014

Board Member Plan

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	$ 324,530	$ 331,038	$ 347,751	$ 371,758	$ 360,467	$ 288,183	$ 282,327	$ 287,510	$ 275,395	Not Available
Contributions in relation to the actuarially determined contribution	333,348	337,593	322,786	322,786	322,786	266,336	263,459	284,176	291,903	Not Available
Contribution deficiency (excess)	$ (8,818)	$ (6,555)	$ 24,965	$ 48,972	$ 37,681	$ 21,847	$ 18,868	$ 3,334	$ (16,508)	N/A
Covered-employee payroll	$ 125,008	$ 139,432	$ 150,000	$ 175,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	Not Available
Contributions as a percentage of covered-employee payroll	266.66%	242.12%	215.19%	184.45%	161.39%	133.17%	131.73%	142.09%	145.95%	N/A

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2014
Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	Qualified: 15 Years - Closed Non-qualified: 7 Years - Closed Board: 30 Years - Open
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3.5% per year
Investment rate of return	Qualified: 7.0% per year Non-qualified: 4.0% per year Board: 4.0% per year

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schdule of Investment Returns (Unaudited)
Year Ended December 31, 2014

	Year	Qualified Supplemental Plan
Annual Money-Weighted Rate of Return, Net of Investment Expense	2014	4.20%

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2014
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 973,700	$ 965,868	$ 7,832
Materials and supplies	61,800	80,963	(19,163)
Fuel	60,246	59,476	770
Electric power	27,444	33,568	(6,124)
Purchase of security services	14,087	13,628	459
Other	247,572	242,910	4,662
Provision for injuries and damages	-	3,500	(3,500)
Total operating expenses	1,384,849	1,399,913	(15,064)
System-generated revenues:			
Fares and passes	593,050	583,299	(9,751)
Reduced-fare subsidies	21,464	28,321	6,857
Advertising and concessions	29,651	27,561	(2,090)
Investment income	494	422	(72)
Contributions from local governmental units	5,000	5,000	-
Other revenue	26,308	36,072	9,764
Total system-generated revenues	675,967	680,675	4,708
Operating expenses in excess of system-generated revenues	708,882	719,238	(10,356)
Public funding from the RTA:			
Operating assistance	708,882	739,238	30,356
	708,882	739,238	30,356
Change in net position – budgetary basis	$ -	20,000	$ 20,000
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(414,114)	
RTA reversal of working cash notes payable		-	
Pension expense in excess of pension contributions		2,116	
Supplemental Retirement		1,047	
Incentive Retirement		380	
Workers Compensation		(8,695)	
Revenue from leasing transactions		1,695	
Provision for injuries and damages		(21,395)	
Interest expense on bond transactions		(109,873)	
Interest revenue on bond transactions		1,363	
Interest income from sale/leaseback		75,589	
Interest expense from sale/leaseback		(47,174)	
Capital contributions		551,579	
Change in net position – GAAP basis		$ 52,518	
CTA recovery ratio:			
Total operating expenses		$ 1,399,913	
Less mandated security costs		(13,628)	
Less Pension Obligation Bond debt service		(156,574)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		$ 1,251,711	
Total system-generated revenues		$ 680,675	
Plus Senior Free Rides		29,114	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 731,789	
Recovery ratio (A/B)		58.46%	

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2013
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 939,679	$ 948,272	$ (8,593)
Materials and supplies	57,279	60,353	(3,074)
Fuel	65,342	61,836	3,506
Electric power	23,175	26,174	(2,999)
Purchase of security services	23,246	24,160	(914)
Other	233,496	245,336	(11,840)
Provision for injuries and damages	11,792	-	11,792
Total operating expenses	1,354,009	1,366,131	(12,122)
System-generated revenues:			
Fares and passes	607,209	574,029	(33,180)
Reduced-fare subsidies	28,322	21,948	(6,374)
Advertising and concessions	27,851	25,677	(2,174)
Investment income	629	370	(259)
Contributions from local governmental units	5,000	5,000	-
Other revenue	31,954	41,946	9,992
Total system-generated revenues	700,965	668,970	(31,995)
Operating expenses in excess of system-generated revenues	653,044	697,161	(44,117)
Public funding from the RTA:			
Operating assistance	653,044	697,161	44,117
	653,044	697,161	44,117
Change in net position – budgetary basis	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(360,510)	
RTA reversal of working cash notes payable		56,147	
Pension expense in excess of pension contributions		4,026	
Supplemental Retirement		(870)	
Incentive Retirement		505	
Workers Compensation		(642)	
Revenue from leasing transactions		4,262	
Provision for injuries and damages		(14,171)	
Interest expense on bond transactions		(84,245)	
Interest revenue on bond transactions		3,570	
Interest income from sale/leaseback		111,151	
Interest expense from sale/leaseback		(112,692)	
Capital contributions		673,571	
Change in net position – GAAP basis		$ 280,102	
CTA recovery ratio:			
Total operating expenses		$ 1,366,131	
Less mandated security costs		(24,160)	
Less Pension Obligation Bond debt service		(156,574)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		$ 1,207,397	
Total system-generated revenues		$ 668,970	
Plus Senior Free Rides		23,418	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 714,388	
Recovery ratio (A/B)		59.17%	

