

Mayer Brown LLP and Greene and Letts, Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2014 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 2014 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2014 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 2014 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 2014 Bonds. See “TAX MATTERS” herein.



\$555,000,000
CHICAGO TRANSIT AUTHORITY
SALES TAX RECEIPTS REVENUE BONDS
SERIES 2014

Dated: Date of Issuance

Due: December 1, as shown on the inside front cover

The Chicago Transit Authority (the “Authority”) Sales Tax Receipts Revenue Bonds, Series 2014 (the “Series 2014 Bonds”), are being issued pursuant to a Trust Indenture dated as of March 1, 2010 (the “Master Indenture”) between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the “Trustee”), as heretofore supplemented and as further supplemented by a Third Supplemental Indenture dated as of June 1, 2014 (the “Third Supplemental Indenture”) and together with the Master Indenture as heretofore supplemented, the “Indenture”), between the Authority and the Trustee.

The Series 2014 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 2014 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 2014 Bonds will not receive physical bonds representing their beneficial ownership in the Series 2014 Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series 2014 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the Series 2014 Bonds, which is payable on June 1 and December 1 of each year, commencing December 1, 2014, and principal of the Series 2014 Bonds is payable to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the Series 2014 Bonds through their respective DTC Participants or DTC Indirect Participants. The Series 2014 Bonds are subject to optional redemption and mandatory sinking fund redemption. See “DESCRIPTION OF THE Series 2014 Bonds – Redemption.”

The proceeds from the sale of the Series 2014 Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Capital Plan (as defined herein) and approved by the Chicago Transit Board by ordinance, (ii) capitalize interest on the Series 2014 Bonds, and (iii) pay costs in connection with the issuance of the Series 2014 Bonds. See “PLAN OF FINANCE” and “THE AUTHORITY-Capital Plan”.

The Series 2014 Bonds are limited obligations of the Authority. The Series 2014 Bonds constitute Corporate Purpose Debt Obligations under the Trust Indenture, dated as of July 1, 2008 (the “2008 Indenture”), between the Authority and U.S. Bank National Association, as trustee, that are payable from and secured by a lien on Sales Tax Receipts deposited in the Sales Tax Receipts Fund established under the 2008 Indenture and held by the Authority, subject however, to the parity pledge and lien and parity rights of certain other obligations described herein.

The Series 2014 Bonds are not a general obligation of the Authority, and the revenues of the Authority (other than the Sales Tax Receipts deposited in the Sales Tax Receipts Fund established under the 2008 Indenture) are not pledged or available for the payment of the Series 2014 Bonds or the interest thereon. The Authority has no taxing power.

The scheduled payment of principal of and interest on the Series 2014 Bonds maturing on December 1, 2044 (CUSIP** 16772PBG0) in the original principal amount of \$68,750,000 (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The maturities, amounts, interest rates, yields, prices and CUSIP® numbers of the Series 2014 Bonds are set forth on the inside front cover.

The Series 2014 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 Greene and Letts, Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Quarles & Brady LLP, Chicago, Illinois, and Quintairos, Prieto, Wood & Boyer, P. A., Chicago, Illinois, Co-Underwriters’ Counsel, and for the Authority by its General Counsel. The Series 2014 Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about July 10, 2014.

Loop Capital Markets

Barclays

Morgan Stanley

William Blair & Company

Blaylock Beal Van, LLC

Cabrera Capital Markets LLC

Estrada Hinojosa & Company, Inc.

Piper Jaffray PNC Capital Markets LLC

RBC Capital Markets, LLC

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

June 18, 2014

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\$555,000,000
CHICAGO TRANSIT AUTHORITY
SALES TAX RECEIPTS REVENUE BONDS
SERIES 2014

MATURITY SCHEDULE

\$68,750,000 5.000% Term Bonds Due December 1, 2044; Yield 4.030%; Price 108.165* ; CUSIP^{®}: 16772PBG0**

\$147,535,000 5.000% Term Bonds Due December 1, 2044; Yield 4.130%; Price 107.286* ; CUSIP^{®}: 16772PBE5**

\$338,715,000 5.250% Term Bond Due December 1, 2049; Yield 4.230%; Price 108.500* ; CUSIP^{®}: 16772PBF2**

* Priced to the December 1, 2024 call.

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Chicago Transit Authority System Map



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CHICAGO TRANSIT AUTHORITY

CHICAGO TRANSIT BOARD

Terry Peterson, Chairman
Jacquelyne Grimshaw
Kevin Irvine
Charles E. Robinson
Ashish Sen
Alejandro Silva
Robert Lewis

OFFICERS

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

CO-BOND COUNSEL

Mayer Brown LLP
Greene and Letts
Chicago, Illinois

FINANCIAL ADVISORS

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

This Official Statement does not constitute an offer to sell the Series 2014 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 2014 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 2014 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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 Sales Tax 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 Sales Tax Receipts received include, among others, 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 "SOURCES OF PAYMENT OF THE Series 2014 Bonds" and "HISTORICAL SALES TAX REVENUES" 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 2014 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

In connection with this offering, the Underwriters may overallocate or effect transactions that stabilize or maintain the market prices of the Series 2014 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 2014 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.

OVERVIEW

This Overview does not constitute a part of the Official Statement for the issuance and sale by the Chicago Transit Authority of its \$555,000,000 aggregate principal amount Sales Tax Receipts Revenue Bonds, Series 2014 (the "Series 2014 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" or the "CTA") operates the nation's second largest public transportation system (the "Transportation System"), providing mass transit services within a total service area of 314 square miles, which includes 234 square miles of Chicago plus 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, including 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) (CTA, 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 2014 Bonds	\$555,000,000 Sales Tax Receipts Revenue Bonds, Series 2014.
Ratings	Standard & Poor's Ratings Services ("S&P") has assigned the Series 2014 Bonds maturing on December 1, 2044 (CUSIP® 16772PBG0) in the original principal amount of \$68,750,000 (the "Insured Bonds") a rating of "AA/Stable", and S&P and Kroll Bond Rating Agency have assigned the Series 2014 Bonds a rating of "AA/Stable" and "AA, Stable Outlook", respectively. See "RATINGS" in the Official Statement.
Plan of Finance	The proceeds from the sale of the Series 2014 Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Capital Plan and approved by the Chicago Transit Board by ordinance, (ii) capitalize interest on the Series 2014 Bonds, and (iii) pay costs in connection with the issuance of the Series 2014 Bonds. See "PLAN OF FINANCE" and "THE AUTHORITY - Capital Plan" 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 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	The source of payment for the Series 2014 Bonds is the Sales Tax Receipts received by the Authority from the RTA and deposited into the Sales Tax Receipts Fund established under the 2008 Indenture and held by the Authority. The Sales Tax Receipts include all amounts received by the Authority from the RTA representing the Authority's share (in accordance with the RTA Act) of (i) tax receipts derived from taxes imposed by the RTA throughout northeastern Illinois pursuant to the RTA Act, (ii) amounts received by the Authority from its share of Replacement Revenues, and (iii) Public Transportation Fund Revenues transferred to the RTA by the State and distributed to the Authority. See "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS" in the Official Statement.

**Sales
Tax Receipts**

The Sales Tax Receipts consist of all amounts received by the Authority from the RTA, representing the Authority's share of (i) the RTA Sales Taxes imposed throughout the Northeastern Illinois Transit Region, which includes the Counties of Cook, DuPage, Kane, Lake, McHenry and Will, (ii) Replacement Revenues transferred to the RTA by the State, and (iii) Public Transportation Fund Revenues transferred to or on behalf of the RTA by the State. See "HISTORICAL SALES TAX REVENUES—Sales Tax Receipts" in the Official Statement.

**Security for the
Series 2014 Bonds**

The Series 2014 Bonds are secured on a parity with the Authority's Sales Tax Receipts Revenue Bonds, Series 2010A, Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) and Sales Tax Receipts Revenue Bonds, Series 2011, previously issued under the Master Indenture and any Additional Bonds and Refunding Bonds by:

(i) amounts on deposit from time to time in the Sales Tax Receipts Fund, subject however to the parity pledge and lien created with respect to (a) Pension and Retirement Debt Obligations to the extent that amounts deposited into the Transfer Tax Receipts Fund are insufficient for such purposes, and (b) the payment obligations of the Authority under a Lease Agreement dated March 31, 2003, as amended by an Amendment to Lease Agreement dated October 25, 2006, between the Authority and the Public Building Commission to the extent that the maximum annual debt service on all debt secured by Sales Tax Receipts exceeds 75% of the sales tax revenue received from the RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA Act during the preceding Fiscal Year;

(ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture for the payment and security of the Series 2014 Bonds; 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. See "SECURITY FOR THE SERIES 2014 BONDS" in the Official Statement.

The Indenture establishes with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund related to the Series 2014 Bonds (the "Series 2014 Dedicated Sub-Fund"). Moneys on deposit in the Series 2014 Dedicated Sub-Fund will be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2014 Bonds and may not be used or available for the payment of the other Parity Obligations, except as expressly provided in the Indenture.

Additional Bonds

The issuance of one or more Series of Additional Bonds is authorized pursuant to the Indenture for the purpose of financing any lawful project or purpose of the Authority, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture. Such Additional Bonds may be issued only upon delivery to the Trustee, among other things, of a certificate of the Authority stating the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series was at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series. See "SECURITY FOR THE BONDS—Additional Bonds" in the Official Statement.

Bond Insurance

The scheduled payment of principal of and interest on the Insured Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by AGM. See " BOND INSURANCE" in the Official Statement.

Limited Obligation	The Series 2014 Bonds are limited obligations of the Authority payable solely from the sources pledged for their payment in accordance with the Indenture and described under the heading "SECURITY FOR THE SERIES 2014 BONDS" in the Official Statement. The Series 2014 Bonds are not, and shall not be or become, an indebtedness or obligation of the State, the RTA 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 2014 Bond 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 or may be created by the Indenture. The Authority has no taxing power.
Interest Payment Dates	Interest on the Series 2014 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2014, 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.
Redemption	The Series 2014 Bonds are subject to optional redemption and mandatory sinking fund redemption. See "DESCRIPTION OF THE SERIES 2014 BONDS—Redemption" in the Official Statement.
Trustee	U.S. Bank National Association, Chicago, Illinois, will serve as Trustee and Paying Agent.
Book-Entry Form and Denominations	The Series 2014 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 Greene and Letts, Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2014 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 2014 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2014 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 2014 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 2014 Bonds. See "TAX MATTERS" in the Official Statement.
Delivery and Clearance	The Series 2014 Bonds are expected to be available for delivery at DTC in New York, New York, on or about July 10, 2014.
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

\$555,000,000

CHICAGO TRANSIT AUTHORITY SALES TAX RECEIPTS REVENUE BONDS, SERIES 2014

INTRODUCTION

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" or the "CTA") of \$555,000,000 aggregate principal amount of Sales Tax Receipts Revenue Bonds, Series 2014 (the "Series 2014 Bonds"). The Series 2014 Bonds, together with the Sales Tax Receipts Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), the Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) (the "Series 2010B Bonds" and together with the Series 2010A Bonds, the "Series 2010 Bonds"), the Sales Tax Receipts Revenue Bonds, Series 2011 (the "Series 2011 Bonds") and any Series of Additional Bonds and Refunding Bonds that may be issued in the future under the Indenture (as such terms are defined herein), are collectively referred to in this Official Statement as the "Bonds."

The Series 2014 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 2014 Bonds are authorized by an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the "CTA Board"), on June 11, 2014.

The Series 2014 Bonds are being issued under and secured by a Trust Indenture, dated as of March 1, 2010 (the "Master Indenture"), between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the "Trustee"), as heretofore supplemented by the First Supplemental Indenture dated as of March 1, 2010 (the "First Supplemental Indenture"), relating to the Series 2010 Bonds, the Second Supplemental Indenture dated as of November 1, 2011 (the "Second Supplemental Indenture"), relating to the Series 2011 Bonds and as further supplemented by the Third Supplemental Indenture dated as of June 1, 2014 (the "Third Supplemental Indenture" and, together with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture"), between the Authority and the Trustee.

Certain References; Definitions

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 INDENTURE – Definitions of Certain Terms" or, if not defined therein, in the Indenture.

PLAN OF FINANCE

The proceeds from the sale of the Series 2014 Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan and approved by the Chicago Transit Board by ordinance, (ii) capitalize interest on the Series 2014 Bonds, and (iii) pay costs in connection with the issuance of the Series 2014 Bonds. See "THE AUTHORITY – Capital Plan".

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

SOURCES AND USES OF FUNDS

Sources of Funds

Par Amount	\$ 555,000,000.00
Original Issue Premium	<u>45,153,612.60</u>
Total Sources of Funds	<u>\$ 600,153,612.60</u>

Uses of Funds

Deposit to Project Account	\$ 541,537,534.64
Deposit to Capitalized Interest Account ¹	54,022,930.55
Costs of Issuance ²	<u>4,593,147.41</u>
Total Uses of Funds	<u>\$ 600,153,612.60</u>

¹ Under the Indenture, an amount will be deposited in the 2014 Capitalized Interest Account that, when invested as permitted under the Indenture, is expected to be sufficient, together with the interest earnings thereon, to provide for a portion of the payment of the scheduled interest on the Series 2014 Bonds through June 1, 2016. See "SECURITY FOR THE BONDS — Disbursements from Debt Service Fund and Additional Deposits Fund — Capitalized Interest Account."

² Includes Underwriters' Discount and Bond Insurance Premium.

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds 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 of this Official Statement. Interest on the Series 2014 Bonds shall be payable on June 1 and December 1 of each year, commencing December 1, 2014. Interest on the Series 2014 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2014 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 2014 Bonds. Ownership interests in the Series 2014 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 E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2014 Bonds are subject to redemption prior to maturity at the option of the Authority, as a whole, or in part by lot, and upon notice as provided in the Indenture, on December 1, 2024 and on any date thereafter at a Redemption Price equal to the principal amount of the Series 2014 Bonds to be redeemed, plus accrued interest on the Series 2014 Bonds being redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2014 Bonds maturing on December 1, 2044 in the original principal amount of \$68,750,000 are Term Bonds subject to mandatory redemption at a Redemption Price of par, on December 1 of the following years and in the following principal amounts, each constituting a Sinking Fund Installment (as defined in the Indenture) for the retirement of the Term Bonds as set forth in the following table, subject to adjustment pursuant to the Indenture:

<u>Year</u>	<u>Principal Amount</u>
2041	\$15,950,000
2042	\$16,750,000
2043	\$17,585,000
2044*	\$18,465,000

*Final Maturity.

The Series 2014 Bonds maturing on December 1, 2044 in the original principal amount of \$147,535,000 are Term Bonds subject to mandatory redemption at a Redemption Price of par, on December 1 of the following years and in the following principal amounts, each constituting a Sinking Fund Installment (as defined in the Indenture) for the retirement of the Term Bonds as set forth in the following table, subject to adjustment pursuant to the Indenture:

<u>Year</u>	<u>Principal Amount</u>
2041	\$34,230,000
2042	\$35,940,000
2043	\$37,740,000
2044*	\$39,625,000

*Final Maturity.

The Series 2014 Bonds maturing on December 1, 2049 are Term Bonds subject to mandatory redemption at a Redemption Price of par, on December 1 of the following years and in the following principal amounts, each constituting a Sinking Fund Installment (as defined in the Indenture) for the retirement of the Term Bonds as set forth in the following table, subject to adjustment pursuant to the Indenture:

<u>Year</u>	<u>Principal Amount</u>
2045	\$60,995,000
2046	\$64,195,000
2047	\$67,565,000
2048	\$71,115,000
2049*	\$74,845,000

*Final Maturity.

Adjustment of Sinking Fund Installments. In the event of the optional redemption by the Authority of less than all of the Term Bonds of the same series and maturity, the principal amount so redeemed shall be credited against the unsatisfied balance of future Sinking Fund Installments and the final maturity amount established with respect to such Term Bonds as shall be determined by the Authority in a Certificate of an Authorized Officer filed with the Trustee or, in the absence of such determination, shall be credited pro-rata against the applicable Sinking Fund Installments and final maturity amount.

Purchase of Term Bonds in Satisfaction of Sinking Fund Installments. Amounts deposited to the credit of the 2014 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 60th day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Term Bonds of the maturity for which such Sinking Fund Installment was established. All such purchases of Outstanding Term Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Term Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. At any time up to the 60th 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 Term Bonds for which such Sinking Fund Installment was established and surrender such Term Bonds to the Trustee at any time up to said date.

After giving effect to the Outstanding Term Bonds purchased by the Trustee and Outstanding Term Bonds surrendered by the Authority, which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Term Bonds 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.

Redemption Procedures. In the case of any redemption of Series 2014 Bonds, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the date fixed for redemption, and of the principal amounts and interest rates of the Series 2014 Bonds of each maturity to be redeemed. Such notice shall be given at least 25 days prior to the specified redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given, there shall be paid on or prior to the specified redemption date to the Trustee an amount in cash or Government Obligations maturing on or before the specified redemption date which, together with other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the Series 2014 Bonds to be redeemed on the specified redemption date at their Redemption Price plus interest accrued and unpaid to the date fixed for redemption. Such amount and moneys shall be held in a separate, segregated account for the benefit of the Owners of the Series 2014 Bonds so called for redemption.

Selection of Series 2014 Bonds to Be Redeemed. If less than all the Series 2014 Bonds of the same maturity are called for redemption, the particular Series 2014 Bonds or portion of Series 2014 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; *provided, however*, that the portion of any Series 2014 Bond of a denomination of more than the minimum Authorized Denomination to be redeemed shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such Series 2014 Bonds for redemption, the Trustee shall treat each such Series 2014 Bond as representing that number of Series 2014 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Series 2014 Bond to be redeemed in part by said minimum Authorized Denomination. If all Series 2014 Bonds are held in book-entry only form, the particular Series 2014 Bonds or portions thereof to be redeemed shall be selected by DTC in such manner as DTC shall determine.

Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Series 2014 Bonds pursuant to the Indenture, and when redemption of Series 2014 Bonds is authorized or required pursuant to the Indenture, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2014 Bonds, which notice shall specify the maturities and interest rates of the Series 2014 Bonds to be redeemed, the date fixed for redemption and the place or places where amounts due upon such date fixed for redemption will be payable and, if less than all of the Series 2014 Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2014 Bonds so to be redeemed and, in the case of Series 2014 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable the Redemption Price of each Series 2014 Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2014

Bonds to be redeemed in part only, together with interest accrued to the date fixed for redemption, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail copies of such notice by first-class mail, postage prepaid, not more than 60 days nor less than 20 days before the date fixed for redemption, to the Owners of the Series 2014 Bonds to be redeemed at their addresses as shown on the registration books of the Authority maintained by the Registrar. If the Trustee mails notices of redemption as provided in the Indenture, notice shall be conclusively presumed to have been given to all Owners.

With respect to an optional redemption of any Series 2014 Bonds, unless moneys sufficient to pay the Redemption Price of, and interest on, the Series 2014 Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may, at the option of the Authority, state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such Series 2014 Bonds and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2014 Bonds will not be redeemed.

Payment of Redeemed Series 2014 Bonds. Notice having been given in the manner provided above, the Series 2014 Bonds or portions thereof so called for redemption shall become due and payable on the date fixed for redemption at the Redemption Price, plus interest accrued and unpaid to such date, and, upon presentation and surrender thereof at any place specified in such notice, such Series 2014 Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to such date. If there shall be called for redemption less than all of a Series 2014 Bond, the Authority shall execute and the Trustee shall authenticate and the appropriate Fiduciary shall deliver, upon the surrender of such Series 2014 Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Series 2014 Bond so surrendered, fully registered Series 2014 Bonds of like maturity and interest rate in any Authorized Denominations. If, on the date fixed for redemption, moneys for the redemption of all the Series 2014 Bonds or portions thereof of like maturity and interest rate to be redeemed, together with interest to such date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the date fixed for redemption, interest on the Series 2014 Bonds or portions thereof of such maturity and interest rate so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the date fixed for redemption, such Series 2014 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

SOURCES OF PAYMENT OF THE SERIES 2014 BONDS

General

The source of payment for the Series 2014 Bonds is the Sales Tax Receipts received by the Authority from the Regional Transportation Authority (the "RTA") and deposited into the Sales Tax Receipts Fund established under the 2008 Indenture and held by the Authority. The Sales Tax Receipts include all amounts received by the Authority from the RTA representing the

Authority's share (in accordance with the RTA Act) of (i) tax receipts derived from taxes imposed by the RTA pursuant to the RTA Act, (ii) amounts received by the Authority from its share of Replacement Revenues (as defined below), and (iii) Public Transportation Fund Revenues (as defined below) transferred to the RTA by the State and distributed to the Authority.

In the Indenture, the Authority covenants to comply with all applicable laws, including all provisions of the Regional Transportation Authority Act of the State of Illinois (70 ILCS 3615/1 *et seq.*) (the "RTA Act") and the Act, in order to be eligible to receive the Sales Tax Receipts for the payment of the Series 2014 Bonds and all other Parity Obligations and to facilitate the payment of the Sales Tax Receipts to the Authority. See "AUTHORITY – The RTA" and "– RTA Financial Oversight."

The descriptions, summaries and statements of the provisions of the RTA Act hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to the RTA Act for a complete description thereof.

Sales Tax Receipts

RTA Sales Tax and RTA Sales Tax Collections. The following taxes are currently imposed by the RTA (collectively, the "RTA Sales Tax") at rates increased by Illinois Public Act 95-0708 (the "2008 Amendatory Legislation"), which amended the RTA Act in 2008: (i) in Cook County, a tax of 1.25 percent of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a "Food and Drug Tax"); (ii) a tax of 1.00 percent in Cook County, and 0.75 percent in the Counties of DuPage, Kane, Lake, McHenry and Will (the "Collar Counties"), of the gross receipts from all other taxable retail sales (a "General Sales Tax"); (iii) a tax of 1.00 percent on the use in Cook County, and 0.75 percent on the use in the Collar Counties, of tangible personal property purchased from a retailer outside northeastern Illinois and titled or registered with a State agency by a person with a northeastern Illinois address (a "Use Tax"); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a "Service Occupation Tax").

The RTA Sales Tax, net of applicable retailers' discount, is collected by the State Department of Revenue, with proceeds (the "RTA Sales Tax Collections") paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury in the RTA tax fund created under the RTA Act (the "RTA Tax Fund"). Moneys in the RTA Tax Fund are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller directly to a trustee appointed pursuant to the RTA Act (the "RTA Trustee"), to serve as security for debt service on all RTA bonds and notes (the "RTA Obligations"). Pursuant to the RTA Act, the RTA adopted a Bond and Note General Ordinance on August 8, 1985 (as supplemented and amended, the "RTA General Ordinance"), which provides, among other things, for the assignment and direct payment of all RTA Sales Taxes to the RTA Trustee with respect to the RTA Obligations. The Series 2014 Bonds do not constitute RTA Obligations and are not

secured by the RTA Sales Tax Collections segregated with the RTA Trustee. After the RTA Trustee has made all required deposits and payments with respect to the debt service on RTA Obligations, the RTA Trustee transfers all remaining RTA Sales Tax proceeds to the RTA for its corporate purposes, including distribution to the Authority and the other Service Boards. Pursuant to the RTA Act, the RTA is required to pay to the Authority and the other Service Boards the remainder of the RTA Sales Tax Collections pursuant to distribution ratios established in the RTA Act and described in this Official Statement. Then, upon receipt by the Authority of its distribution of RTA Sales Tax Collections from the RTA, those amounts become Sales Tax Receipts.

The Sales Tax Receipts also include amounts received by the Authority from its share of Replacement Revenues (as defined below) and Public Transportation Fund Revenues (as defined below) transferred to the RTA by the State and distributed to the Authority.

Replacement Revenues. In an attempt to simplify the rate structures and tax base for sales taxes imposed by the State and local governments, including the RTA, the Illinois General Assembly enacted a sales tax reform act (the "Sales Tax Reform Act"). Effective January 1, 1990, the Sales Tax Reform Act increased the rate for the State Retailers Occupation Tax, State Service Occupation Tax and State Use Taxes (collectively, the "State Sales Tax") and reduced sales tax rates imposed by local governments, including the RTA. In order to compensate local governments, including the RTA, for any lost revenues, the Sales Tax Reform Act provided for offsetting annual payments to local governments from State Sales Tax receipts. As a result and to offset RTA revenue loss resulting from the Sales Tax Reform Act, the following amounts (the "Replacement Revenues") are transferred monthly (i) to the RTA Occupation and Use Tax Replacement Fund, a specified percentage of the amounts transferred into the State and Local Sales Tax Reform Fund in accordance with Section 6z-17 of the State Finance Act and (ii) to the RTA Tax Fund, a specified percentage of the amounts transferred into the County and Mass Transit District Fund in accordance with Section 6z-20 of the State Finance Act. In general, amounts representing 20% of the net State Sales Tax receipts are deposited in the State and Local Sales Tax Reform Fund. Additionally, amounts representing the sum of (i) 4% of the net revenue generated by the 6.25% State Sales Tax Rate and (ii) 20% of the net revenue generated by the 1.25% tax rate on the selling price of motor fuels, each as imposed by the Service Occupation Tax Act and the Retailers' Occupation Tax Act, are deposited monthly in the County and Mass Transit District Fund.

Public Transportation Fund Revenues. Public Transportation Fund Revenues are amounts paid to or on behalf of the RTA from the Public Transportation Fund in the State Treasury. Pursuant to an irrevocable and continuing appropriation by the Illinois General Assembly, each month the State Comptroller is authorized to order and the State Treasurer is authorized to transfer from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 25 percent of the net revenues realized from (i) 80 percent of the proceeds of the Food and Drug Tax, (ii) 75 percent of the proceeds of the General Sales Tax imposed by the RTA in Cook County, (iii) one-third of the proceeds of the General Sales Tax imposed by the RTA in the Collar Counties, (iv) 25 percent of the amount deposited in the Regional Transportation Authority tax fund created under the RTA Act from the County and Mass Transit District Fund, and (v) 25 percent of the amounts deposited into the RTA

Occupation and Use Tax Replacement Fund from the State and Local Sales Tax Reform Fund. See "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS - Sales Tax Receipts – Status of State Funding."

Pursuant to the 2008 Amendatory Legislation, the State Comptroller is authorized to order and the State Treasurer is authorized to transfer each month from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 5 percent of the net revenues from any imposed RTA Sales Tax and 5 percent of the revenue realized by the Authority from the Transfer Tax Receipts (as defined in the 2008 Indenture). Beginning in January, 2009, the State Comptroller is authorized to order and the State Treasurer is authorized to transfer each month from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 25 percent of the net revenues realized from (i) 20 percent of the proceeds of the Food and Drug Tax, (ii) 25 percent of the proceeds of the General Sales Tax imposed by the RTA in Cook County, and (iii) one-third of the proceeds of the General Sales Tax imposed by the RTA in the Collar Counties. Though the provisions of the 2008 Amendatory Legislation directing distributions from the Public Transportation Fund constitute an irrevocable and continuing appropriation, Public Transportation Fund Revenues may not be paid to the RTA until the RTA has certified to the Governor, the State Comptroller and the Mayor of the City that it has adopted for that Fiscal Year a budget and two-year financial plan meeting the requirements of the RTA Act. In each year since the RTA has been statutorily required to do so, it has certified that its budget and two-year financial plan has met the requirements of the RTA Act. See "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS - Sales Tax Receipts – Status of State Funding."

In addition, the RTA is required to determine, within six months following the end of each calendar year, whether an aggregate "system generated revenue recovery ratio" of 50 percent has been maintained. The RTA and the Service Boards are required to maintain a "System Generated Revenue Recovery Ratio," *i.e.*, at least 50 percent of the operating costs of the public transportation services operated by the Service Boards (the "System") must be recovered through (i) revenues generated by the System, including fare box receipts, (ii) revenues from certain other sources, such as investment income and concessions, and (iii) reduced fare reimbursements by the State. The ratio must equal at least 50 percent region-wide. To the extent that this ratio is not maintained, the RTA is required to refund the amount of any deficiency to the State. Since the enactment of the System Generated Revenue Recovery Ratio requirement, the System has maintained the requirement. See "THE AUTHORITY—The RTA."

As with the RTA Sales Tax Collections, only Replacement Revenues and Public Transportation Fund Revenues in excess of amounts required by the RTA to be deposited with the RTA Trustee to secure RTA Obligations are transferred to the RTA for its corporate purposes, including distribution to the Authority and the other Service Boards.

Collection and Distribution of Sales Tax Receipts

The RTA Sales Tax Collections, Replacement Revenues and Public Transportation Fund Revenues to be applied to the payment of the Series 2014 Bonds are distributed to the Authority

as described herein. Prior to the effectiveness of the tax increases imposed by the 2008 Amendatory Legislation, the RTA retained 15 percent of the RTA Sales Tax Collections then imposed and passed the remaining 85 percent to the Service Boards according to the following formula that is specified in the RTA Act and summarized in the Table below. In addition to distributions of the additional taxes imposed by the 2008 Amendatory Legislation, the Authority will continue to receive the statutory distribution summarized in the Table below of the 1.00 percent portion of the RTA sales tax rate imposed in Chicago and Cook County.

Statutory Distribution of the RTA Sales Tax Collections Authorized Prior to the 2008 Amendatory Legislation

	<u>CHICAGO SALES TAX REVENUE</u>	<u>SUBURBAN COOK COUNTY SALES TAX REVENUE</u>	<u>COLLAR COUNTIES SALES TAX REVENUE</u>
CTA	100%	30%	0%
Metra	0%	55%	70%
Pace	0%	15%	30%
Total:	100%	100%	100%

The 2008 Amendatory Legislation provided the Authority with a broader participation in the Region's sales tax base. The law provides a 0.25 percent increase in the RTA Sales Tax in each of Cook, DuPage, Kane, Lake, McHenry and Will Counties. This new tax is pooled together with the Public Transportation Fund state match on the new tax and an additional 5 percent Public Transportation Fund state match on all RTA Sales Tax and the Transfer Tax Receipts. In addition, commencing in 2009 and continuing every year thereafter, the RTA is obligated to allocate \$7,500,000 for certain jobs programs, including the Suburban Job Access Fund. The remaining funds are then divided among the three Service Boards according to the statutory formula as set forth below:

CTA	48%
Metra	39%
Pace	13%.

Table III under "HISTORICAL SALES TAX REVENUES - CTA Sales Tax Receipts and CTA Share of Discretionary Operating Funds" presents CTA Sales Tax Receipts during the period from 2009 through 2013.

Additionally, the RTA distributes to the Authority and other Service Boards discretionary operating funds from its 15 percent retainage of collections of sales taxes imposed at the rates in place prior to the effectiveness of the 2008 Amendatory Legislation, after payment of the RTA Obligations, of the historically collected sales taxes and the 25 percent match from Public Transportation Fund Revenues received from the State on such sales tax collections. Although

the RTA Act does not specify how the remainder of such discretionary funds is to be allocated, the RTA has historically allocated between 90% and 99% of the discretionary funds to the Authority. Table III under "HISTORICAL SALES TAX REVENUES - CTA Sales Tax Receipts and CTA Share of Discretionary Operating Funds" presents the Authority's share of discretionary operating funds during the period from 2009 through 2013. See "CERTAIN INVESTMENT CONSIDERATIONS – Factors Affecting Sales Tax Receipts."

