NEW ISSUE – BOOK-ENTRY ONLY **Ratings: see "RATINGS" herein**

Mayer Brown LLP and Shaw Legal Services, Ltd., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2022A 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 Internal Revenue Code of 1986, as amended (the "Code"). In addition, interest on the Series 2022A Bonds is not an item of tax preference for purposes of computing individual alternative minimum taxable income. Prospective purchasers of the Series 2022A 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 2022A Bonds. See "TAX MATTERS" herein.

$350,000,000
CHICAGO TRANSIT AUTHORITY
SECOND LIEN SALES TAX RECEIPTS REVENUE BONDS
SERIES 2022A

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

The Chicago Transit Authority (the "Authority") is issuing $350,000,000 aggregate principal amount of Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued pursuant to a Trust Indenture dated as of January 1, 2017 (the "2017 Indenture"), by and between the Authority and Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Seventh Supplemental Indenture, dated as of March 1, 2022, by and between the Authority and the Trustee (the "Seventh Supplemental Indenture," and the 2017 Indenture as so supplemented and amended, the "Indenture").

The Series 2022A 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 2022A Bonds will be made in denominations of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Series 2022A Bonds will not receive physical bonds representing their beneficial ownership in the Series 2022A Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series 2022A Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest and principal of the Series 2022A Bonds are payable to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the Series 2022A Bonds through their respective DTC Participants or DTC Indirect Participants. Interest on the Series 2022A Bonds is payable on June 1 and December 1 of each year commencing on December 1, 2022.

The Series 2022A Bonds are subject to optional redemption and mandatory sinking fund redemption. See "DESCRIPTION OF THE BONDS—Redemption" herein.

The Series 2022A Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts on a subordinate and junior basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations as described herein and on a parity basis to the claim on such Sales Tax Receipts by Second Lien Obligations as described herein. See "SECURITY FOR THE BONDS—Pledge of Security" herein.

The proceeds from the sale of the Series 2022A Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Authority's Capital Improvement Program (as defined herein), (ii) refund a portion of its Second Lien Sales Tax Receipts Capital Improvement Notes (as defined herein), (iii) capitalize interest on the Series 2022A Bonds through December 1, 2024, and (iv) pay costs in connection with the issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" herein.

The Series 2022A Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois (the "State"), the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Series 2022A Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2022A Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

The scheduled payment of principal of and interest on the Series 2022A Bonds maturing on December 1, 2046, in the original principal amount of $93,800,000 (CUSIP® 16772P DK9) (the "Insured Series 2022A Bonds"), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Series 2022A Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

The maturities, principal amounts, interest rates, yields, prices and CUSIP® numbers of the Series 2022A Bonds are set forth on the inside front cover page of this Official Statement.

The Series 2022A 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 Shaw Legal Services, Ltd., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Burke Burns & Pinelli, Ltd., Chicago, Illinois, Underwriters' Counsel, and for the Authority by its Acting General Counsel and by Thompson Coburn LLP, Chicago, Illinois, Disclosure Counsel. The Series 2022A Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about March 31, 2022.

Cabrera Capital Markets LLC

Harvestons Securities Inc **Loop Capital Markets**

Academy Securities **Backstrom McCarley Berry & Co., LLC** **Estrada Hinojosa**

Multi-Bank Securities, Inc. **North South Capital** **Rice Financial Products Company** **Valdés & Moreno Inc.**

March 23, 2022

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP®+ NUMBERS

$350,000,000
CHICAGO TRANSIT AUTHORITY

SECOND LIEN SALES TAX RECEIPTS REVENUE BONDS
SERIES 2022A

$93,800,000	5.00%	Term Bond due December 1, 2046 (Insured)	Yield 3.280%	Price 114.145%*	CUSIP+ 16772P DK9
$57,690,000	4.00%	Term Bond due December 1, 2049	Yield 3.670%	Price 102.661%*	CUSIP+ 16772P DL7
$65,535,000	5.00%	Term Bond due December 1, 2052	Yield 3.500%	Price 112.207%*	CUSIP+ 16772P DM5
$132,975,000	5.00%	Term Bond due December 1, 2057	Yield 3.600%	Price 111.339%*	CUSIP+ 16772P DN3

* Priced to the December 1, 2031 call date.

CHICAGO TRANSIT AUTHORITY

CHICAGO TRANSIT BOARD

Lester L. Barclay, Chairman
Reverend Dr. L. Bernard Jakes, Vice Chairman
Kevin Irvine
Reverend Johnny L. Miller
Rosa Y. Ortiz
Alejandro Silva
Vacancy

OFFICERS

Dorval R. Carter Jr., President
Jeremy V. Fine, Chief Financial Officer and Treasurer
Brad Jansen, Acting General Counsel
Gregory Longhini, Assistant Secretary

CO-BOND COUNSEL

Mayer Brown LLP
Chicago, Illinois

Shaw Legal Services, Ltd.
Chicago, Illinois

DISCLOSURE COUNSEL

Thompson Coburn LLP
Chicago, Illinois

MUNICIPAL ADVISORS

Mohanty Gargiulo LLC
New York, New York

Blue Rose Capital Advisors, LLC
Minneapolis, Minnesota

This Official Statement does not constitute an offer to sell the Series 2022A 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 2022A 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 2022A 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 Municipal 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 Municipal Advisors.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Insured Series 2022A Bonds or the advisability of investing in the Insured Series 2022A Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" herein and "APPENDIX I - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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, including but not limited to those described under "CERTAIN INVESTMENT CONSIDERATIONS," 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 "SALES TAX RECEIPTS," "THE AUTHORITY—Authority Operations in Response to the COVID-19 Outbreak, and—Ridership Trends and CTA 2022 Budgeted Ridership," "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak," "CAPITAL IMPROVEMENT PROGRAM" and "CERTAIN INVESTMENT CONSIDERATIONS," 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 2022A 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 overallot or effect transactions that stabilize or maintain the market prices of the Series 2022A 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 2022A 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.

CHICAGO TRANSIT AUTHORITY SYSTEM MAP

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SUMMARY

This Summary does not purport to be complete and is subject to the more detailed information contained in this Official Statement. Capitalized terms used and not defined in this Summary are defined in APPENDIX A — "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions of Certain Terms."

