

**DEFERRED COMPENSATION PLAN  
OF CHICAGO TRANSIT AUTHORITY**

**FINANCIAL STATEMENTS**

For the Year Ended  
December 31, 2003



DEFERRED COMPENSATION PLAN OF THE  
CHICAGO TRANSIT AUTHORITY

December 31, 2003

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## INDEPENDENT AUDITORS' REPORT

To the Deferred Compensation Committee  
Chicago Transit Authority:

We have audited the accompanying statements of net assets available for benefits of the Deferred Compensation Plan of the Chicago Transit Authority (the "Plan") as of December 31, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan's net assets available for benefits at December 31, 2003, and the changes in its net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

  
PTW & Co.

Oak Brook, Illinois  
December 16, 2004

DEFERRED COMPENSATION PLAN OF THE  
 CHICAGO TRANSIT AUTHORITY  
 STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
 December 31, 2003

ASSETS:

Investments:

Mutual Funds	\$ 81,125,216
Fixed Interest Contracts	187,189,408
Annuity Contracts	<u>6,831,826</u>
Total Investments	275,146,450

Contributions Receivable	683,369
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Cash held in forfeiture fund	<u>1,008,389</u>
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TOTAL ASSETS	<u><u>276,838,208</u></u>
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NET ASSETS:

Reserved for Administrative purposes	<u>1,008,389</u>
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NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 275,829,819</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

DEFERRED COMPENSATION PLAN OF THE  
CHICAGO TRANSIT AUTHORITY  
STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
Year Ended December 31, 2003

ADDITIONS:	
Participants contributions	\$ 18,340,831
Net appreciation in contract value of mutual funds	14,692,055
Net appreciation in annuities	276,456
Interest and dividends	9,840,489
Contributions to forfeiture account	445,854
Forfeiture account interest earned	41,303
Total additions	<u>43,636,988</u>
DEDUCTIONS:	
Distribution to participants	18,807,995
Administrative expenses and asset charges	580,485
Forfeiture account administrative costs	70,573
Total deductions	<u>19,459,053</u>
Increase/(decrease) including forfeiture account activity	24,177,935
Less forfeiture account activity	<u>(416,584)</u>
Net Increase/(Decrease) in net assets available for benefits	23,761,351
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	<u>252,068,468</u>
End of year	<u><u>\$ 275,829,819</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

DEFERRED COMPENSATION PLAN OF THE  
CHICAGO TRANSIT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1 - GENERAL DESCRIPTION OF THE PLAN**

The following description of the Deferred Compensation Plan of the Chicago Transit Authority (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**General** - The Plan is a participatory defined contribution deferred compensation plan designed to meet the requirements of Section 457 of the Internal Revenue Code. The Plan covers all permanent employees of the Chicago Transit Authority (the "Authority"). The Authority's Deferred Compensation Committee (the "Committee"), as Plan Administrator, controls and manages the operation and administration of the Plan. Great West Life and Annuity Insurance Company ("Great West") provides record keeping and administration services to the Plan. Financial Administrative Services Corporation of Colorado ("FASCorp") and BenefitsCorp are subsidiaries of Great West that provide administration, record keeping and communication services on behalf of Great West.

**Plan Participation** - Employees of the Authority are eligible for voluntary participation in the Plan.

**Contributions** - Participants may elect to contribute from 1% to 25% of their annual compensation, subject to a \$12,000 maximum annual contribution. A catch-up provision exists whereby the participant may contribute, for one or more of the last three taxable years prior to normal retirement age, the lesser of twice the maximum deferral dollar amount in effect (\$24,000 in 2003) or the amount provided by the code. An additional catch-up provision exists for participants that have attained the age of fifty. This provision allows the participant to contribute an additional amount in excess of the maximum (\$2,000 in 2003) in any year that the other catch-up provision is not utilized. Participant contributions are tax deferred until distributed.

**Participant Accounts** - Each participant's account is increased with the participant's contributions and allocations of Plan earnings, and decreased by an allocation of administrative expenses, withdrawals, and Plan investment losses as applicable. The expenses are allocated based on the balance of the participant's account at the end of the quarter. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**Vesting** - Participants are immediately vested in their contributions plus actual earnings thereon.

**Investing Options** - Upon enrollment in the Plan, a participant may direct employee contributions in 1% increments in any of following options:

**Stable Income Fund** - Funds are invested in a pool of Fixed Interest Contracts with Great West, Lincoln National Life and American United Life.

**T. Rowe Price International Growth Fund** - Funds are invested primarily in common stocks of established companies outside the United States.

DEFERRED COMPENSATION PLAN OF THE  
CHICAGO TRANSIT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003

**NOTE 1 - GENERAL DESCRIPTION OF THE PLAN (Continued)**

*Scudder International Fund* - Funds are invested in equity securities of established companies that are listed on foreign exchanges.