Status of State Funding

In 2010, the State of Illinois began delaying its funding to the RTA, resulting in delayed funding by the RTA of the Authority's share of Public Transportation Fund Revenues ("PTF"). The RTA advised the Authority that, as of April 30, 2014, the State was \$199.8 million past due in its funding to the RTA. The Authority's share of the past due funding is \$121.4 million in total, of which \$109.2 million represents five months of expected PTF distributions from December 2013 through April 2014. Since 2010, the RTA has been consistently five months in arrears in making PTF payments to the Authority.

The RTA has advised the Authority that it continues to diligently seek to resolve the foregoing issue with the State, but there is no assurance that additional RTA funds allocable to the Authority will not be withheld, delayed or not paid in the future. The RTA has a right to intercept the RTA Sales Tax Collections, expected to be allocable to the Authority, to make debt service payments on certain RTA bond obligations. To date, the RTA has not exercised that right. See "CERTAIN INVESTMENT CONSIDERATIONS – Factors Affecting Sales Tax Receipts – RTA's Right to Intercept Sales Tax Revenues."

SECURITY FOR THE SERIES 2014 BONDS

Introduction

The Series 2014 Bonds are secured on a parity with the Authority's Sales Tax Receipts Revenue Bonds, Series 2010A, Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) and Sales Tax Receipts Revenue Bonds, Series 2011, previously issued under the Master Indenture and any Additional Bonds and Refunding Bonds by (i) amounts on deposit in the Sales Tax Receipts Fund; (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture for the payment and security of the Series 2014 Bonds; 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.

Amounts deposited into the Sales Tax Receipts Fund are pledged, on a parity basis, with (a) the Series 2008 Parity Obligations (as defined below) to the extent that amounts deposited into the Transfer Tax Receipts Fund are insufficient for such purpose and (b) payment obligations of the Authority under a Lease Agreement dated March 31, 2003, as amended by an Amendment to Lease Agreement dated October 25, 2006, between the Authority and the Public Building Commission to the extent that the maximum annual debt service on all debt secured by Sales Tax Receipts secured exceeds 75% of the sales tax revenue received from the RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA Act during the preceding Fiscal Year.

Pledge of Security

The Series 2014 Bonds are being issued as Corporate Purpose Debt Obligations under the Trust Indenture dated as of July 1, 2008, as supplemented (the "2008 Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and as Additional Bonds under the Master Indenture dated as of March 1, 2010. In 2010, the Authority issued \$44,645,000 principal amount of its Sales Tax Receipts Revenue Bonds, Series 2010A, and \$505,355,000 principal amount of its Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) (collectively, the "Series 2010 Bonds"), and in 2011 issued \$476,905,000 principal amount of its Sales Tax Receipts Revenue Bonds, Series 2011 (the "Series 2011 Bonds"), under the Master Indenture as Corporate Purpose Debt Obligations under the 2008 Indenture. The Series 2010 Bonds, the Series 2011 Bonds, the Series 2014 Bonds and any Additional Bonds and Refunding Bonds issued under the Indenture are referred to herein as the "Bonds" and the Bonds, any payment obligations incurred by the Authority to any one or more swap providers related to the Bonds ("Section 206 Obligations ") and any obligations incurred by the Authority to reimburse the issuer of one or more credit facilities securing the Bonds ("Section 207 Obligations") are referred to as "Parity Obligations."

The 2008 Indenture establishes a Sales Tax Receipts Fund into which the Authority is required to deposit promptly upon receipt all Sales Tax Receipts when received from the RTA, and a Transfer Tax Receipts Fund into which the Authority is required to deposit promptly upon receipt all Transfer Tax Receipts when received from the RTA. Amounts deposited into the Transfer Tax Receipts Fund are pledged to the payment of the outstanding Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding), outstanding in the aggregate principal amount of \$1,273,240,000, and Sales and Transfer Tax Revenue Bonds, Series 2008B (Retiree Health Care Funding), outstanding in the aggregate principal amount of \$627,875,000 (collectively, the "Pension and Retirement Debt Obligations"), obligations incurred by the Authority to one or more interest rate swap providers related to the Pension and Retirement Debt Obligations (as further described herein, the "2008 Section 206 Obligations") and obligations incurred by the Authority to reimburse the issuers of one or more credit facilities securing the Pension and Retirement Debt Obligations (the "2008 Section 207 Obligations;" together with the Pension and Retirement Debt Obligations and the 2008 Section 206 Obligations, the "2008 Parity Obligations").

Prior to making any withdrawal from the Sales Tax Receipts Fund in any calendar month in connection with the 2008 Parity Obligations, the 2008 Indenture requires that the Authority withdraw from the Transfer Tax Receipts Fund and pay to the Trustee for deposit into the Debt Service Fund the lesser of: (i) the entire sum held in the Transfer Tax Receipts Fund or (ii) the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund that month in connection with the 2008 Parity Obligations. Any withdrawal from the Sales Tax Receipts Fund in any calendar month in connection with the 2008 Parity Obligations is limited to the remaining sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund that month, after taking into account the payments made to the Trustee that month from the Transfer Tax Receipts Fund.

Amounts deposited into the Sales Tax Receipts Fund are pledged, on a parity basis, to the payment of (a) the Series 2008 Parity Obligations, but only to the extent that amounts deposited

into the Transfer Tax Receipts Fund are insufficient for such purpose, (b) the Parity Obligations, and (c) payment obligations of the Authority under a Lease Agreement dated March 31, 2003, as amended by an Amendment to Lease Agreement dated October 25, 2006, between the Authority and the Public Building Commission, but only if the maximum annual debt service on all debt secured by Sales Tax Receipts secured exceeds 75% of the sales tax revenue received from the RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA during the preceding Fiscal Year (the "PBC Parity Pledge Rights").

In the Indenture, the following sources are pledged for the payment of Parity Obligations:

(a) The Sales Tax Receipts Fund, subject however to the PBC Parity Pledge Rights and the 2008 Parity Obligations, but only to the extent that amounts deposited into the Transfer Tax Receipts Fund are insufficient for such purpose;

(b) All moneys and securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established pursuant to the Indenture for the payment and security of the Bonds (including the Consolidated Debt Service Reserve Fund for the benefit of Consolidated Reserve Fund Bonds), subject to the right of the Authority to make periodic withdrawals from the Sales Tax Receipts Fund, the Debt Service Fund and the Consolidated Debt Service Reserve Fund as provided in the Indenture; and

(c) 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.

The Series 2014 Bonds are not designated as Consolidated Reserve Fund Bonds. There is no debt service reserve fund securing the Series 2014 Bonds. See "Consolidated Debt Service Reserve Fund" below.

Additional Bonds

The issuance of one or more Series of Additional Bonds is authorized pursuant to the Indenture for the purpose of financing any lawful project or purpose of the Authority, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture. Such Additional Bonds may be issued only upon the delivery to the Trustee of, among other things, a certificate of the Authority stating that the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series was at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series.

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 the 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 INDENTURE – Additional Bonds."

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 Sales Tax Receipts, or (ii) incurring contractual obligations that are payable from Sales Tax Receipts, but, in each case, 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.

Indebtedness and Liens

The Authority may not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements, the PBC Lease, the Pension and Retirement Debt Obligations, and Subordinated Indebtedness, which are secured by a pledge of or lien on the Sales Tax 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 Sales Tax Receipts or such moneys, securities or funds; *provided* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn from the Sales Tax Receipts Fund free from the lien of the Indenture as provided in the Indenture or from the Debt Service Fund or the Consolidated Debt Service Reserve Fund as provided in the Indenture or (b) payable from, or secured by the pledge of, Sales Tax Receipts to be derived on and after such date as the pledge of the Trust Estate provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Equality of Parity Obligations

All of the Parity Obligations authorized under the Indenture or incurred as Section 206 Obligations and Section 207 Obligations (as defined in the Indenture) shall be on a parity and rank equally without preference, priority or distinction over any other as to security, regardless of the time or times of their issue or incurrence, and the provisions, covenants and agreements set forth in the Indenture to be performed by and on behalf of the Authority shall be for the equal benefit, protection and security of the owners of any and all Parity Obligations. To the extent that the 2008 Indenture requires a withdrawal from the Sales Tax Receipts Fund in connection with the 2008 Parity Obligations, the Parity Obligations shall be on a parity and rank equally without preference, priority or distinction over the 2008 Parity Obligations.

Funds and Accounts

Pursuant to the 2008 Indenture, the Authority established the Sales Tax Receipts Fund as a special fund of the Authority held by the Authority as part of the Trust Estate, subject to the PBC Parity Pledge Rights and the 2008 Parity Obligations, as described above. In the Master Indenture, the Authority established the Debt Service Fund, which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate. The Authority also established the Consolidated Debt Service Reserve Fund, which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate for the benefit and security of the Owners of

Consolidated Reserve Fund Bonds. The Series 2014 Bonds are not Consolidated Reserve Fund Bonds. Subject to use and application in accordance with the 2008 Indenture and the Indenture in the case of the Sales Tax Receipts Fund and the Indenture in the case of the Debt Service Fund and the Consolidated Debt Service Reserve Fund, all of the moneys and securities held in the Sales Tax Receipts Fund and the Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Parity Obligations to the extent provided in the Indenture and shall be subject to the lien of the Indenture.

In the Indenture, the Trustee shall, at the written request of the Authority, establish such additional Funds, Sub-Funds within the Funds, and Accounts and Sub-Accounts within any such Sub-Funds, as shall be specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from the Debt Service Fund or such Sub-Funds, Accounts and Sub-Accounts and in addition, the Authority shall, at the written request of the Trustee, establish additional Funds or Accounts for the purpose of segregating amounts available to pay the principal of, premium, if any, and interest on separate Series of Parity Obligations.

Additional Funds, Sub-Funds within the Funds, and Accounts and Sub-Accounts within such Sub-Funds may also be created by any Supplemental Indenture; and any such Supplemental Indenture may provide that amounts on deposit in such Sub-Funds, Accounts and Sub-Accounts shall be held by the Trustee for the sole and exclusive benefit of such Parity Obligations as may be specifically designated in such Supplemental Indenture.

Any moneys and securities held in any Fund or any Sub-Fund, Account or Sub-Account created pursuant to the Indenture shall be held in trust by the Trustee, as provided in the Indenture and shall be applied, used and withdrawn only for the purposes authorized in the Indenture. All moneys and securities held by the Authority in any Fund, Sub-Fund, Account or Sub-Account established for or with respect to Sales Tax Receipts shall be accounted for and held separate and apart from all other moneys and securities of the Authority and, until so applied, used and withdrawn, shall be held in trust by the Authority for the purposes for which such Fund, Sub-Fund, Account or Sub-Account was established.

Deposit and Application of Sales Tax Receipts

All Sales Tax Receipts received by the Authority shall be deposited promptly into the Sales Tax Receipts Fund.

Subject to the following two paragraphs, the Authority covenants and agrees in the Indenture to withdraw from the Sales Tax Receipts Fund and pay into the Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund in that calendar month pursuant to the Indenture.

Each withdrawal from the Sales Tax Receipts Fund is subject to the contractual obligations of the Authority to make monthly withdrawals from the Sales Tax Receipts Fund for the payment of 2008 Parity Obligations (but only to the extent that amounts on deposit in the Transfer Tax Receipts Fund are insufficient) on a parity with the payments to the Debt Service Fund, *provided* that each such monthly withdrawal shall be made in equal monthly installments

that may commence no earlier than (i) in the case of interest, six months prior to the interest payment date and (ii) in the case of principal, 12 months prior to the principal payment date.

Whenever the PBC Parity Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a parity with the payments to the Debt Service Fund, and sufficient to provide for the payment, in equal monthly installments, of the next payment of PBC Annual Rent.

In determining the monthly deposits to the Debt Service Fund, such deposits may be reduced by excess amounts in the Debt Service Fund available to make the deposits required under the Indenture.

Each month, after making all of the payments required above, and if no Event of Default then exists, the Authority may withdraw all remaining moneys in the Sales Tax Receipts Fund free from the lien of the Indenture.

Disbursements from Debt Service Fund

The moneys in the Debt Service Fund shall be disbursed and applied by the Trustee as required to make the deposits on the dates and in the amounts provided by a Supplemental Indenture creating a Series of Bonds, or by an instrument creating Section 206 Obligations or Section 207 Obligations, which in the case of the Series 2014 Bonds is described below.

Creation of Dedicated Sub-Fund. The Third Supplemental Indenture establishes with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund related to the Series 2014 Bonds (the "Series 2014 Dedicated Sub-Fund"). Moneys on deposit in the Series 2014 Dedicated Sub-Fund, and in each Account established therein as provided in the Indenture, shall be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2014 Bonds and shall not be used or available for the payment of the other Parity Obligations, except as expressly provided in the Indenture.

Creation of Accounts. The Third Supplemental Indenture establishes with the Trustee separate Accounts within the Series 2014 Dedicated Sub-Fund, designated as follows:

(i) 2014 Capitalized Interest Account: an Account to be designated the "Series 2014 Capitalized Interest Account" (the "2014 Capitalized Interest Account");

(ii) 2014 Project Account: an Account to be designated the "Series 2014 Project Account" (the "2014 Project Account");

(iii) 2014 Principal Account: an Account to be designated the "Series 2014 Principal Account" (the "2014 Principal Account"); and

(iv) 2014 Interest Account: an Account to be designated the "Series 2014 Interest Account" (the "2014 Interest Account").

Capitalized Interest Account. The Trustee shall withdraw from the 2014 Capitalized Interest Account, prior to each of the following Interest Payment Dates, the amounts set forth in the following table, and apply the same to the payment of the interest on the Series 2014 Bonds due on such Interest Payment Date:

<u>Interest Payment Date</u>	<u>Amount</u>
December 1, 2014	\$11,200,408.44
June 1, 2015	\$14,298,393.75
December 1, 2015	\$14,298,393.75
June 1, 2016	\$14,298,393.75

Any amount remaining in the 2014 Capitalized Interest Account on June 1, 2016, after all deposits referenced above, shall be withdrawn from the 2014 Capitalized Interest Account and deposited into the 2014 Interest Account.

Deposits into Series 2014 Dedicated Sub-Fund and Accounts. On the 25th day of each month, or if such day is not a Business Day, the immediately preceding Business Day, commencing November 25, 2014 (each such date a "Deposit Date"), there shall be deposited into the Series 2014 Dedicated Sub-Fund from amounts on deposit in the Debt Service Fund, an amount equal to the aggregate of the amounts described in the following paragraph, which amounts shall have been calculated by the Trustee on the fifth day of each month (such aggregate amount with respect to any Deposit Date being referred to herein as the "Series 2014 Deposit Requirement").

On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2014 Dedicated Sub-Fund are insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits into other Accounts having a higher priority shall have been made in full:

First: for deposit into the 2014 Interest Account, an amount equal to the lesser of (i)(a) prior to the December 25, 2014 Deposit Date, an amount equal to the total amount due on the Series 2014 Bonds on the December 1, 2014 Interest Payment Date, other than interest payable on such Interest Payment Date from the 2014 Capitalized Interest Account; and (b) commencing on the December 25, 2014 Deposit Date, one-sixth of the interest due on the Series 2014 Bonds on the next Interest Payment Date, other than interest payable on such Interest Payment Date from the 2014 Capitalized Interest Account; or (ii) the amount required so that the sum held in the 2014 Interest Account, when added to the interest payable from the 2014 Capitalized Interest Account on the next Interest Payment Date, will equal the interest due on the Series 2014 Bonds on the next Interest Payment Date; and

Second: commencing on December 25, 2040, for deposit into the 2014 Principal Account, an amount equal to the lesser of (A) one-twelfth of the Principal due on the Series 2014 Bonds on the first day of December next ensuing, or (B) the amount required so that the sum then held in the Principal Account will equal the Principal due on the Series 2014 Bonds on the first day of December next ensuing.

In addition to the Series 2014 Deposit Requirement, there shall be deposited into the Series 2014 Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Master Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, or the Third Supplemental Indenture when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2014 Dedicated Sub-Fund and to one or more accounts in the Series 2014 Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2014 Deposit Requirement, the Trustee shall notify the Authority of the Series 2014 Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Authority may reasonably request.

Consolidated Debt Service Reserve Fund

A Consolidated Debt Service Reserve Fund has been established under the Master Indenture for the benefit and security of owners of Consolidated Reserve Fund Bonds to be maintained in an amount equal to the Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. The Series 2010 Bonds were designated as Consolidated Reserve Fund Bonds and other Series of Bonds may be designated as Consolidated Reserve Fund Bonds in the Supplemental Indentures authorizing such Series of Bonds. The "Consolidated Reserve Requirement" means, as of the date of calculation, an amount equal to fifty percent (50%) of the maximum amount of principal and interest (exclusive of interest to be paid from a capitalized interest account) payable on Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year.

The Series 2014 Bonds are not designated as Consolidated Reserve Fund Bonds. There is no debt service reserve fund securing the Series 2014 Bonds.

Limited Obligations of the Authority

The Series 2014 Bonds, the Series 2011 Bonds, the Series 2010 Bonds and all other Parity Obligations are limited obligations of the Authority payable solely from and secured solely by (i) the Sales Tax Receipts Fund, subject however to the PBC Parity Pledge Rights and the 2008 Parity Obligations, but only to the extent that amounts on deposit in the Transfer Tax Receipts Fund are insufficient, and (ii) amounts on deposit in the funds and accounts established under the Indenture, including investment earnings thereon. The Bonds are not, and shall not constitute, an indebtedness of the RTA or the State of Illinois or any other political subdivision of or municipality within the State of Illinois, except the Authority.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2014 Bonds maturing on December 1, 2044 (CUSIP[®] 16772PBG0) in the original principal amount of \$68,750,000 (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. ("AGM"). See " BOND INSURANCE."

DEBT SERVICE REQUIREMENTS

The annual debt service for the existing Pension and Retirement Debt Obligations, the Series 2010 Bonds, the Series 2011 Bonds, the Series 2014 Bonds is set forth in the following table.

<u>Period Ending December 1</u>	<u>Outstanding Pension and Retirement Debt Obligation Debt Service¹</u>	<u>Outstanding Sales Tax Bonds^{2,3}</u>	<u>Series 2014 Bonds Principal</u>	<u>Series 2014 Bonds Interest</u>	<u>Capitalized Interest⁴</u>	<u>Total Aggregate Net Debt Service</u>
2014	\$156,577,659	\$57,941,939		\$11,200,408	\$29,042,706	\$196,677,300
2015	156,574,139	63,656,939		28,596,788	36,598,670	212,229,196
2016	156,573,519	65,342,989		28,596,788	14,298,394	236,214,902
2017	156,573,869	67,209,239		28,596,788		252,379,896
2018	156,572,944	67,212,489		28,596,788		252,382,221
2019	156,573,184	67,214,039		28,596,788		252,384,011
2020	156,576,399	67,273,289		28,596,788		252,446,476
2021	156,573,769	81,364,732		28,596,788		266,535,289
2022	156,576,474	81,363,873		28,596,788		266,537,135
2023	156,575,395	81,365,809		28,596,788		266,537,992
2024	156,574,586	81,366,705		28,596,788		266,538,079
2025	156,574,560	81,368,418		28,596,788		266,539,766
2026	156,574,793	81,363,708		28,596,788		266,535,289
2027	156,573,729	81,364,398		28,596,788		266,534,915
2028	156,573,774	81,369,190		28,596,788		266,539,752
2029	156,570,957	81,366,430		28,596,788		266,534,175
2030	156,575,270	81,364,773		28,596,788		266,536,831
2031	156,574,636	81,367,038		28,596,788		266,538,462
2032	156,576,290	81,365,425		28,596,788		266,538,503
2033	156,575,394	81,367,088		28,596,788		266,539,270
2034	156,570,732	87,558,343		28,596,788		272,725,863
2035	156,574,364	87,556,465		28,596,788		272,727,617
2036	156,575,588	87,552,158		28,596,788		272,724,534
2037	156,577,324	87,548,995		28,596,788		272,723,107
2038	156,570,078	87,559,765		28,596,788		272,726,631
2039	156,572,630	87,555,705		28,596,788		272,725,123
2040	156,574,965	87,553,983		28,596,788		272,725,736
2041			\$50,180,000	28,596,788		78,776,788
2042			52,690,000	26,087,788		78,777,788
2043			55,325,000	23,453,288		78,778,288
2044			58,090,000	20,687,038		78,777,038
2045			60,995,000	17,782,538		78,777,538
2046			64,195,000	14,580,300		78,775,300
2047			67,565,000	11,210,063		78,775,063
2048			71,115,000	7,662,900		78,777,900
2049			74,845,000	3,929,363		78,774,363
TOTAL	\$4,227,507,021	\$2,126,493,924	\$555,000,000	\$908,706,946	\$79,939,770	\$7,737,768,121

¹ Includes debt service of \$64,768,829 paid on June 1, 2014.

² "Outstanding Sales Tax Bonds" includes outstanding Series 2010 Bonds and outstanding Series 2011 Bonds, and does not net out any Build America Bonds subsidy payments on the Series 2010B Bonds, which are not pledged to pay debt service on the Series 2010B Bonds.

³ Includes debt service of \$28,970,969 paid on June 1, 2014.

⁴ Includes capitalized interest for all Outstanding Bonds and the Series 2014 Bonds. Includes \$8,921,455 of capitalized interest on Outstanding Bonds on June 1, 2014.

HISTORICAL SALES TAX REVENUES

Sales Tax Rates

The following table sets forth the sales tax rates imposed by the RTA from 2009-2013. See the discussion herein under the caption "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS - Sales Tax Receipts-RTA Sales Tax and RTA Sales Tax Collections."

**TABLE I
RTA SALES TAX RATES
2009-2013**

<u>COOK COUNTY FOOD & DRUG TAX</u>	<u>COOK COUNTY GENERAL SALES TAX</u>	<u>COOK COUNTY USE TAX</u>	<u>COOK COUNTY SERVICE OCCUPATION TAX</u>	<u>COLLAR COUNTY GENERAL SALES TAX</u>	<u>COLLAR COUNTY USE TAX</u>	<u>COLLAR COUNTY SERVICE OCCUPATION TAX</u>
1.25%	1.00%	1.00%	1.00%	0.75%	0.75%	0.75%

Source: Regional Transportation Authority.

RTA Sales Tax Collections

The following table sets forth the amounts of RTA Sales Tax Collections (including Replacement Revenues) collected by the RTA for the periods shown. See the discussion herein under the caption "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS - Sales Tax Receipts."

**TABLE II
HISTORICAL RTA SALES TAX COLLECTIONS
2009-2013**

<u>YEAR</u>	<u>AMOUNT (MILLIONS)</u>	<u>PERCENT INCREASE/ (DECREASE)</u>
2009	\$894.2	(2.93)%
2010	931.4	4.16
2011	975.7	4.76
2012	1,021.7	4.71
2013	1,071.2	4.84

Source: Regional Transportation Authority.

CTA Sales Tax Receipts and CTA Share of Discretionary Operating Funds

The following table sets forth the amounts of RTA Sales Tax Collections (including Replacement Revenues) collected by the RTA and distributed to the Authority pursuant to the formulas specified in the RTA Act (the "CTA Sales Tax Receipts"), the formula based distribution of Public Transportation Fund Revenues imposed by the 2008 Amendatory Legislation (the "Additional Public Transportation Fund Revenues"), and the amounts of Public Transportation Fund Revenues distributions and the distributions from RTA's 15 percent retainage of the RTA Sales Tax Collections (the "CTA Share of Discretionary Operating Funds"), for the periods shown. All of these sources of revenue constitute the Sales Tax Receipts. See the discussion herein under the caption "SOURCES OF PAYMENT OF THE SERIES 2014 BONDS - Sales Tax Receipts-Distribution of RTA Sales Tax Collections, Replacement Revenues and Public Transportation Fund Revenues."

TABLE III
SALES TAX RECEIPTS⁽¹⁾
2009-2013
(\$ IN MILLIONS)

<u>YEAR</u>	<u>CTA SALES TAX RECEIPTS SPECIFIED IN THE RTA ACT</u>	<u>PUBLIC TRANSPORTATION FUND REVENUES</u>	<u>CTA SHARE OF DISCRETIONARY OPERATING FUNDS</u>	<u>SALES TAX RECEIPTS</u>
2009	\$323.8	\$57.5	\$89.1	\$470.4
2010	338.8	59.7	97.6	496.1
2011	356.9	64.1	128.3	549.3
2012	369.9	67.6	168.7	606.2
2013	384.4	74.8	181.0	640.2

(1) The information in Table III represents a change in the manner of presentation of the allocation of CTA Sales Tax Receipts and Additional Public Transportation Fund Revenues contained in previous disclosures by the Authority. In previous disclosure materials, the Authority presented such information using an internally-generated methodology for the allocation of Sales Tax Receipts as between CTA Sales Tax Receipts and Additional Public Transportation Fund Revenues, which methodology differed from the reporting of such information by the RTA. The Authority has subsequently elected to conform the presentation of such information in the Authority's disclosure materials to the allocation methodology employed by the RTA. The presentation of the information in Table III above is consistent with information supplied to the Authority by the RTA regarding the distribution of Sales Tax Receipts and the allocation of such Sales Tax Receipts as among the CTA Sales Tax Receipts and Additional Public Transportation Fund Revenues.

The following table sets forth the Transfer Tax Receipts received by the Authority for the periods shown.

TABLE IV
TRANSFER TAX RECEIPTS
2009-2013
(\$ IN MILLIONS)

<u>YEAR</u>	<u>TRANSFER TAX RECEIPTS</u>
2009	\$25.1
2010	32.4
2011	34.7
2012	39.3
2013	56.9

TABLE V
HISTORICAL DEBT SERVICE COVERAGE
(\$ IN MILLIONS)

The table below sets forth Historical Debt Service Coverage for the years 2009 through 2013 based on actual Sales Tax Receipts and Transfer Tax Receipts for the covered periods.

	<u>Fiscal Year Ending December 31</u>				
	2009	2010	2011	2012	2013
Sales Tax Receipts	\$470.4	\$496.1	\$549.3	\$606.2	\$640.2
Transfer Tax Receipts	25.1	32.4	34.7	39.3	56.9
Aggregate Gross Annual Debt Service ⁽¹⁾	44.0	109.7	131.4	176.6	195.4
Annual Debt Service Net of Transfer Receipts applied to Pension and Retirement Debt Obligations ⁽²⁾	18.9	77.3	96.7	137.3	138.5
Aggregate Annual Debt Service Coverage ⁽²⁾	24.89x	6.42x	5.68x	4.42x	4.62x

(1) Includes Pension and Retirement Debt Obligations, Series 2010 Bonds, Series 2011 Bonds. Does not include payments required to be made under the PBC Lease. Aggregate Gross Annual Debt Service does not net out any Build America Bonds subsidy payments on the Series 2010B Bonds, which are not pledged to pay debt service on the Series 2010B Bonds, but does net out capitalized interest.

(2) Transfer taxes are an additional source of payment for the Pension and Retirement Debt Obligations, \$25.1 million, \$32.4 million, \$34.7 million, \$39.3 million and \$56.9 million of transfer taxes were used to pay Pension and Retirement Debt Obligations in 2009, 2010, 2011, 2012 and 2013, respectively and are excluded from aggregate gross annual debt service and in computing Aggregate Annual Debt Service Coverage.

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/neighborhood 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 1,867 buses that operate over 137 routes. The buses serve approximately 12,000 posted bus stops. The Authority's 1,328 rapid transit cars operate over eight routes. These trains serve 145 stations. Together, the Authority's buses and trains provide about 1.7 million passenger trips each weekday.

Funding

On November 13, 2013, the CTA Board adopted the President's 2014 Budget Recommendations (the "President's 2014 Budget Recommendations") and was approved by the RTA Board on December 18, 2013. The President's 2014 Budget Recommendations include, among other things, the President's 2014 Proposed Operating Budget, 2015 – 2016 Proposed Operating Financial Plan and 2014 – 2016 Capital Improvement Plan and Program. The Authority's Operating Budget for Fiscal Year 2014 (ending December 31, 2014) and its operating financial plan for Fiscal Years 2015 and 2016 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 2014 is approximately \$1.385 billion. Approximately 42.82% of the operating budget is funded from fare revenues. Another 5.99% 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 51.19% or \$708.9 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 2014, 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 2014 is approximately \$652.5 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 2014 – 2018 is \$3.02 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.

Jacquelyne Grimshaw was appointed a member of the CTA Board in October 2009 by Governor Pat Quinn for a term expiring September 1, 2014. She is currently the Vice President for Policy for the Center for Neighborhood Technology. Formerly she was the Director of the City of Chicago Mayor's Office of Intergovernmental Affairs and Deputy Treasurer for Economic Development for the former City of Chicago Treasurer Miriam Santos.

Kevin Irvine was appointed to the CTA Board in December 2011 by Mayor Emanuel for a term expiring in September 2014. 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.

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 expiring in September 2014. 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.

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.

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.

Robert Lewis was appointed to the CTA Board by Governor Pat Quinn in March 2014 for term expiring on September 1, 2018. Mr. Lewis currently serves as a member of the Village of Olympia Fields Planning and Zoning Commission and the Finance Committee. Previously, he served as Manager of Investigative Services for Motorola, Inc; and as a Sergeant in the Patrol, Intelligence Division for the Chicago Police Department. Mr. Lewis is active in many civic organizations.

The current officers of the Authority are as follows:

Forrest Claypool has been President of the Chicago Transit Authority since May 2011. Before that, he served as president of Rise Health. Mr. Claypool has considerable experience in government, serving two terms as a Commissioner on the Cook County Board, Superintendent/CEO of the Chicago Park District, two-time Chief of Staff for Mayor Richard M. Daley, Deputy State Treasurer, and Deputy Commissioner on the Cook County Board of Appeals. He received his Bachelor's Degree in Journalism from Southern Illinois University and law degree from the University Of Illinois College Of Law, where he served as Editor-in-Chief of the law review.

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 former 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 CTA, she spent 14 years in the Law Department at the City of Chicago and, before coming to CTA, 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 December 31, 2013, the Authority had approximately 11,182 employees.

Labor Relations

As of May 14, 2014, the Authority had labor agreements with seventeen different unions. The Amalgamated Transit Union Locals 241 and 308 (the "ATU Locals") represent approximately 8,858 of the Authority's unionized employees. In December 2012, a tentative agreement for a collective bargaining agreement with the ATU Locals for years 2012 through 2015 was ratified by the membership of the ATU Locals and approved by the CTA Board. The Craft Coalition of Trades Unions (the "Craft Unions"), which consists of thirteen unions represent approximately 1,316 of the Authority's craft union employees. In April 2013, a tentative agreement for a collective bargaining agreement for years 2012 through 2016 was ratified by the membership of the Craft Unions and approved by the CTA Board. I.A.M.-Dist. No. 8 ("I.A.M.-8"), represents approximately forty of the Authority's civil, structural and track engineers. In September 2013, a tentative agreement for a collective bargaining agreement with the Craft Unions for years 2012 through 2016 was ratified by the membership of I.A.M.-8 and approved by the CTA Board. The Authority has three separate contracts with IBEW Local 134, which represents certain of the Authority's electricians along with the controllers, yardmasters and roadmasters. CTA has approved Agreements with the Controllers (as of January 6, 2014) and Yardmasters (as of April 16, 2014), and held interest arbitration with the Roadmasters in March of 2014 that is awaiting an award.