The Authority.............................. The Chicago Transit Authority (the "Authority") operates the nation's second largest public transportation system (the "Transportation System"), providing mass transit services within the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. Historically, the Authority has carried over 81 percent of the public transit riders in the six-county northeastern Illinois region ("Northeastern Illinois Transit Region"), which includes 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 the Northeastern Illinois Transit Region provided through the independent operations of the Authority, the Commuter Rail Division ("Metra") of the Regional Transportation Authority (the "RTA"), and the Suburban Bus Division ("Pace") of the RTA (the Authority, Metra and Pace are collectively referred to as the "Service Boards"). For additional information regarding the Authority, see "THE AUTHORITY" herein.

Regional Transportation Authority .... The RTA oversees public transportation in the Northeastern Illinois Transit Region pursuant to powers and authority granted under the Regional Transportation Authority Act (the "RTA Act") of the State of Illinois (the "State"). The RTA provides funding, planning and fiscal oversight for the Service Boards in part through the imposition of sales taxes throughout the Northeastern Illinois Transit 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 REGIONAL TRANSPORTATION AUTHORITY— RTA Oversight" herein.

Series 2022A Bonds .... The Authority is issuing $350,000,000 aggregate principal amount of Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued pursuant to a Trust Indenture dated as of January 1, 2017 (the "2017 Indenture"), by and between the Authority and Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Seventh Supplemental Indenture, dated as of March 1, 2022, by and between the Authority and the Trustee (the "Seventh Supplemental Indenture," and the 2017 Indenture as so supplemented and amended, the "Indenture").

Use of Proceeds .... The proceeds from the sale of the Series 2022A Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Authority's Capital Improvement Program (as defined herein), (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2022A Bonds through December 1, 2024, and (iv) pay costs in connection with the issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" herein.

Payment of Interest .... Interest on the Series 2022A Bonds, is payable on June 1 and December 1 of each year commencing on December 1, 2022. 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 this Official Statement.

Redemption .... The Series 2022A Bonds are subject to optional redemption and mandatory sinking fund redemption. See "DESCRIPTION OF THE BONDS—Redemption" herein.

Source of Payment .... The principal of and interest on the Series 2022A Bonds are payable from Sales Tax Receipts deposited into the Sales Tax Receipts Fund maintained by the Authority under the Trust Indenture dated July 1, 2008, as supplemented, by and between the Authority and U.S. Bank National Association, as trustee, after payment of amounts due on outstanding First Lien Parity Obligations (the "Available Sales Tax Receipts"). See "SOURCES OF PAYMENT OF THE BONDS" and "SECURITY FOR THE BONDS" herein.

Sales Tax Receipts .... Sales Tax Receipts consist of all amounts received by the Authority from the RTA under the RTA Act, and include the Authority's share of (i) sales and use taxes imposed by the RTA and collected by the State throughout the Northeastern Illinois Transit Region ("RTA Sales Tax"), (ii) sales and use taxes imposed and collected by the State and allocated to the RTA ("State Sales Tax"), and (iii) State funds dedicated to public transportation received by the RTA ("Public Transportation Funds").

The collection and distribution by the State of the RTA Sales Tax, State Sales Tax, and Public Transportation Funds represent irrevocable and continuing appropriations by the Illinois General Assembly.

See "SALES TAX RECEIPTS" herein.

Security for the Bonds .... The Series 2022A Bonds are secured by the Sales Tax Receipts deposited into the Sales Tax Receipts Fund and all moneys, securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established under the Indenture, after the satisfaction of all amounts due on the First Lien Parity Obligations, on a parity with all amounts due on the Second Lien Obligations, and 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 BONDS" herein.

The Seventh Supplemental Indenture establishes with the Trustee a separate and segregated Sub-Fund designated the "Series 2022A Dedicated Sub-Fund." Moneys on deposit in the Series 2022A 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 2022A Bonds and shall not be used or available for the payment of any other Second Lien Parity Obligations, except as otherwise provided in the Indenture.

The Series 2022A Bonds will not be secured by a debt service reserve fund.

Insured Series 2022A Bonds Maturing December 1, 2046 The scheduled payment of principal of and interest on the Series 2022A Bonds maturing on December 1, 2046, in the original principal amount of $93,800,000 (CUSIP® 16772P DK9) (the "Insured Series 2022A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2022A Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"). See "BOND INSURANCE" herein.

Additional Second Lien Bonds .. The Authority may issue one or more additional series of Second Lien Bonds for the purpose of financing any lawful project or purpose of the Authority or to refund any First Lien Parity Obligations. Such Additional Second Lien Bonds may be issued only upon delivery to the Trustee, among other things, of a certificate of the Authority stating that the aggregate amount of all Available 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 150 percent of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series.

Subject to the terms of the Indenture, Second Lien Obligations may be refunded with Additional Second Lien Bonds without meeting the coverage test described above to the extent that the Annual Second Lien Debt Service Requirements for the current and each future Bond Year immediately after the issuance of such Additional Second Lien Bonds does not exceed the aggregate of the Annual Second Lien Debt Service Requirements for the corresponding Bond Years immediately prior to the issuance of such Additional Second Lien Bonds. See "SECURITY FOR THE BONDS —Additional Sales Tax Receipts Obligations" herein.

Additional First Lien Obligations .... The Authority may also issue additional series of First Lien Parity Obligations pursuant to the 2008 Indenture (as defined herein) or the 2010 Indenture (as defined herein) for the purpose of financing any lawful project or purpose of the Authority. Such additional First Lien Parity Obligations may be issued only upon delivery to the 2008 Indenture Trustee (as defined herein) or 2010 Indenture Trustee (as defined herein), as applicable, 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 percent of the Maximum Annual Coverage Requirement for the First Lien Parity Obligations as of the time immediately following the issuance of such Series. See "SECURITY FOR THE BONDS —Additional Sales Tax Receipts Obligations" herein.

Limited Obligation .... The Series 2022A Bonds are limited obligations of the Authority payable solely from the sources pledged for their payment in accordance with the Indenture. The Series 2022A 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 Authority) or of any municipality within the State nor shall any Series 2022A Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2022A Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

Authority Pension Obligations .. The Authority maintains a retirement plan that provides pension benefits to participating employees. The annual amounts the Authority contributes to the retirement plan are determined by the Illinois Pension Code. Under the Pension Code, the Authority is required to achieve and maintain statutorily-determined funding levels. If actual funding levels fall below the levels mandated by the Pension Code, the Authority is required to make additional annual contributions set by the Pension Code in order to achieve the funding targets. The Authority has never failed to make its required contributions to the retirement plan. See "PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS" herein and APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE."