APPENDIX D

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

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The Chicago Transit Board of the Chicago Transit
Authority
Chicago, Illinois

Amalgamated Bank of Chicago
Chicago, Illinois

Re: $ 131,270,000 Chicago Transit Authority Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $131,270,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the "Bonds") of the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the "Authority") duly organized and existing under the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605 (the "Act"). The Bonds are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number 015-68 adopted by the Chicago Transit Board on July 15, 2015 (the "Bond Ordinance"). The Bonds are issued and secured under the Trust Indenture dated as of November 1, 2004 (the "Indenture") by and between the Authority and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the Fifth Supplemental Indenture dated as of August 1, 2015 (the "Fifth Supplemental Indenture") by and between the Authority and the Trustee. The Bonds are a Series of Refunding Bonds and Parity Obligations under the Indenture.

The Bonds are dated September 16, 2015 and bear interest from their date payable on December 1, 2015 and semiannually thereafter on each June 1 and December 1. The Bonds mature on June 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
2018	$27,000,000	5.000%
2019	31,275,000	5.000
2020	31,585,000	5.000
2021	41,410,000	5.000

The Bonds are payable from the Authority's share of Section 5307 Urbanized Area Formula funds ("Section 5307 Funds") to be received by the Authority from the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Grant Receipts") pursuant to 49 United States Code Section 5307. The payment of Section 5307 Funds is not a contractual obligation of the United States of America and the eligibility of the Authority to receive Section 5307 Funds for the payment of the Bonds is subject to the Authority's continuing compliance with the provisions of 49 United States Code Section 5307 and applicable regulations of the Federal Transit Administration. We express no opinion as to the rights or remedies of the Authority with respect to the payment of Section 5307 Funds.

Pursuant to the Indenture, the Authority has previously issued bonds (the "Outstanding Bonds") that are Parity Obligations. The Bonds, the Outstanding Bonds and all other Parity Obligations hereafter issued or incurred under the Indenture shall be entitled equally to the benefits and security of the Indenture, including the pledge of Grant Receipts and other moneys and securities herein mentioned.

The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Ordinance, to enter into the Indenture and the Fifth Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Fifth Supplemental Indenture in those respects.

2. The Bond Ordinance has been duly adopted by the Chicago Transit Board and is in full force and effect.

3. The Indenture and the Fifth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

4. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and the Fifth Supplemental Indenture, and are enforceable in accordance with their terms.

5. The Bonds are payable solely from Grant Receipts and other moneys and securities pledged therefor under the Indenture and the Fifth Supplemental Indenture. The Indenture and the Fifth Supplemental Indenture create a valid pledge of the Grant Receipts and other moneys and securities held thereunder for the benefit and security of the Bonds, subject to application thereof in the manner provided in the Indenture and the Fifth Supplemental Indenture.

6. Under existing law and assuming continuing compliance with certain covenants made by the Authority to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (i) is excluded from the gross

income of the owners thereof for federal income tax purposes and (ii) will not be treated as a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Failure by the Authority to comply with such covenants could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may also result in collateral federal income tax consequences to certain taxpayers, and we express no opinion regarding any such collateral tax consequences arising with respect to the Bonds. In rendering this opinion, we have relied upon and assume the correctness of certain representations and certifications of the Authority with respect to certain material facts solely within the Authority's knowledge relating to the property financed or refinanced with the proceeds of the Bonds and the application of the proceeds of the Bonds.

7. Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Indenture and the Fifth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

The Chicago Transit Board of the Chicago Transit Authority
Chicago, Illinois

Amalgamated Bank of Chicago
Chicago, Illinois

Re: $45,650,000 Chicago Transit Authority Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $45,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the "Bonds") of the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the "Authority") duly organized and existing under the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605 (the "Act"). The Bonds are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number 015-68 adopted by the Chicago Transit Board on July 15, 2015 (the "Bond Ordinance"). The Bonds are issued and secured under the Trust Indenture dated as of April 1, 2008 (the "Indenture") by and between the Authority and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the Fourth Supplemental Indenture dated as of August 1, 2015 (the "Fourth Supplemental Indenture") by and between the Authority and the Trustee. The Bonds are a Series of Refunding Bonds and Parity Obligations under the Indenture.

The Bonds are dated September 16, 2015 and bear interest from their date payable on December 1, 2015 and semiannually thereafter on each June 1 and December 1. The Bonds mature on June 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
2018	$ 290,000	5.000%
2019	305,000	5.000
2020	320,000	5.000
2021	335,000	5.000
2022	350,000	5.000
2023	370,000	5.000
2024	13,855,000	5.000
2025	14,550,000	5.000
2026	15,275,000	5.000

The Bonds are payable from the Authority's share of Section 5337 State of Good Repair Formula Funds ("Section 5337 Funds") to be received by the Authority from the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Grant Receipts") pursuant to 49 United States Code Section 5337. The payment of Section 5337 Funds is not a contractual obligation of the United States of America and the eligibility of the Authority to receive Section 5337 Funds for the payment of the Bonds is subject to the Authority's continuing compliance with the provisions of 49 United States Code Section 5337 and applicable regulations of the Federal Transit Administration. We express no opinion as to the rights or remedies of the Authority with respect to the payment of Section 5337 Funds.

Pursuant to the Indenture, the Authority has previously issued bonds (the "Outstanding Bonds") that are Parity Obligations. The Bonds, the Outstanding Bonds and all other Parity Obligations hereafter issued or incurred under the Indenture shall be entitled equally to the benefits and security of the Indenture, including the pledge of Grant Receipts and other moneys and securities herein mentioned.

The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Ordinance, to enter into the Indenture and the Fourth Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Fourth Supplemental Indenture in those respects.

2. The Bond Ordinance has been duly adopted by the Chicago Transit Board and is in full force and effect.

3. The Indenture and the Fourth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

4. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and the Fourth Supplemental Indenture, and are enforceable in accordance with their terms.

5. The Bonds are payable solely from Grant Receipts and other moneys and securities pledged therefor under the Indenture and the Fourth Supplemental Indenture. The Indenture and the Fourth Supplemental Indenture create a valid pledge of the Grant Receipts and other moneys and securities held thereunder for the benefit and security of the Bonds, subject to application thereof in the manner provided in the Indenture and the Fourth Supplemental Indenture.

6. Under existing law and assuming continuing compliance with certain covenants made by the Authority to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (i) is excluded from the gross income of the owners thereof for federal income tax purposes and (ii) will not be treated as a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Failure by the Authority to comply with such covenants could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may also result in collateral federal income tax consequences to certain taxpayers, and we express no opinion regarding any such collateral tax consequences arising with respect to the Bonds. In rendering this opinion, we have relied upon and assume the correctness of certain representations and certifications of the Authority with respect to certain material facts solely within the Authority's knowledge relating to the property financed or refinanced with the proceeds of the Bonds and the application of the proceeds of the Bonds.

7. Interest on the Bonds is not exempt from Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Indenture and the Fourth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the **"Agreement"**) is executed and delivered by the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the **"Authority"**), in connection with the issuance by the Authority of $131,270,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the **"Series 2015 5307 Bonds"**) and $45,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds (the "Series 2015 5337 Bonds," and collectively with the Series 2015 5307 Bonds, the **"Series 2015 Bonds"**). The Series 2015 Bonds are being issued pursuant to the laws of the State of Illinois, including the Metropolitan Transit Authority Act (70 ILCS 3605) and the Local Government Debt Reform Act (30 ILCS 350). The Series 2015 Bonds are authorized by an ordinance adopted by the Chicago Transit Board of the Authority on July 15, 2015. The Series 2015 5307 Bonds are being issued pursuant to the Trust Indenture dated as of November 1, 2004 (the **"5307 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5307 Trustee"**), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture, dated as of August 1, 2015 (the **"Fifth Supplemental Indenture,"** and together with the 5307 Master Trust Indenture as heretofore supplemented, the **"5307 Indenture"**) between the Authority and the 5307 Trustee. The Series 2015 5337 Bonds are being issued pursuant to the Trust Indenture dated as of April 1, 2008 (the **"5337 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5337 Master Trustee"**), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of August 1, 2015 (the **"Fourth Supplemental Indenture,"** and together with the 5337 Master Trust Indenture as heretofore supplemented, the **"5337 Indenture,"** and together with the 5307 Indenture, the **"Indentures"**) between the Authority and the 5337 Trustee, and together with the 5307 Trustee, the **"Trustee"**).