Ironworkers Local 1 covers approximately 80 employees. The Authority's agreement with Ironworkers Local 1 expired in May 2013. A tentative agreement with Ironworkers Local 1 (for the period beginning June 1, 2013 and ending May 31, 2016) was approved by the CTA Board on June 11, 2014.

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 and Fixed Guideway Modernization Program, 49 U.S.C. Section 5309, 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 2014-2018 \$3.02 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 exploration of the Bus Rapid Transit service on Ashland Avenue. Other projects will upgrade maintenance facilities, modernize the Authority's bus and rail fleets, replace track on segments of the O'Hare Blue Line, replace track and structure on the Brown Line and rehabilitate a number of power substations on the Blue, Brown and Red Lines. The Authority does not have any near-term plans to issue additional bonds following the issuance of the Series 2014 Bonds. The Capital Plan contemplates that the Authority will issue \$1 billion of Bonds or other debt, which includes the issuance of the Series 2014 Bonds.

CTA Ridership Trends

Total Authority ridership for 2013 decreased by 16.3 million rides which represented a 2.98 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 CTA ridership trends since 2009 (including rail-to-rail transfers).

YEARLY RIDERSHIP - UNLINKED PASSENGER TRIPS⁽¹⁾

(In Millions)

CTA	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽²⁾	<u>2012</u>	<u>2013</u>	<u>2014</u> ⁽⁴⁾
Bus	318.7	306.0	310.3	314.4	300.1	307.4
Rail	<u>202.6</u>	<u>210.9</u>	<u>221.6</u>	<u>231.1</u>	<u>229.1</u>	<u>227.2</u>
Total CTA	521.2	516.9	531.9	545.5	529.2	534.6
Change	-0.99%	-0.80%	0.90%	2.4%	-2.98% ⁽³⁾	0.87%

(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 ended.

(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.

2014 Operating Budget

On November 13, 2013, the CTA Board approved the Operating Budget for Fiscal Year 2014 and 2015-2016 Financial Plan. RTA's Board subsequently approved the operating budget as submitted on December 18, 2013. The Authority's Operating Budget for Fiscal Year 2014 is balanced, as required, at \$1.385 billion. The operating budget includes \$708.9 million in public funding and \$593.1 million in fare and pass revenues.

Financial Information

The Series 2014 Bonds are not general obligations of the Authority and the assets and revenues of the Authority (other than the Sales Tax Receipts) are not pledged for the payment of the Series 2014 Bonds or the interest thereon. Solely for informational purposes, the Authority has included its audited financial statements for its fiscal years 2012 and 2013 (ending December 31) attached hereto as APPENDIX B.

Debt Obligations

As of December 31, 2013, the Authority had approximately \$3.134 billion aggregate principal amount of outstanding bonded indebtedness and approximately \$205.8 million of outstanding capitalized lease obligations.

Obligations Secured by a Parity Pledge of Sales Tax Receipts. Of the amounts referenced above, approximately \$2,928,020,000 aggregate principal amount of outstanding debt is secured by a parity pledge of amounts on deposit from time to time in the Sales Tax Receipts Fund, consisting of (i) the currently outstanding Pension and Retirement Debt Obligations, which

include approximately \$1,901,115,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2008A (Pension Funding), and its Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding), \$550,000,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2010, and (ii) \$476,905,000 in aggregate principal amount of its Sales and Transfer Tax Receipts Revenue Bonds, Series 2011, previously issued under the Master Indenture. The existing Pension and Retirement Debt Obligations are also secured by a pledge of certain transfer taxes. See "DEBT SERVICE REQUIREMENTS" above, for a summary of the annual debt service for the existing Pension and Retirement Debt Obligations, the outstanding Sales Tax Receipts Revenue Bonds, and the Series 2014 Bonds. Amounts on deposit from time to time in the Sales Tax Receipts Fund are also subject to the PBC Parity Pledge Rights.

Capitalized Lease Obligations. The capitalized lease obligations consist of (i) \$76,985,000 of obligations under the PBC Lease incurred in connection with the acquisition and construction of the Authority's headquarters and (ii) \$128,811,680 of obligations incurred in connection with the financing of a portion of the Authority's bus fleet.

Obligations Secured by a Pledge of Grant Receipts. As of December 31, 2013, in addition to the capitalized lease obligations described above, the Authority had issued \$475,260,000 aggregate principal amount of outstanding Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the "Section 5307 Capital Grant Bonds"), and \$297,475,000 in aggregate principal amount of outstanding Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5309 Fixed Guidance Modernization Formula Funds). The Capital Grant Receipt Bonds are not secured by a pledge of Sales Tax Receipts.

Obligations Secured by a Pledge of Farebox Receipts. As of April 24, 2014, the Authority entered into a Loan Agreement with the United States Department of Transportation for an aggregate principal amount not to exceed \$79,200,000 pursuant to the credit program under the Transportation Infrastructure Finance and Innovation Act. The TIFIA Loan is not secured by a pledge of Sales tax Receipts.

Pension and Other Post-Employment Benefit Obligations

The Authority maintains a trusted, single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees (the "Pension Employee Plan"). Under provisions of the RTA Act, the RTA is required to continually review the Authority's payment of the required contributions to the Pension Employee Plan. If the RTA determines that the Authority's payment of any portion of the required contributions to the Pension Employee Plan is more than one month overdue, the RTA is required to pay, upon notice to the Authority, the mayor of the City of Chicago, the Governor, the Auditor General and the General Assembly, those overdue contributions to the Board out of moneys otherwise payable to the Authority. Any such payments by the RTA will reduce the amount of Sales Tax Receipts otherwise available to the Authority to pay debt service on the Series 2014 Bonds. See "APPENDIX D - PENSION PLANS AND POST- EMPLOYMENT HEALTHCARE " for a further explanation of the Authority's Pension and other post-employment benefit obligations.

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, 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.

BOND INSURANCE

The following information has been provided by AGM for use in this Official Statement. Reference is made to "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY." The Authority does not make any representation regarding the information contained under this heading.

Bond Insurance Policy

Concurrently with the issuance of the Series 2014 Bonds, AGM will issue its Municipal Bond Insurance Policy for the Insured Bonds (the "2014 Bond Insurance Policy"). The 2014 Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the 2014 Bond Insurance Policy included as "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY" to this Official Statement.

The 2014 Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On March 18, 2014, S&P published a Research Update report in which it upgraded AGM's financial strength rating to "AA" (stable outlook) from "AA-" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On February 10, 2014, Moody's issued a press release stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM. At March 31, 2014, AGM's policyholders' surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2014 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

RIGHTS OF BOND INSURER

Payment when due of the principal of and interest on the Insured Bonds will be insured by the 2014 Bond Insurance Policy issued by AGM, as described above. So long as any Bond Insurance Policy (as defined in APPENDIX A) is in full force and effect and the Bond Insurer (as defined in APPENDIX A) for such Bond Insurance Policy has not failed to perform any of its obligations thereunder, the Bond Insurer shall be deemed the owner of the Insured Bonds insured thereunder for purposes of consenting to any supplements or amendments to the Indenture as may be required under the Indenture pursuant to which such Bonds were issued. See APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Consent of Owners. " Upon the occurrence and continuance of an Event of Default (as defined in APPENDIX A), a Bond Insurer will be treated as the owner of the Insured Bonds upon which said Bond Insurer is obligated for the purposes of calculating whether or not the owners of the requisite percentage of the Bonds have consented to certain actions for the enforcement of rights and remedies granted to the Owners of the Insured Bonds or to the applicable Trustee for their benefit. See APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Rights of Credit Bank or Bond Insurer. "

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 2014 Bonds, and which could also affect the marketability of, or the market price for, the Series 2014 Bonds to an extent that cannot be determined.

The purchase of the Series 2014 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 2014 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 2014 Bonds.**

Factors Affecting Sales Tax Receipts

The following represent some of the factors that may affect the actual amount of RTA Sales Tax Collections available for payment to the Authority and Sales Tax Receipts realized by the Authority and available for payment of debt service on the Bonds. A significant change from historical results in any one of these factors may have a material impact on the availability of Sales Tax Receipts and the ability of the Authority to pay debt service on the Bonds.

Legislative Action. The Illinois General Assembly has the authority to amend the provisions of State law governing the RTA Sales Taxes. Changes to the tax base and exemptions or in allocations of sales tax proceeds among the Service Boards could adversely affect the amount of RTA Sales Taxes collected by the RTA and made available to the Authority.

Changes in Economic and Demographic Conditions. Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions and/or a decline in the population of the Region or reductions in the level of commercial and industrial activity in the Region could reduce the number and value of taxable transactions and thus reduce the amount of sales tax revenues. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on sales tax revenues. Reductions in sales tax revenues, including reductions due to such causes, could have a negative effect on the sufficiency of the Sales Tax Receipts realized by the Authority.

Different Sales Tax Rates in Competing Jurisdictions. Increases in sales tax rates in the Region may create incentives for certain purchases to be made in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may not result in corresponding percentage increases in revenues.

Internet Sales. In 2011 the State adopted a law requiring out-of-state Internet sellers with web marketing affiliates in Illinois to collect Illinois sales taxes on deliveries to the State's residents (the "Illinois Internet Sales Tax"). In October 2013, the Illinois Supreme Court found that the Illinois Internet Sales Tax was unenforceable because it conflicts with a federal moratorium against taxes on internet sales until November 1, 2014. In 1992, the United States Supreme Court held, in a case involving a catalog seller (*Quill v. North Dakota*), that under the Constitution's commerce clause, only merchants with a physical presence in a state can be required by that state to collect its sales taxes. The U.S. Supreme Court pointed out, however, that Congress could grant collection powers to the states. In May 2013 the United States Senate passed a bill that requires Internet sellers with \$1 million a year or more in sales outside their

home states to collect each state's sales tax (the "Marketplace Fairness Act"). The Marketplace Fairness Act must be passed by the United States House of Representatives in order to become law, where it is supported by some representatives, but opposed by many others. If Internet sales are not treated, for sales and use tax purposes, comparably to, or if they displace, the types of transactions for which sales and use taxes currently are collected, sales tax collections may be adversely affected.

Expiration of Temporary Income Tax Increase. The State's 2011 temporary income tax increase will begin to phase out in January 2015 unless the General Assembly takes action to extend it. The income tax is scheduled to rollback from its current 5 percent to 3.75 percent, and the corporate income tax rate will drop from 7 percent to 5.25 percent. If the higher income tax rates expire, the State's operating fund could face a deficit estimated to be between \$1.6 billion to \$2 billion in the following budgetary year. Any such deficit may reduce the amount of funding available to the State to make required contributions to the Public Transportation Fund and may, in turn, have an adverse impact on the financial condition and operations of the Authority and impact the Authority's ability pay debt service on the Bonds.

Mandatory Funding of Authority's Retirement Plan Contributions From Sales Tax Receipts. The RTA is required to continually review the Authority's payment of required contributions to the Retirement Plan. If at any time the RTA determines that the Authority's payment of any portion of the required contributions to the Retirement Plan is more than one month overdue, the RTA is required as soon as possible to pay the amount of the overdue contributions to the Retirement Plan Board on behalf of the Authority out of moneys otherwise payable to the Authority, which includes moneys derived from Sales Tax Receipts, and to give notice to the Authority and certain other parties of such payment. Any such diversion by the RTA to the Retirement Plan will reduce the amount of funding available to pay debt service on the Bonds and may have an adverse impact on the financial condition and operations of the Authority.

Impact of Mandated Local Assistance on Authority Revenues. The RTA Act requires that no moneys be released by the RTA to the Authority in any Fiscal Year unless "...a unit or units of local government in Cook County (other than the Authority) enters or enter into an agreement with the Authority to make a monetary contribution for such year of at least \$5,000,000 for public transportation." The City and Cook County also must continue to provide services to the Authority at the same level and on the same basis as services were provided as of the effective date of the RTA Act or as otherwise approved by the RTA Board. If the mandated local assistance requirements are not met, it is possible that the RTA could withhold revenues otherwise payable to the Authority. Funds received from this mandated local assistance are not available for the payment of debt service on the Bonds. The Authority covenanted in the 2008 Indenture to enter into the monetary contribution agreement or agreements described above. The Authority further covenanted in the 2008 Indenture to request from the City and Cook County the level of services required by the RTA Act as described above. The City and Cook County have made the required monetary contributions to the Authority each year since the inception of such requirement.

RTA's Right to Intercept Sales Tax Revenues. Pursuant to the RTA Act, the RTA has the right to intercept RTA Sales Taxes allocable to the Authority in order to make debt service payments on certain RTA bond obligations, in the event that funds from the State (including, but not limited to Public Transportation Fund Revenues) are not available to make such payments. Such occurrence may result in the RTA withholding, delaying or not making payments to the Authority of its share of certain RTA Sales Taxes. To date, the RTA has not exercised that right.

Impact of Discretionary Funding. The RTA Act provides that a portion of the Public Transportation Fund Revenues are allocated as discretionary funds to the RTA. The RTA has historically allocated between 90% and 99% of such available discretionary funds to the Authority. Delays by the State in providing Public Transportation Fund Revenues could delay the RTA in providing such discretionary funds to the Authority. However, RTA may fund such delayed payments from its reserves and/or from the proceeds of working cash note borrowings. RTA is currently seeking legislative approval to increase its working cash borrowing authority in order to fund potential future delayed payments. However, there is no assurance that RTA will receive such legislative approvals from the State.

Limitations on Remedies of Bondholders

The remedies available upon an event of default under the 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 2014 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

The Indenture does not contain a provision allowing for the acceleration of the Series 2014 Bonds in the event of a default in the payment of principal of and interest on the Series 2014 Bonds when due. In the event of a default under the Indenture, the Trustee will have the right to exercise the remedies provided in the Indenture, subject to the rights of any Bond Insurers. See APPENDIX A – "THE INDENTURE – Events of Default" and "- Remedies."

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2014 Bonds are subject to the approving opinion of Mayer Brown LLP, Chicago, Illinois, and Greene and Letts, Chicago, Illinois, Co-Bond Counsel. The proposed form of the opinions to be delivered by Co-Bond Counsel is attached hereto as APPENDIX F. Approval of certain other legal matters will be passed upon for the Authority by its General Counsel, and for the Underwriters by Quarles & Brady LLP, Chicago, Illinois, and Quintairos, Prieto, Wood & Boyer, P. A., Chicago, Illinois, Co-Underwriters' Counsel. The Underwriters retained Co-Underwriters' Counsel based, in part, on the recommendation of the Authority.

TAX MATTERS

Interest Not Exempt From State of Illinois Income Taxes

Interest on the Series 2014 Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2014 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 2014 Bonds. Prospective purchasers of the Series 2014 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 2014 Bonds. It deals only with the Series 2014 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 2014 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 2014 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 2014 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 2014 Bonds.

Summary of Co-Bond Counsel Opinion

Mayer Brown LLP and Greene and Letts, Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2014 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 2014 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Series 2014 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 2014 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 2014 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 CTA and the Trustee contained in various documents included in the transcript of proceedings, which are intended to evidence and assure that the Series 2014 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 2014 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 2014 Bonds to be included in gross income for federal income tax purposes, in some cases, effective from the date such Series 2014 Bonds are initially issued. The CTA has covenanted in the 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 2014 Bonds to be included in the gross income of the owners of the Series 2014 Bonds for federal income tax purposes.

Under the Code, interest on the Series 2014 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 2014 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 2014 Bonds. Prospective purchasers of the Series 2014 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 2014 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 2014 Bonds) issued prior to enactment of such proposal. Prospective purchasers of the Series 2014 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 2014 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 2014 Bond is purchased at any time for a price that is less than the Series 2014 Bond's Offering Price plus accrued original issue discount, if any, the purchaser may be treated as having purchased the Series 2014 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 2014 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 2014 Bond. Purchasers should consult their own tax advisors regarding the potential implications of the market discount rules with respect to the Series 2014 Bonds.

Bond Premium

An amount equal to the excess of the purchase price of a Series 2014 Bond over the stated redemption price payable at maturity of such Series 2014 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 2014 Bond, the tax basis of each Series 2014 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 2014 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 2014 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 2014 Bond). If the bond premium allocable to an accrual period exceeds the interest on the Series 2014 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 2014 Bond.

Sale and Retirement of the Series 2014 Bonds

Holders of the Series 2014 Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Series 2014 Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Series 2014 Bond and the holder's adjusted tax basis in the Series 2014 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 2014 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 2014 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.

MATERIAL 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, to the knowledge of the Authority, pending or 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 2014 Bonds, the application of the proceeds thereof in accordance with the Indenture, or the receipt or application of Sales Tax Receipts or other moneys to be pledged to pay the principal of and interest on the Series 2014 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2014 Bonds, the Indenture 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 2014 Bonds, or the Indenture or any other agreement entered into in connection therewith.

RATINGS

S&P has assigned the Insured Bonds a rating of "AA/Stable", and S&P and Kroll Bond Rating Agency have assigned the Series 2014 Bonds a rating of "AA/Stable" and "AA, Stable Outlook", respectively. There is no assurance that any credit ratings given to the Series 2014 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 2014 Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from such agencies.

FINANCIAL ADVISORS

Public Financial Management, Inc., Chicago Illinois and A.C. Advisory, Inc., Chicago, Illinois, serve as Financial Advisors to the Authority with respect to the sale of the Series 2014 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 2014 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 C. See "APPENDIX C – 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 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. 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

Loop Capital Markets LLC ("LCM"), on behalf of itself and the other underwriters listed on the cover hereof (the "Underwriters"), is purchasing the Series 2014 Bonds, subject to certain conditions set forth in a bond purchase agreement relating to the Series 2014 Bonds (the "Bond Purchase Agreement").

Pursuant to the Bond Purchase Agreement, the Underwriters have agreed to purchase the Series 2014 Bonds at a purchase price of \$597,174,561.10 (representing the principal amount of the Series 2014 Bonds, less the Underwriters' discount of \$2,979,051.50, plus original issue premium of \$45,153,612.60). The initial public offering prices of the Series 2014 Bonds may be changed from time to time by the Underwriters after the Series 2014 Bonds have been released for sale. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2014 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 Co-Underwriters' Counsel.

LCM, one of the Underwriters of the Series 2014 Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Series 2014 Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2014 Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., one of the Underwriters of the Series 2014 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2014 Bonds.

Piper Jaffray & Co., one of the Underwriters of the Series 2014 Bonds, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation have entered into an agreement which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2014 Bonds. Under this agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

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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 2014 Bonds. All of the summaries of the Series 2014 Bonds, the Indenture, applicable legislation, and other agreements and documents in this Official Statement are made subject to the provisions of the Series 2014 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
Chief Financial Officer and Treasurer

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Official Statement that are provided for the convenience of the reader and do not purport to be comprehensive or definitive. Certain capitalized terms used herein are defined elsewhere in this Official Statement. All references herein to terms defined in the Indenture are qualified in their entirety by the definitions set forth in the Indenture.

"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.

"Accounts" means the special accounts created and established pursuant to the Indenture.

"Accreted Amount" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental 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 authorized and delivered on original issuance pursuant to the provisions of the Indenture summarized under the heading "THE INDENTURE-Additional Bonds" in this APPENDIX A.

"Allocable Share" means, with respect to any Series of Consolidated Reserve Fund Bonds and the funding of any deficiency in the Consolidated Debt Service Reserve Fund or any reimbursement of a draw of moneys under a Qualified Reserve Credit Instrument held in the Consolidated Debt Service Reserve Fund, the amount obtained by multiplying the amount needed to cure such deficiency or the amount needed to fully restore the coverage of the Qualified Reserve Credit Instrument by a fraction the numerator of which is the principal amount of the Outstanding Bonds of such Series and the denominator of which is the principal amount of all Outstanding Consolidated Reserve Fund Bonds.

"*Annual Coverage Requirement*" means, with respect to any Bond Year, the aggregate of the Annual Debt Service Requirement for such Bond Year, the Pension and Retirement Debt Payments for such Bond Year and the PBC Annual Rent for such Bond 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.

"*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 Indenture by ordinance duly adopted by the Authority.

"*Board*" means the Chicago Transit Board.

"*Bond*" or "*Bonds*" means any bond or bonds, including any Series 2014 Bond, any Additional Bond, and any Refunding Bond, authenticated and delivered under and pursuant to the Indenture.

"*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.

"*Bond Insurer*" means any person authorized under law to issue a Bond Insurance Policy.

"*Bond Year*" means the 12-month period commencing on December 2 of a year and ending on December 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 Indenture also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"Certificate" means an instrument of the Authority in writing signed by an Authorized Officer.

"City" means the City of Chicago, a municipal corporation and a home rule unit of government of the State.

"City Transfer Tax" means the tax on the privilege of transferring title to real estate in the City in the amount of \$1.50 per \$500 of value or fraction thereof imposed under the provisions of Section 8-3-19 of the Illinois Municipal Code and Chapter 3-33 of the Municipal Code of Chicago.

"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.

"Consolidated Debt Service Reserve Fund" means the Consolidated Debt Service Reserve Fund established in the Indenture for the benefit of Consolidated Reserve Fund Bonds.

"Consolidated Reserve Fund Bonds" means Bonds of a Series so designated by the Authority in the Supplemental Indenture authorizing such Series.

"Consolidated Reserve Requirement" means, as of the date of calculation, an amount equal to fifty percent (50%) of the maximum amount of Principal and interest (exclusive of interest to be paid from a capitalized interest account) payable on Outstanding Consolidated Reserve Fund Bonds in the then current or any future Bond Year.

"Corporate Purpose Debt Obligation" means any bond (including any Bond), note, installment contract, financing contract, lease or other evidence of indebtedness (other than a Pension and Retirement Obligation or the PBC Lease) that is payable from or secured by a pledge of or lien on the Sales Tax Receipts Fund on a parity with any lien on or pledge of the Sales Tax Receipts Fund granted by the Indenture as security for the payment of Parity Obligations.

"Corporate Purpose Debt Payment" means with respect to each Corporate Purpose Debt Obligation, the amounts payable by the Authority under the terms of such Corporate Purpose Debt Obligation, including payments of principal, interest, rent and any financing cost.

"Cost of Construction" means with respect to the 2014 Project, the cost of acquisition, construction and equipping thereof, including the cost of acquisition of all land, rights of way, property, rights, easements and interests, acquired by the Authority for such construction, the cost of all machinery and equipment, financing charges, financial advisory fees, interest prior to and during construction and for such period after completion of construction as the Authority shall determine, the cost of design, engineering and legal expenses, plans, specifications, surveys, estimates of cost and revenues, other expenses necessary or incident to determining the feasibility or practicability of constructing the 2014 Project, administrative expenses and such

other costs, expenses and funding as may be necessary or incident to the construction, the financing of such construction and the placing of the 2014 Project in operation.

"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" as used throughout the Indenture 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 in the Indenture.

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

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

"Depository" means any bank, national banking association or trust company having capital stock, surplus and retained earnings aggregating at least \$10,000,000, selected by an Authorized Officer as a depository of moneys and securities held under the provisions of the Indenture, and may include the Trustee.

"DTC" means The Depository Trust Company, as securities depository for the Series 2014 Bonds.

"DTC Participant" means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2014 Bonds with DTC.

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

"Fiduciary" or *"Fiduciaries"* means the Trustee, the Registrar, the Paying Agents and any Depository, or any or all of them, as may be appropriate.

"*First Supplemental Indenture*" means the First Supplemental Indenture, dated as of March 1, 2010, by and between the Authority and the Trustee, as from time to time amended and supplemented.

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

"*Funds*" means the special funds created and established pursuant to the Indenture or any Supplemental 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.

"*Indenture*" means the Trust Indenture, dated as of March 1, 2010, by and between the Authority and the Trustee, securing Chicago Transit Authority Sales Tax Receipts Revenue Bonds, as from time to time amended and supplemented.

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

"*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 and for the Series 2014 Bonds means December 1, 2014 and each June 1 and December 1 thereafter.

"*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, shall mean 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 heading "INDENTURE – Hedging Transactions" in the case of a Qualified Swap Agreement and (ii) in the Indenture as described in this APPENDIX A under the heading "INDENTURE – Optional Tender Bonds and Variable Rate Bonds and -Variable Interest Rates" in the cases of Optional Tender Bonds and Variable Rate Bonds; *provided* 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 Supplemental Indenture authorizing the issuance of a Series of Bonds 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:

- Department of Treasury
- Commodity Credit Corporation
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Public Housing Agencies

(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)
- obligations of the Tennessee Valley Authority (TVA)
- 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) any repurchase agreements collateralized by securities described in clauses (i), (ii) or (iii) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank or parent holding company providing a guaranty has an uninsured, unsecured and unguaranteed obligation rated (an "unsecured rating") Prime-1 and A3 or better by Moody's Investors Service, Inc. or A- or better by Standard & Poor's Ratings Services provided (1) a specific written agreement governs the transaction; (2) the securities are held by a depository acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than \$25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities; (3) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or

31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Trustee; (4) the repurchase agreement has a term of one year or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation; (5) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and (6) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100 percent;

(x) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by each of the Rating Services; or

(xi) any other type of investment in which the Authority directs the Trustee in writing to invest, provided that there is delivered to the Trustee a Certificate stating that each Rating Agency has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any Parity Obligations.

"*Maximum Annual Coverage Requirement*" means, as of any date of calculation, the largest Annual Coverage Requirement occurring in the then current or any future Bond Year.

"*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 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 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 Supplemental Indenture authorizing the issuance of such Series 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 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 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 (a) with respect to 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 (b) with respect to a Qualified Swap Agreement, the Swap Provider.

"*Payment Date*" shall mean 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 and 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.

"*PBC*" means the Public Building Commission of Chicago.

"*PBC Annual Rent*" means, with respect to any Bond Year, the scheduled annual rent payable by the Authority under the PBC Lease during such Bond Year calculated without regard to any additional rent payable under the PBC Lease or any amount required to replenish reserves or pay administrative costs.

"*PBC Lease*" means the Lease Agreement dated March 31, 2003 by and between the Authority and the PBC, as amended by the Amendment to Lease Agreement dated October 25, 2006, as the same may be amended and supplemented.

"*PBC Parity Pledge Rights*" means the provisions of Section 31 of the PBC Lease pursuant to which the Authority agreed that it will not pledge the sales taxes revenues it receives from RTA pursuant to Section 4.01 (now Section 4.03.3) of the RTA Act to secure its debt on a

priority basis with respect to its rent and other payment obligations under the PBC Lease if the maximum annual debt service on all debt so secured exceeds 75% of the sales tax revenue received from the RTA pursuant to said Section 4.01 (now Section 4.03.3) during the preceding Fiscal Year, without equally and ratably securing its obligations under the PBC Lease.

"Pension and Retirement Debt Obligation" means any then outstanding "Parity Obligation," as defined in the 2008 Indenture, including the Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) of the Authority and the Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) of the Authority.

"Pension and Retirement Debt Payment" means with respect to each Pension and Retirement Debt Obligation, the amounts payable by the Authority under the terms of such Pension and Retirement Debt Obligations, including payments of principal, interest and financing cost.

"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 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 as described in this APPENDIX A under the heading "INDENTURE – Optional Tender Bonds and Variable Rate Bonds and -Variable Interest Rates" 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* 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.

"*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 Reserve Credit Instrument*" means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa2" or better by Moody's Investors Service, Inc. or "AA" or better by Standard & Poor's Ratings Service or "AA" or better by Fitch Ratings as of the date of issuance thereof.

"*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 "AA", without regard to sub-category designations; *provided* that if three or more Rating

Services have assigned ratings to any Outstanding Bonds then such "AA" rating need only be assigned by two Rating Services, 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 the Authority, and which ratings are then currently in effect.

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each interest payment date (including any redemption date) or such other day as may be determined in the applicable Supplemental Indenture.

"Redemption Price" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption or such other redemption price as shall be specified for such Bond in a Supplemental Indenture.

"Refunding Bonds" means Bonds issued pursuant to the provisions of the Indenture summarized under the heading "THE 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, and its successor or successors.

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

"RTA Act" means the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615.

"Sales Tax Receipts" means all amounts received by the Authority from the RTA and representing the Authority's share (in accordance with the RTA Act including Section 4.03.3 thereof) of (i) the tax receipts derived from taxes imposed by the RTA pursuant to the RTA Act; (ii) amounts paid to the RTA by the State from transfers to (a) the Regional Transportation Authority Occupation and Use Tax Replacement Fund, (b) the Public Transportation Fund and (c) the Regional Transportation Authority tax fund created by Section 4.03(n) of the RTA Act from the County and Mass Transit District Fund and (iii) funds derived by RTA from any other source designated by law as a replacement source of funds for all or a portion of the RTA tax receipts described in clause (i), or the State payments described in clause (ii), of this definition.

"Sales Tax Receipts Fund" means the Sales Tax Receipts Fund held by the Authority and established in the 2008 Indenture.

"Second Supplemental Indenture" means the Second Supplemental Indenture, dated as of November 1, 2011, by and between the Authority and the Trustee, as from time to time amended and supplemented.

"*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 Section 207 of the Indenture summarized under the heading "THE INDENTURE-Credit Facilities to Secure Bonds" 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.

"*Section 206 Obligations*" means any payment obligations incurred by the Authority to any one or more Swap Providers pursuant to the Indenture summarized under the heading "THE INDENTURE – Hedging Transactions" in this APPENDIX A.

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

"*Series*" means all of the Bonds (including Working Cash Notes) 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 or the provisions of a Supplemental Indenture.

"*Series 2010A Bonds*" means the \$44,645,000 original principal amount of Sales Tax Receipts Revenue Bonds, Series 2010A of the Authority authorized by the Indenture.

"*Series 2010B Bonds*" means the \$505,355,000 original principal amount of Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) of the Authority authorized by the Indenture.

"*Series 2011 Bonds*" means the \$476,905,000 original principal amount of Sales Tax Receipts Revenue Bonds, Series 2011, of the Authority authorized by the Indenture.

"*Series 2014 Bonds*" means the \$555,000,000 original principal amount of Sales Tax Receipts Revenue Bonds, Series 2014, of the Authority authorized by the Series 2014 Bond Ordinance and the Indenture.

"*Series 2014 Bond Ordinance*" means Ordinance Number 014-49 adopted by the Board on June 11, 2014.

"*Sinking Fund Installment*" means, as of any particular date of determination and with respect to the Outstanding Bonds of any Series or consisting of any Section 207 Obligation, the amount required by the Supplemental Indenture creating such Series or the instrument creating such Section 207 Obligation to be paid in any event by the Authority on a single future date for the retirement of such Bonds which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond or Section 207 Obligation.