Ratings .... Standard & Poor's Global Ratings ("S&P") and Kroll Bond Rating Agency ("KBRA") have assigned the Series 2022A Bonds ratings of "A+" (Stable outlook) and "AA-" (Stable outlook), respectively, and S&P has assigned the Insured Series 2022A Bonds a rating of "AA" (Stable outlook), based solely on the Bond Insurance Policy issued by BAM concurrently with the delivery of the Insured Series 2022A Bonds. See "RATINGS" in the Official Statement.

COVID-19 Outbreak .... The COVID-19 outbreak and resulting impact on the Authority and the economy has had and continues to have significant impacts on the operations and financial condition of the Authority. These impacts are evolving and ongoing and the Authority cannot predict the nature or degree of such impacts with certainty. See "INTRODUCTION—COVID-19 Outbreak" and "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

Investment Considerations .... There are a number of factors associated with owning the Series 2022A Bonds that prospective purchasers should consider prior to purchasing the Series 2022A Bonds. For a discussion of certain of these factors, see "CERTAIN INVESTMENT CONSIDERATIONS" herein.

Book-Entry Form and Denominations .... The Series 2022A 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 Shaw Legal Services, Ltd., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2022A 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 Internal Revenue Code of 1986, as amended (the "Code"). In addition, interest on the Series 2022A Bonds is not an item of tax preference for purposes of computing individual alternative minimum taxable income. Prospective purchasers of the Series 2022A 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 2022A Bonds. See "TAX MATTERS" herein.

Delivery of Series 2022A Bonds The Series 2022A Bonds are expected to be available for delivery at DTC in New York, New York, on or about March 31, 2022.

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 this Official Statement.

Additional Information .... Additional information may be obtained upon request to:

Jeremy V. Fine, Chief Financial Officer and Treasurer, Chicago Transit Authority, 567 West Lake Street, Chicago, Illinois 60661; phone: (312) 681-3400; email: JFine@transitchicago.com.

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OFFICIAL STATEMENT

$350,000,000
CHICAGO TRANSIT AUTHORITY
SECOND LIEN SALES TAX RECEIPTS REVENUE BONDS
SERIES 2022A

INTRODUCTION

The purpose of this Official Statement, which includes the appendices hereto, is to set forth certain information concerning the issuance by the Chicago Transit Authority (the "Authority") of $350,000,000 aggregate principal amount of its Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A (the "Series 2022A Bonds"). All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings assigned to such terms in APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Definitions of Certain Terms."

The Authority and the RTA

The Authority operates public transit services within the City of Chicago (the "City," "Chicago" or "City of Chicago") and 35 surrounding suburbs. Transit services provided by the Authority are part of the regional public mass transportation service system in northeastern Illinois (the "Northeastern Illinois Transit Region") provided through the independent operations of the Authority, the Commuter Rail Division ("Metra") of the Regional Transportation Authority (the "RTA"), and the Suburban Bus Division ("Pace") of the RTA (the Authority, Metra and Pace are collectively referred to as the "Service Boards"). The RTA, which is governed by the Regional Transportation Authority Act, as amended (70 ILCS 3615/1 *et seq.*) (the "RTA Act") oversees public transportation, including the Authority, in the six-county Northeastern Illinois Transit Region, which includes the County of Cook ("Cook County") and the Counties of DuPage, Kane, Lake, McHenry and Will (the "Collar Counties"), and provides funding for the Service Boards from sales tax revenue and other funds provided by the State of Illinois (the "State") and distributed to the RTA. See "THE AUTHORITY" and "THE REGIONAL TRANSPORTATION AUTHORITY" herein.

Bond Authorization and Indenture

The Series 2022A Bonds are authorized and are being issued pursuant to the laws of the State, including the Metropolitan Transit Authority Act, as amended (70 ILCS 3605/1 *et seq.*) (the "MTA Act"), the Local Government Debt Reform Act, as amended (30 ILCS 350/1 *et seq.*) (the "Debt Reform Act"), and an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the "Chicago Transit Board"), on March 9, 2022 (the "Bond Ordinance"). The Series 2022A Bonds are being issued pursuant to a Trust Indenture dated as of January 1, 2017 (the "2017 Indenture"), by and between the Authority and Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Seventh Supplemental Indenture, dated as of March 1, 2022, by and between the Authority and the Trustee (the "Seventh Supplemental Indenture," and the 2017 Indenture as so supplemented and amended, the "Indenture").

The Bonds and Use of Proceeds

The proceeds from the sale of the Series 2022A Bonds will be used to (i) finance, in whole or in part, capital projects contemplated by the Authority's Capital Improvement Program, (ii) refund a portion of its Outstanding Second Lien CIP Notes (as defined herein), (iii) capitalize interest on the Series 2022A

Bonds through December 1, 2024, and (iv) pay costs in connection with the issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" herein.

Security for the Bonds

The Series 2022A Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts (as defined herein) on a subordinate and junior basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations (as defined herein) as described herein and on a parity basis to the claim on such Sales Tax Receipts by Second Lien Obligations (as defined herein) as provided in the Indenture. From time to time, the Authority may issue one or more additional series of First Lien Parity Obligations and Second Lien Bonds as authorized by the Indenture.

Sales Tax Receipts consist of all amounts received by the Authority from the RTA under the RTA Act, and include the Authority's share of (i) sales and use taxes imposed by the RTA and collected by the State throughout the Northeastern Illinois Transit Region ("RTA Sales Tax"), (ii) sales and use taxes imposed and collected by the State and allocated to the RTA ("State Sales Tax"), and (iii) State funds dedicated to public transportation received by the RTA ("Public Transportation Funds"). The RTA Sales Tax, the State Sales Tax and the Public Transportation Funds received by the RTA are referred to herein as the "Sales Tax Sources," and the amounts received by the Authority from the RTA Sales Tax, the State Sales Tax and the Public Transportation Funds are referred to herein as the "Sales Tax Receipts." See "SALES TAX RECEIPTS" herein.