In consideration of the issuance of the Series 2015 Bonds by the Authority and the purchase of such Series 2015 Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Authority represents that it will be the only obligated person with respect to the Series 2015 Bonds at the time the Series 2015 Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after the issuance of the Series 2015 Bonds.

2. **DEFINITIONS.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in **Exhibit I.**

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in **Section 4**.

Audited Financial Statements means the audited financial statements of the Authority prepared pursuant to the standards and as described in **Exhibit I.**

Bondholder means any registered owner of any of the Series 2015 Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Series 2015 Bonds for federal income tax purposes.

Commission means the Securities and Exchange Commission.

Dissemination Agent shall mean any dissemination agent designated in writing by the Authority and that has filed with the Trustee a written acceptance of such designation.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Event means one of the sixteen events with respect to the Series 2015 Bonds set forth in Exhibit II**.**

Exchange Act means the Securities Exchange Act of 1934, as amended.

MSRB means the Municipal Securities Rulemaking Board.

Participating Underwriters means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Series 2015 Bonds.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

Significant Event means the occurrence of any of Events 1 through 10 and the occurrences of any of Events 11 through 16 that is material, as materiality is interpreted under the Exchange Act.

Significant Events Disclosure means dissemination of a notice of a Significant Event as set forth in **Section 5**.

Undertaking means the obligations of the Authority pursuant to **Sections 4** and **5**.

3. **CUSIP NUMBERS/FINAL OFFICIAL STATEMENT**. The CUSIP numbers of the Series 2015 Bonds are as set forth in **Exhibit III** hereto.

4. **ANNUAL FINANCIAL INFORMATION DISCLOSURE**. The Authority hereby covenants that it will disseminate its Annual Financial Information and Audited Financial

Statements (in the form and by the dates set forth in **Exhibit I**) to EMMA, if any. The Authority is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified in **Exhibit I**.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Authority will provide a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. **EVENTS NOTIFICATION; SIGNIFICANT EVENTS DISCLOSURE.** Subject to **Section 9** of this Agreement, the Authority covenants that it will disseminate Significant Events Disclosure to the MSRB within ten (10) business days after the occurrence of the event giving rise to the requirement to file. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2015 Bonds or defeasance of any Series 2015 Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indentures.

6. **DUTY TO UPDATE MSRB OR OTHER ENTITIES.** The Authority shall determine, in the manner it deems appropriate, the names and addresses of the MSRB each time it is required to file information with the MSRB.

7. **CONSEQUENCES OF FAILURE OF THE AUTHORITY TO PROVIDE INFORMATION.** The Authority shall give notice in a timely manner to EMMA of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due hereunder.

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Series 2015 Bond may seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Agreement. Any such action to enforce any provision of this Agreement shall be commenced in the Circuit Court of Cook County, Illinois. A default under this Agreement shall not be deemed an Event of Default under the Indentures, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

8. **AMENDMENTS; WAIVER.** Notwithstanding any other provision of this Agreement, the Authority may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted;

(b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2015 Bonds, as determined either by parties unaffiliated with the Authority (such as the Trustee or nationally recognized bond counsel), or by an approving vote of Bondholders pursuant to the terms of the Indentures at the time of the amendment.

9. **TERMINATION OF UNDERTAKING.** The Undertaking of the Authority shall be terminated hereunder with respect to the Series 2015 Bonds if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of such series of the Series 2015 Bonds under the Indentures. If this Section is applicable, the Authority shall give notice in a timely manner to EMMA.