"*State*" means the State of Illinois.

"*Sub-Account*" means any account so designated by the Authority pursuant to the Indenture.

"*Sub-Fund*" means any fund so designated by the Authority pursuant to the Indenture.

"*Subordinated Indebtedness*" means indebtedness permitted to be issued or incurred pursuant to the provisions of the Indenture summarized herein under "SECURITY FOR THE Series 2014 Bonds – Subordinated Indebtedness."

"*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 the Third Supplemental Indenture, dated as of June 1, 2014, by and between the Authority and the Trustee, as from time to time amended and supplemented.

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

"*Trustee*" means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the Indenture as hereinafter provided.

"*Trust Estate*" means the security for the payment of Parity Obligations established by the pledges and liens effected by the Indenture and all other property pledged to the Trustee pursuant to the Indenture.

"*2008 Indenture*" means the Trust Indenture between the Authority and the 2008 Trustee dated July 1, 2008, securing Chicago Transit Authority Sales and Transfer Tax Receipts Revenue Bonds, as from time to time amended and supplemented.

"*2008 Trustee*" means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the 2008 Indenture.

"*2014 Project*" means, collectively, the following capital improvements to the Transportation System, and such additional capital improvements as may hereinafter be designated as part of the 2014 Project pursuant to an ordinance of the Authority filed with the Trustee:

Purchase Rail Cars – The purchase of rail cars to replace existing cars.

"*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.

"*Working Cash Notes*" means any note or notes issued by the Authority pursuant to Section 12a of the Act.

THE INDENTURE

The following is a summary of certain provisions of the Indenture pursuant to which the Series 2014 Bonds will be issued not summarized elsewhere in this Official Statement. This summary does not purport to be complete or definitive, and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Trustee.

Authorization of Bonds

The Indenture authorizes the Authority to issue Bonds to be issued from time to time in one or more Series. Working Cash Notes may also be issued under the Indenture as a Series of Bonds and shall contain the words "Working Cash Notes" as an additional designation and need not contain the word "Bonds."

The Bonds Constitute a Corporate Purpose Debt Obligation Under the 2008 Indenture

Under the 2008 Indenture, prior to or concurrently with the issuance of a Corporate Purpose Debt Obligation the Authority shall file with the 2008 Trustee a certified copy of all proceedings taken by the Authority to authorize and issue such Corporate Purpose Debt Obligation together with a schedule setting forth the payment date and amount of such Corporate Purpose Debt Payment that the Authority will be obligated to pay under the terms of the Corporate Purpose Debt Obligation.

As a condition precedent to the issuance of any Corporate Purpose Debt Obligation under the 2008 Indenture, the Authority shall file with the 2008 Trustee not more than five Business Days prior to the date of issuance or the effective date of the Corporate Purpose Debt Obligation, a Certificate stating that (1) the aggregate amount of all Sales Tax Receipts and Transfer Tax Receipts (as defined in the 2008 Indenture) received by the Authority for a period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of the Corporate Purpose Debt Obligation were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the date of issuance or effective date of the Corporate Purpose Debt Obligation or (2) the Annual Coverage Requirement for the then current and each future Bond Year as of the time immediately following the issuance of the Corporate Purpose Debt Obligation does not exceed the Annual Coverage Requirement for the corresponding Bond Year as of the time immediately prior to the issuance of the Corporate Purpose Debt Obligation. All capitalized terms used in the prior paragraph have the meanings set forth in the 2008 Indenture.

Under the 2008 Indenture, no Corporate Purpose Debt Obligation may contain a term or provision permitting an acceleration of the scheduled payment of the Corporate Purpose Debt Payments with respect to such Corporate Purpose Debt Obligation.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements, the Maximum Annual Debt Service Requirement and the Pension and Retirement Debt Payment under the provisions of the Indenture summarized below under "-

Refunding Bonds" or "- Right to Issue Pension and Retirement Debt Obligations" and for the purpose of determining the amount of any deposit pursuant to the provisions of the Indenture summarized below under "Deposit and Application of Tax Receipts," interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Pension and Retirement Debt Obligations, 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, Pension and Retirement Debt Obligations, 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 Securities Industry and Financial Markets Association Municipal Swap Index, (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus 75 basis points, and (e) the interest rate set forth in a Certificate 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 summarized above under "Variable Interest Rates," 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 summarized below under "-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 Indenture. 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.

Additional Bonds

One or more Series of Bonds entitled to the benefit, protection and security of the Indenture and constituting a Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of financing any lawful project or purpose of the Authority, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits into any Fund, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture. Any such Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by the Indenture with respect to Additional Bonds) of a Certificate of an Authorized Officer stating that the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the

18 calendar months next preceding the date of issuance of such Series were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series. In applying the foregoing test, (1) if any of the Bonds Outstanding immediately prior to or after the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations and (2) if any Retirement and Pension Debt Obligation Outstanding immediately prior to or after the issuance of the Additional Bonds bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if said Retirement and Pension Debt Obligation was a Bond.

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, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture.

Refunding Bonds of a Series shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to the documents required by the Indenture with respect to Refunding Bonds) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized below under "-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 Indenture.

(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 may 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 provisions of the Indenture summarized below under the second paragraph under the caption "- Defeasance."

(3) (a) a Certificate stating that the aggregate amount of all Sales Tax Receipts received by the Authority for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately

following the issuance of such Series, or (b) a Certificate evidencing that for the then current and each future Bond Year, the Annual Debt Service Requirements for each such Bond Year on account of all Bonds and Section 207 Obligations Outstanding as of the time immediately after the issuance of such Refunding Bonds does not exceed the Annual Debt Service Requirements for the corresponding Bond Year on account of all the Bonds and Section 207 Obligations Outstanding as of the time immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in clause (3) of the preceding paragraph, (1) 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 applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations and (2) if any Pension and Retirement Debt Obligation Outstanding immediately prior to or after the issuance of the Refunding Bonds bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if said Pension and Retirement Debt Obligation was a Bond.

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 Sales Tax Receipts shall be made from amounts on deposit to the credit of the appropriate Sub-Fund or Account in the Debt Service Fund designated by Supplemental Indenture to the extent that the amount then held in such Sub-Fund or 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 appropriate Sub-Fund or Account in the Debt Service Fund designated by Supplemental Indenture.

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 clause (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 Sales Tax Receipts or (ii) if made from Sales Tax Receipts, such payments, and any lien on Sales Tax Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on Sales Tax 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 Sales Tax Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as Sales Tax Receipts are to be deposited.

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

Credit Facilities to Secure Bonds

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.

Right to Issue Pension and Retirement Debt Obligations

The Authority reserves the right to issue additional Pension and Retirement Debt Obligations upon satisfaction of the requirements of the 2008 Indenture and the Indenture.

Prior to or concurrently with the issuance of a Pension and Retirement Debt Obligation the Authority shall file with the Trustee a certified copy of all proceedings taken by the Authority to authorize and issue such Pension and Retirement Debt Obligation together with a schedule setting forth the payment date and amount of such Pension and Retirement Debt Payment that the Authority will be obligated to pay under the terms of the Pension and Retirement Debt Obligation.

As a condition precedent to the issuance of any Pension and Retirement Debt Obligation the Authority shall file with the Trustee, not more than five Business Days prior to the date of issuance or the effective date of such Pension and Retirement Debt Obligation, a Certificate stating that (1) the aggregate amount of all Sales Tax Receipts and Transfer Tax Receipts received by the Authority for a period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Pension and Retirement Debt Obligation were at least equal to 200% of the Maximum Annual Coverage Requirement as of the time immediately following the date of issuance or effective date of such Pension and Retirement Debt Obligation or (2) the Annual Coverage Requirement for the then current and each future Bond Year as of the time immediately following the issuance of such Pension and Retirement Debt Obligation does not exceed the Annual Coverage Requirement for the corresponding Bond Year as of the time immediately prior to the issuance of such Pension and Retirement Debt Obligation. In applying the foregoing tests, (1) if any of the Bonds Outstanding immediately after the issuance of the Pension and Retirement Debt Obligations to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding 207 Obligations and (2) if any Pension and Retirement Debt Obligation Outstanding immediately prior to or after the issuance of the Pension and Retirement Debt Obligation bears interest at variable rates, then the applicable provisions of the Indenture summarized above under "-Optional Tender Bonds and Variable Rate Bonds" and "-Variable Interest Rates" shall be applied in determining the Annual Coverage Requirement as if such Pension and Retirement Debt Obligation was a Bond.

No Pension and Retirement Debt Obligation may contain a term or provision permitting an acceleration of the scheduled payment of the Pension and Retirement Debt Payments with respect to such Pension and Retirement Debt Obligation.

Source of Payment; Pledge of Receipts

The Indenture provides that the Parity Obligations are limited obligations of the Authority payable solely from the Sales Tax Receipts Fund, subject however to the PBC Parity

Pledge Rights and the parity pledge of or lien on the Sales Tax Receipts Fund as security for the payment of Pension and Retirement Debt Payments, (ii) all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture or any Supplemental Indenture, subject however to the right of the Authority to make periodic withdrawals from the Sales Tax Receipts Fund, the Debt Service Fund and the Consolidated Debt Service Reserve Fund all as permitted by the Indenture, 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; *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. The Parity Obligations do not constitute an indebtedness of the RTA, the State, or any political subdivision of the State, including the City, other than the Authority. No lien upon any physical properties of the Authority is, or shall ever be, created by the Indenture.

The Authority makes a pledge of the Trust Estate, to the extent set forth in the Granting Clauses of the Indenture, and of all moneys and securities held or set aside to be held or set aside by the Trustee under the Indenture or any Supplemental Indenture, to secure the payment of principal and Redemption Price of, and interest on, the Parity Obligations, subject only to the provisions of the Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation of such moneys and securities for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Indenture or any Supplemental Indenture. Such pledge is valid and binding from and after the date of issuance of any Parity Obligations under the Indenture, without any physical delivery or further act, and the lien and pledge 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 of it.

Deposit and Application of Sales Tax Receipts

Pursuant to the 2008 Indenture the Authority has established the Sales Tax Receipts Fund as a special fund of the Authority held by the Authority as part of the Trust Estate subject to the PBC Parity Pledge Rights and other parity liens described herein. In the Indenture, the Authority establishes the Debt Service Fund to be held and administered by the Trustee. Subject to use and application in accordance with the 2008 Indenture and the Indenture in the case of the Sales Tax Receipt Fund and the Indenture in the case of the Debt Service Fund and the Consolidated Debt Service Reserve Fund, all of the moneys and securities held in the Sales Tax Receipts Fund and the Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Parity Obligations and shall be subject to the lien of the Indenture.

All Sales Tax Receipts received by the Authority shall be deposited promptly into the Sales Tax Receipts Fund.

Subject to the following paragraph, the Authority covenants and agrees in the Indenture to withdraw from the Sales Tax Receipts Fund and pay into the Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Debt Service Fund in that calendar month pursuant to the Indenture.

Each withdrawal from the Sales Tax Receipts Fund is subject to the contractual obligations of the Authority to make monthly withdrawals from the Sales Tax Receipts Fund for the payment of Pension and Retirement Debt Payments on a parity with the payments to the Debt Service Fund, provided that each such monthly withdrawal shall be made in equal monthly installments that may commence no earlier than (i) in the case of interest, six months prior to the interest payment date and (ii) in the case of principal, 12 months prior to the principal payment date. In addition, whenever the PBC Parity Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a parity with the payments to the Debt Service Fund, and sufficient to provide for the payment, in equal monthly installments, of the next payment of PBC Annual Rent. Each month, after making all the payments required by this paragraph, and, if no Event of Default then exists, the Authority may withdraw all remaining moneys in the Sales Tax Receipts Fund free from the lien of the Indenture.

On any date required by the provisions of a Supplemental Indenture creating a Series of Bonds, or by an instrument creating Section 206 Obligations or Section 207 Obligations, the Trustee will segregate within the Debt Service Fund and credit to such Sub-Funds, Accounts and Sub-Accounts therein as may have been created for the benefit of such Series, and such Section 206 Obligations or Section 207 Obligations (i) such amounts as may be required to be so credited under the provisions of such Supplemental Indenture or instrument creating Section 206 Obligations or Section 207 Obligations to pay the principal of and interest on such Parity Obligations and (ii) any other amounts required to be withdrawn or deposited by such Supplemental Indenture or instrument. Moneys on deposit in the Debt Service Fund and which have been credited to such Sub-Funds, Accounts and Sub-Accounts therein as may have been created for the benefit of a Series of Bonds, Section 206 Obligations or Section 207 Obligations shall be used for the purposes specified in the Supplemental Indenture creating such Series or instruments securing such Section 206 Obligations or Section 207 Obligations.

If on any date no Event of Default then exists and there are moneys in the Debt Service Fund in excess of the amounts required to be disbursed as required in the preceding paragraph, then the Authority, pursuant to the written direction of the Authority expressed in a Certificate filed with the Trustee, may direct the withdrawal of such excess amount free from the lien of the Indenture.

The Indenture creates and establishes with the Trustee a separate and segregated Sub-Fund within the Debt Service Fund (the "Series 2014 Dedicated Sub-Fund"). Moneys on deposit in the Series 2014 Dedicated Sub-Fund and in each Account established therein are to be held in trust by the Trustee for the sole and exclusive benefit of the Owners of the Series 2014 Bonds and shall not be used or available for the payment of any other Parity Obligations, except as expressly provided in the Indenture.

Consolidated Debt Service Reserve Fund

A Consolidated Debt Service Reserve Fund is established under the Master Indenture for the benefit and security of Consolidated Reserve Fund Bonds to be maintained in an amount equal to the Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. The Series 2010 Bonds were

designated as Consolidated Reserve Fund Bonds, but the Series 2014 Bonds are not designated as Consolidated Reserve Fund Bonds.

Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for the purposes for which moneys in the Consolidated Debt Service Reserve Fund may be used. If any time the Consolidated Debt Service Reserve Fund holds one or more Qualified Reserve Credit Instruments and Investment Securities, the Investment Securities shall be liquidated and the proceeds applied to fund transfers permitted under the following two paragraphs prior to any draw being made on any Qualified Reserve Credit Instrument. If the Consolidated Debt Service Reserve Fund holds multiple Qualified Reserve Credit Instruments, draws shall be made under such Qualified Reserve Credit Instruments on a pro-rata basis to the extent of available funds.

If on the Business Day prior to any Interest Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of interest on a Series of Consolidated Reserve Fund Bonds due on such Interest Payment Date, then the Trustee shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such interest.

If on any Business Day prior to any Principal Payment Date there shall not be a sufficient amount in any Sub-Fund of the Debt Service Fund maintained under a Supplemental Indenture for the payment of the principal of a Series of Consolidated Reserve Fund Bonds due on such Principal Payment Date, then the Trustee, after making all withdrawals then required by the preceding paragraph, shall withdraw from the Consolidated Debt Service Reserve Fund and deposit into the appropriate Account or Sub-Account in such Sub-Fund, the amount needed to cure such deficiency and provide for the punctual payment of such principal.

In the event that the sum available for withdrawal from the Consolidated Debt Service Reserve Fund is not sufficient to satisfy all the withdrawals required by the preceding two paragraphs, then the sum held therein shall be allocated first for the withdrawals for interest and among the various withdrawals required above, pro-rata based upon the amount needed to cure each such deficiency.

Each Supplemental Indenture authorizing the issuance of a Series of Consolidated Reserve Fund Bonds shall provide for the transfer of moneys held in the Sub-Fund of the Debt Service Fund established in such Supplemental Indenture to fund any reimbursement amount due under any Qualified Reserve Credit Instrument and to cure any deficiency in the Consolidated Debt Service Reserve Fund. Any priority established by a Supplemental Indenture with respect to application of moneys in a Sub-Fund established with respect to a Series of Consolidated Reserve Fund Bonds, after making provision for any money deposited for the payment of the principal of and interest on such Series, shall next provide (i) first, for monthly payments to the provider of any Qualified Reserve Credit Instrument of amounts sufficient to fully restore the coverage of such Qualified Reserve Credit Instrument within one year of the date of initial draw thereunder and (ii) second, for monthly transfers to the Consolidated Debt Service Reserve Fund sufficient to fully restore the amount held on the Consolidated Debt Service Reserve Fund to the

Consolidated Reserve Requirement within one year of the initial deficiency in the Consolidated Debt Service Reserve Fund. If, at the time that any payment or transfer required to be made by these paragraphs is to be made, there are then Outstanding two or more Series of Consolidated Reserve Fund Bonds, then each Series and its associated Sub-Fund shall be charged for its Allocable Share of the amounts due under these paragraphs.

If on any date all withdrawals or payments from the Consolidated Debt Service Reserve Fund required by any other provision of the Indenture or any Supplemental Indenture shall have been made and no Event of Default then exists under the Indenture, the Trustee, at the direction of the Authority expressed in a Certificate filed with the Trustee, shall withdraw from the Consolidated Debt Service Reserve Fund the amount of any excess therein over the Consolidated Reserve Requirement and either (a) deposit such moneys into any one or more of the Funds, Sub-Funds, Accounts or Sub-Accounts maintained under the Indenture or any supplement thereto or (b) pay such moneys to the Authority free from the lien of the Indenture.

At the direction of the Authority expressed in a Certificate filed with the Trustee, moneys in the Consolidated Debt Service Reserve Fund may be withdrawn from the Consolidated Debt Service Reserve Fund and deposited with the Trustee for the payment of the Principal or Redemption Price of or the interest on Bonds in accordance with the Indenture, provided that immediately after such withdrawal the amount held in the Consolidated Debt Service Reserve Fund equals or exceeds the Consolidated Reserve Requirement.

Debt Service Reserve Accounts

Any Supplemental Indenture pursuant to which a Series is issued may establish a Debt Service Reserve Account and a Series reserve account requirement with respect thereto. Any such Supplemental Indenture may provide that the reserve account requirement may be satisfied as a whole or in part with one or more Qualified Reserve Credit Instruments. Any such Qualified Reserve Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments thereunder other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the Debt Service Reserve Account may be used. There is no debt service reserve account securing the Series 2014 Bonds.

Deposits into the Dedicated Sub-Fund and Accounts

On the 25th day of each month, or if such day is not a Business Day, the immediately preceding Business Day, commencing November 25, 2014 (each such date a "Deposit Date") there shall be deposited into the Series 2014 Dedicated Sub-Fund from amounts on deposit in the Debt Service Fund, an amount equal to the aggregate of the amounts described in the following paragraph, which amounts shall have been calculated by the Trustee on the fifth day of each month (such aggregate amount with respect to any Deposit Date being referred to herein as the "Series 2014 Deposit Requirement").

On each Deposit Date the Trustee shall make the following deposits in the following order of priority and if the moneys deposited into the Series 2014 Dedicated Sub-Fund are

insufficient to make any required deposit, the deposit shall be made up on the next Deposit Date after required deposits into other Accounts having a higher priority shall have been made in full:

First: for deposit into the 2014 Interest Account, an amount equal to the lesser of (i) (A) prior to the December 25, 2014 Deposit Date, an amount equal to the total amount due on the Series 2014 Bonds on the December 1, 2014 Interest Payment Date, other than interest payable on such Interest Payment Date from the 2014 Capitalized Interest Account; and (B) commencing on December 25, 2014 Deposit Date, one-sixth of the interest due on the Series 2014 Bonds on the next Interest Payment Date, other than interest payable on such Interest Payment Date from the 2014 Capitalized Interest Account; or (ii) the amount required so that the sum held in the 2014 Interest Account, when added to the interest payable from the 2014 Capitalized Interest Account on the next Interest Payment Date, will equal the interest due on the Series 2014 Bonds on the next Interest Payment Date; and

Second: commencing on December 25, 2040, for deposit into the 2014 Principal Account, an amount equal to the lesser of (i) one-twelfth of the Principal due on the Series 2014 Bonds on the first day of December next ensuing, or (i) the amount required so that the sum then held in the Principal Account will equal the Principal due on the Series 2014 Bonds on the first day of December next ensuing.

In addition to the Series 2014 Deposit Requirement, there shall be deposited into the Series 2014 Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Master Indenture or the Second Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2014 Dedicated Sub-Fund and to one or more accounts in the Series 2014 Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2014 Deposit Requirement, the Trustee shall notify the Authority of the Series 2014 Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Authority may reasonably request.

Covenant Against Pledge of Sales Tax Receipts

The Authority covenants not to issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements, the PBC Lease, the Corporate Purpose Debt Obligations and Subordinated Indebtedness, which are secured by a pledge of or lien on the Sales Tax 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 Sales Tax Receipts or such moneys, securities or funds; *provided* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring evidences of indebtedness (a) payable from or secured by amounts that may be withdrawn from the Sales Tax Receipts Fund free from the lien of the Indenture as provided in the provisions of the Indenture summarized above under "—Deposit and Application of Sales Tax Receipts" or from the Debt Service Fund as provided in the provisions of the Indenture summarized above under "—Deposit and Application of Sales Tax Receipts" or (b) payable from, or secured by the pledge of, Sales

Tax Receipts to be derived on and after such date as the pledge of the Trust Estate provided in the Indenture shall be discharged and satisfied as provided in the Indenture and summarized below under the caption "—Defeasance".

Project Account

The Trustee shall apply moneys in the 2014 Project Account for the payment of costs of issuance of the Series 2014 Bonds, as directed in a Certificate filed with the Trustee.

The Trustee shall make payment of the Costs of Construction of the 2014 Project from the 2014 Project Account as provided in the paragraphs below.

At the direction of the Authority expressed in a Certificate of an Authorized Officer filed with the Trustee, moneys in the 2014 Project Account shall be applied to pay such amounts as are required to be paid to the United States of America pursuant to Section 148(f) of the Code. The Trustee shall withdraw from the 2014 Project Account and pay to the Authority the amounts stated in a Certificate of an Authorized Officer filed with the Trustee and directing such withdrawal.

The Trustee shall, during construction of the 2014 Project, pay from the 2014 Project Account to the Authority, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$5,000,000, exclusive of and in addition to reimbursements as authorized, such sums and such reimbursements to be used by the Authority as a revolving fund for the payment of Costs of Construction that cannot conveniently be paid as otherwise provided under the Indenture. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the 2014 Project Account upon requisitions of the Authority accompanied by its certificate specifying the payee and the amount and particular purpose of each payment from such revolving fund for which such reimbursement is requested and certifying that each such amount so paid was necessary for the payment of an expense described and that such expense could not conveniently be paid except from such revolving fund. In making such reimbursements the Trustee may rely upon such requisitions and accompanying certificates.

The Trustee shall, during and upon completion of construction of the 2014 Project, make payments from the 2014 Project Account in addition to those made pursuant to the preceding paragraph, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in the Indenture. Before any such payment shall be made, the Authority shall file with the Trustee:

- (1) its requisition therefor, stating in respect of each payment to be made:
 - (a) the name of the person, firm or corporation to whom payment is due, (b) the amount to be paid, and (c) in reasonable detail the purpose for which the obligation was incurred; and
- (2) its certificate attached to the requisitions certifying: (a) that obligations in the stated amounts have been incurred by the Authority in or about the construction of the 2014 Project, and that each item thereof is a proper charge against the 2014 Project Account and is a proper Cost of Construction and has not been paid, (b) that there has not

been filed with or served upon the Authority notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition, or if any such lien, attachment or claim has been filed or served upon the Authority, that such lien, attachment or claim has been released or discharged, and (c) that such requisition contains no item representing payment on account of any retained percentages which the Authority is at the date of such certificate entitled to retain.

Upon receipt of each such requisition and accompanying certificates the Trustee shall transfer from the 2014 Project Account to the credit of a special account in the name of the Authority, an amount equal to the total of the amounts to be paid as set forth in such requisition, the amounts in such special account to be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. Each such obligation shall be paid by check or wire transfer signed by an Authorized Officer drawn on such special account to the order of the Person named in and in accordance with the requisition. Moneys deposited to the credit of such special account shall be deemed to be a part of the 2014 Project Account until paid out as above provided. If for any reason the Authority should decide prior to the payment of any item in a requisition to stop payment of such item, an Authorized Officer shall give notice of such decision to the Trustee and thereupon the Trustee shall transfer the amount of such item from such special account to the 2014 Project Account.

The Trustee shall withdraw from the 2014 Project Account and pay to the Authority free from the lien of the Indenture any balance in the 2014 Project Account, or any part thereof, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this paragraph. Before any such withdrawal and payment shall be made, the Authority shall file with the Trustee its certificate certifying: (1) that the 2014 Project has been completed or substantially completed, and (2) that a sum stated in the certificate is sufficient to pay, and is required to be reserved in the 2014 Project Account to pay, all Costs of Construction then remaining unpaid, including the estimated amount of any such items the amount of which is not finally determined and all claims against the Authority arising out of the construction thereof. Upon receipt of such requisition and accompanying certificates, the Trustee shall withdraw from the 2014 Project Account and pay to, or upon the order of, the Authority the amount stated in such requisition, provided that no such withdrawal shall be made if it would reduce the amount in the 2014 Project Account below the amount stated in the respective certificate of the Authority as required to be reserved in the 2014 Project Account. Moneys so withdrawn from the 2014 Project Account may be reappropriated by the Authority if such appropriation is permitted by State law and will not adversely affect the exclusion from gross income under the Code of interest on the Series 2014 Bonds.

Depositaries

All moneys held by the Trustee under the provisions of the Indenture may be deposited with one or more Depositaries selected by an Authorized Officer in the name of and in trust for the Trustee. All moneys held by the Authority under the Indenture shall be deposited in one or more Depositaries (selected by an Authorized Officer) in the name of the Authority. All moneys deposited under the provisions of the Indenture with the Trustee, the Authority or any Depositary

shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture shall be a trust fund.

All moneys held by any Depositary under the Indenture may be placed on demand or time deposit, as directed by an Authorized Officer, provided that such deposits shall permit the moneys so held to be available for use when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit as if it were not a Fiduciary. All moneys held by a Fiduciary may be deposited in its banking department on demand or, if and to the extent directed by an Authorized Officer, on time deposit, provided that such moneys on deposit be available for use when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size.

All moneys on deposit to the credit of the Debt Service Fund or the Consolidated Debt Service Reserve Fund not otherwise secured by deposit insurance shall be continuously and fully secured by the Trustee for the benefit of the Authority and the Owners of the Bonds by lodging with the Trustee as collateral security, Government Obligations having a market value (exclusive of accrued interest) of not less than the amount of such moneys. All other moneys held for the Authority under the Indenture shall be continuously and fully secured for the benefit of the Authority and the Owners of the Bonds in the same manner as provided by the Authority for similar funds of the Authority.

All moneys deposited with the Trustee and each Depositary shall be credited to the particular Fund, Sub-Fund, Account or Sub-Account to which such moneys belong.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Sub-Funds, Accounts and Sub-Accounts shall be invested and reinvested by the Trustee at the oral direction of an Authorized Officer promptly confirmed in writing 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, Sub-Funds, Accounts and Sub-Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in 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 two or more Funds, Sub-Funds, Accounts or Sub-Accounts may be jointly invested in one or more Investment Securities, provided that such investment complies with all the terms and conditions of the Indenture relating to the investment of moneys in such Funds, Accounts or Sub-Accounts, as the case may be, and the Authority maintains books and records as to the allocation of such investment as among such Funds, Sub-Funds, Accounts or Sub-Accounts. Investment income from investments held in the various Funds, Sub-Funds, Accounts and Sub-Accounts shall remain in and be a part of the respective Funds, Sub-Funds, Accounts and Sub-Accounts in which such investments are held, except as otherwise provided in the Indenture.

Valuation of Investment Securities held in the Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee on each June 15 and December 15 and at any other time required by the Indenture.

Extension of Payment of Bonds

If the maturity of any Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Bond or installment of interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to payment out of the Trust Estate or Funds, Sub-Funds, Accounts and Sub-Accounts established by the Indenture or moneys held by Fiduciaries or Depositaries (except moneys held in trust for the payment of such Bond or installment of interest) until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Construction of the 2014 Project

The Authority shall include the construction of the 2014 Project (and the payment of the Series 2014 Bonds from Sales Tax Receipts and other designated funds) in each five year capital improvement program that the Authority prepares and submits to the RTA in accordance with the Regional Transportation Authority Act.

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 Sales Tax Receipts; *provided* 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 Sales Tax Receipts and the Funds, Sub-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 Sales Tax Receipts received and the deposit of Sales Tax Receipts into the Sales Tax Receipts Fund.

Not later than August 1 of each year the Authority shall 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 Sales Tax 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 Series 2014 Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2014 Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2014 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2014 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 2014 Bonds or other moneys to be invested in any manner that would cause any Series 2014 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.

Events of Default

Each of the following events is hereby declared an "Event of Default":

(a) 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;

(b) 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;

(c) if the Authority shall fail to promptly deposit the Sales Tax Receipts into the Sales Tax Receipts Fund;

(d) 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 30 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

(e) 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.

Application of Funds After Default

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 (1) if any Pension and Retirement Debt Obligation is then outstanding, to the 2008 Trustee and

(2) if no Pension and Retirement Debt Obligation is then outstanding, to the Trustee (a) the Sales Tax Receipts Fund, and (b) all Sales Tax Receipts for deposit as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, (1) if any Pension and Retirement Debt Obligation is then outstanding, the Trustee shall demand of the 2008 Trustee the equitable distribution of the Sales Tax Receipts Fund for the payment of the PBC Annual Rent, if then subject to the PBC Parity Pledge Rights, and for the payment of Pension and Retirement Debt Payments and Corporate Purpose Debt Payments, as provided in the 2008 Indenture and (2) if no Pension and Retirement Debt Obligation is then outstanding, the Trustee shall provide for the equitable distribution of the Sales Tax Receipts Fund for the payment of the PBC Annual Rent, if then subject to the PBC Parity Pledge Rights, and for the payment of Corporate Purpose Debt Payments.

Moneys paid to the Trustee from the Sales Tax Receipts Fund pursuant to such equitable distribution or otherwise shall be applied 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 Indenture;

(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 or 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.

For purposes of the provisions of the Indenture summarized under this caption, interest on Parity Obligations includes net payments under a Qualified Swap Agreement.

Remedies

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, including by writ of mandamus, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted in the Indenture, 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.

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 summarized under the caption "- Extension of Payment of Bonds" above.

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 by any suit or proceeding, including by writ of mandamus, 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 Indenture; *provided* that 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.

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

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 a Series of Bonds and to specify, determine or authorize any matters and things concerning any such Series 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 Trust Estate or any other moneys, securities or funds;
- (7) to cure any ambiguity, omission or defect in the Indenture;
- (8) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;
- (9) to provide for the establishment of any Debt Service Reserve Account;
- (10) to provide for the appointment of any successor Fiduciary;

(11) to conform the provisions of the Indenture to the provisions of the Act, the RTA Act, the Code, or other applicable law; and

(12) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee, any Bond Insurer, any Swap Provider, any Credit Bank or the Owners.

Powers of Amendment

Except for Supplemental Indentures described under the caption "Supplemental Indentures" above, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds under the Indenture, 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* 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 under the Indenture. 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 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 or 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).