The Series 2022A 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 Authority) or of any municipality within the State nor shall any Series 2022A Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2022A Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

See "SOURCES OF PAYMENT OF THE BONDS" and "SECURITY FOR THE BONDS" herein.

COVID-19 Outbreak

COVID-19 and Government Response. The outbreak of "COVID-19," a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic by the World Health Organization and has led to emergency declarations by government authorities of the United States, the State, and the City. These included "stay-at-home" orders, closure of public and private schools, park facilities, libraries and other public facilities, as well as non-essential businesses. Other restrictions include mask requirements, limitation on public gatherings and COVID-19 vaccination / testing requirements for entrance to certain facilities.

Impact on the Authority. This Official Statement includes a discussion of certain impacts of the COVID-19 outbreak and resulting economic conditions on the operations and financial condition of the Authority; as well as certain impacts on the State, the City, and the RTA that provide funding to the Authority. See FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

The economic downturn from the COVID-19 outbreak has had an impact on economic activity in the Chicago region, including ridership on the Transportation System (as defined herein), System-Generated Revenues (as defined herein), Sales Tax Receipts, RETT Revenues (as defined herein), and Public Funding (as defined herein) of the Authority. The Authority cannot predict the amount or duration of such impact.

Federal Stimulus Funding. The Authority has been allocated substantial federal funding totalling $2.2 billion to offset the decline in revenues and funding experienced since the onset of the COVID-19 outbreak in 2020. This includes funding pursuant to the Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act"), the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA"), and the American Rescue Plan Act of 2021 ("ARP," and collectively with the CARES ACT and CRRSAA, the "Federal Stimulus Funding"). For a more detailed discussion of this Federal Stimulus Funding see "FINANCIAL INFORMATION – Federal Stimulus Funding" herein. The Federal Stimulus Funding allowed for changes in how recipients use Federal Transit Authority funds. The most significant of these changes has been allowing recipients to charge operating expenses to FTA grants with no matching requirements.

Additional Discussion Regarding the Impact of COVID-19 and Limitations on Information. Additional information regarding the impact of the COVID-19 outbreak on the Authority and the governmental response thereto is contained throughout this Official Statement. The Authority cannot estimate the duration of the COVID-19 outbreak and the resulting economic conditions and their impact on the operations of the Transportation System and financial condition of the Authority. The COVID-19 outbreak is ongoing and the dynamic nature of this crisis leads to uncertainties. Due to the evolving nature of the COVID-19 outbreak and the responses of governments, businesses, and individuals to this crisis, the Authority is unable to predict, among other things: (a) the scope, duration or extent of the COVID-19 outbreak, including: (i) the impact of existing restrictions and warnings or any additional restrictions and warnings which may be imposed by local, state or federal governments, nor the timing of the relaxation or release of such restrictions, and (ii) any additional short- or long-term effects the restrictions and warnings imposed by local, state or federal governments may have on the Authority's operations, revenues or expenditures; (b) the scope, duration or extent of the COVID-19 outbreak on the City, State, national or global economy or the impact of such disruption on the Authority's operations, revenues and expenditures; or (c) whether any of the foregoing may have a material adverse effect on the finances and operations of the Authority or its bonds, notes or debt obligations.

It is not possible at present to project with any reasonable degree of certainty the impact of COVID-19 on Authority operations, funding, revenues, expenditures, reserves, budget, or financial position. No assurance can be given regarding future events or impacts because many actions and events are unpredictable, unknowable at this time, and outside the control of the Authority.

In addition, the COVID-19 outbreak and resulting economic impact, including matters described under this heading, are over-arching factors to be considered in reviewing the investment considerations discussed under the heading "CERTAIN INVESTMENT CONSIDERATIONS" herein.

Certain information and data is contained in this Official Statement relating to and solely for the purpose of describing the impacts of the COVID-19 pandemic on the Authority, its operations and its financial condition. The Authority is under no obligation to update the information and data contained herein under the Continuing Disclosure Undertaking (as defined herein). See "CONTINUING DISCLOSURE UNDERTAKING."

Forward-Looking Statements

Certain statements included in this Official Statement constitute "forward-looking statements." These forward-looking statements speak only as of the earlier of the referenced date of such statement or the date of this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any future results discussed in this Official Statement will be achieved, and actual results may differ materially from the expectations and forecasts described in this

Official Statement. All projections, forecasts, assumptions, expressions of opinion, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based, occur; unless otherwise required by the terms of its continuing disclosure undertakings or applicable federal securities laws. Information contained in this Official Statement which involves estimates, forecasts, or other matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Official Statement are subject to change without notice and the delivery of this Official Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority.

PLAN OF FINANCE

Overview

The Chicago Transit Board has authorized a plan of finance (the "Plan of Finance") that includes issuance of the Series 2022A Bonds that will be used to (i) finance, in whole or in part, capital projects contemplated by the Authority's Capital Improvement Program, (ii) refund a portion of its Outstanding Second Lien CIP Notes, (iii) capitalize interest on the Series 2022A Bonds through December 1, 2024, and (iv) pay costs incurred in connection with the issuance of the Series 2022A Bonds.

Capital Projects

Proceeds of the Series 2022A Bonds in the amount of $212,453,833.54 will be used for projects included in the Capital Improvement Program. The Capital Improvement Program is the Authority's plan for capital improvements to the Transportation System's bus and rail lines and system-wide support structure. For information regarding the capital projects to be financed with proceeds of the Series 2022A Bonds, see "CAPITAL IMPROVEMENT PROGRAM–Projects Expected to be Funded with Series 2022A Bonds" herein.

Refunding of Outstanding Second Lien CIP Notes

The Authority has issued and outstanding its Second Lien Sales Tax Receipts Revenue Capital Improvement Notes pursuant to its Short-Term CIP Borrowing Program (as defined herein) in the aggregate principal amount of $237,300,000 (the "Outstanding Second Lien CIP Notes"). Proceeds of the Series 2022A Bonds in the aggregate principal amount of $126,775,815 and other available funds of the Authority in the amount of $21,624,185 will be used to refund a portion of the Outstanding Second Lien CIP Notes on April 1, 2022. The remaining Outstanding Second Lien CIP Notes in the aggregate principal amount of $88,900,000 (the "Remaining Outstanding Second Lien CIP Notes") are expected to be paid at maturity. For a discussion of the Short-Term CIP Borrowing Program see "DEBT OBLIGATIONS--Short-Term CIP Borrowing Program" herein.