*Ariel Appreciation Fund* - Funds are invested primarily in common stocks of small- to-medium sized companies.

*Fidelity Magellan Fund* - Funds are invested in common stocks and convertible securities of domestic, foreign and multinational issuers of all sizes.

*Vanguard Wellington Fund*- Funds are invested in common stocks and bonds.

*Dodge & Cox Balanced Fund*- Funds are invested in common stocks, preferred stocks, and bonds.

*American Century Income & Growth Fund* - The fund seeks capital growth by investing in common stock predominantly in large companies in the United States that appear to be undervalued but have strong dividend growth potential.

*Goldman Sachs Capital Growth Fund* - The fund seeks long term growth of capital through investments in equity securities with medium or large capitalization stocks.

*Vanguard Institutional Index Fund* - This fund is designed for institutional investors. The fund invests in all 500 shares of S&P 500 in the same proportion as they are represented in the index. The correlation between the performance of the fund and of the index is expected to be 95% or higher. The fund may invest up to 20% of assets in futures and options but generally remains fully invested in common stocks.

*Janus Balanced Fund* - The fund seeks long term capital growth consistent with preservation of capital and balanced by current income.

*MFS Capital Opportunities Fund* - This fund invests primarily in domestic growth stocks.

*Oppenheimer Enterprise Fund* - This fund invests in companies that are poised for rapid growth, regardless of industry and capitalization range in an effort to help lower the volatility of aggressive growth investments.

*Third Avenue Value Fund* - The fund invests in undervalued common stocks and debt securities.

*Conservative Profile Fund* - The fund seeks capital preservation primarily through investments in underlying portfolios that emphasize fixed income investments.



DEFERRED COMPENSATION PLAN OF THE  
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December 31, 2003

**NOTE 1 - GENERAL DESCRIPTION OF THE PLAN (Continued)**

*Moderately Conservative Profile Fund* - The fund seeks capital appreciation primarily through investments in underlying portfolios that emphasize fixed income investments, and to a lesser degree, in underlying portfolios that emphasize equity investments.

*Moderate Profile Fund* - The fund seeks long-term capital appreciation primarily through investments in underlying portfolios with a relatively equal emphasis on equity and fixed income investments.

*Moderately Aggressive Profile Fund* - The fund seeks long-term capital appreciation primarily through investments in underlying portfolios that emphasize equity investments, and to a lesser degree, in underlying portfolios that emphasize fixed income investments.

*Conservative Profile Fund* - The fund seeks long-term capital appreciation primarily through investments in underlying portfolios that emphasize equity investments.

*MFS Global Total Return Fund* - The fund seeks total return by investing primarily in foreign and domestic equity and fixed-income securities. This fund is non-diversified and invests at least 25% of assets in fixed-income securities.

*Templeton Foreign Fund* - The fund's investment goal is long-term capital growth. Under normal market conditions, the fund invests mainly in the equity securities of companies located outside the U.S., including emerging markets.

*Vanguard Total International Stock Index Fund* - The fund seeks to track the performance of the Total International Composite Index, which is a combination of the indexes tracked by the European, Pacific, and Emerging Markets Stock Index Funds.

*T. Rowe Price Small-Cap Index Fund - INV* - The fund seeks to provide long-term capital growth by investing primarily in stocks of small companies with at least 80% of net assets in stocks of small companies.

*Vanguard Small-Cap Index Fund - INV* - The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

*American Century Equity Income* - The fund seeks to provide current income. Capital appreciation is a secondary objective.

*William Blair Small-Cap Growth Fund* - The fund seeks long-term capital appreciation by investing primarily in a diversified portfolio of common stocks of small emerging, rapid growth domestic companies that are of high quality and that have had especially vigorous growth in revenues and earnings.

DEFERRED COMPENSATION PLAN OF THE  
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**NOTE 1 - GENERAL DESCRIPTION OF THE PLAN (Continued)**

*Vanguard Mid Cap Index Fund* - The fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.

*Wayne Hummer Growth Fund* - The fund seeks long-term capital growth; current income is secondary. It invests primarily in common stocks of domestic corporations.

*American Fund Growth Fund of America* - The investment objective of the fund is to provide growth of capital. The fund invests primarily in common stocks of companies that appear to offer superior opportunities for growth of capital.

*American Funds Washington Mutual Investments* - The fund's investment objective is to produce income and to provide an opportunity for growth of principal consistent with sound common stock investing.

*T. Rowe Price Blue Chip Growth Fund* - The fund seeks to provide long-term capital growth, income is a secondary objective.

*Van Kampen Growth and Income Fund* - The fund's investment objective is to seek income and long-term growth of capital.