Consent of Owners

The Authority may at any time authorize the execution and delivery of a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture summarized above under "- Powers of Amendment", to take effect when and as provided under this caption. Subject to the provisions of the Indenture summarized below under "Rights of Bond Insurers," the rights of an owner of an Insured Bond to take action pursuant to this paragraph are abrogated and the Bond Insurer may exercise the rights of the owner of any Insured Bond that is entitled to the benefits of a Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to the provisions of this caption. Upon the authorization of such Supplemental 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 this caption 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. 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* 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 referred to 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 Indenture 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 under the Indenture, 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. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required principal amount of Outstanding Bonds and will be effective as provided in the Indenture, shall be given by mailing to the Owners (but failure to mail such notice or any defect therein shall not prevent such Supplemental Indenture from becoming effective and binding). The Trustee shall deliver to the Authority proof of the mailing of such notice. A record, consisting of the information required or permitted by the Indenture to be delivered by or to the Trustee, shall be proof of the matters therein stated.

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 the Trust Estate 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 the Trust Estate 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 the 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, 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, (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 Indenture 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, (v) if any of said Bonds are not to be paid within the next succeeding 60 days, a report of an Accountant verifying the sufficiency of such Defeasance Obligations and moneys 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 (vi) a Counsel's Opinion to the effect that said Bonds are no longer Outstanding under the Indenture. The Trustee shall execute a certificate confirming the defeasance of said Bonds and the satisfaction of the foregoing conditions. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the Indenture 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 the Indenture. 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 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 in accordance with the provisions of the Indenture summarized under this caption. 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.

Each Fiduciary shall continue to be entitled to reasonable compensation for all services rendered under the Indenture, notwithstanding that any Bonds are deemed to be paid pursuant to the Indenture.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Parity Obligations which remain unclaimed for two years after the date when Parity Obligations have become due and payable, either at their stated maturity dates or by call for earlier

redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Parity Obligations become due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of such Bonds and the Persons entitled to payment of any Section 206 Obligation or Section 207 Obligation shall look only to the Authority for the payment of such Parity Obligation.

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.

**CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
Years Ended December 31, 2013 and 2012
(With Independent Auditor's Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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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 and fiduciary activities of the Chicago Transit Authority (CTA) as of and for the years ended December 31, 2013 and 2012, 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 entity'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 entity'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 and fiduciary activities of the CTA, as of December 31, 2013 and 2012, 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 March 2012, the GASB issued GASB Statement 65, "Items Previously Reported as Assets and Liabilities." The provisions of this Statement are effective for the CTA's fiscal year ended December 31, 2013. The CTA has implemented this Statement retroactively for the year ended December 31, 2012 resulting in restated net position. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. 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 management's discussion and analysis and the schedules of funding progress and employer contributions, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the CTA's financial statements. The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2013 and 2012, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary schedules of expenses and revenues – budget and actual are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014 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 the CTA's internal control over financial reporting and compliance.



Crowe Horwath LLP

Chicago, Illinois
April 30, 2014

CHICAGO TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2013 and 2012

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, 2013 and 2012. 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 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.*

Financial Highlights for 2012

- *Net position totaled \$552,857,000 at December 31, 2012.*
- *Net position decreased \$196,274,000 in 2012, which compares to a decrease of \$274,505,000 in 2011.*
- *Total net capital assets were \$3,792,311,000 at December 31, 2012, an increase of 0.86% over the balance at December 31, 2011 of \$3,760,045,000.*

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) statement of net position, (2) statement of revenues, expenses, and changes in net position, (3) statement 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.

Statement of Net Position

The statement of net position reports all financial and capital resources for the CTA (excluding fiduciary activities). The statement is 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 statement of net position is to show a picture of the liquidity and health of the organization as of the end of the year.

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The statement of net position (the unrestricted net position) is 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.

Statement of Revenues, Expenses, and Changes in Net Position

The statement 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 statement of revenues, expenses, and changes in net position is the change 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.

Statement of Cash Flows

The statement 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.

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Financial Analysis of the CTA's Business-Type Activities

Statement of Net Position

The following table reflects a condensed summary of assets, liabilities, and net position of the CTA as of December 31, 2013, 2012, and 2011:

Table 1
Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
December 31, 2013, 2012, and 2011
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 677,410	\$ 678,900	\$ 620,593
Capital Assets, net	4,442,538	3,792,311	3,760,045
Noncurrent assets	<u>1,942,841</u>	<u>2,482,899</u>	<u>2,745,344</u>
Total assets	<u>7,062,789</u>	<u>6,954,110</u>	<u>7,125,982</u>
Total deferred outflows of resources	<u>10,054</u>	<u>7,615</u>	<u>9,622</u>
Total assets and deferred outflows of resources	<u>\$ 7,072,843</u>	<u>\$ 6,961,725</u>	<u>\$ 7,135,604</u>
Liabilities:			
Current liabilities	\$ 738,733	\$ 630,516	\$ 569,774
Long-term liabilities	<u>5,500,128</u>	<u>5,778,180</u>	<u>5,816,608</u>
Total liabilities	<u>6,238,861</u>	<u>6,408,696</u>	<u>6,386,382</u>
Total deferred inflows of resources	<u>1,023</u>	<u>172</u>	<u>91</u>
Net position			
Net investment in capital assets	2,711,215	2,383,120	2,631,353
Restricted:			
Payment of leasehold obligations	51,585	43,920	31,164
Debt service	76,203	75,333	83,585
Unrestricted (deficit)	<u>(2,006,044)</u>	<u>(1,949,516)</u>	<u>(1,996,971)</u>
Total net position	<u>832,959</u>	<u>552,857</u>	<u>749,131</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,072,843</u>	<u>\$ 6,961,725</u>	<u>\$ 7,135,604</u>

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, new fare collection equipment, and two major rail construction projects. 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.

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

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 2.90% over the prior year.

Year Ended December 31, 2012

Current assets increased by 9.40% to \$678,900,000. The change in current assets is primarily due to an increase in grant receivables.

Capital assets (net) increased by 0.86% to \$3,792,311,000 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 9.56% to \$2,482,899,000 primarily due to use of bond proceeds to fund various capital projects.

Current liabilities increased 10.66% to \$630,516,000 primarily due to an increase in the accounts payable and accrued expenses related to increased capital project activity.

Long-term liabilities decreased 0.66% to \$5,778,180,000. The slight decrease in primarily due to a decrease in bonds payable.

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 2.38% over the prior year.

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CHICAGO TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2013 and 2012

Statement 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, 2013, 2012, and 2011:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2013, 2012, and 2011
(In thousands of dollars)

	2013	2012	2011
Operating revenues	\$ 624,954	\$ 596,499	\$ 570,891
Operating expenses:			
Operating expenses	1,280,661	1,292,918	1,215,871
Depreciation	365,560	379,510	404,193
Total operating expenses	<u>1,646,221</u>	<u>1,672,428</u>	<u>1,620,064</u>
Operating loss	(1,021,267)	(1,075,929)	(1,049,173)
Nonoperating revenues:			
Public funding from the RTA	753,308	645,524	701,920
Interest revenue from leasing transactions	111,151	116,039	114,068
Other nonoperating revenues	<u>52,857</u>	<u>62,163</u>	<u>47,280</u>
Total nonoperating revenues	917,316	823,726	863,268
Nonoperating expenses	<u>(289,518)</u>	<u>(310,473)</u>	<u>(298,660)</u>
Change in net position before capital contributions	(393,469)	(562,676)	(484,565)
Capital contributions	<u>673,571</u>	<u>366,402</u>	<u>238,355</u>
Change in net position	280,102	(196,274)	(246,210)
Total net position, beginning of year (as restated)	<u>552,857</u>	<u>749,131</u>	<u>995,341</u>
Total net position, end of year	<u>\$ 832,959</u>	<u>\$ 552,857</u>	<u>\$ 749,131</u>

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.

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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.

Year Ended December 31, 2012

Total operating revenues increased by \$25,608,000, or 4.49% primarily due to increases in farebox and pass revenue.

Farebox and pass revenue increased 3.97% over the prior year primarily due to higher ridership. CTA's ridership increased by 2.6% or 13.6 million rides. CTA's average fare of \$1.01 was \$0.02 higher than 2011.

In 2012, CTA provided approximately 57.0 million free rides, a decrease of 1.6 million or 2.8% over 2011. 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 increased \$52,364,000, or 3.23%. The increase is primarily driven by higher labor expense. Labor expense increased \$47,746,000 or 5.18% due to an increase in base wages and related fringe benefits. Materials expense increased \$17,518,000 due to an increase in the reserve for obsolescence. Fuel expense increased \$5,635,000 due to price increases. Electric power was \$3,079,000 less than the prior year.

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

Table 3
Operating Revenues and Expenses
Years ended December 31, 2013, 2012, and 2011
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Farebox revenue	\$ 323,302	\$ 272,195	\$ 266,875
Pass revenue	250,727	276,604	260,978
Total farebox and pass revenue	<u>574,029</u>	<u>548,799</u>	<u>527,853</u>
Advertising and concessions	25,677	25,675	21,459
Other revenue	25,248	22,025	21,579
Total operating revenues	<u>\$ 624,954</u>	<u>\$ 596,499</u>	<u>\$ 570,891</u>
Operating Expenses:			
Labor and fringe benefits	\$ 970,974	\$ 969,637	\$ 921,891
Materials and supplies	60,353	85,437	67,919
Fuel	61,836	62,908	57,273
Electric power	26,174	25,020	28,099
Purchase of security services	24,160	37,468	36,815
Other	122,993	95,000	83,706
Operating expense before provisions	1,266,490	1,275,470	1,195,703
Provision for injuries and damages	14,171	17,448	20,168
Provision for depreciation	365,560	379,510	404,193
Total operating expenses	<u>\$ 1,646,221</u>	<u>\$ 1,672,428</u>	<u>\$ 1,620,064</u>

Capital Asset and Debt Administration

Capital Assets

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.

The CTA invested \$9,391,480,000 (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, 2012. Net of accumulated depreciation, the CTA's capital assets at December 31, 2012 totaled \$3,792,311,000. This amount represents a net increase (including additions and disposals, net of depreciation) of \$32,266,000, or 0.86%, over the December 31, 2011 balance primarily due to an increase in vehicle purchases.

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

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Debt Administration

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

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.

At December 31, 2012, the CTA had \$1,777,681,000 in capital lease obligations outstanding, a slight increase from December 31, 2011. The bonds payable liability decreased \$62,390,000 over the prior year. There were no new bond issuances during 2012.

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

2014 Budget and Economic Factors

On November 13, 2013, the CTA Board adopted an annual operating budget for fiscal year 2014. After adoption, the budget was submitted to and approved by the RTA on November 20, 2013. The 2014 budget is balanced at \$1.384 billion, with no service reductions and no transfers of capital funds. The 2014 budget is 2.3% higher than the 2013 budget, with increases in labor expense following the contractual schedule and inflationary increases in materials, energy, and contracts.

The CTA continues into the third year of a four-year, negotiated labor agreement in 2014. 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 fuel hedging, supply chain reform, and absenteeism reduction help reduce and contain expenses across the agency. The CTA continues to take delivery of 714 new rail cars replacing rail cars that have been in service for nearly 40 years. In addition, the CTA put 100 new buses into service in 2013, begins taking delivery of a base order of 300 new buses in 2014, and is in the middle of a full mid-life overhaul of over 1,000 existing buses. These vehicle investments help reduce material, fuel, and labor expense.

Several major infrastructure upgrades were completed in 2013, most notably the Red Line South project. For five months of 2013, a 10.2 mile stretch of the Red Line South was closed while the entire ballast, track, and associated infrastructure were replaced. The project finished on-time and on-budget resulting in a time savings of 15 minutes with improved efficiency and quality for the customer. In 2013, this project was accompanied by the replacement of the Wells Street Bridge and an upgrade to the CTA's busiest train junction, serving 700 trains per day and upgrades to CTA's along with numerous improvements to CTA's stations, operating facilities, and track and power infrastructure. In 2014, infrastructure upgrades across the system will continue along with the Your New Blue project designed to reduce travel time and improve stations on the Blue Line, a heavily used and rapidly growing part of the CTA system.

System-generated revenue is projected to be \$676 million in 2014, representing a 1.1% increase over the 2013 forecast. The prices of unlimited ride passes and other targeted fares were increased in 2013 and will remain stable in 2014. The UPass unlimited ride pass for post graduate institutions increased the daily price to \$1.07 per day from \$0.81 per day beginning in August 2013 and continuing for the next five years. In the State of Illinois' FY 2014 budget, the reduced fare reimbursement for the CTA was cut by nearly \$14 million. The RTA has provided funding to offset this reduction for the first six months of 2014 until the amount is restored in the state's FY 2015 budget. Additionally, a \$0.50 bus fare discount and free rail rides at a transfer station were provided in 2013 during the five-month Red Line South project. The completion of that project is expected to have a positive impact on 2014 revenue.

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The economic recovery is expected to continue to increase public funding from sales tax receipts and the Real-Estate Transfer Tax. Final estimates from 2013 show a public funding total of \$697.2 million, about \$25 million higher than revised estimates. In 2014 public funding available is projected to be \$700.7 million (excluding the \$8.2 million replacement of the reduced fare reimbursement).

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.

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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, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 95,621	\$ 124,090
Cash and cash equivalents restricted for damage reserve	114,622	121,395
Investments	<u>20</u>	<u>1,000</u>
Total cash, cash equivalents, and investments	<u>210,263</u>	<u>246,485</u>
Grants receivable:		
Due from the RTA	276,970	246,638
Capital improvement projects from federal and state sources	33	33
Unbilled work in progress	88,703	92,536
Other	<u>70</u>	<u>809</u>
Total grants receivable	<u>365,776</u>	<u>340,016</u>
Accounts receivable, net	48,881	40,772
Materials and supplies, net	44,387	46,056
Prepaid expenses and other assets	7,080	5,399
Derivative instrument asset	<u>1,023</u>	<u>172</u>
Total current assets	<u>677,410</u>	<u>678,900</u>
Noncurrent assets:		
Other noncurrent assets:		
Restricted assets for repayment of leasing commitments	1,503,684	1,659,597
Bond proceeds held by trustee	420,670	804,205
Assets held by trustee for supplemental retirement plans	441	381
Net pension asset - supplemental retirement plans	<u>18,046</u>	<u>18,716</u>
Total other noncurrent assets	<u>1,942,841</u>	<u>2,482,899</u>
Capital assets:		
Capital assets not being depreciated	<u>1,038,890</u>	<u>624,753</u>
Capital assets being depreciated	9,287,009	8,766,727
Less accumulated depreciation	<u>(5,883,361)</u>	<u>(5,599,169)</u>
Total capital assets being depreciated, net	<u>3,403,648</u>	<u>3,167,558</u>
Total capital assets, net	<u>4,442,538</u>	<u>3,792,311</u>
Total noncurrent assets	<u>6,385,379</u>	<u>6,275,210</u>
Total assets	<u>7,062,789</u>	<u>6,954,110</u>
Deferred outflows of resources		
Deferred loss on refunding	<u>10,054</u>	<u>7,615</u>
Total deferred outflows of resources	<u>10,054</u>	<u>7,615</u>
Total assets and deferred outflows of resources	<u>\$ 7,072,843</u>	<u>\$ 6,961,725</u>

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CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 168,274	\$ 144,256
Accrued payroll, vacation pay, and related liabilities	107,051	102,081
Accrued interest payable	20,370	21,107
Advances, deposits, and other	10,997	8,440
Unearned passenger revenue	41,834	53,179
Other unearned revenue	1,471	2,164
Unearned operating assistance	34,525	33,138
Current portion of long-term liabilities	<u>354,211</u>	<u>266,151</u>
Total current liabilities	<u>738,733</u>	<u>630,516</u>
Long-term liabilities:		
Self-insurance claims, less current portion	169,357	170,482
Capital lease obligations, less current portion	1,457,455	1,700,351
Bonds payable, less current portion	3,669,020	3,753,939
Certificates of participation payable, less current portion	43,486	49,987
Net pension obligation - supplemental retirement plans	59,455	38,277
Net other postemployment benefits obligation	4,120	3,934
Other long-term liabilities	<u>97,235</u>	<u>61,210</u>
Total long-term liabilities	<u>5,500,128</u>	<u>5,778,180</u>
Total liabilities	<u>6,238,861</u>	<u>6,408,696</u>
Deferred inflows of resources		
Accumulated increase in fair value of hedging derivative	<u>1,023</u>	<u>172</u>
Total deferred inflows of resources	<u>1,023</u>	<u>172</u>
Net position:		
Net investment in capital assets	2,711,215	2,383,120
Restricted:		
Payment of leasehold obligations	51,585	43,920
Debt service	76,203	75,333
Unrestricted (deficit)	<u>(2,006,044)</u>	<u>(1,949,516)</u>
Total net position	<u>832,959</u>	<u>552,857</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,072,843</u>	<u>\$ 6,961,725</u>

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Fare box revenue	\$ 323,302	\$ 272,195
Pass revenue	<u>250,727</u>	<u>276,604</u>
Total fare box and pass revenue	<u>574,029</u>	<u>548,799</u>
Advertising and concessions	25,677	25,675
Other revenue	<u>25,248</u>	<u>22,025</u>
Total operating revenues	<u>624,954</u>	<u>596,499</u>
Operating expenses:		
Labor and fringe benefits	970,974	969,637
Materials and supplies	60,353	85,437
Fuel	61,836	62,908
Electric power	26,174	25,020
Purchase of security services	24,160	37,468
Maintenance and repairs, utilities, rent, and other	<u>122,993</u>	<u>95,000</u>
	1,266,490	1,275,470
Provisions for injuries and damages	14,171	17,448
Provision for depreciation	<u>365,560</u>	<u>379,510</u>
Total operating expenses	<u>1,646,221</u>	<u>1,672,428</u>
Operating expenses in excess of operating revenues	<u>(1,021,267)</u>	<u>(1,075,929)</u>
Nonoperating revenues (expenses):		
Public funding from the RTA	753,308	645,524
Reduced-fare subsidies	21,948	27,780
Operating grant revenue	17,707	15,890
Contributions from local government agencies	5,000	5,000
Investment income	3,940	9,091
Gain (loss) on sale of assets	(1,009)	140
Recognition of leasing transaction proceeds	4,262	4,262
Interest expense on bonds	(175,817)	(192,034)
Interest revenue from leasing transactions	111,151	116,039
Interest expense on leasing transactions	<u>(112,692)</u>	<u>(118,439)</u>
Total nonoperating revenues, net	<u>627,798</u>	<u>513,253</u>
Change in net position before capital contributions	<u>(393,469)</u>	<u>(562,676)</u>
Capital contributions	<u>673,571</u>	<u>366,402</u>
Change in net position	280,102	(196,274)
Total net position – beginning of year (as restated)	<u>552,857</u>	<u>749,131</u>
Total net position – end of year	<u>\$ 832,959</u>	<u>\$ 552,857</u>

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from fares	\$ 562,684	\$ 553,253
Payments to employees	(940,755)	(918,316)
Payments to suppliers	(261,264)	(308,538)
Other receipts	<u>44,680</u>	<u>30,314</u>
Net cash flows provided by (used in) operating activities	<u>(594,655)</u>	<u>(643,287)</u>
Cash flows from noncapital financing activities:		
Public funding from the RTA	668,216	629,824
Reduced-fare subsidies	21,948	27,780
Operating grant revenue	17,707	15,890
Contributions from local governmental agencies	<u>5,000</u>	<u>5,000</u>
Net cash flows provided by (used in) noncapital financing activities	<u>712,871</u>	<u>678,494</u>
Cash flows from capital and related financing activities:		
Interest income from assets restricted for payment of leasehold obligations	111,151	116,039
Interest expense on bonds	(182,593)	(198,303)
Decrease (increase) in restricted assets for repayment of leasing commitments	155,913	(29,217)
Repayment of lease obligations	(284,644)	(104,485)
Repayment of bonds payable	(80,894)	(62,093)
Repayment of other long-term liabilities	(2,058)	(3,971)
Payments for acquisition and construction of capital assets	(942,226)	(358,681)
Proceeds from the sale of property and equipment	5,355	-
Capital grants	<u>678,143</u>	<u>343,360</u>
Net cash flows provided by (used in) capital and related financing activities	<u>(541,853)</u>	<u>(297,351)</u>
Cash flows from investing activities:		
Purchases of unrestricted investments	(20)	(1,000)
Proceeds from maturity of unrestricted investments	1,000	3,020
Restricted cash and investment accounts:		
Purchases and withdrawals	(500,355)	(317,337)
Proceeds from maturities and deposits	883,830	586,468
Investment revenue	<u>3,940</u>	<u>9,091</u>
Net cash flows provided by (used in) investing activities	<u>388,395</u>	<u>280,242</u>
Net increase (decrease) in cash and cash equivalents	(35,242)	18,098
Cash and cash equivalents – beginning of year	<u>245,485</u>	<u>227,387</u>
Cash and cash equivalents – end of year	<u>\$ 210,243</u>	<u>\$ 245,485</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	\$ (1,021,267)	\$ (1,075,929)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	365,560	379,510
(Increase) decrease in assets:		
Accounts receivable	(8,109)	(13,891)
Materials and supplies	1,669	12,445
Prepaid expenses and other assets	(1,681)	103
Net pension asset	670	22,531
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	46,583	555
Accrued payroll, vacation pay, and related liabilities	4,970	3,592
Self-insurance reserves	5,067	4,071
Unearned passenger revenue	(11,345)	4,454
Other unearned revenue	(693)	(2,543)
Advances, deposits, and other	2,557	(952)
Accrued pension costs and OPEB	<u>21,364</u>	<u>22,767</u>
Net cash flows used in operating activities	<u>\$ (594,655)</u>	<u>\$ (643,287)</u>
Noncash investing and financing activities:		
Recognition of leasing proceeds	\$ 4,262	\$ 4,262
Accretion of interest on lease/leaseback obligations	109,188	112,570
Retirement of fully depreciated capital assets	81,368	55,365
Purchases of capital assets in accounts payable at year-end	48,555	71,119
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	276,970	246,638
Capital grant assistance not received		
Unbilled work in progress	88,703	92,536

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Position
Open Supplemental Retirement Plan
December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Assets:		
Contributions from employees	\$ 402	\$ 397
Investments at fair value:		
Short-term investments	2,011	1,558
Government agencies	8,842	8,197
Equity mutual funds	7,903	7,001
Common stock	<u>24,450</u>	<u>19,995</u>
Total investments at fair value	<u>43,206</u>	<u>36,751</u>
Securities lending collateral	<u>13,059</u>	<u>15,962</u>
Total assets	<u>56,667</u>	<u>53,110</u>
Liabilities:		
Accounts payable and other liabilities	105	108
Securities lending collateral obligation	<u>13,059</u>	<u>15,962</u>
Total liabilities	<u>13,164</u>	<u>16,070</u>
Net position of held in trust pension benefits	<u>\$ 43,503</u>	<u>\$ 37,040</u>

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Position
Open Supplemental Retirement Plan
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Additions:		
Contributions:		
Employee	\$ 14	\$ 45
Employer	<u>1,927</u>	<u>2,267</u>
Total contributions	<u>1,941</u>	<u>2,312</u>
Investment income:		
Net increase (decrease) in fair value of investments	5,927	3,284
Investment income	<u>3,232</u>	<u>1,594</u>
Total investment income	<u>9,159</u>	<u>4,878</u>
Total additions	<u>11,100</u>	<u>7,190</u>
Deductions:		
Benefits paid to participants or beneficiaries	4,315	4,093
Trust fees	<u>322</u>	<u>307</u>
Total deductions	<u>4,637</u>	<u>4,400</u>
Net increase (decrease)	6,463	2,790
Net position of held in trust pension benefits:		
Beginning of year	<u>37,040</u>	<u>34,250</u>
End of year	<u>\$ 43,503</u>	<u>\$ 37,040</u>

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 statement 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)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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. Capitalized interest expense was \$10,768,000 and \$6,931,900 during the years ended December 31, 2013 and 2012, 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:

	<u>Years</u>
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.

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 13. 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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity - Omnibus -- An Amendment of GASB Statements No. 14 and No. 34*. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since GASB 14 and GASB 34 were issued in 1991 and 1999, respectively. This Statement is intended to improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). In addition, this Statement amends the criteria for blending - reporting component units as if they were part of the primary government - in certain circumstances. The implementation of this Statement did not have a material impact on the CTA.

In March, 2012, the GASB issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for the CTA's fiscal year ended December 31, 2013. This Statement was adopted by the CTA retrospectively for the fiscal year ending December 31, 2012. Based on the implementation of Statement 65 the CTA's 2012 beginning net position was restated by \$34,632,000 because bond issuance costs were no longer capitalized. In addition, 2012 expenses decreased by \$2,203.

In March 2012, the GASB issued GASB Statement 66, *Technical Corrections – 2012*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this Statement did not have a material impact on the CTA.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements:

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. This Statement is effective for the CTA's financial periods beginning after June 15, 2013. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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.

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.

This Statement is effective for the CTA's financial periods beginning December 15, 2013. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. This Statement is effective for the CTA's financial periods beginning June 15, 2013. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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.

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 2013 and 2012, 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.

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2013 and 2012

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

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. During 2012, 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):

	<u>2013</u>	<u>2012</u>
1983 Legislation Illinois state sales tax allocation	\$ 327,537	\$ 311,746
1983 Legislation RTA discretionary funding and other	181,009	168,700
2008 Legislation Illinois state sales tax allocation & PTF	131,706	125,795
2008 Legislation Real estate transfer tax	56,909	39,283
Final public funding	<u>697,161</u>	<u>645,524</u>
Working cash borrowing	56,147	-
Total public funding	<u>\$ 753,308</u>	<u>\$ 645,524</u>

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 in the financial statements. 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 \$21,948,000 and \$27,780,000 during the years ended December 31, 2013 and 2012, respectively, for discounted services provided to the elderly, disabled, or student riders.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2013 and 2012 (in thousands of dollars):

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 95,621	\$ 124,090
Restricted for injury and damage reserve	114,622	121,395
Investments	20	1,000
Noncurrent assets:		
Bond proceeds held by trustee	420,670	804,205
Held by trustee for supplemental retirement plan	441	381
Total	<u>\$ 631,374</u>	<u>\$ 1,051,071</u>

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2013 and 2012 (in thousands of dollars):

	<u>2013</u>	<u>2012</u>
Investments:		
Certificates of deposit	\$ 20	\$ 4,020
Money market mutual funds	39,305	116,483
U.S. government agencies	313,266	488,481
U.S. Treasury bills	71,429	54,780
Commercial paper	180,016	366,036
Total Investments	<u>604,036</u>	<u>1,029,800</u>
Deposits with financial institutions	<u>27,338</u>	<u>21,271</u>
Total deposits and investments	<u>\$ 631,374</u>	<u>\$ 1,051,071</u>

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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.

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, 2013 and 2012, the CTA's bank balances were fully insured or collateralized.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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:

<u>Instrument type</u>	<u>Term of investment</u>
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, 2013, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

	<u>Fair value</u>	<u>Investment maturities (by years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>5+</u>
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	<u>\$ 604,016</u>	<u>\$ 577,955</u>	<u>\$ 26,061</u>	<u>\$ -</u>

As of December 31, 2012, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

	<u>Fair value</u>	<u>Investment maturities (by years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>5+</u>
Money market mutual funds	\$ 116,483	\$ 116,483	\$ -	\$ -
U.S. government agencies	488,481	203,450	285,031	-
U.S. treasury bills	54,780	54,780	-	-
Commercial paper	366,036	366,036	-	-
Total	<u>\$ 1,025,780</u>	<u>\$ 740,749</u>	<u>\$ 285,031</u>	<u>\$ -</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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, 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):

	Fair value	Credit ratings			Not rated
		A1P1 or AAA	A2P2 or AA	A3P3 or A	
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	<u>\$ 604,016</u>	<u>\$ 564,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,305</u>

As of December 31, 2012, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings			Not rated
		A1P1 or AAA	A2P2 or AA	A3P3 or A	
Money market mutual funds	\$ 116,483	\$ -	\$ -	\$ -	\$ 116,483
U.S. government agencies	488,481	488,481	-	-	-
U.S. treasury bills	54,780	54,780	-	-	-
Commercial paper	366,036	366,036	-	-	-
Total	<u>\$ 1,025,780</u>	<u>\$ 909,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,483</u>

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.

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 50 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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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. As of December 31, 2012, the CTA had investments in the Federal Home Loan Mortgage Corporation (FHLMC) (19.8%) and U.S. Bank (12.2%) 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, 2013 and 2012 (in thousands of dollars):

	2013	2012
Investments, at fair value:		
Short-term investments	\$ 2,011	\$ 1,558
U.S. government agency commingled funds	8,842	8,197
Equity mutual funds	7,903	7,001
Common stock	24,450	19,995
Total	\$ 43,206	\$ 36,751

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.