Capitalized Interest

Under the Indenture, proceeds of the Series 2022A Bonds in the amount of $45,175,275.28 will be deposited in the Series 2022A Capitalized Interest Account (as defined herein) that, when invested as permitted under the Indenture, is expected to be sufficient, together with the interest earnings thereon, to provide for the payment of the scheduled interest on the Series 2022A Bonds through December 1, 2024. See "SECURITY FOR THE BONDS—Funds and Accounts for Payment of Series 2022A Bonds" herein.

Future Financings

The Authority expects to issue additional bonds secured by Sales Tax Receipts, as needed from time to time, to fund its ongoing Capital Improvement Program or to refund its outstanding bonds and notes. The issuance of any of such bonds or notes and the timing thereof is dependent on the financing needs of the Authority and market conditions.

In addition, the Authority has established a Short-Term CIP Borrowing Program providing for the issuance of up to $300 million of Second Lien Sales Tax Receipts Revenue Capital Improvement Notes (the "Second Lien CIP Notes") on a revolving basis. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes under its Short-Term CIP Borrowing Program. See "DEBT OBLIGATIONS—Short-Term CIP Borrowing Program" herein.

SOURCES AND USES OF FUNDS

Sources of Funds	**Amount**
Par Amount of Series 2022A Bonds	$350,000,000.00
Net Original Issue Premium	37,881,033.60
Total Sources of Funds	387,881,033.60
Uses of Funds	
Deposit to Series 2022A Project Account	$212,453,833.54
Payment of a portion of the Outstanding Second Lien CIP Notes	126,775,815.00
Deposit to Series 2022A Capitalized Interest Account(1)	45,175,275.28
Costs of Issuance(2)	3,476,109.78
Total Uses of Funds	387,881,033.60

(1) Interest is capitalized through December 1, 2024.

(2) Includes Underwriters' discount, bond insurance premium, legal, administrative and miscellaneous fees, and expenses.

DESCRIPTION OF THE BONDS

General

The Series 2022A 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 2022A Bonds, is payable on June 1 and December 1 of each year, commencing December 1, 2022. Interest on the Series 2022A Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2022A 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 2022A Bonds. Ownership interests in the Series 2022A 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 G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption

Series 2022A Bonds Optional Redemption. The Series 2022A Bonds maturing on or after December 1, 2032, 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 described below under "— Redemption Procedures," on December 1, 2031, and on any date thereafter at a Redemption Price equal to the principal amount of the Series 2022A Bonds to be redeemed plus accrued interest to the date fixed for redemption.

Term Bond Due December 1, 2046 (CUSIP® 16772P DK9). The Series 2022A Bonds maturing on December 1, 2046 in the original principal amount of $93,800,000 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 for the retirement of the Term Bonds as set forth in the following table, subject to adjustment as described below under "— Adjustment of Sinking Fund Installments":

$93,800,000 Term Bond Due December 1, 2046 (CUSIP® 16772P DK9)

Year	**Principal Amount**
2041	$13,790,000
2042	14,480,000
2043	15,205,000
2044	15,965,000
2045	16,760,000
2046	17,600,000*

*Final Maturity.

Term Bond Due December 1, 2049 (CUSIP®16772P DL7). The Series 2022A Bonds maturing on December 1, 2049 in the original principal amount of $57,690,000 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 for the retirement of the Term Bonds as set forth in the following table, subject to adjustment as described below under "— Adjustment of Sinking Fund Installments":

$57,690,000 Term Bond Due December 1, 2049 (CUSIP®16772P DL7)

Year	**Principal Amount**
2047	$18,480,000
2048	19,220,000
2049	19,990,000*

*Final Maturity.

Term Bond Due December 1, 2052 (CUSIP® 16772P DM5). The Series 2022A Bonds maturing on December 1, 2052 in the original principal amount of $65,535,000 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 for the retirement of the Term Bonds as set forth in the following table, subject to adjustment as described below under "— Adjustment of Sinking Fund Installments":

$65,535,000 Term Bond Due December 1, 2052 (CUSIP® 16772P DM5)

Year	Principal Amount
2050	$20,790,000
2051	21,825,000
2052	22,920,000*

*Final Maturity.

Term Bond Due December 1, 2057 (CUSIP® 16772P DN3). The Series 2022A Bonds maturing on December 1, 2057 in the original principal amount of $132,975,000 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 for the retirement of the Term Bonds as set forth in the following table, subject to adjustment as described below under "— Adjustment of Sinking Fund Installments":

$132,975,000 Term Bond Due December 1, 2057 (CUSIP® 16772P DN3)

Year	Principal Amount
2053	$24,065,000
2054	25,270,000
2055	26,530,000
2056	27,860,000
2057	29,250,000*

*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 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 at the time of such optional redemption or, in the absence of such determination, shall be credited pro-rata against the applicable Sinking Fund Installments and final maturity amount.

Redemption Procedures. In the case of any redemption of Series 2022A Bonds at the election or direction of the Authority, 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 2022A 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 as described below under "— Notice of Redemption," 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 2022A 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 2022A Bonds so called for redemption.

Selection of Series 2022A Bonds to Be Redeemed. If less than all the Series 2022A Bonds of the same maturity are called for redemption, the particular Series 2022A Bonds or portion of Series 2022A Bonds of the maturity 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 2022A 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 2022A Bonds for redemption, the Trustee shall treat each such Series 2022A Bond as representing that number of Series 2022A Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Series 2022A Bond to be redeemed in part by said minimum Authorized Denomination. If all Series 2022A Bonds are held in book-entry only form, the particular Series 2022A 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 2022A Bonds pursuant to the Indenture, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2022A Bonds, which notice shall specify the Series, maturities and interest rates of the Series 2022A 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 2022A Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2022A Bonds so to be redeemed, and, in the case of Series 2022A Bonds to be redeemed in part only, such notice shall also specify the 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 2022A Bond to be redeemed, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2022A 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 2022A 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 2022A Bonds, unless moneys sufficient to pay the Redemption Price of, and interest on, the Series 2022A 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 2022A 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 2022A Bonds will not be redeemed.