*Vanguard Wellington Fund - Admiral* - The fund seeks to conserve capital and to provide moderate long-term growth in capital and income by investing 60% to 70% of its assets in dividend-paying, and, to a lesser extent, non-dividend-paying common stocks of established, medium-size and large companies.

*Federated Government Income Securities A* - The fund's investment objective is to provide current income. The fund invests primarily in a portfolio of U.S. government securities.

*Neuberger Berman High Income Bond Inv.* - The fund seeks high total returns consistent with capital preservation.

*Pimco Total Return Fund* - The investment objective of the fund is to seek maximum total return, consistent with preservation of capital and prudent investment management.

*Payment of Benefits* - On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's interest in his or her account, or a series of equal payments. Participants may also elect to purchase an annuity contract. A lump sum is paid by the Plan to the insurance carrier for annuity contract purchases.

DEFERRED COMPENSATION PLAN OF THE  
CHICAGO TRANSIT AUTHORITY  
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December 31, 2003

**NOTE 1 - GENERAL DESCRIPTION OF THE PLAN (Continued)**

*Plan Assets* - In accordance with Section 1448 of the Small Business Jobs Protection Act of 1996 (the "Act"), the Authority is required to transfer all Plan assets to a separate trust. As a result of such transfer, the Plan's assets will no longer be subject to the claims of the Authority's general creditors and Plan assets will not be presented in the Authority's financial statements.

The Authority is the sole owner of the assets and income attributable to the Plan. Participants and beneficiaries have no claim against any investments held by the Authority to provide for the benefit provided under the Plan except as unsecured general creditors.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

*Basis of Presentation* - The accompanying financial statements include the accounts of employees of the Authority, who have elected to participate in the Plan.

*Use of Estimates* - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the measurement of assets and liabilities and revenues and expenses, and the disclosures of contingent assets and liabilities during the reported period. Actual results could differ from those estimates.

*Valuation of Investments* - Investments are valued as follows:

*Mutual Funds* - The mutual funds are valued at quoted market prices that represent the net asset values of shares held by the Plan at year-end.

*Fixed Interest Contracts* - The Fixed Interest Contracts are fully benefit-responsive and are, therefore valued at contract value, which approximates fair value. Contract value represents contributions made under the contract plus earnings, less Plan withdrawals and administrative expenses. Interest rates on these funds are reset quarterly. Fixed interest rates for the Stable Income Fund applicable to the year ended December 31, 2003 was 4.7%.

*Annuity Contracts* - The Annuity Contracts are adjusted to fair value as provided by the insurance companies.

*Expenses* - The Plan's expenses are paid by the participants of the Plan, as provided by the Plan document.

*Contributions* - Contributions are recognized when such amounts are withheld from participant's payroll checks.

DEFERRED COMPENSATION PLAN OF THE  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

*Participants' Accounts* - Earnings and losses are allocated to an individual participant's account based upon the investment performance of each specific option selected.

**NOTE 3 - INVESTMENTS**

Investments at December 31, 2003 are as follows:

Mutual Funds	
MFS Global Total Return Fund	\$ 46,404
Templeton Foreign Fund	4,750,581
Vanguard Total Int'l Stock Index Fund	327,263
T. Rowe Price Small Cap Stock Fund	63,432
Third Avenue Value Fund	2,143,456
Vanguard Small Cap Index Fund	356,734
William Blair Small Cap Growth Fund	964,907
American Century Equity Income Fund	230,150
Ariel Appreciation Fund	8,024,658
Vanguard Mid Cap Index Fund	344,034
Wayne Hummer Growth Fund	3,018,948
American Fund Growth Fund	1,770,695
American Funds Washington Mutual	822,473
Fidelity Magellan Fund	* 15,693,412
T. Rowe Price Blue Chip Growth Fund	218,959
Van Kampen Growth & Income Fund	150,389
Vanguard Institutional Index Fund	* 21,505,853
Vanguard Wellington Fund - Admiral	4,753,148
Dodge & Cox Balanced Fund	8,291,086
Janus Balanced Fund	2,497,654
Federated Gov't Income Securities Fund	15,716
Neuberger Berman High Income Bond Fund	118,414
Pimco Total Return Fund	36,782
Profile Funds	
Conservative	996,737
Moderately Conservative	274,551
Moderate	1,808,504
Moderately Aggressive	1,017,624
Aggressive	882,652
Total Mutual Funds	<u>\$ 81,125,216</u>

\* Indicates investments exceeding 5% of Plan Net Assets available for Benefits

DEFERRED COMPENSATION PLAN OF THE  
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**NOTE 3 - INVESTMENTS (Continued)**

Fixed Interest Contracts

Security First	\$	5,152,509
Stable Income Fund	*	182,036,891
Fidelity Security Life		<u>8</u>
Total Fixed Interest Contracts		<u>187,189,408</u>
Annuity Contracts		<u>6,831,826</u>
Total Investments	\$	<u><u>275,146,450</u></u>