10. **FILINGS.** In the event that the Commissioner or the MSRB or other regulatory authority shall approve or require Significant Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Authority shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

11. **ADDITIONAL INFORMATION.** Nothing in this Agreement shall be deemed to prevent the Authority from providing any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Significant Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information from any document or notice of occurrence of a Significant Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Significant Event.

12. **BENEFICIARIES.** This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, if any, and the beneficial owners of the Series 2015 Bonds, and shall create no rights in any other person or entity.

13. **RECORDKEEPING.** The Authority shall maintain records of all Annual Financial Information Disclosure and Significant Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. **DISSEMINATION AGENT.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Agreement, and

may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent. As of the date of this Agreement, the Authority has not designated a Dissemination Agent.

15. **ASSIGNMENT.** The Authority shall not transfer its obligations under the Indentures unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute an Undertaking under the Rule.

16. **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Illinois.

CHICAGO TRANSIT AUTHORITY

By ____
Name: ______________________________________
Title: ______________________________________

Date: ______________ , 2015

Exhibit I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to EMMA or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement shall have been submitted by the Authority to EMMA. The Authority shall clearly identify each such item of information included by reference.

1. Annual Financial Information:

(a) The information detailing the annual Formula Funds apportioned to Chicago, Illinois, Northwestern Indiana Urbanized Area Allocated to Illinois for further allocation by RTA and allocated to the Authority appearing in the tables in the Final Official Statement entitled as follows:

- **"Section 5307 Formula Funds Apportioned to Chicago, Illinois – Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA"**
- **"Section 5309/5337 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA"**

(b) Annual Financial Information will be provided to EMMA not more than 210 days after the end of each Fiscal Year (as defined in the Indentures). Audited Financial Statements are expected to be filed as part of the Annual Financial Information on the schedule described in this Part 1. If Audited Financial Statements are not available to be filed as part of the Annual Financial Information at the time the Annual Financial Information is required to be filed, the Annual Financial Information shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2015 Bonds, and the Audited Financial Statements shall be filed in the same manner as the Annual Financial Information promptly after they become available.

2. Audited Financial Statements:

(a) Audited Financial Statements means:

Annual audited financial statements of the Authority prepared in accordance with the requirements of the Indentures.

(b) Audited Financial Statements shall be provided to EMMA as described in Part 1(b) above.

Exhibit II

EVENTS FOR WHICH SIGNIFICANT EVENTS DISCLOSURE IS REQUIRED

Upon the occurrence of any of the following Events with respect to the Series 2015 Bonds, the Authority shall report the Event to the MSRB:

1) principal and interest payment delinquencies;

2) unscheduled draws on debt service reserves reflecting financial difficulties;

3) unscheduled draws on credit enhancements reflecting financial difficulties;

4) substitution of credit or liquidity providers or their failure to perform;

5) adverse tax opinions or events affecting the tax-exempt status of the Series 2015 Bonds;

6) defeasances;

7) rating changes;

8) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other material events affecting the tax status of the Series 2015 Bonds;

9) tender offers; and

10) bankruptcy, insolvency, receivership or similar event of the obligated person.

Upon the occurrence of any of the following Events with respect to the Series 2015 Bonds, <u>if material</u>, the Authority shall report the Event to the MSRB:

11) non-payment related defaults;

12) modifications to rights of Owners of the Series 2015 Bonds;

13) bond calls;

14) release, substitution, or sale of property securing repayment of the Series 2015 Bonds;

15) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive agreement relating to the foregoing; and

16) appointment of a successor or additional trustee or a change in name of the trustee.

If notices are required to be filed, filing shall be made within ten (10) business days after the occurrence of the event giving rise to the requirement to file.

Exhibit III

CUSIP NUMBERS
Series 2015 5307 Bonds

Maturity Date June 1	Principal Amount	CUSIP®*
2018	$27,000,000	167723FV2
2019	31,275,000	167723FW0
2020	31,585,000	167723FX8
2021	41,410,000	167723FY6

Series 2015 5337 Bonds

Maturity Date June 1	Principal Amount	CUSIP®*
2018	$ 290,000	167723FZ3
2019	305,000	167723GA7
2020	320,000	167723GB5
2021	335,000	167723GC3
2022	350,000	167723GD1
2023	370,000	167723GE9
2024	13,855,000	167723GF6
2025	14,550,000	167723GG4
2026	15,275,000	167723GH2

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's Rating Services, a business unit of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Series 2015 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

CHICAGO TRANSIT AUTHORITY • Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) and Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds)

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