Payment of Redeemed Series 2022A Bonds. Notice having been given in the manner provided above, the Series 2022A 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 2022A 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 2022A Bond, the Authority shall execute and the Trustee shall authenticate and the appropriate Fiduciary shall deliver, upon the surrender of such Series 2022A Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Series 2022A Bond so surrendered, fully registered Series 2022A 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 2022A 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 2022A 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 2022A 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 BONDS

The Series 2022A Bonds are limited obligations of the Authority payable from Sales Tax Receipts. The Sales Tax Receipts consist of the amount received by the Authority from the Sales Tax Sources as described under "SALES TAX RECEIPTS" herein. The Sales Tax Sources are collected by the State and are distributed to the RTA which, in turn, distributes the portion of the Sales Tax Sources constituting the Sales Tax Receipts to the Authority. Additional information regarding the Sales Tax Sources and the Sales Tax Receipts is set forth in "SALES TAX RECEIPTS" herein and APPENDIX B—"SALES TAX RECEIPTS."

The Series 2022A Bonds are payable solely from Sales Tax Receipts on a subordinate and junior basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations (as defined herein) and on a parity basis to the claim on such Sales Tax Receipts by Second Lien Obligations (as defined herein). The principal of and interest on the Series 2022A Bonds are payable from Sales Tax Receipts deposited into the Sales Tax Receipts Fund maintained by the Authority under the Trust Indenture dated July 1, 2008, by and between the Authority and U.S. Bank National Association, as trustee (the "2008 Indenture Trustee"), as supplemented and amended to the date hereof (the "2008 Indenture"), after payment of amounts due on outstanding First Lien Parity Obligations (the "Available Sales Tax Receipts"). See "SECURITY FOR THE BONDS" herein.

SALES TAX RECEIPTS

Overview

The RTA Act vests responsibility for operating budget financial oversight for the Authority, Metra and Pace with the RTA. The RTA's financial oversight responsibility is implemented principally through the operating budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. The RTA then approves the amounts RTA commits to provide to each of the Service Boards each year (the "Public Funding Marks" or "Marks"). On October 21, 2021, the Authority publicly released its 2022 operating budget (the "CTA 2022 Budget"), the Chicago Transit Board approved the recommended budget on November 17, 2021 and on November 18, 2021, the RTA Board approved the CTA 2022 Budget for the Authority. See "THE REGIONAL TRANSPORTATION AUTHORITY" and "FINANCIAL INFORMATION."

The RTA provides funding for the Authority and the other Service Boards from the Sales Tax Sources that consist of the following:

RTA Sales Tax. The RTA Sales Tax consists of the RTA sales and use taxes imposed by the RTA under the RTA Act and collected by the State throughout the Northeastern Illinois Transit Region.

State Sales Tax. The State Sales Tax consists of a portion of the amounts collected by the State pursuant to the Retailers' Occupation Tax Act and Use Tax Act that govern taxes that apply to sales and purchases at retail and the Service Occupation Tax Act and Service Use Tax Act that apply to sales and purchases of service (the "State Sales Tax Acts"). State law prescribes the percentages of the taxes levied under the State Sales Tax Acts which must be set aside for this purpose and distributed to the RTA.

Public Transportation Funds. Public Transportation Funds represent State moneys dedicated to public transportation in addition to amounts paid for public transportation out of the State Sales Tax. Public Transportation Funds are "matching funds" and amounts are calculated based on statutory formulas tied to RTA Sales Tax collections and revenues realized by the Authority as financial assistance from the City through the "Real Estate Transfer Tax" or "RETT" (as defined herein). See "—RETT Revenues Pledged to Payment of the Pension Bonds" below.

The RTA Act requires that certain of the Sales Tax Sources be allocated among the Service Boards according to specific funding formulas established therein ("RTA Formula Funds"). The RTA Formula Funds made up of RTA Sales Tax are determined based on the area in which such taxes are collected. The RTA allocates the remainder of the Sales Tax Sources among the Service Boards on a discretionary basis ("RTA Discretionary Funds"), as further described below.

For a more detailed discussion of the Sales Tax Sources, see APPENDIX B—"SALES TAX RECEIPTS."

State Collection and Disbursements to the RTA

State Collection and Deposit. The Illinois Department of Revenue (the "State DOR") collects the RTA Sales Tax and the State Sales Tax and transfers the collections to the Illinois State Treasurer (the "State Treasurer"). Public Transportation Funds are paid out of the State's general fund to the State Treasurer. All monies transferred to the State Treasurer are held in segregated funds outside the State Treasury. The transfer of State revenues from the State's General Revenue Fund to the various funds maintained by the State Treasurer for the collection and distribution of Sales Taxes and Public Transportation Funds to the RTA represent irrevocable and continuing appropriations by the Illinois General Assembly (the "General Assembly"). No further action of the General Assembly is required to effect the transfers of State Sales Taxes and Public Transportation Funds to the RTA.

The State budget for the fiscal year ended June 30, 2018 reduced the State's Public Transportation Fund "matching funds" by 10 percent for one year. The budget also included a 2 percent surcharge on RTA Sales Taxes and State Sales Taxes collected by the State prior to transfer to the RTA. The State's fiscal year 2019 budget reduced this surcharge to 1.5 percent and extended the reduction to Public Transportation Fund matching funds, but reduced the rate of such reduction to 5 percent. The State's fiscal year 2020 and 2021 budgets maintained the surcharge at 1.5 percent and the Public Transportation Fund matching fund reduction at 5 percent. The State's fiscal year 2022 budget eliminated the 5 percent reduction to Public Transportation Fund matching funds but maintained the 1.5 percent surcharge on RTA Sales Taxes and State Sales Taxes collected by the State prior to transfer to the RTA.

State Disbursement to RTA. The State Treasurer deposits the net Sales Tax Sources into the RTA Sales Tax Fund maintained by the State Treasurer. The State Treasurer transfers the net Sales Tax Sources to the trustee under the indentures securing the RTA's bonds and notes issued under the provisions of the RTA Act, and after providing for the payment of outstanding RTA bonds and notes, the trustee transfers the remaining amounts to the RTA (the "State Distribution"). No Public Transportation Funds can be distributed to the RTA for any fiscal year until the RTA has certified to the Governor, the Comptroller, and the Mayor that the RTA has adopted for that fiscal year an annual budget and two-year financial plan meeting the requirements of the RTA Act. The RTA has never failed to make such certification.