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%

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2013, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years)	
		Less than 1	1 - 5
Short-term investment funds	\$ 2,011	\$ 2,011	\$ -
U.S. government agency commingled funds	8,842	8,842	-
Total	<u>\$ 10,853</u>	<u>\$ 10,853</u>	<u>\$ -</u>

As of December 31, 2012, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years)	
		Less than 1	1 - 5
Short-term investment funds	\$ 1,558	\$ 1,558	\$ -
U.S. government agency commingled funds	8,197	8,197	-
Total	<u>\$ 9,755</u>	<u>\$ 9,755</u>	<u>\$ -</u>

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, 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):

	Fair value	Credit ratings	
		Government Secured	Not Rated
Short-term investment funds	\$ 2,011	\$ -	\$ 2,011
U.S. government agency commingled funds	8,842	8,842	-
Total	<u>\$ 10,853</u>	<u>\$ 8,842</u>	<u>\$ 2,011</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

As of December 31, 2012, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings	
		Government Secured	Not Rated
Short-term investment funds	\$ 1,558	\$ -	\$ 1,558
U.S. government agency commingled funds	8,197	8,197	-
Total	<u>\$ 9,755</u>	<u>\$ 8,197</u>	<u>\$ 1,558</u>

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 \$4,018,000 and \$3,395,000 as of December 31, 2013 and 2012, 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 \$12,777,000 and \$15,787,000 as of December 31, 2013 and 2012, respectively. The fair value of the associated collateral received was approximately \$13,059,000 and \$15,962,000 as of December 31, 2013 and 2012, 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.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 \$366,296,000 and \$234,285,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2013 and 2012, 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 \$682,879,000 and \$834,951,000 have been entered into for these state and local capital grants as of December 31, 2013 and 2012, respectively. 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	<u>624,753</u>	<u>920,424</u>	<u>(506,287)</u>	<u>1,038,890</u>
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	<u>8,766,727</u>	<u>604,262</u>	<u>(83,980)</u>	<u>9,287,009</u>
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	<u>5,599,169</u>	<u>365,560</u>	<u>(81,368)</u>	<u>5,883,361</u>
Total capital assets being depreciated, net	<u>3,167,558</u>	<u>238,702</u>	<u>(2,612)</u>	<u>3,403,648</u>
Total capital assets, net	<u>\$ 3,792,311</u>	<u>\$ 1,159,126</u>	<u>\$ (508,899)</u>	<u>\$ 4,442,538</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2012 are as follows (in thousands of dollars):

	Balance at January 1, 2012	Increase	Decrease	Balance at December 31, 2012
Capital assets not being depreciated:				
Land	\$ 119,171	\$ 280	\$ -	\$ 119,451
Construction in process	438,858	432,414	(365,970)	505,302
Total capital assets not being depreciated	<u>558,029</u>	<u>432,694</u>	<u>(365,970)</u>	<u>624,753</u>
Capital assets being depreciated:				
Land improvements	26,740	2,398	-	29,138
Buildings	2,313,421	48,965	(97)	2,362,289
Transportation vehicles	2,441,540	251,302	(133,980)	2,558,862
Elevated structure track	1,928,722	34,398	(44)	1,963,076
Signal and communication	1,233,222	11,216	(1,501)	1,242,937
Other equipment	594,139	17,691	(1,405)	610,425
Total capital assets being depreciated	<u>8,537,784</u>	<u>365,970</u>	<u>(137,027)</u>	<u>8,766,727</u>
Less accumulated depreciation for:				
Land improvements	21,056	1,701	-	22,757
Buildings	1,050,969	81,183	(97)	1,132,055
Transportation vehicles	1,830,879	132,881	(113,060)	1,850,700
Elevated structure track	1,159,003	76,881	(45)	1,235,839
Signal and communication	741,957	62,784	(1,501)	803,240
Other equipment	531,904	24,080	(1,406)	554,578
Total accumulated depreciation	<u>5,335,768</u>	<u>379,510</u>	<u>(116,109)</u>	<u>5,599,169</u>
Total capital assets being depreciated, net	<u>3,202,016</u>	<u>(13,540)</u>	<u>(20,918)</u>	<u>3,167,558</u>
Total capital assets, net	<u>\$ 3,760,045</u>	<u>\$ 419,154</u>	<u>\$ (386,888)</u>	<u>\$ 3,792,311</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 7 - LONG-TERM OBLIGATIONS

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	<u>1,799,099</u>	<u>109,188</u>	<u>(282,813)</u>	<u>1,625,474</u>	<u>1,457,455</u>	<u>168,019</u>
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	<u>3,828,854</u>	<u>-</u>	<u>(81,104)</u>	<u>3,747,750</u>	<u>3,669,020</u>	<u>78,730</u>
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	-	-
Net OPEB obligation (note 13)	3,934	186	-	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	<u>61,210</u>	<u>102,490</u>	<u>(58,205)</u>	<u>105,495</u>	<u>97,235</u>	<u>8,260</u>
Total	<u>\$ 6,044,331</u>	<u>\$ 445,560</u>	<u>\$ (635,552)</u>	<u>\$ 5,854,339</u>	<u>\$ 5,436,553</u>	<u>\$ 354,211</u>

Changes in long-term obligations for the year ended December 31, 2012 are as follows (in thousands of dollars):

	Balance at January 1, 2012	Additions	Reductions	Balance at December 31, 2012	Amount due beyond one year	Amount due within one year
Self insurance claims (note 14)	\$ 253,001	\$ 218,960	\$ (214,890)	\$ 257,071	\$ 170,482	\$ 86,589
Capital lease obligations:						
Capital lease obligations (note 8)	1,763,423	112,570	(98,312)	1,777,681	1,678,933	98,748
Premium on capital lease obligation	5,952	-	(458)	5,494	5,494	-
Unearned rev. – leasing trans. (note 8)	20,186	-	(4,262)	15,924	15,924	-
Total capital lease obligations	<u>1,789,561</u>	<u>112,570</u>	<u>(103,032)</u>	<u>1,799,099</u>	<u>1,700,351</u>	<u>98,748</u>
Bonds payable:						
Bonds payable (note 9)	3,832,135	-	(56,465)	3,775,670	3,700,755	74,915
Premium on bonds payable	59,487	-	(6,303)	53,184	53,184	-
Total bonds payable	<u>3,891,622</u>	<u>-</u>	<u>(62,768)</u>	<u>3,828,854</u>	<u>3,753,939</u>	<u>74,915</u>
Certificates of Participation (note 10)	61,514	-	(5,628)	55,886	49,987	5,899
Net pension obligation (note 12)	15,757	22,520	-	38,277	38,277	-
Net OPEB obligation (note 13)	3,687	247	-	3,934	3,934	-
Other long-term liabilities:						
RTA working cash borrowing (note 4)	56,147	-	-	56,147	56,147	-
Other	9,033	-	(3,970)	5,063	5,063	-
Total other long-term liabilities	<u>65,180</u>	<u>-</u>	<u>(3,970)</u>	<u>61,210</u>	<u>61,210</u>	<u>-</u>
Total	<u>\$ 6,080,322</u>	<u>\$ 354,297</u>	<u>\$ (390,288)</u>	<u>\$ 6,044,331</u>	<u>\$ 5,778,180</u>	<u>\$ 266,151</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 \$71,695,790 and \$82,287,928 at December 31, 2013 and 2012, 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 \$3,058,000 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 \$78,904,000 is reflected in the accompanying December 31, 2013 statement 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 \$1,218,000 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 \$76,985,000 is reflected in the accompanying December 31, 2013 statement 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 \$831,000 and \$3,802,089 at December 31, 2013 and 2012, 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. The present value of the future payments to be made by the CTA under the lease of approximately \$16,763,000 is reflected in the accompanying December 31, 2013 statement of net position as a capital lease obligation.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 \$763,000 and \$7,651,000 at December 31, 2013 and 2012, 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 is scheduled to terminate in December 2014. The present value of the future payments to be made by the CTA under the lease of approximately \$61,761,000 is reflected in the accompanying December 31, 2013 statement of net position as a capital lease obligation.

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 \$4,527,000 and \$5,296,186 at December 31, 2012 and 2011, 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, 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 \$186,630,000 and \$199,622,391 at December 31, 2013 and 2012, 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 \$149,455,000 is reflected in the accompanying December 31, 2013 statement of net position as a capital lease obligation.

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 \$37,817,000 and \$39,965,441 at December 31, 2013 and 2012, 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 \$50,158,000 is reflected in the accompanying December 31, 2013 statement 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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 \$40,948,394 and \$42,972,585 at December 31, 2013 and 2012, 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 \$49,908,000 is reflected in the accompanying December 31, 2013 statement 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.

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 \$38,302,762 and \$46,642,600 at December 31, 2013 and 2012, respectively. At December 31, 2013, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling \$1,124,828,000. 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.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2013 are as follows (in thousands of dollars):

<u>2013</u>	<u>Beginning balance</u>	<u>Additions*</u>	<u>Principal paid</u>	<u>Ending balance</u>	<u>Interest paid</u>	<u>Due in one year</u>
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	<u>1,613,474</u>	<u>109,188</u>	<u>(269,788)</u>	<u>1,452,874</u>	<u>105,771</u>	<u>154,297</u>
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	<u>\$ 1,777,681</u>	<u>\$ 109,188</u>	<u>\$ (278,106)</u>	<u>\$ 1,608,763</u>	<u>\$ 114,057</u>	<u>\$ 168,019</u>

* Additions include accretion of interest.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Changes in capital leases for the year ended December 31, 2012 are as follows (in thousands of dollars):

<u>2012</u>	<u>Beginning balance</u>	<u>Additions*</u>	<u>Principal paid</u>	<u>Ending balance</u>	<u>Interest paid</u>	<u>Due in one year</u>
2003 (Buses)	\$ 16,026	\$ 571	\$ (411)	\$ 16,186	\$ 571	\$ -
2002 (Buses)	126,993	6,399	-	133,392	6,398	-
2002 (QTE)	97,178	6,170	-	103,348	6,170	-
1998 (Green)	172,370	11,792	(22,712)	161,450	11,792	23,051
1997 (Garages)	43,388	3,262	-	46,650	3,262	-
1996 (Skokie/Racine)	43,308	3,183	-	46,491	3,183	-
1995 (Pickle)	1,088,462	81,193	(63,698)	1,105,957	81,193	63,698
Total lease/leasebacks	<u>1,587,725</u>	<u>112,570</u>	<u>(86,821)</u>	<u>1,613,474</u>	<u>112,569</u>	<u>86,749</u>
2006 PBC lease	81,305	-	(2,115)	79,190	6,186	2,204
2008 Bus Lease	94,393	-	(9,376)	85,017	4,060	9,795
Total capital lease obligation	<u>\$ 1,763,423</u>	<u>\$ 112,570</u>	<u>\$ (98,312)</u>	<u>\$ 1,777,681</u>	<u>\$ 122,815</u>	<u>\$ 98,748</u>

* Additions include accretion of interest.

Future Minimum Lease Payments: As of December 31, 2013 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2014	\$ 168,019
2015	94,615
2016	1,231,365
2017	18,363
2018	141,449
2019 – 2023	137,212
2024 – 2028	129,826
2029 – 2033	<u>27,220</u>
Total minimum lease payments	1,948,069
Less interest	<u>339,306</u>
	<u>\$ 1,608,763</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2013 and 2012

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, 2012 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):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 26,085	\$ 3,353	\$ 29,438
2015	27,385	1,982	29,367
2016	24,070	632	24,702
Total	<u>\$ 77,540</u>	<u>\$ 5,967</u>	<u>\$ 83,507</u>

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.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2012 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):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 10,395	\$ 8,605	\$ 19,000
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	<u>\$ 177,300</u>	<u>\$ 45,873</u>	<u>\$ 223,173</u>

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>2008 (5309)</u>		<u>2008A (5307)</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 7,060	\$ 6,207	\$ -	\$ 5,250	\$ 7,060	\$ 11,457
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	<u>\$ 124,560</u>	<u>\$ 46,717</u>	<u>\$ 100,000</u>	<u>\$ 55,661</u>	<u>\$ 224,560</u>	<u>\$ 102,378</u>

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.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 8,150	\$ 7,688	\$ 15,838
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	<u>\$ 146,095</u>	<u>\$ 58,535</u>	<u>\$ 204,630</u>

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2012 through June 1, 2040.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 27,040	\$ 129,538	\$ 156,578
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	<u>\$ 1,901,115</u>	<u>\$ 2,326,393</u>	<u>\$ 4,227,508</u>

2010A Sales Tax Receipts Revenue Bonds and Taxable Series 2010B Sales Tax Receipts Revenue Bonds (Build America Bonds): 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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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):

	<u>2010A</u>		<u>2010B</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ 2,179	\$ -	\$ 30,798	\$ -	\$ 32,977
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
	<u>\$ 44,645</u>	<u>\$ 9,354</u>	<u>\$ 505,355</u>	<u>\$ 610,787</u>	<u>\$ 550,000</u>	<u>\$ 620,141</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012. Amortization of the deferred amount on the refunding was \$0 and \$91,294 for the years ended December 31, 2013 and 2012, respectively.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>2010 5307</u>		<u>2010 5309</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ 3,195	\$ -	\$ 1,341	\$ -	\$ 4,536
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
	<u>\$ 63,895</u>	<u>\$ 44,768</u>	<u>\$ 26,820</u>	<u>\$ 18,790</u>	<u>\$ 90,715</u>	<u>\$ 63,558</u>

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 as of December 31, 2013 and 2012.

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, 2013 and 2012 was \$5,778,000 and \$6,247,000, 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, 2013 and 2012, respectively.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 2,865	\$ 2,865
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	<u>\$ 56,525</u>	<u>\$ 35,172</u>	<u>\$ 91,697</u>

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.

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.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The bond debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 24,965	\$ 24,965
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
	<u>\$ 476,905</u>	<u>\$ 479,448</u>	<u>\$ 956,353</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 9 - BONDS PAYABLE (Continued)

The total bond debt service requirements to maturity for all outstanding bonds are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 78,730	\$ 225,984	\$ 304,714
2015	88,680	221,638	310,318
2016	78,985	217,135	296,120
2017	84,645	212,707	297,352
2018	90,360	207,946	298,306
2019-2023	575,810	953,900	1,529,710
2024-2028	715,595	767,012	1,482,607
2029-2033	648,355	561,835	1,210,190
2034-2038	895,075	325,570	1,220,645
2039-2040	444,520	43,738	488,258
	<u>\$ 3,700,755</u>	<u>\$ 3,737,465</u>	<u>\$ 7,438,220</u>

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 amended the original 2008 agreement that amended terms and reduced interest rates. The total principal and interest remaining to be paid on the COPs as of December 31, 2013, is \$55,220,000. Principal and interest paid in 2013 was approximately \$8,067,000.

As of December 31, 2013, debt service requirements to maturity are as follows (in thousands of dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 6,421	\$ 1,329	\$ 7,750
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
	<u>\$ 49,907</u>	<u>\$ 5,313</u>	<u>\$ 55,220</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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 \$102,490,000 is reflected in the accompanying December 31, 2013 statement of net position as a long term liability.

The purchase agreement requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
Year 1	\$ 8,260	\$ 4,551	\$ 12,811
Year 2	8,649	4,162	12,811
Year 3	9,056	3,755	12,811
Year 4	9,483	3,328	12,811
Year 5	9,929	2,882	12,811
Year 6 - 10	57,113	6,942	64,055
	\$ 102,490	\$ 25,620	\$ 128,110

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, 2013 and 2012 was \$548,515,000 and \$541,354,000, respectively. The Employees' Plan issues a separate stand-alone financial report which is available at <http://www.ctaretirement.org/index.asp>.

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

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 \$54.7 million at January 1, 2013, to \$53.3 million at January 1, 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, 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

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Participants in the supplemental retirement plans at December 31, 2012 are as follows:

	<u>Open</u>	<u>Closed</u>	<u>Board</u>
Retirees and beneficiaries currently receiving benefits	121	396	20
Terminated employees entitled to but not yet receiving benefits	10	8	6
Active plan members	19	-	5
Total	<u>150</u>	<u>404</u>	<u>31</u>

The covered payroll for the Open Supplemental Retirement Plan for the fiscal years ended December 31, 2013 and 2012 was \$1,647,000 and \$2,282,000, respectively. The covered payroll for the Board Supplemental Retirement Plan was \$139,000 and \$150,000 for the fiscal years ended December 31, 2013 and 2012, 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 and related information for each plan are as follows (in thousands of dollars):

	<u>Employees' Plan Pension</u>	<u>Open Supplemental</u>	<u>Closed Supplemental</u>	<u>Board Plan</u>
Contribution rates:				
CTA	14.25%	Actuarial	Pay-Go Funding	Pay-Go Funding
Plan members	10.125%	None	None	10.125%
Annual pension cost (APC)	\$100,939	\$2,597	\$2,813	\$309
Actual 2013 contributions:				
CTA	\$79,431	\$1,927	\$2,934	\$345
Plan members	\$56,638	\$0	\$0	\$0
Actuarial valuation date	January 1, 2013	January 1, 2014	January 1, 2014	January 1, 2014
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	16 years - Closed	8 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	8.50%	7.0%	4.5%	4.5%
Projected salary increases	1.5% for 2013-2014, service graded table with 5% ultimate rate after 5 years of service thereafter	3.5%	N/A	N/A
Includes inflation at	1.5% - 4.0%	0%	N/A	N/A

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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, 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	(1,310)	626	62
Adjustment to ARC	(1,973)	1,981	(2,108)	(84)
Annual pension cost	100,938	2,598	2,813	309
Contributions made	79,431	1,927	3,114	338
Increase (decrease) in NPO	21,507	671	(301)	(29)
NPO - December 31, 2012	23,004	(18,716)	13,905	1,367
NPO - December 31, 2013	<u>\$ 44,511</u>	<u>\$ (18,045)</u>	<u>\$ 13,604</u>	<u>\$ 1,338</u>

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2012 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual Required Contribution	\$ 107,569	\$ 2,267	\$ 4,116	\$ 348
Interest on NPO	(1,862)	(1,354)	719	68
Adjustment to ARC	1,879	1,981	(2,025)	(89)
Annual pension cost	107,586	2,894	2,810	327
Contributions made	62,678	2,267	3,299	323
Increase (decrease) in NPO	44,908	627	(489)	4
NPO - December 31, 2011	(21,904)	(19,343)	14,394	1,363
NPO - December 31, 2012	<u>\$ 23,004</u>	<u>\$ (18,716)</u>	<u>\$ 13,905</u>	<u>\$ 1,367</u>

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Three-year Trend Information: The following summarizes fund information for the plans (in thousands of dollars):

	<u>Year ended</u>	<u>Annual pension cost (APC)</u>	<u>Actual contributions</u>	<u>Percentage of APC contributed</u>	<u>Net pension (asset)/ obligation</u>
Employees' Plan Pension	December 31, 2013	\$ 100,939	\$ 79,431	78.7%	\$ 44,511
	December 31, 2012	107,586	62,678	58.3	23,003
	December 31, 2011	76,165	60,235	79.1	(21,904)
Open Supplemental Plan	December 31, 2013	\$ 2,597	\$ 1,927	74.2%	\$ (18,046)
	December 31, 2012	2,894	2,267	78.3	(18,716)
	December 31, 2011	2,720	2,210	81.3	(19,343)
Closed Supplemental Plan	December 31, 2013	\$ 2,813	\$ 3,114	110.7%	\$ 13,605
	December 31, 2012	2,811	3,299	117.4	13,906
	December 31, 2011	2,904	3,447	118.7	14,394
Board Supplemental Plan	December 31, 2013	\$ 310	\$ 338	109.0%	\$ 1,339
	December 31, 2012	327	323	98.8	1,367
	December 31, 2011	354	323	91.2	1,363

Funded Status and Funding Progress: The following is funded status information for the Employees' Plan – Pension as of January 1, 2013, and the three supplemental plans as of January 1, 2014, the most recent actuarial valuation dates (in thousands of dollars):

	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>Percentage of covered payroll ((b-a)/c)</u>
Employees' Plan - Pension	1/1/2013	\$ 1,702,788	\$ 2,867,335	1,164,547	59.4%	\$ 548,515	212.3%
Open Supplemental Plan	1/1/2014	43,503	53,344	9,841	81.6%	1,647	597.5%
Closed Supplemental Plan	1/1/2014	-	27,678	27,678	0.0%	N/A	N/A
Board Supplemental Plan	1/1/2014	75	4,848	4,773	1.5%	139	3433.8%

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.

(Continued)

NOTE 13 - 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). 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. 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 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.

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.

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 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, 2012 (dollar amounts in thousands):

	Supplemental & Board Plans
Annual required contribution	\$ 1,080
Interest on net OPEB obligation	166
Adjustment to ARC	(295)
Annual OPEB cost	951
Contributions made	704
Increase (decrease) in net OPEB obligation	247
Net OPEB obligation – December 31, 2011	3,687
Net OPEB obligation – December 31, 2012	\$ 3,934

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows (dollar amounts in thousands):

Supplemental and Board Plan:

Year ended	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB obligation
2013	\$ 996	\$ 810	81.3%	\$ 4,120
2012	951	704	74.0%	3,934
2011	1,520	707	46.6%	3,687

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress - OPEB

Supplemental and Board Plans – Retiree Healthcare Benefits:

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.

As of January 1, 2013, the plan was not funded. The actuarial accrued liability for benefits was \$13,168,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,168,000. The covered payroll (annual payroll of active employees covered by the plan) was \$752,000, and the ratio of the UAAL to the covered payroll was 1,750.5 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, 2014, and January 1, 2013, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 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 an 16 year closed period. The Board Plan UAAL is amortized as a level dollar open 30-year amortization.

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The per capita healthcare claim costs and dependent contribution rates were assumed to decrease as follows:

<u>Plan year</u>	<u>Trend rate</u>
2014	8.25%
2015	7.75%
2016	7.25%
2017	6.75%
2018	6.25%
2019	5.75%
2020	5.25%
2021 and after	5.00%

NOTE 14 - 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, 2013 to July 29, 2014. 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 two insurance policies in effect from May 8, 2013 to May 8, 2014. The first policy provided \$35,000,000 in excess of the \$15,000,000 self-insured retention and \$70,000,000 in the aggregate. The second policy provides \$50,000,000 in excess of the \$50,000,000 self-insured retention and \$100,000,000 in the aggregate. In 2013 and 2012, no CTA claim existed that is expected to exceed the \$15,000,000 self-insured retention under this insurance policy.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 14 - 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 a maximum of \$47,500,000 from the Fund. 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 2013 or 2012.

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 3.5% and 2.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.5% and 2.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	<u>Injury and damage</u>	<u>Group health and dental</u>	<u>Workers' compensation</u>	<u>Total</u>
Balance at January 1, 2011	\$ 73,175	\$ 15,000	\$ 134,052	\$ 222,227
Funded*	15,000	128,311	64,799	208,110
Funding (excess)/deficiency per actuarial requirement	5,168	-	7,080	12,248
Payments*	<u>(15,088)</u>	<u>(118,311)</u>	<u>(56,185)</u>	<u>(189,584)</u>
Balance at December 31, 2011	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*	<u>(15,808)</u>	<u>(147,640)</u>	<u>(51,442)</u>	<u>(214,890)</u>
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*	<u>(12,319)</u>	<u>(139,316)</u>	<u>(55,816)</u>	<u>(207,451)</u>
Balance at December 31, 2013	<u>\$ 81,747</u>	<u>\$ 18,300</u>	<u>\$ 162,091</u>	<u>\$ 262,138</u>

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.

(Continued)

NOTE 15 - 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 18.8 million and 18.9 million gallons of diesel fuel to operate revenue vehicles during 2013 and 2012, 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.

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 15 - 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

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CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 15 - 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	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			<u>\$ 172,432</u>	<u>\$ 1,023,437</u>	<u>\$ 851,005</u>		

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 15 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

At December 31, 2012, 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 1/1/2012	Fair Value 12/31/2012	Change in Fair Value	Terms (Per Gallon)	
						Receive	Pay
Counterparty: J.P. Morgan Chase							
84,000	01/01/12	01/31/12	\$ 6,648	\$ -	\$ (6,648)	Variable	\$ 2.8350
378,000	01/01/12	03/31/12	(52,013)	-	52,013	Variable	3.0400
252,000	01/01/12	03/31/12	(115,849)	-	115,849	Variable	3.3625
378,000	01/01/12	03/31/12	(21,620)	-	21,620	Variable	2.9595
630,000	01/01/12	03/31/12	(159,053)	-	159,053	Variable	3.1550
378,000	01/01/12	03/31/12	(45,028)	-	45,028	Variable	3.0215
378,000	01/01/12	03/31/12	34,825	-	(34,825)	Variable	2.8100
252,000	01/01/12	03/31/12	(62,363)	-	62,363	Variable	3.1500
630,000	01/01/12	03/31/12	(81,339)	-	81,339	Variable	3.0315
378,000	01/01/12	03/31/12	(25,584)	-	25,584	Variable	2.9700
630,000	01/01/12	03/31/12	(4,884)	-	4,884	Variable	2.9100
168,000	03/01/12	03/31/12	12,009	-	(12,009)	Variable	2.8150
378,000	04/01/12	06/30/12	(43,108)	-	43,108	Variable	2.9650
252,000	04/01/12	06/30/12	(12,405)	-	12,405	Variable	2.9000
252,000	04/01/12	06/30/12	(114,808)	-	114,808	Variable	3.3075
378,000	04/01/12	06/30/12	(80,803)	-	80,803	Variable	3.0650
504,000	04/01/12	06/30/12	(135,128)	-	135,128	Variable	3.1195
378,000	04/01/12	06/30/12	(50,647)	-	50,647	Variable	2.9850
378,000	04/01/12	06/30/12	29,453	-	(29,453)	Variable	2.7725
252,000	04/01/12	06/30/12	(57,889)	-	57,889	Variable	3.0810
378,000	07/01/12	09/30/12	(110,991)	-	110,991	Variable	3.1450
378,000	07/01/12	09/30/12	(59,253)	-	59,253	Variable	3.0075
378,000	07/01/12	09/30/12	14,122	-	(14,122)	Variable	2.8125
378,000	07/01/12	09/30/12	(47,964)	-	47,964	Variable	2.9775
252,000	07/01/12	09/30/12	(17,552)	-	17,552	Variable	2.9200
378,000	10/01/12	12/31/12	(114,427)	-	114,427	Variable	3.1750
378,000	10/01/12	12/31/12	(62,785)	-	62,785	Variable	3.0375
378,000	10/01/12	12/31/12	13,270	-	(13,270)	Variable	2.8350

(Continued)

(Continued)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 15 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

Commodity Swaps							
Notional Amount (Gallons)	Effective Date	Maturity Date	Fair Value 1/1/2012	Fair Value 12/31/2012	Change in Fair Value	Terms (Per Gallon)	
						Receive	Pay
Counterparty: J.P. Morgan Chase							
378,000	10/01/12	12/31/12	\$ (18,654)	\$ -	\$ 18,654	Variable	\$ 2.9200
378,000	01/01/13	03/31/13	-	53,537	53,537	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
Total			<u>\$ (1,383,819)</u>	<u>\$ 172,432</u>	<u>\$ 1,556,251</u>		

The fair value of the hedging derivative instruments is included on the statement 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 statement 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 (\$172,219) and \$612,607 to the cost of fuel during the fiscal years ended December 31, 2013 and 2012, respectively.

(Continued)

NOTE 15 - 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)

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

NOTE 15 - ACCOUNTING FOR DERIVATIVES AND HEDGING ACTIVITIES (Continued)

The credit ratings for each of CTA's counterparties at December 31, 2013 were:

<u>Counterparty</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Standard & Poor's</u>
J.P. Morgan Chase	A3	A+	A

The credit ratings for each of CTA's counterparties at December 31, 2012 were:

<u>Counterparty</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Standard & Poor's</u>
J.P. Morgan Chase	A2	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 2013 or 2012.

(Continued)

NOTE 16 - 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.

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 \$76,500,000 as of December 31, 2013.

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.

Buses

In 2002 and 2003, CTA entered into lease-leaseback agreements with third party investors for buses. CTA entered into an agreement with Financial Security Assurance, Inc. (FSA) to act as the debt payment and strip surety guarantor for these agreements. FSA's credit rating was downgraded during the 2008 financial crisis. This downgrading allows the private investors the option to require CTA to replace FSA as guarantor. CTA has received a series of temporary forbearance letters regarding replacement of FSA for the 2002 bus lease-leaseback. The 2002 bus lease-leaseback included two lots. CTA submitted notice of its exercise of its purchase option for Lot Two on March 5, 2012 and Lot One on June 29, 2012. Lot Two terminated in December 2013 and Lot One is scheduled to terminate in December 2014.

The investor in the 2003 bus lease-leaseback transaction notified CTA that it is considering alternatives to the replacement of the Strip Surety Policy that was provided by FSA. The notice states that it is the objective of the investor to determine if there are reasonable options available that will protect the interests of the investor without being unduly burdensome to CTA and that further notice will be provided following consideration of such alternatives. The notice also provides that the replacement period will not be deemed to commence until such further notice is provided.

(Continued)

NOTE 17 – SUBSEQUENT EVENTS

On April 24, 2014, CTA entered into a definitive loan agreement with the United States Department of Transportation, an agency of the United States of America, acting by and through the Federal Highway Administrator under the TIFIA (Transportation Infrastructure Finance and Innovation Act) loan program.