\* Indicates investments greater than 5% of Plan Net Assets available for Benefits

**NOTE 4 - FUND INFORMATION**

Participant contributions, distributions, interest and dividend income, and net appreciation in fair value of investments by fund are as follows for the year ended December 31, 2003:

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**NOTE 4 - FUND INFORMATION (Continued)**

	Contributions	Distributions	Interest & Dividend Income	Net Appreciation in Fair Value
MFS Global Total Return Fund	\$ 855	\$ 352	\$ 904	\$ 3,486
Scudder International Stock Fund	133,613	30,213	-	173,910
T. Rowe Price International Stock Fund	124,227	25,190	-	224,146
Templeton Foreign Fund	132,951	62,905	82,989	504,015
Vanguard Total Int'l Stock Index Fund	5,480	354	5,504	37,373
T. Rowe Price Small Cap Stock Fund	1,558	338	1,605	2,481
Third Avenue Value Fund	179,841	17,938	16,465	470,763
Vanguard Small Cap Index Fund	11,177	1,078	3,135	41,196
William Lair Small Cap Growth Fund	15,522	877	17,892	106,258
American Century Equity Income Fund	5,367	345	4,649	10,560
Ariel Appreciation Fund	755,640	198,310	-	1,790,115
Oppenheimer Enterprise Fund	223,356	59,297	-	662,371
Vanguard Mid Cap Index Fund	9,565	553	3,138	28,969
Wayne Hummer Growth Fund	101,483	12,315	3,464	318,048
American Century Income and Growth Fund	82,718	35,249	5,168	70,116
American Fund Growth Fund	72,937	4,473	432	168,476
American Funds Washington Mutual	40,201	7,140	12,210	77,338
Fidelity Magellan Fund	1,159,510	443,441	116,178	2,730,121
Goldman Sachs Capital Growth Fund	187,681	24,044	-	269,167
MFS Capital Opportunities Fund	133,171	64,104	-	207,963
T. Rowe Price Blue Chip Growth Fund	3,716	345	229	20,612
Van Kampen Growth & Income Fund	2,783	346	457	12,764
Vanguard Institutional Index Fund	1,694,306	640,684	312,486	4,380,501
Vanguard Wellington Fund - Admiral	208,862	113,708	97,408	635,905
Dodge & Cox Balanced Fund	504,631	270,808	251,386	1,317,783
Janus B alanced Fund	313,236	120,847	46,932	259,919
Vanguard Wellington Fund	88,365	36,990	27,652	41,867
Federated Gov't Income Securities Fund	3,264	344	343	(83)
Neuberger Berman High Income Bond Fund	3,470	46,609	2,513	4,055
Pimco Total Return Fund	4,030	345	1,260	482
Profile Funds				
Conservative	98,789	67,605	-	90,170
Moderately Conservative	52,401	8,809	-	29,265
Moderate	325,996	45,762	-	285,484
Moderately Aggressive	234,163	25,229	-	182,669
Aggressive	116,307	15,433	-	118,038
Stable Income Fund	11,213,300	14,763,613	8,826,090	-
Fidelity Security Fund	(4)	-	-	-
Security First	-	-	-	(584,248)
Totals	18,244,468	17,145,993	9,840,489	14,692,055
Change in receivable	96,363	-	-	-
Annuity Distributions		1,662,002		
Totals	18,340,831	18,807,995	9,840,489	14,692,055

DEFERRED COMPENSATION PLAN OF THE  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 - PLAN ADMINISTRATION FEES**

The Plan records administrative charges to participants based on \$6 per participant plus .0375% of account assets per calendar quarter. Actual fees for the year are the lesser of \$14.50 per participant, per calendar quarter, or .07% of the greater of \$173 million of Plan assets or actual Plan assets per calendar quarter. Any difference between recorded and actual fees is amortized over the subsequent year.

Under the terms of an agreement dated January 3, 1995, Great West was appointed by the Authority as the Plan Administrator for the term of three years and shall be automatically renewed for successive twelve-month periods thereafter unless either party gives 90 days' prior written notice of its intention not to renew. The contract was renewed in 1998 and 2001.

**NOTE 6 - TAX STATUS**

The Plan was designed to be in compliance with the applicable requirements of the Internal Revenue Code. The Plan is reviewed by legal counsel for conformity with Section 457 of the Internal Revenue Code. Management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

**NOTE 7 - PLAN TERMINATION**

Although it has not expressed any intention to do so, the Authority has the right to terminate the Plan subject to the provisions set forth in the Plan agreement.

**NOTE 8 - FORFEITURE FUND**

The Plan maintains a forfeiture fund of unused administration fees. These monies are reserved for administrative expenses incurred by the Plan. The cash balance as of December 31, 2003 was \$1,008,389.