Timing of State Transfers to RTA. The lag time between collection of State Sales Tax and RTA Sales Tax, the State's transfer of such revenues to the RTA, and the ultimate distribution to the Authority is typically a period of three months. Between 2008 and 2019, the Authority typically received payments of Public Transportation Funds from RTA approximately five to six months behind schedule due to State payment delays of Public Transportation Funds to the RTA; however, by mid-2019, the State had made substantial progress paying down the payment backlog and the transfer of such funds to the Authority has returned to the typical period of three months. The Authority has historically managed the delay in State payments with its available resources and through its budgeting process. In addition, the RTA has assisted the Service Boards in easing the impact of such delays in State payments by issuing short-term working cash notes to allow for RTA advances of Public Transportation Funds prior to receipt of payments from the State. See "CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting Sales Tax Receipts–*State Delay in Payments to RTA*" herein.

RTA Funding and Breakdown of RTA Formula Funds and RTA Discretionary Funds

Of the amount of the State Distribution received by the RTA in the form of RTA Sales Tax and State Sales Tax, the RTA is entitled to withhold up to 15.0 percent for its general corporate purposes. In addition the RTA uses the State Distribution to make special fund deposits for ADA paratransit, community mobility and RTA innovation, coordination and enhancement ("ICE") programs. Collectively, these withholdings from the State Distribution are referred to herein as the "RTA Withholdings."

The remainder of the State Distribution following the RTA Withholdings is divided into RTA Formula Funds and RTA Discretionary Funds. RTA Formula Funds are allocated and distributed to the Service Boards, including the Authority, in accordance with the statutory formulas set forth in the RTA Act. The RTA Discretionary Funds are allocated and distributed to the Service Boards, including the Authority, at the discretion of the RTA. The following table generally describes the breakdown of the sources of the RTA Formula Funds and the RTA Discretionary Funds.

RTA Formula and Discretionary Funds

	Description
RTA Formula Funds	
RTA Sales Tax and State Sales Tax	Approximately 85 to 88% of RTA Sales Tax and 85% of State Sales Tax
Public Transportation Funds	State matching funds approximately equal to: • 10 to 13% of RTA Sales Tax, • 5% of State Sales Tax, and • 30% of the Real Estate Transfer Tax(1)
RTA Discretionary Funds	
RTA Sales Tax and State Sales Tax	Approximately 12 to 15% of RTA Sales Tax and 15% of State Sales Tax
Public Transportation Funds	Approximately 8 to 20% of RTA Sales Tax and 25% of the State Sales Tax

Source: The Authority.

(1) Public Transportation Funds are calculated, in part, by reference to the amount of RETT Revenues received by the Authority directly from the City. The Real Estate Transfer Tax is the tax imposed by the City on transfers of real property in the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2022A Bonds.

Allocations of RTA Formula Funds and RTA Discretionary Funds Among the Service Boards

Allocations of RTA Formula Funds depend on the origin of the RTA Sales Taxes and State Sales Taxes as reflected in the table in APPENDIX B—"SALES TAX RECEIPTS–Allocations of RTA Tax Funds." Although the RTA Act does not specify how RTA Discretionary Funds are to be allocated, the RTA has historically allocated to the Authority (i) nearly half of the portion of the Sales Taxes that constitute RTA Discretionary Funds, and (ii) between 90 and 99 percent of the portion of the Public Transportation Funds that constitute RTA Discretionary Funds. All allocations of RTA Formula Funds and RTA Discretionary Funds to the Authority constitute Sales Tax Receipts.

The following table shows the percentage allocations of RTA Formula Funds and RTA Discretionary Funds among the Service Boards as budgeted by RTA for 2022. For a more detailed discussion of the Sales Tax Sources and the allocation of the Sales Tax Sources to the Authority and the other Service Boards, see APPENDIX B—"SALES TAX RECEIPTS."

RTA Percentage Funding Allocations Among the Service Boards as Budgeted by RTA for 2022

	Authority	Metra	Pace
RTA Formula Funds			
RTA Sales Taxes			
City of Chicago	100%	0%	0%
Cook County	30%	55%	15%
Collar Counties	0%	70%	30%
Combined	48%	39%	13%
State Sales Taxes			
City of Chicago	100%	0%	0%
Cook County	30%	55%	15%
Public Transportation Funds[1]			
Sales Taxes	48%	39%	13%
Real Estate Transfer Tax	100%	0%	0%
RTA Discretionary Funds			
Sales Taxes	48%	39%	13%
Public Transportation Funds	98%	0%	2%

Source: RTA Proposed 2022 Operating Budget.

[1] Public Transportation Funds are "matching funds" calculated by reference to certain revenues generated by certain collections. The subheadings indicate the source of revenues that are matched in calculating the amount of Public Transportation Funds. One component of Public Transportation Funds is calculated by reference to the amount of RETT Revenues received by the Authority directly from the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2022A Bonds.

The following table shows the dollar allocations of RTA Formula Funds and RTA Discretionary Funds among the Service Boards as budgeted by RTA for 2022. For a more detailed discussion of the Sales Tax Sources and the allocation of the Sales Tax Sources to the Authority and the other Service Boards, see APPENDIX B—"SALES TAX RECEIPTS."

RTA Funding Allocations Among the Service Boards as Budgeted by RTA for 2022
($ in thousands)

	Authority	Metra	Pace	Total
RTA Formula Funds				
RTA Sales Tax and State Sales Tax	$482,899	$382,512	$121,933	$ 987,344
Public Transportation Funds[1]				
Sales Tax	78,954	64,150	21,383	157,094
Real Estate Transfer Tax[1]	16,393	0	0	16,393
Subtotal	$578,246	$446,662	$143,316	$1,160,831
RTA Discretionary Funds	$271,713	$ 12,148	$ 9,289	$ 293,150
Total	$849,959	$458,810	$152,605	$1,461,374

Source: RTA Proposed 2022 Operating Budget.

[(1)] Public Transportation Funds are "matching funds" calculated by reference to certain revenues generated by certain collections. The subheadings indicate the source of revenues that are matched in calculating the amount of Public Transportation Funds. One component of Public Transportation Funds is calculated by reference to the amount of RETT Revenues received by the Authority directly from the City. See "—RETT Revenues Pledged to Payment of the Pension Bonds" below. The RETT Revenues are not included as part of Sales Tax Receipts and are not pledged as security for the Series 2022A Bonds.