The principal amount of the TIFIA Loan shall not exceed \$79,200,000; provided, that in no event shall the maximum principal amount of the TIFIA Loan disbursed by the TIFIA Lender, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under the Act, exceed thirty-three percent (33%) of reasonably anticipated Eligible Project Costs and the total federal funding, inclusive of the TIFIA Loan and all federal direct or indirect grants, shall not exceed eighty percent (80%) of reasonably anticipated Eligible Project Costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender a registered farebox receipts revenue bond in the amount of \$79.2 million dated April 24, 2014 with a maturity date of December 1, 2050 bearing an interest rate of 3.5%, with a loan amortization schedule.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information – Pension
Schedules of Funding Progress (Unaudited)
Year Ended December 31, 2013
(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:						
1/1/2013	\$ 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
1/1/2004	1,491,574	2,189,666	698,092	68.1	486,626	143.5
Open Supplemental Plan:						
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
1/1/2005	*	*	*	*	*	*
Closed Supplemental Plan:						
1/1/2014	\$ -	\$ 27,678	\$ 27,678	0.0%	\$ -	0.0%
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	-	-	-
1/1/2005	408	45,959	45,551	0.9	15,953	285.5
Board Supplemental Plan:						
1/1/2014	\$ 75	\$ 4,848	\$ 4,772	1.5%	\$ 139	3433.1%
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
1/1/2005	42	3,001	2,959	1.4	175	1690.9

*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, 2013
(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:							
1/1/2014	\$	\$	11,869	\$ 11,869	0.0%	\$ 581	2041.8%
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, 2013
(In thousands of dollars)

Employees' Plan – Pension		
Year ended	Annual required contribution	Percentage contributed
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
12/31/04	104,881	19.2

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2013
(In thousands of dollars)

Open Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
12/31/13	\$ 1,926	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
12/31/07	200	-
12/31/06	-	-

Closed Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
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
12/31/07	3,450	101.6
12/31/06	3,474	99.8

Board Supplemental Plan

Year ended	Annual required contribution	Percentage contributed
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
12/31/07	288	98.8
12/31/06	275	106.0

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2013
(In thousands of dollars)

Supplemental and Board Plans - Healthcare		
Year ended	Annual required contribution	Percentage contributed
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
12/31/07	556	60.2

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2013
(In thousands of dollars)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual – budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
Operating expenses:				
Labor and fringe benefits	\$ 939,679	\$ 939,679	\$ 948,272	\$ (8,593)
Materials and supplies	57,279	57,279	60,353	(3,074)
Fuel	65,342	65,342	61,836	3,506
Electric power	23,175	23,175	26,174	(2,999)
Purchase of security services	23,246	23,246	24,160	(914)
Other	233,496	233,496	245,329	(11,833)
Provision for injuries and damages	<u>11,792</u>	<u>11,792</u>	<u>-</u>	<u>11,792</u>
Total operating expenses	<u>1,354,009</u>	<u>1,354,009</u>	<u>1,366,124</u>	<u>(12,115)</u>
System-generated revenues:				
Fares and passes	607,209	607,209	574,029	(33,180)
Reduced-fare subsidies	28,322	28,322	21,948	(6,374)
Advertising and concessions	27,851	27,851	25,677	(2,174)
Investment income	629	629	370	(259)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	<u>31,954</u>	<u>31,954</u>	<u>41,939</u>	<u>9,985</u>
Total system-generated revenues	<u>700,965</u>	<u>700,965</u>	<u>668,963</u>	<u>(32,002)</u>
Operating expenses in excess of system-generated revenues	653,044	653,044	697,161	(44,117)
Public funding from the RTA:				
Operating assistance	<u>653,044</u>	<u>653,044</u>	<u>697,161</u>	<u>44,117</u>
	<u>653,044</u>	<u>653,044</u>	<u>697,161</u>	<u>44,117</u>
Change in net assets – budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
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			<u>673,571</u>	
Change in net assets – GAAP basis			<u>\$ 280,102</u>	
CTA recovery ratio:				
Total operating expenses			\$ 1,366,124	
Less mandated security costs			(24,160)	
Less Pension Obligation Bond debt service			(156,574)	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total operating expenses for recovery ratio calculation (B)			<u>\$ 1,207,390</u>	
Total system-generated revenues				
Plus Senior Free Rides			23,418	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total system-generated revenues for recovery ratio calculation (A)			<u>\$ 714,381</u>	
Recovery ratio (A/B)				59.17%

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2012
(In thousands of dollars)

	Original budget	Final budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:				
Labor and fringe benefits	\$ 883,075	\$ 919,075	\$ 921,884	\$ (2,809)
Materials and supplies	71,493	68,493	85,437	(16,944)
Fuel	66,707	65,631	62,908	2,723
Electric power	24,977	22,867	25,020	(2,153)
Purchase of security services	36,803	36,803	37,468	(665)
Other	126,036	126,036	134,789	(8,753)
Provision for injuries and damages	<u>31,200</u>	<u>24,000</u>	<u>24,000</u>	<u>-</u>
Total operating expenses	<u>1,240,291</u>	<u>1,262,905</u>	<u>1,291,506</u>	<u>(28,601)</u>
System-generated revenues:				
Fares and passes	540,000	545,000	548,799	3,799
Reduced-fare subsidies	28,000	28,000	27,780	(220)
Advertising and concessions	22,802	22,802	25,675	2,873
Investment income	867	867	674	(193)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	<u>27,013</u>	<u>27,013</u>	<u>38,054</u>	<u>11,041</u>
Total system-generated revenues	<u>623,682</u>	<u>628,682</u>	<u>645,982</u>	<u>17,300</u>
Operating expenses in excess of system-generated revenues	616,609	634,223	645,524	(11,301)
Public funding from the RTA:				
Operating assistance	<u>616,609</u>	<u>634,223</u>	<u>645,524</u>	<u>11,301</u>
	<u>616,609</u>	<u>634,223</u>	<u>645,524</u>	<u>11,301</u>
Change in net assets – budgetary basis	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Provision for depreciation			(374,458)	
Pension expense in excess of pension contributions			(110,133)	
Supplemental Retirement			-	
Incentive Retirement			417	
Workers Compensation			(3,016)	
Revenue from leasing transactions			4,262	
Provision for injuries and damages			6,552	
Interest expense on bond transactions			(92,317)	
Interest revenue on bond transactions			8,417	
Interest income from sale/leaseback			116,039	
Interest expense from sale/leaseback			(118,439)	
Capital contributions			<u>366,402</u>	
Change in net assets – GAAP basis			<u>\$ (196,274)</u>	
CTA recovery ratio:				
Total operating expenses			\$ 1,291,506	
Less mandated security costs			(37,468)	
Less Pension Obligation Bond debt service			(141,387)	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total operating expenses for recovery ratio calculation (B)			<u>\$ 1,134,651</u>	
Total system-generated revenues			\$ 645,982	
Plus Senior Free Rides			21,507	
Plus City of Chicago in-kind services			<u>22,000</u>	
Total system-generated revenues for recovery ratio calculation (A)			<u>\$ 689,489</u>	
Recovery ratio (A/B)				60.77%

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by the Chicago Transit Authority (the “*Authority*”) in connection with the issuance of its \$ _____ Sales Tax Receipts Revenue Bonds, Series 2014 (the “*Bonds*”). The 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 by an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the “*CTA Board*”), on June 11, 2014 (the “*Ordinance*”). The Bonds are being issued under and secured by a Trust Indenture, dated as of March 1, 2010 (the “*Master Indenture*”), between the Authority and U.S. Bank National Association, Chicago, Illinois, as trustee (the “*Trustee*”), as heretofore supplemented by the First Supplemental Indenture dated as of March 1, 2010 (the “*First Supplemental Indenture*”), relating to the Series 2010 Bonds, the Second Supplemental Indenture dated as of November 1, 2011 (the “*Second Supplemental Indenture*”), relating to the Series 2011 Bonds, and the Third Supplemental Indenture dated as of June 1, 2014 (the “*Third Supplemental Indenture*” and, together with the Master Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the “*Indenture*”), between the Authority and the Trustee.

In consideration of the issuance of the Bonds by the Authority and the purchase of such 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 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 Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the 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 financial information and operating data generally consistent with that contained in the Final Official Statement under the tables captioned “RTA Sales Tax Rates,” “Historical RTA Sales Tax Collections,” “Sales Tax Receipts,” and “Historical Debt Service Coverage” under the heading “HISTORICAL SALES TAX REVENUES.”

“*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 herein.

“*Audited Financial Statements*” means the audited financial statements of the Authority prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time and according to the standard as described in Exhibit I hereto.

“*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 the occurrence of any of the events set forth in Exhibit II hereto.

“*Events Disclosure*” means dissemination of a notice of an Event as set forth in Section 5 hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*1934 Act*” means the Securities Exchange Act of 1934, as amended.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds as defined in the Rule.

“*Rule*” means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

“*SEC*” means the Securities and Exchange Commission.

“*State*” means the State of Illinois.

“*Undertaking*” means the obligations of the Authority pursuant to Sections 4 and 5 hereof.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in Exhibit III hereto. The Official Statement relating to the Bonds dated _____, 2014 is referred to herein as the “*Final Official Statement*.”

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in Exhibit I hereto) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. To the extent that the Annual Financial Information is included in the Authority’s Audited Financial Statements, it need not be separately delivered.

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

shall disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the Event, notice of the occurrence of an Event to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any 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 Ordinances.

6. DUTY TO UPDATE THE PROCEDURES. The Authority shall determine, in the manner it deems appropriate, the proper procedures for disseminating such information required to be disseminated under the Rule each time it is required to file such information with EMMA.

7. CONSEQUENCES OF FAILURE OF THE AUTHORITY TO PROVIDE INFORMATION. The Authority shall give notice in a timely manner to EMMA in the manner and format described in Section 5 above of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be initiated in the Circuit Court of Cook County, Illinois. A default under this Agreement shall not be deemed a default under the Bonds, the Ordinance, 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 Authorized Officers (as defined in the Ordinance), pursuant to authorization granted in the Ordinance, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a)(i) the amendment or the 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;

(ii) 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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of the beneficial owners of the Bonds pursuant to the terms of the Ordinance at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the Rule.

9. **TERMINATION OF UNDERTAKING.** The Undertaking of the Authority shall be terminated hereunder if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance.

10. **DISSEMINATION AGENT.** The Authority may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent.

11. **ADDITIONAL INFORMATION.** Nothing in this Agreement shall be deemed to prevent the Authority from disseminating 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 Disclosure or Event Disclosure, in addition to that which is required by this Agreement. If the Authority chooses to include any other information in any Annual Financial Information Disclosure or Event Disclosure in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such other information or include it in any future Annual Financial Information Disclosure or Event Disclosure.

12. **BENEFICIARIES.** This Agreement has been executed to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. **ASSIGNMENT.** The Authority shall not transfer its obligations under the Ordinances unless the transferee agrees to assume all obligations of the Authority under this Agreement or to execute a continuing disclosure undertaking under the Rule.

14. **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Illinois, without giving effect to the conflict of laws provisions thereof.

IN WITNESS WHEREOF, the party hereto has caused this Continuing Disclosure Undertaking in connection with the Chicago Transit Authority's \$_____ Sales Tax Receipts Revenue Bonds, Series 2014 to be executed by its duly Authorized Officer as of the date below written.

Chicago Transit Authority

By: _____

Ronald DeNard

Its: Chief Financial Officer

Chicago Transit Authority
Office of the Chief Financial Officer
567 W. Lake St.
Chicago, IL 60661

Dated: _____, 2014

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS

Annual Financial Information means the financial information and operating data as set forth below. All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be set forth in other documents, including other official statements, which have been transmitted to EMMA, or may be included by specific reference to documents available to the public on the MSRB's internet website or filed with the SEC.

I. Annual Financial Information:

(a) Financial information and operating data (exclusive of Audited Financial Statements) shall include information generally consistent with that contained in the Final Official Statement under the following captions:

“HISTORICAL SALES TAX REVENUES” – but only in the tables thereunder captioned “RTA Sales Tax Rates,” “Historical RTA Sales Tax Collections,” “Sales Tax Receipts,” and “Historical Debt Service Coverage.”

(b) The Authority's Annual Financial Information (exclusive of Audited Financial Statements) will be provided to EMMA, not more than 210 days after the last day of the Authority's fiscal year, which currently is December 31.

(c) Audited Financial Statements as described in Part II are expected to be filed at the same time as the Annual Financial Information described in this Part I. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be filed when available.

II. Audited Financial Statements:

(a) Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

(b) Audited Financial Statements will be provided to EMMA within 30 days after availability to the Authority.

EXHIBIT II
EVENTS WITH RESPECT TO THE BONDS FOR WHICH EVENTS
DISCLOSURE IS REQUIRED

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, 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 security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security holders, if material;
- (h) bond calls, if material, and tender offers (other than scheduled mandatory redemptions);
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Authority (such an event will be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if the jurisdiction of the Authority has been assumed by leaving the Authority Council and the Authority's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);

- (m) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

EXHIBIT III

MATURITIES and CUSIP NUMBERS

\$ _____

**Chicago Transit Authority
Sales Tax Receipts Revenue Bonds, Series 2014**

Maturity
(December 1) CUSIP

\$ _____ % Term Bonds due December 1, 20__ — Price: _____ % — CUSIP: _____

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PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

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. This appendix describes, among other things, the current provisions of the Pension Code applicable to the Authority's funding of the Retirement Plan; however, no assurance can be made that the Pension Code will not be amended in the future by the General Assembly.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Board") established under the Pension Code. More information about the Board can be found below under the heading "Background Information Regarding the Retirement Plan – Governance."

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 defined below) as determined by the independent actuary engaged by the Retirement Plan. As of the 2013 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", as defined below) of \$1.16 billion and a Funded Ratio (as defined below) of 59.4%. (See "Determination of Authority's Contributions", "The Actuarial Valuation – Authority's Contributions Not Related to GASB Standards" and "Funded Status" below.)

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"): (i) a Transit Board member plan (the "Board Plan") for Transit Board members; (ii) a supplemental pension plan for certain employees who retired or terminated employment prior to March 2005 (the "Closed Supplemental Plan"); and (iii) a supplemental pension plan for certain employees retiring after March 2005 (the "Open Supplemental Plan"). The Board Plan and the Closed Plan are funded on a pay-as-you-go basis. The Open Supplemental Plan is a trusted plan funded on an actuarially determined basis.

It should be noted that pursuant to legislation in 2008 (see "Most Recent Legislation Impacting the Retirement Plan" below), the Retirement Plan is the sole pension plan for Authority employees and all supplemental pension plans were closed to any new participants. In

2013, the Authority, although not required to by state law, closed the Board Plan to any new participants and the members subsequently appointed to the Transit Board have accordingly been informed that they will not be eligible to join the Board Plan. However, the Authority could in the future reverse or modify its decision to close the Board Plan. Additional information with respect to the Supplemental Pension Plans is presented below under the heading "Supplemental Pension Plans".

Prior to 2008, health care benefits for retirees were administered by the Retirement Plan. Pursuant to amendments to the Pension Code enacted in 2008, the retiree health care benefits formerly administered by the Retirement Plan were transferred to a separate and newly created Retiree Health Care Trust ("RHCT"). The Authority does not have any obligation to provide or fund health care benefits for current or future retirees. However, Authority employees are required to contribute no less than three percent annually to the RHCT, which contributions are deducted from their paychecks and remitted by the Authority to the RHCT. Additional information with respect to the RHCT is presented below under the heading "Retiree Health Care Trust".

On August 6, 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.

Sources of Information

Much of the information presented in this appendix regarding the Retirement Plan and the RHCT comes from and is prepared in reliance on information available on the website maintained by the Retirement Plan and the RHCT at www.ctaretirement.org; documents produced by the Retirement Plan and the RHCT, including their respective actuarial valuations (the "Actuarial Valuations") prepared by independent actuaries (the "Actuary" or "Actuaries") and their respective financial statements (the "Financial Statements") prepared by independent auditors (all of which are available at www.ctaretirement.org); and the 2013 Annual Review by the State of Illinois Office of Auditor General's "2013 Annual Review of Information Submitted by the Retirement Plan for CTA Employees" and its "2012 Annual Review of Information Submitted by the Retiree Health Care Trust" (available at www.illinois.auditor.gov).

Much of the information presented in this Appendix regarding the Supplemental Pension Plans comes from and is prepared in reliance on information contained in the Authority's audited financial statements for the years ended December 31, 2012 and 2013 (available at <http://www.transitchicago.com/business/financebudget.aspx#financialstatements>).

Such information is referred to collectively as the "Source Information". With the exception of the Authority's own financial statements, the Authority has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy or completeness of the Source Information, and such Source Information is not incorporated herein by reference. Any discussion herein with respect to actuarial assumptions, methodology, results or projections are strictly from the sources cited and should not be

construed as statements or information from the Authority. To the Authority's knowledge, the Financial Statements for the Retirement Plan and the RHCT for the year ended December 31, 2012 and the Actuarial Valuations as of January 1, 2013, are the most recent financial statements and actuarial valuations available.

Cautionary Statement

Certain information included in this Appendix, including information under the heading "Projection of Funded Status," relies on Source Information produced by the Actuaries. Actuarial assessments are "forward-looking" information that reflects the judgment of the Actuaries. When used in this Appendix, the words "estimate," "expect," "project," "intend," "anticipate," "believe," "may," "will," "continue" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Some assumptions used to develop forward-looking statements will not be realized, or unanticipated events and circumstances may occur. Actuarial assessments are based upon a variety of assumptions, some of which may prove to be inaccurate or changed in the future. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

As stated above, the Retirement Plan is governed by the Plan Agreement and the Pension Code. Certain aspects of the Retirement Plan, including the level of benefits for participants and required funding levels, are established pursuant to the Pension Code, including the 2008 Pension Reform (as defined below). See "Recent Legislative Changes Impacting the Retirement Plan". Subsequent to 2008, various amendments to the Pension Code that could impact the Retirement Plan or the RHCT have been introduced and other amendments may be introduced in the future. It cannot be predicted whether any currently proposed amendments will be adopted in their present form or whether other amendments may be subsequently introduced or enacted and the economic impact of such amendments on the Retirement Plan, the RHCT or the Authority cannot be predicted and may be material.

In 2013, the General Assembly passed legislation known as Public Act 098-0599 (the "2013 Pension Reform") that provided for a series of changes to pension benefits and contributions affecting four pension plans covering employees of the State of Illinois. The 2013 Pension Reform does not amend any of the provisions of the Pension Code applicable to the Retirement Plan or the RHCT. Section 5 of Article XIII of the Illinois Constitution (the "Pension Protection Clause") provides as follows: "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." Several groups have filed lawsuits challenging the constitutionality of the 2013 Pension Reform on the basis that it violates the Pension Protection Clause and the contract impairment clause, the equal protection clause or the taking clause under the Illinois Constitution. The 2008 Pension Reform is not the subject of these lawsuits. See "Litigation, Investigation and Labor Relations - Litigation" below. In December 2013, retired members of the Teachers' Retirement System ("TRS") filed the first lawsuit in Cook County seeking a court declaration that the 2013 Pension Reform violates the Pension Protection Clause of the Illinois Constitution. *Heaton, et al v. Quininn, et al.*, No. 2013 CH 28406 (Cook County). Other groups have filed lawsuits on behalf of retired members of TRS, retired members of the State Employees' Retirement System, retired members of the State Universities Retirement System,

and retired members of the General Assembly Retirement System. See *Illinois State Employees Association Retirees, et al. v. The Board of Trustees of the State Employees' Retirement System of Illinois*, No. 2014 CH 000003 (Sangamon County); *Retired State Employees Association, et al. v. Quinn, et al*, No.2014 MR 000001 (Sangamon County); and *Harrison, et al. v. Quinn, et al.*, No. 2014 CH 00048 (Sangamon County). On March 3, 2014, the Illinois Supreme Court ordered that all of these cases be consolidated. On May 2, 2014, the State Universities Annuitant Association (SUAA) filed a motion for injunction relief asking the Circuit Court of Sangamon County to postpone implementation of the 2013 Pension Reform. See *State Universities Annuitant's Association, et al. v. State Universities Retirement System, et al.*, No. 2014 MR 207 (Champaign County). On May 14, 2014, the Circuit Court of Sangamon County entered an injunction staying implementation of the 2013 Pension Reform, requiring the parties to file motions relating to class certification by June 5, 2014, and scheduling a hearing to address the class certification issue on June 13, 2014.

Legislative Changes Impacting the Retirement Plan

On June 6, 2006, Public Act 094-0839 (the "2006 Pension Reform") was signed into law. The 2006 Pension Reform established a requirement that the Funded Ratio of the Retirement Plan reach 90% by the end of fiscal year 2058. The 2006 Pension Reform also required the RTA to begin monitoring the Authority's payment of the required contributions and, starting January 1, 2009, to make payments to the Retirement Plan if the Authority failed to do so.

On January 18, 2008, the Governor signed Public Act 095-0708 (the "2008 Pension Reform ") into law. The 2008 Pension Reform made several significant changes to the Authority's pension and retiree healthcare benefits, including, among other things:

- established the Retirement Plan as the exclusive retirement plan, other than employee self-funded deferred compensation plans, for Authority employees hired after the effective date of the act, thereby closing the Open Supplemental Plan to new participants;
- established the RHCT as a separate entity and provided that the Authority shall have no responsibility to make contributions to the RHCT after the issuance of the Pension and Retirement Debt Obligations (defined below);
- established minimum contribution requirements to the Retirement Plan for the Authority and participating employees of 12% (subject to a reduction of up to 6% for debt service paid on outstanding pension funding bonds) and 6% of employee compensation, respectively;
- requires that the Funded Ratio of the Retirement Plan be at least 60% by the end of fiscal year 2009 through 2039, with adjustments in Authority and employee contribution levels as may be necessary to achieve 60% within ten years in the event that the Funded Ratio falls below 60% in a given year;
- changed the requirement that the Retirement Plan's Funded Ratio be at least 90% from the end of fiscal year 2058 to the end of fiscal year 2059;

- established new minimum eligibility requirements for employees hired after the effective date of the act to receive benefits under the Retirement Plan; and
- requires a Funded Ratio of at least 80% for any future early retirement incentive program.

Background Information Regarding the Retirement Plan

General

As stated in General Overview above, the Retirement Plan is a single-employer defined benefit retirement plan. "Single-employer" means that there is only one employer whose employees are eligible to participate in the plan, in this case, the Authority. "Defined benefit" refers to the fact that the Retirement Plan pays a periodic benefit to retired employees (and upon their death to their surviving spouses and, in certain instances, their children) in an amount determined pursuant to a statutory formula on the basis of the employees' service credits and salary. Members have no segregated accounts in a defined benefit plan, and the amount of their benefits is not dependent on the investment performance of the plan assets. The Retirement Plan's fiscal year runs from January 1 to December 31. Each year, the Retirement Plan issues a separate, stand-alone Financial Statement.

As described in "Benefits and Membership" below, the benefits payable under the Retirement Plan accrue throughout the time a member is employed by the Authority or the Retirement Plan. Although benefits accrue during employment, a member must satisfy certain age and service requirements in order for the member or a survivor to receive periodic retirement benefit payments upon the member's retirement or termination from the Authority's employ.

To fund the Retirement Plan, both employees and the employer make contributions to the Retirement Plan. Both the employees' contributions and the Authority's contributions are established and calculated in accordance with the Pension Code, which can only be amended by the General Assembly. See "Determination of Employees' Contribution" and "Determination of Authority's Contribution" below.

Benefits and Membership

Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, multiplied by the number of years of continuous participating service, of their average annual compensation in the highest four of the 10 calendar years prior to retirement. As discussed below, the multiplier has been raised from time to time and ranges from 1.65% to 2.40% depending on the year in which individual participants retired. For employees retiring before December 1, 1987, the multiplier percentage was 1.65%. An amendment to the Plan Agreement between the Authority and its unions, signed September 1987, raised the multiplier percentage to 1.70% and 1.75% for retirements on or after December 1, 1987 and 1989, respectively. Another amendment to the Plan Agreement between the Authority and its unions, signed August 1993, raised the multiplier percentage to 1.80% and 1.85% for retirements on or after January 1, 1993 and January 1, 1995, respectively. The Arbitration Award of November 12, 2003, increased the multiplier percentage for service after June 1, 1949, to 2.00% from 1.85% for employees retiring from January 1, 2000 to December 31, 2000, and to 2.15% for employees retiring on and after January 1, 2001. The multiplier percentage for employees retiring before January 1, 2000 remained at 1.85%. During 1995, a

Voluntary Early Retirement Incentive Program was offered, which provided a multiplier percentage of 2.05% for employees retiring after January 1, 1994. During 1997, the Retirement Plan offered a Voluntary Early Retirement Program to eligible employees who had 25 years of continuous service on or before December 31, 1999, and had not retired prior to January 1, 1997, in the form of a multiplier percentage of 2.40% for each year of continuous service, with a maximum retirement payment of 70% of the employee's annual compensation. All eligible employees who elected to participate were allowed to retire as soon as possible but no later than December 31, 1999. As stated above, the 2008 Pension Reform now requires a Funded Ratio of at least 80% for any future early retirement incentive program.

The Retirement Plan also permits early retirement for certain participants at age 55, generally with reduced benefits. The early retirement benefit of an employee hired before January 17, 2008, who has 25 years or more of continuous service, regardless of age, is not reduced; however, in accordance with the 2008 Pension Reform, for all employees hired after January 17, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service. Members with at least ten years of continuous service who retire before age 65 are eligible to defer payment of pension benefits until they reach age 65 rather than collect a reduced benefit. Married employees can elect to receive their pension benefits in the form of a joint and survivor annuity. Pension benefits are paid in monthly installments.

The Retirement Plan also provides lump-sum death benefits ranging from \$2,000 to \$8,000, based on age and years of service. In addition, any excess of the employee's contributions, plus interest, on such contributions over the amount of pension benefits paid by the Retirement Plan to the retiree prior to death (and the death of the spouse in case of a survivorship option) is paid to the designated beneficiary. Employees satisfying certain eligibility requirements are eligible for a disability allowance based on compensation and service to date of disability with a minimum benefit of \$400 per month.

The following Table 1 provides membership information for the Retirement Plan as of January 1, 2013, the date of the latest Actuarial Valuation.

TABLE 1
Membership of Retirement Plan

Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Total
8,317	81	9,519	17,917

Source: Actuarial Valuation Report as of January 1, 2013 prepared by Buck Consultants, LLC

Governance

The Retirement Plan is governed by the 11-member Board appointed as follows: (i) five trustees are appointed by the Chicago Transit Board; (ii) three trustees are appointed by an organization representing the highest number of Authority participants; (iii) one trustee is appointed by the organization representing the second-highest number of Authority participants; (iv) one trustee is appointed by the recognized coalition of representatives of participants who are not represented by an organization with the highest or second-highest number of Authority

participants; and (v) one trustee is selected by the Regional Transportation Authority Board of Directors. Trustees serve on the Board until a successor has been appointed, or until resignation, death, incapacity or disqualification. Under the Pension Code, each trustee casts individual votes and a simple majority vote is required for action by the Board, provided that the Board may require a supermajority vote with respect to the investment of assets of the Retirement Plan. Current membership of the Board can be found on the Retirement Plan's website at: <http://www.ctaretirement.org/retirement-plan/board/>. Such information is prepared by the entity maintaining such website and the Authority has not independently verified such information and makes no representations nor expresses any opinion as to the accuracy or completeness of the information, and such information is not incorporated herein by reference.

Investments

The Board manages the investments of the Retirement Plan. The Pension Code regulates the types of investments in which the Retirement Plan's assets may be invested. Board members are fiduciaries of the Retirement Plan and must discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation. In carrying out its investment duty, the Board may appoint investment managers with a discretionary authority to manage, in a fiduciary capacity, all or a portion of the Retirement Plan's assets.

The Board has adopted a formal investment policy for the Retirement Plan. According to the Investment Performance Summary for the Period Ending March 31, 2013 prepared by Gray & Company Global Investment Solutions, Atlanta, Georgia, the primary objective of the investment 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 Retirement Plan's volatility and risk. Additional information about the Retirement Plan's investment policy is available at: <http://www.ctaretirement.org/retirement-plan/investment-policy/>. Such information is prepared by the entity maintaining such website and the Authority has not independently verified such information and makes no representations nor expresses any opinion as to the accuracy or completeness of the information, and such information is not incorporated herein by reference. Any discussion herein with respect to assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority. As shown in Table 2 below, the Retirement Plan's assumed rate of return is currently 8.5%. According to the Auditor General's Report released November 2013, the State of Illinois Office of the Auditor General (the "Auditor General") concluded that, although "not unreasonable in the aggregate", the assumed rate of return is an "aggressive assumption".

The following Table 2 provides information on the investment returns experienced by the Retirement Plan for the period 2003 through 2012.

TABLE 2
Historical Investment Returns

Fiscal Year	Total Rate of Return
2003	22.4%
2004	10.6
2005	9.2
2006	13.5
2007	9.8
2008	(11.2)
2009	8.6
2010	12.6
2011	3.5 ⁽¹⁾
2012	11.3
Assumed Rate ⁽²⁾	8.5

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2003 through 2012.

(1) Amended to conform to the Retirement Plan's audited financial statements for the years ended December 31, 2011 and 2012.

(2) Reflects the assumed rate of return for each fund as of December 31, 2012, as discussed in further detail under "Actuarial Assumptions—Assumed Investment Rate of Return" below.

Determination of Employee Contributions

Authority employees who are members of the Retirement Plan are required to contribute to the Retirement Plan as provided in the Pension Code. The Pension Code requires participating employees to contribute 6% of compensation, subject to adjustment as described in the "Determination of Authority's and Employees' Contributions" below. For the year ended December 31, 2012, the employee contribution rate was 8.65% of compensation. For each of the years ending December 31, 2013 and December 31, 2014, the employee contribution rate is 10.125% .

Determination of Authority's Contributions

Contributions from the Authority to the Retirement Plan are based on requirements under the Pension Code. Under the Pension Code, the Authority's required contributions are reduced by a credit of up to 6% for debt service on bonds issued by the Authority for the purposes of funding contributions to the Retirement Plan. For the year ended December 31, 2012, the Authority contribution rate was 17.3% of compensation, less a 6% credit, for a net contribution rate of 11.3%. The dollar amounts contributed by the Authority for the years ended December 31, 2010, 2011 and 2012 were \$56,216,000, \$60,318,000 and \$62,788,000, respectively. The following Table 3 provides information on the annual contributions made by the Authority to the Retirement Plan for the period 2003 through 2012.

Under the Pension Code, by September 15 of each year for the years 2009 through 2039, the Board is required to determine the estimated Funded Ratio of the Retirement Plan. If the Funded Ratio is projected to decline below 60% in any year before 2040, the Board is required to determine the increased contribution required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%. If the Funded

Ratio actually declines below 60% in any year prior to 2040, the Board must also determine the increased contribution required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year. Under the Pension Code, two-thirds of any increased contributions is required to be paid by the Authority and one-third by the participating employees.

As of the January 1, 2011 Actuarial Valuation, the Funded Ratio dropped below 60% for the Retirement Plan. Therefore, the Board increased contribution rates in compliance with the requirements under the Pension Code as described in the previous paragraph. The current contribution rates adopted by the Board pursuant to its ten-year plan now exceed the minimum requirements under the Pension Code to restore the Funded Ratio to 60%; however, the contribution rates are still less than the actuarially determined Annual Required Contribution.

Further, the Pension Code requires that, beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059, and beginning in 2060, the minimum contribution must be an amount necessary to maintain the 90% Funded Ratio. Under the Pension Code, increased contributions necessary to meet these funding requirements during both of these periods will be funded two-thirds by the Authority and one-third by participating employees.

Under the Pension Code, the Board is required to file a report to the Authority, the representatives of its participating employees, the Auditor General and the RTA containing the determination of the Funded Ratio (see "The Actuarial Valuation – General" below). If the Auditor General finds that the determination of the Funded Ratio and the assumptions on which it is based are unreasonable, the Auditor General is authorized to issue a new determination of the Funded Ratio and establish increased contribution requirements.

Under provisions of the RTA Act, the RTA is required to continually review the Authority's payment of the required contributions to the Retirement Plan. If the RTA determines that the Authority's payment of any portion of the required contributions to the Retirement Plan is more than one month overdue, the RTA is required to pay, upon notice to the Authority, the Mayor of the City of Chicago, the Governor, the Auditor General and the General Assembly, those overdue contributions to the Board out of moneys otherwise payable to the Authority. Any such payments by the RTA will reduce the amount of Sales Tax Receipts otherwise available to the Authority to pay debt service on the Bonds. To date, the RTA has not taken any of the foregoing actions.

The Actuarial Valuation

General

In addition to the process outlined above, the Pension Code requires that the Board annually submit to the Governor, General Assembly, the Auditor General, the Board of the Regional Transportation Authority and the Authority the amount of the required contributions for the next retirement system fiscal year and a copy of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Annual Required Contribution of the Retirement Plan for reporting purposes pursuant to GASB Statement No. 25 ("GASB 25").

Additionally, the Illinois State Auditing Act requires the Board to annually submit to the Auditor General the most recent audit and the Actuarial Valuation of the Retirement Plan by September 30. The Auditor General is required to examine the information submitted by the Board and submit a report to the Illinois General Assembly regarding the Retirement Plan (the "Auditor General's Report").

A description of the calculations performed by the Retirement Plan's Actuary in the Actuarial Valuations follows below. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the Authority. The references to GASB principles in this section do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process

GASB standards require disclosure of an "Annual Required Contribution," which is the annual contribution amount that GASB standards would calculate is needed to fully fund the Retirement Plan over time. The Annual Required Contribution is a financial reporting requirement, but the Pension Code does not require contribution of the Annual Required Contribution level.

The Annual Required Contribution of the Retirement Plan consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the projected unit credit cost method (as described in "Actuarial Methods – Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any Unfunded Actuarial Accrued Liability.

In producing the Actuarial Valuations, the Retirement Plan's Actuary uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability, the Actuarial Value of Assets (defined below), and the actuarial present values for the Retirement Plan. The Retirement Plan's Actuary uses this data to determine the following fiscal year's Annual Required Contribution. The Retirement Plan's Actuarial Valuations are publicly available at <http://www.ctaretirement.org/retirement-plan/reports/>. Such information is prepared by the entity maintaining such website and the Authority has not independently verified such information and makes no representations nor expresses any opinion as to the accuracy or completeness of the information, and such information is not incorporated herein by reference. Any discussion herein with respect to actuarial assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority.

The Actuarial Accrued Liability is an estimate of the present value of the benefits the Retirement Plan must pay as a result of current and retired employees past employment with the Authority and participation in the Retirement Plan. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age, mortality and disability rates). The Actuarial Value of Assets

reflects the value of the investments and other assets held by the Retirement Plan. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets, see "Actuarial Methods" and "Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan. As described above, the Pension Code requires the Retirement Plan to maintain a Funded Ratio of 60% until 2039 and to achieve a Funded Ratio of 90% by 2059.

Authority's Contributions Not Related to GASB Standards

The Authority's contributions to the Retirement Plan are not based on the Annual Required Contribution calculated pursuant to the Actuarial Valuation. Instead, the Authority's contributions are based on the formulas and amounts established in the Pension Code, as described in "Determination of Authority's Contributions" above. Based on the 2013 Actuarial Valuation, GASB 25 suggests an Annual Required Contribution, including Authority and employee contributions, of 27.56%, which exceeds the actual contributions of 24.375% for the year ended December 31, 2012. The Retirement Plan's Actuary has recommended that the Board consider, as appropriate, moving towards a contribution of the Annual Required Contribution over the next several years. The contribution rates adopted by the Board pursuant to its ten-year plan are higher than the minimum required by the Pension Code. The Board anticipates an annual review of contribution rates during the ten-year period.

A comparison of the actual contributions and the Annual Required Contribution (as calculated by the Actuary) for the past ten fiscal years is shown under the heading "Funded Status" below. The Retirement Plan's Annual Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Plan's UAAL over a 30-year period. The Retirement Plan amortizes the UAAL on a level dollar basis.

GASB Statements 67 and 68

In June, 2012, GASB issued GASB Statement No. 67 and GASB Statement No. 68 (together, the "Statements"), which promulgate new standards for employee pension accounting and financial reporting by state and local governments. The two new Statements replace some of the requirements of previous GASB statements (GASB Statements Nos. 25, 27 and 50) related to pension plans.

Some of the key changes imposed by the new Statements include: (1) requiring governments for the first time to recognize the difference between the total pension liability (i.e., the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) as a liability of the employer; (2) immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms; (3) the effects on the net pension liability of differences between expected and actual investment returns will be

recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the new standards may produce a higher UAAL than one determined under the current principles. GASB Statement No. 67 will go into effect for pension plans in fiscal years beginning after June 15, 2013 and GASB Statement No. 68 will go into effect for pension plans in fiscal years beginning after June 15, 2014. The Authority has not determined what impact, if any, the Statements might have on its financial statements.

Actuarial Methods

The Retirement Plan's Actuary employs a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Retirement Plan calculates its Actuarial Value of Assets by using the market value of assets. Prior to the Actuarial Valuation as of January 1, 2012, the Retirement Plan's former Actuary, PricewaterhouseCoopers LLP, calculated the Actuarial Value of Assets under the "Asset Smoothing Method," which smoothes investment gains and losses over a period of five years. Both the Asset Smoothing Method and the market value of assets methods are permitted under GASB rules. Under the Asset Smoothing Method, recognition of gains and losses is delayed, and therefore the Actuarial Value of Assets does not reflect the full impact of such gains or losses at the time of measurement. Use of the market value of assets in calculating the Actuarial Value of Assets has the advantage of better reflecting the true value of assets at the time of measurement. In the 2012 Actuarial Valuation, the Retirement Plan's current Actuary, Buck Consultants, LLC, stated that the market value approach also has the advantage of being the most readily understood by stakeholders.

The Retirement Plan's financial statements for the year ended December 31, 2012 states that the Funded Ratio of the Retirement Plan decreased from 70.1% at December 31, 2010 to 59.2% at December 31, 2011 to due in part to the change from the Asset Smoothing Method to the market value of assets method in calculating the Actuarial Value of Assets. See "Funded Status" below.

Actuarial Accrued Liability

As the final step in the Actuarial Valuation, the Actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost. Currently, the Retirement Plan uses projected unit credit cost method (the "PUCC Method"). The PUCC Method is a GASB-approved actuarial cost method. Under the PUCC Method, the Normal Cost is computed as the present value of the unit of benefit attributable to that year for each active plan member. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member's projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

The PUCC Method, as compared to the entry age normal method, which is another commonly used actuarial cost method, will produce a more back-loaded growth in liabilities because the PUCC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUCC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions. Deferring contributions in this manner increases the cost of the liabilities and the associated financial risks for the Retirement Plan.

Actuarial Assumptions

The Actuarial Valuation of the Retirement Plan uses a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. The assumptions are based on past and anticipated future experience. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Plan. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Annual Required Contribution. Additional information on the Retirement Plan's actuarial assumptions is available in the 2013 Actuarial Valuation. See "Source Information" above.

The actuarial assumptions used by the Retirement Plan are determined by the Board. The Retirement Plan periodically has an experience study performed to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of a pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness. Traditionally, the Retirement Plan has commissioned an experience study once in every five year period. The Retirement Plan's most recent experience study was based on the period from January 1, 2001 to December 31, 2007 and was first used with the 2009 Actuarial Valuation. In the 2012 Actuarial Valuation, the Actuary stated that the actuarial assumptions developed are, in the aggregate, reasonable. However, the Actuary indicated that the mortality tables currently in use should be explored in more detail during the next experience review. The next experience study will cover the period from January 1, 2008 through December 31, 2013 and be used for the Actuarial Valuation as of January 1, 2014. Any changes in assumptions as a result of the experience study may have an effect on the Annual Required Contribution, Actuarial Accrued Liability, UAAL and Funded Ratio, as well as the Projections (as defined below) and such effects may be material.

Assumed Investment Rate of Return

As described under the heading "Background Information Regarding the Retirement Plan – Investments" above, the Actuarial Valuation assumes an investment rate of return on the assets of the Retirement Plan. The assumed investment rate of return is used by the Retirement Plan's Actuary as the discount rate to determine the present value of future payments to the Retirement Plan's members. Such a determination is part of the Actuary's process to develop the Actuarial Accrued Liability. As described above, the Retirement Plan assumed an average long-term investment rate of return of 8.50% for the fiscal year ended December 31, 2012. There can be no assurance that the actual rate of return earned by the Retirement Plan on its assets in any year will not be lower than the assumed rate of return. As shown in the table under the heading

"Background Information Regarding the Retirement Funds – Investments" above, actual investment rates of return have varied substantially over the previous ten years. Changes in the Retirement Plan's assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio.

The Retirement Plan's assumed rate of return has been reduced by the Board in recent years. The assumed investment rate of return was 8.75% prior to January 1, 2011 and was 9% prior to January 1, 2008. A reduction in the assumed investment rate of return, independent of other changes, produces a larger Actuarial Accrued Liability, which, independent of other changes, increases the UAAL, decreases the Funded Ratio and increases the Annual Required Contribution. Any future decreases in the Retirement Plan's assumed rate of return may increase the UAAL, decrease the Funded Ratio and increase the Annual Required Contribution, which may require the Authority to increase its contributions to the Retirement Plan under the Pension Code, which could put additional financial strain on the Authority.

Funded Status

UAAL and Funded Ratio

The fact that the contributions received from all sources by the Retirement Plan have historically been less than the Annual Required Contribution, in conjunction with other factors, has had the effect of increasing the Retirement Plan's UAAL over recent years.

According to the 2013 Actuarial Valuation, the Retirement Plan had a UAAL of approximately \$1.16 billion as of January 1, 2013. The 2013 Actuarial Valuation shows that the UAAL as of January 1, 2013 increased by approximately \$18.6 million from the UAAL as of January 1, 2012. However, the 2013 Actuarial Valuation states that Funded Ratio of the Retirement Plan increased by 0.2% during this time, primarily due to gains in investment returns.

The following Tables 3, 4, and 5, which were produced from information provided in the Financial Statements and the Actuarial Valuations of the Retirement Plan, summarize the current financial condition and the funding progress of the Retirement Plan.

TABLE 3
Annual Employer Contribution Status
(amounts in thousands)

Fiscal Year Ended December 31	Annual Required Contribution (000's)	Actual Employer Contribution (000's)	Actual Employee Contribution (000's)	Actual Total Contribution (000's)	Percentage of Annual Required Contribution Contributed
2003	\$ 117,305	\$ 19,570	\$ 9,813	\$ 29,383	25.0%
2004	153,253	20,210	10,124	30,334	19.8
2005	180,227	19,850	9,784	29,634	16.4
2006	194,926	23,931	11,971	35,902	18.4
2007	198,457	25,038	12,549	37,587	18.9
2008 ⁽¹⁾	206,670	1,165,947	27,798	1,193,745	577.6
2009	118,717	41,448	25,666	67,114	56.5
2010	108,478	56,216	45,212	101,428	93.5
2011	123,158	60,318	47,169	107,487	87.3
2012	155,600	62,788	48,342	111,130	71.4

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2003 through 2012.

- (1) Includes in the Actual Employer Contribution the proceeds of the Authority's Pension and Retirement Debt Obligations. See "Determination of Authority's Contributions" above.

TABLE 4
Historical Funding Progress
(amounts in thousands)

Fiscal Year	Actuarial Accrued Liability (000's)	Actuarial Value of Assets (000's)	UAAL (000's)	Funded Ratio	Payroll (000's)	UAAL to Payroll
2003	\$2,189,666	\$1,062,399	\$1,127,267	48.5%	\$486,626	231.6%
2004	2,291,162	902,117	1,389,045	39.4	544,442	255.1
2005	2,354,125	810,335	1,543,790	34.4	547,532	282.0
2006 ⁽¹⁾	2,466,106	1,007,305	1,458,801	40.8	562,567	259.3
2007 ⁽²⁾	2,531,440	941,864	1,589,576	37.2	571,314	278.2
2008	2,632,356	1,995,953	636,403	75.8	594,139	107.1
2009	2,588,462	1,936,849	651,613	74.8	567,173	114.9
2010 ⁽³⁾	2,724,191	1,909,967	814,224	70.1	528,288	154.1
2011 ⁽⁴⁾	2,808,184	1,662,196	1,145,988	59.2	541,354	211.7
2012	2,867,335	1,702,789	1,164,546	59.4	548,515	212.3

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2003 through 2012.

- (1) Effective January 1, 2007, retiree healthcare assets were marked to market value and disclosed under GASB 43. Previously, retiree health care assets were disclosed under GASB 25 and allocated in proportion to actuarial accrued liability.
- (2) Effective January 1, 2008, the assumed investment rate of return was changed from 9% to 8.75%.
- (3) Effective January 1, 2011, the assumed investment rate of return was changed from 8.75% to 8.50%.
- (4) Effective January 1, 2012, the actuarial value of assets was changed from being valued using the Asset Smoothing Method to using the market value method.

A variety of factors impact the Retirement Plan's UAAL and Funded Ratio. All other factors being equal, a lower return on investment than that assumed by the Retirement Plan's

Actuary, and insufficient contributions when compared to the Annual Required Contribution will cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, all other factors being equal, higher returns on investment than assumed, and contributions in excess of the Annual Required Contribution will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

As stated in the Retirement Plan's Financial Statements for year ended December 31, 2012 (the "2012 Financial Statements"), the Funded Ratio increased from fiscal year 2011 to fiscal year 2012 due mainly to favorable market conditions. As stated in the 2012 Financial Statements, the Funded Ratio decreased from fiscal year 2010 to fiscal year 2011 due to two principal factors: (i) a loss in demographic experience and (ii) a loss from a change in the actuarial asset valuation method from the Asset Smoothing Method to the market value of assets method. The 2012 Financial Statements state that the decrease in Funded Ratio from fiscal year 2009 to fiscal year 2010 was primarily due to the amortization of deferred asset losses into the actuarial value of assets and the decrease in the assumed investment rate of return from 8.75% to 8.50%. The 2012 Financial Statements state that the steady decline in Funded Ratio from 1981 to 2007 was due to insufficient Authority and employee contributions, several early retirement programs, increased benefits and dramatic health care costs increases that were paid out of the Retirement Plan prior to 2009.

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TABLE 5
Statements of Changes in Fiduciary Net Positions
For years ended December 31
(amounts in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Beginning Net Assets	\$1,256,602	\$1,299,077	\$1,220,370	\$1,130,350	\$1,061,114	\$977,357	\$1,743,266	\$1,716,317	\$1,794,742	\$1,662,196
Additions										
Net Investment income (loss)	170,729	84,478	62,110	91,704	78,585	(221,744)	113,250	197,317	(13,018)	168,193
Employer contributions	19,570	20,210	19,850	23,931	25,038	1,165,947	41,448	56,216	60,318	62,788
Employee contributions	9,813	10,124	9,784	11,971	12,549	27,797	25,666	45,212	47,169	48,342
Other income	-	-	-	-	-	-	-	-	4	-
Total Additions	\$200,112	\$114,812	\$91,744	\$127,606	\$116,172	\$972,000	\$180,364	\$ 298,745	\$ 94,473	\$279,323
Deductions										
Benefit payments	155,830	191,630	179,035	193,423	197,275	201,865	203,109	216,164	221,732	232,433
Contribution refunds, including interest	611	642	1,149	1,068	1,053	1,763	2,051	2,128	2,879	4,022
Administrative expenses	1,196	1,247	1,580	2,351	1,061	2,463	2,153	2,028	2,408	2,275
Total	\$157,637	\$193,519	\$181,764	\$196,842	\$199,929	\$206,091	\$207,313	\$ 220,320	\$ 227,019	\$238,730
Net Increase (Decrease)	42,475	(78,707)	(90,020)	(69,236)	(83,757)	765,909	(26,949)	78,425	(132,546)	40,593
Ending Net Assets	<u>\$1,299,077</u>	<u>\$1,220,370</u>	<u>\$1,130,350</u>	<u>\$1,061,114</u>	<u>\$ 977,357</u>	<u>\$1,743,266</u>	<u>\$1,716,317</u>	<u>\$1,794,742</u>	<u>\$1,662,196</u>	<u>\$1,702,789</u>

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2003 through 2012. Amounts in the table above may not sum due to rounding.

Note: Only amounts pertaining to the pension benefits under the Retirement Plan are shown in the table above. Changes to the Retirement Plan due to Public Act 94-839 and Public Act 95-708 effectively removed liability for retiree healthcare benefits from the Retirement Plan, effective January 1, 2009. See "OTHER POST-EMPLOYMENT BENEFITS" below.

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Projection of Funded Status

The following Table 6 contains projections regarding the funding of the Retirement Plan (the "Projections") that are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Plan's actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Plan are made as required. See "Cautionary Statement" above. The Projections also assume stable membership and assume that all actuarial assumptions described in the 2013 Actuarial Valuation are exactly realized each year. No representation or assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection. Further, the benefits provided under the Retirement Plan and the minimum funding requirements of the Retirement Plan are established under the Pension Code, which statutory provisions are subject to change by the State legislature.

The Projections rely on information produced by the Retirement Plan's Actuary and were not independently verified by the Authority as to their validity, accuracy or conformance to any acceptable accounting, actuarial or reporting standards. The Projections should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the Projections. Neither the Authority, the Authority's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained in the Projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Projections.

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The following table sets forth the projected funded status of the Retirement Plan based on the 2013 Actuarial Valuation.

TABLE 6
Projected Actuarial Results

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)	Employer Contribution
2013	\$2,867,335,313	\$1,702,787,884	\$1,164,547,429	59.39%	
2014	2,943,941,267	1,736,958,952	1,206,982,315	59.00	\$79,117,557
2015	3,020,158,006	1,771,932,847	1,248,225,159	58.67	81,412,591
2016	3,082,672,751	1,809,448,686	1,273,224,065	58.70	84,038,921
2017	3,148,337,607	1,850,340,901	1,297,996,706	58.77	86,877,279
2018	3,216,996,546	1,895,115,430	1,321,881,116	58.91	89,931,780
2019	3,288,646,960	1,944,182,025	1,344,464,935	59.12	93,121,862
2020	3,362,618,679	1,997,416,641	1,365,202,038	59.40	96,387,020
2021	3,437,796,430	2,054,101,534	1,383,694,896	59.75	99,655,630
2022	3,512,701,994	2,113,392,729	1,399,309,265	60.16	102,903,747
2023	3,586,447,503	2,174,954,004	1,411,493,499	60.64	106,558,440
2024	3,659,823,074	2,240,355,504	1,419,467,570	61.21	110,257,467
2025	3,731,865,549	2,309,209,517	1,422,656,032	61.88	114,073,569
2026	3,802,572,147	2,381,611,271	1,420,960,876	62.63	118,061,217
2027	3,871,771,476	2,457,891,271	1,413,880,205	63.48	122,168,151
2028	3,938,487,303	2,538,075,422	1,400,411,881	64.44	126,473,489
2029	4,002,727,921	2,623,402,834	1,379,325,087	65.54	131,172,594
2034	4,345,301,200	3,215,729,066	1,129,572,134	74.00	159,689,063
2035	4,430,237,525	3,386,438,059	1,043,799,466	76.44	166,404,670
2036	4,525,835,068	3,582,417,228	943,417,840	79.15	173,644,942
2037	4,634,827,695	3,807,685,577	827,142,118	82.15	181,174,531
2038	4,759,306,866	4,065,543,520	693,763,346	85.42	189,147,497
2039	4,903,071,249	4,361,039,921	542,031,328	88.95	197,614,076

Source: The Retirement Plan's 2013 Actuarial Valuation, prepared by Buck Consultants, LLC.

As shown in Table 6 above, the Actuary is projecting that Funded Ratio of the Retirement Plan will reach 88.95% by 2039 based on current assumptions, which include the assumption that the Authority will continue to make contributions to the Retirement Plan equal to 14.250% from 2014 to 2039, which is higher than the minimum required by the Pension Code. As discussed above, under the Pension Code, the Retirement Plan is required to be at least 60% funded by 2040 and at least 90% funded by 2060 (see "Determination of Authority's Contributions" above).

Supplemental Pension Plans

As described under the heading "General Overview" above, in addition to the Retirement Plan, the Authority maintains three separate single-employer, defined benefit supplemental

pension plans for a limited number of participants, and all three plans are currently closed to new participants. Information related to the Supplemental Pension Plans is presented in the Authority's audited financial statements. This section summarizes the Supplemental Pension Plans based on the information in the Authority's financial statements for the year ended December 31, 2012. The Supplemental Pension Plans do not issue separate stand-alone financial reports. Additional information related to the Supplemental Pension Plans is available in the Authority's audited financial statements. See "Sources of Information" above.

The Supplemental Pension Plans provide benefits to employees of the Authority in certain employment classifications. Employees of the applicable employment classifications are eligible for retirement benefits under the Supplemental Pension Plans based on age and years of service. Except in limited circumstances, as further described in the Authority's audited financial statements, participants in the Supplemental Pension Plans are not required to contribute to the Supplemental Pension Plans.

The following Table 7 shows the membership in the Supplemental Pension Plans as of December 31, 2013:

TABLE 7
Membership of Supplemental Pension Plans

Supplemental Pension Plan	Active Members	Inactive Members Not Yet Receiving Benefits	Retirees and Beneficiaries	Totals
Open	13	9	125	147
Closed	-	8	378	386
Board	<u>5</u>	<u>4</u>	<u>21</u>	<u>30</u>
Total	18	21	524	563

Source: Financial Statements of the Authority for the year ended December 31, 2013.

The Authority presently funds the Open Supplemental Pension Plan at the amount of the Annual Required Contribution. The Authority presently funds the Closed Pension Plan and Board Pension Plan based on paying into the respective plans an amount equal to the amount of benefits to be paid to retirees in a given year on a "pay-as-you-go" basis.

The following table shows the Annual Required Contribution and actual Authority contribution levels for the Supplemental Pension Plans for the years ended December 31, 2011 through 2013:

TABLE 8
Annual Employer Contribution
(amounts in thousands)

Pension Plan	Year Ended December 31	Annual Required Contribution	Actual Employer Contribution	Percentage of Annual Required Contribution Contributed
Open	2011	2,207	2,210	100.1%
	2012	2,267	2,267	100.0
	2013	1,926	1,926	100.0
Closed	2011	4,041	3,447	85.3
	2012	4,116	3,299	80.2
	2013	4,295	3,114	72.5
Board	2011	372	329	88.5
	2012	348	323	92.8
	2013	331	337.62	102.0

Source: Financial Statements of the Authority for the year ended December 31, 2011 through 2013.

The following table shows the funding progress of the Supplemental Pension Plans for the previous three years:

TABLE 9
Funding Progress of the Supplemental Plans
(amounts in thousands)

Pension Plan	Valuation Date January 1	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
Open	2012	55,898	34,251	21,647	61.3%
	2013	54,716	37,040	17,676	67.7
	2014	53,344	43,503	9,841	81.6
Closed	2012	29,979	-	29,979	0.0
	2013	28,963	-	28,963	0.0
	2014	27,678	-	27,678	0.0
Board	2012	4,693	57	4,636	1.2
	2013	4,778	70	4,708	1.5
	2014	4,848	75	4,772	1.5

Source: Financial Statements of the Authority for the year ended December 31, 2013.

Retiree Health Care Trust

As discussed in “- General Overview” above, prior to 2009, retiree healthcare benefits were included as part of the Retirement Plan. The 2008 Pension Reform required the Authority to separate the funding of retiree healthcare benefits from the funding of its pension system by no later than July 1, 2009. The 2008 Pension Reform also provided for the establishment of the RHCT, which is solely responsible for providing health care benefits to eligible Authority retirees and their dependants and survivors. The RHCT is established and administered under Section 22-101B of the Illinois Pension Code (40 ILCS 5/22-101B). The RHCT issues a separate stand-alone financial report which is available at <http://www.ctaretirement.org/health-plan/reports/>. Such information is prepared by the entity maintaining such website and the Authority has not independently verified such information and makes no representations nor expresses any opinion as to the accuracy or completeness of the information, and such information is not incorporated herein by reference.

As discussed above, on August 6, 2008, the Authority issued the Pension Bonds and used \$528,800,000 of the proceeds to fund the RHCT. Under the Pension Code, the RHCT was required to assume financial responsibility for health care benefits of retirees (and the dependants and survivors of retirees) no later than July 1, 2009. Further, the Pension Code provides that, after the issuance of the Pension Bonds, the Authority has no further obligation to provide or fund health care benefits for current or future retirees, dependants and survivors. As noted in General Overview above, Authority employees are required to contribute three percent of their compensation to the RHCT. The most recent Actuarial Valuation Report and Financial Statements for the RHCT show a Funded Ratio well exceeding 100% for each of the past three years. Due to the Authority having no financial obligation to the RHCT under the Pension Code, no additional information is presented in this Official Statement regarding the RHCT. See, however, “- Cautionary Statement” above, regarding possible future changes in legislation affecting the Pension Code.

Other Post-Employment Benefits

Certain participants in the Supplemental Pension Plans may not be eligible for healthcare coverage under the RHCT upon retirement. Such participants may be eligible to participate in a healthcare plan administered and funded by the Authority ("OPEB Plan"). The paragraphs below detail the benefits, funding history and funded status of the OPEB Plan.

Benefits under the OPEB Plan are available for certain participants in the Supplemental Pension Plans with bridged service or service purchased through the Authority's Voluntary Termination Program who are not yet, or might not be, eligible for healthcare benefits under the RHCT. Benefits under the OPEB Plan cease once the member becomes eligible for coverage under the RHCT or may continue, depending on the amount of service by the participant, for members who do not become eligible for benefits under RHCT. Members of the Authority Board are eligible for benefits under the OPEB Plan after five years of service. OPEB Plan benefits are administered through the Authority's healthcare program for employees and, as such, funds the OPEB Plan on a self-insured "pay-as-you-go" basis. As of January 1, 2014, the

OPEB Plan was not funded, resulting in a UAAL of \$11,869,000 and no Funded Ratio. As of January 1, 2014, there were 77 individuals receiving healthcare benefits under the OPEB Plan.

Information related to the OPEB Plan is presented in the Authority's audited financial statements. The OPEB Plan does not issue separate stand-alone financial reports. This section summarizes the OPEB Plan based on the information in the Authority's audited financial statements for the year ended December 31, 2013. Additional information related to the OPEB Plan is available in the Authority's audited financial statements. See "Sources of Information" above.

The following Table 10 shows the actuarially determined Annual Required Contribution and actual Authority contribution levels for the OPEB Plan for the years ended December 31, 2011 through 2013:

TABLE 10
Annual Employer Contribution
(amounts in thousands)

Year Ended December 31	Annual Required Contribution	Actual Employer Contribution	Percentage of Annual Required Contribution Contributed
2011	1,605	707	44.0%
2012	1,080	704	65.2
2013	1,141	810	71.0

Source: Financial Statements of the Authority for the year ended December 31, 2011 through 2013.

Litigation, Investigations and Labor Relations

Litigation

In 2013, the Retirement Plan filed a claim against the Authority in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking an accounting and damages of approximately \$7 million. (*Retirement Plan for Chicago Transit Authority Employees v. The Chicago Transit Authority*, Case No. 13 CH 14414). The Retirement Plan claims that, for a period of time prior to the establishment of the RHCT, the Authority administered the prescription drug program for retirees and that the Authority billed the Retirement Plan for the costs of the drugs but did not share in rebates from the prescription drug providers. On November 2, 2013, the Authority has filed a motion to dismiss the complaint. On February 27, 2014 the Authority's motion to dismiss was denied. On April 23, 2014 the Authority filed its affirmative defense and counterclaims. The case is currently in discovery, which is scheduled to close on August 18, 2014.

In *Matthews et al. v. Chicago Transit Authority et al.* 11 CH 15446, CTA employees and retirees claimed that, due to changes in healthcare arising under the 2008 Pension Reform, the Authority, the Retirement Plan and the RHCT breached their obligations with respect to healthcare under the collective bargaining agreement and breached their fiduciary obligations to beneficiaries. Plaintiffs also asserted that the 2008 Pension Reform violates the Pension

Protection Clause. The Circuit Court ruled that the Authority does not have the obligation to administer the RHCT and that the plaintiffs did not have a vested right to healthcare benefits. The Circuit Court did not address the constitutionality of the 2008 Pension Reform. The plaintiffs appealed the ruling of the Circuit Court to the Illinois Appellate Court. The Appellate Court affirmed the Circuit Court's holding that current CTA employees were properly dismissed because they did not have standing. The Appellate Court further concluded that CTA did not have a contractual or statutory obligation to pay for retirees' health care benefits because the governing collective bargaining agreement and legislation unequivocally assigned that obligation solely to the RHCT. The Appellate Court concluded that plaintiffs sufficiently stated a claim for promissory estoppel against the CTA because the CTA continued to pay for health care benefits for retired employees until 2009. The Appellate Court further held that retirees have a vested right to some of their health benefits, and that plaintiffs stated a claim against the CTA for declaratory judgment. Finally, the Appellate Court reversed the dismissal of the constitutional claim, ordering the Circuit Court to consider it in light of a forthcoming Illinois Supreme Court decision involving the constitutionality of the 2008 Pension Reform. On May 22, 2014, the CTA filed a petition for leave to appeal with the Illinois Supreme Court.

Investigations

There are currently no known material investigations involving the Retirement Plan or the RHCT. Routine audits are in process.

Labor Relations

There are currently no known labor relations matters that would impact the Retirement Plan or the RHCT.

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC has been furnished by DTC for use in this Official Statement. Neither the Authority nor the Underwriters are responsible for its accuracy or completeness.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered bonds 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 Series 2014 Bond will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National 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 Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 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 Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 2014 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 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 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 Authority 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 the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2014 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 Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend

payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, 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.

A Beneficial Owner shall give notice to elect to have its Series 2014 Bonds purchased or tendered, through its Participant, to the tender agent, and shall effect delivery of such Series 2014 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2014 Bonds, on DTC's records, to the tender agent. The requirement for physical delivery of Series 2014 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2014 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2014 Bonds to the tender agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2014 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE 2014 BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE Series 2014 Bonds; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

July 10, 2014

The Chicago Transit Board of the Chicago Transit Authority
Chicago, Illinois

U.S. Bank National Association
Chicago, Illinois

Re: \$555,000,000 Chicago Transit Authority Sales Tax
Receipts Revenue Bonds, Series 2014

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$555,000,000 aggregate principal amount of Sales Tax Receipts Revenue Bonds, Series 2014 (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 014-49 adopted by the Chicago Transit Board on June 11, 2014 (the “Bond Ordinance”). The Bonds are issued and secured under the Trust Indenture dated as of March 1, 2010 (the “Indenture”) by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the Third Supplemental Indenture dated as of June 1, 2014 (the “Third Supplemental Indenture”) by and between the Authority and the Trustee. The Bonds are Corporate Purpose Debt Obligations and Parity Obligations under the Indenture.

The Bonds are dated July 10, 2014 and bear interest from their date payable on December 1, 2014 and semiannually thereafter on each June 1 and December 1. The Bonds mature on December 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
2044	\$68,750,000	5.000%
2044	\$147,535,000	5.000%
2049	\$338,715,000	5.250%

The Bonds are subject to redemption prior to maturity at the option of the Authority, in such principal amounts and from such maturities as the Authority shall determine and by lot within a single maturity, on December 1, 2024 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date.

The Bonds maturing on December 1, 2044 in the original principal amount of \$68,750,000, December 1, 2044 in the original principal amount of \$147,535,000 and December 1, 2049 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the Third Supplemental Indenture, in part and by lot, at a redemption price equal to the principal amount thereof to be redeemed, by the application of annual sinking fund installments on December 1 of the years and in the principal amounts set forth in the following tables:

2044 Term Bonds (\$68,750,00 principal amount)		2044 Term Bonds (\$147,535,000 principal amount)	
Year	Principal Amount	Year	Principal Amount
2041	\$15,950,000	2041	\$34,230,000
2042	\$16,750,000	2042	\$35,940,000
2043	\$17,585,000	2043	\$37,740,000
2044*	\$18,465,000	2044*	\$39,625,000
*final maturity		*final maturity	

2049 Term Bonds

Year	Principal Amount
2045	\$60,995,000
2046	\$64,195,000
2047	\$67,565,000
2048	\$71,115,000
2049*	\$74,845,000
*final maturity	

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 are ratably and equally entitled to the benefits and security of the Indenture, including the pledge of the Trust Estate under the Indenture. The Trust Estate includes (i) the Sales Tax Receipts Fund held by the Authority, subject however to the PBC Parity Pledge Rights (as defined in the Indenture) and the parity pledge and lien created with respect to the Pension and Retirement Debt Obligations (as defined in the Indenture); and (ii) the Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Debt Service Fund into dedicated sub-funds, including the Series 2014 Dedicated Sub-Fund established and maintained for the benefit of the Bonds under the Third Supplemental Indenture.

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 Third Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Third 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 Third 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 payable from the Series 2014 Dedicated Sub-Fund, are entitled to the benefits and security of the Indenture and the Third Supplemental Indenture, and are enforceable in accordance with their terms.

5. All Parity Obligations, including the Bonds, are ratably and equally secured under the Indenture by the pledges and assignments created by the Indenture, including the pledge of the Trust Estate. The Indenture creates a valid pledge of and lien on the Trust Estate for the benefit and security of all Parity Obligations, subject to application of the Trust Estate in accordance with the terms of the Indenture, including periodic withdrawals of moneys free from the lien of the 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"), (i) interest on the Bonds 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 Third 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 submitted,



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