Sales Tax Receipts Distributed to the Authority

Collections - Historical, 2021 Preliminary Estimate, and CTA 2022 Budget. The amount of Sales Tax Receipts distributed to the Authority on an actual basis for the years 2017 to 2020, the Authority's preliminary year end estimate for 2021 (the "**2021 Preliminary Estimate**"), and as included in the CTA 2022 Budget.

Sales Tax Receipts Distributed to the Authority
2017-2020 Actual, 2021 Preliminary Estimate and CTA Budget 2022
($ in thousands)

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Preliminary Estimate 2021	CTA 2022 Budget
RTA Formula Funds						
RTA Sales Tax	$364,280	$379,617	$388,833	$336,135	$434,536	$431,244
State Sales Tax	57,166	59,125	56,974	61,352	84,620	51,655
Public Transportation Funds	79,845	81,649	82,945	76,529	95,244	95,347
Subtotal	**$501,291**	**$520,391**	**$528,752**	**$474,016**	**$614,401**	**$578,246**
RTA Discretionary Funds						
RTA Sales Tax	$ 630	$ 0	$ 0	$ 910	$ 0	$ 14,952
Public Transportation Funds	208,391	211,425	220,959	208,361	252,325	256,761
Subtotal	**$209,021**	**$211,425**	**$220,959**	**$209,271**	**$252,325**	**$271,713**
Total	**$710,312**	**$731,816**	**$749,711**	**$683,287**	**$866,725**	**$849,959**

Source: The Authority.

Impact of COVID-19. The COVID-19 outbreak and the resultant economic downturn has had an adverse impact on economic activity in the Chicago region and has resulted in a sharp decline in Sales Tax Receipts beginning in 2020 as shown in the table above. Collection of Sales Tax Receipts improved in 2021, due in part to withdrawal of "stay-at-home" orders and relaxation of governmental restrictions on activities related to COVID-19 and resultant improvement in economic conditions.

Additional Sales Tax Revenue From Internet Sales and Cannabis Sales. Changes in State laws related to collection of State and local sales taxes on internet sales have resulted in an increase in RTA Sales Tax and State Sales Tax beginning in 2019 over revenues that would have been collected pursuant to prior laws. Historically, internet sales have not been treated, for sales tax purposes, comparably to in store sales and Sales Tax Receipts have been adversely affected.

Effective October 1, 2018, for the first time new State regulations required certain online retailers that have no physical presence in Illinois, to collect sales taxes for goods purchased online and remit the sales taxes to the State. These regulations were made possible after the U.S. Supreme Court's decision in South Dakota v. Wayfair Inc., overturning a long-established rule that states could only require retailers with a "physical presence" in the state to collect sales tax from sales to customers located in their state.

Online retailers were required to collect a flat 6.25 percent sales tax, of which the State kept revenues at the rate of 5 percent and distributed the other 1.25 percent to local governments based on certain formulas but not tied to where the sales occurred. Online retailers were not required to collect and pay the sales tax rates in effect where the shopper lived or pay those taxes to the local governments that imposed the tax.

In 2020, the Illinois General Assembly adopted Public Acts 101-31 and 101-604 that enacted the "Leveling the Playing Field for Illinois Retail Act" to implement a series of structural changes to the Illinois sales tax laws to require "remote retailers" (including internet sellers) to collect and remit both State and local sales taxes beginning January 1, 2021. The changes are designed to "level the playing field" between Illinois-based retailers and remote retailers by imposing local sales taxes, in addition to State sales taxes, on Illinois retailers and remote retailers alike, and remitting the amounts collected from the local taxes to the local governments that impose those taxes. For example, for the first time a Chicago resident would pay the same 10.25 percent sales tax for an online purchase that is delivered to that purchaser in Chicago that would be charged if the Chicago resident bought the item from a brick and mortar store in Chicago.

The "Illinois Cannabis Regulation and Tax Act" implemented on January 1, 2020, imposed a cannabis sales tax.

RETT Revenues Pledged to Payment of the Pension Bonds

The "Real Estate Transfer Tax" or "RETT" is a supplemental tax on real property title transfers in the City of Chicago, imposed by the City at a rate of $1.50 per $500 of the purchase price of real property for the purpose of providing financial assistance to the Authority. The City and the Authority have entered into the Intergovernmental Tax Collection Agreement, dated as of March 26, 2008 (the "RETT IGA"), that provides for the payment of the "RETT Revenues" (collections net of collection costs) to the Authority. Pursuant to the provisions of the RETT IGA the Authority has assigned the RETT Revenues as a source of payment for the Pension Bonds and the RETT IGA provides that the RETT IGA cannot be terminated so long as the Pension Bonds are outstanding. The Authority applies all RETT Revenues to the payment of debt service on the Pension Bonds. See "DEBT SERVICE COVERAGE" herein.

THE RETT REVENUES ARE NOT INCLUDED IN SALES TAX RECEIPTS AND ARE NOT PLEDGED AS SECURITY FOR THE SERIES 2022A BONDS. However, Public Transportation Funds are calculated, in part, by reference to the amount of RETT Revenues received by the Authority from the City of Chicago. In addition, the RETT Revenues are used to pay the Pension Bonds prior to use of the Sales Tax Receipts for such purpose, and as a result the amount of RETT Revenues received by the Authority impacts the amount of Sales Tax Receipts available to pay debt service on Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds. See "DEBT SERVICE COVERAGE" herein.

The amount of RETT Revenues distributed to the Authority on an actual basis for the years 2017 to 2020, the Authority's 2021 Preliminary Estimate, and as included in the CTA 2022 Budget.

RETT Revenues Distributed to the Authority
2017-2020 Actual, 2021 Preliminary Estimate and CTA 2022 Budget
($ in thousands)

Actual 2017	Actual 2018	Actual 2019	Actual 2020	2021 Preliminary Estimate	CTA 2022 Budget
$62,021	$71,518	$62,373	$51,023	$71,118	$65,617

Source: The Authority.

Flow of Funds

The chart below reflects the State Distribution by Sales Tax Source to the RTA and the transfer of such funds by the RTA to the Service Boards, including transfer of the Sales Tax Receipts to the Authority based on the CTA 2022 Budget, and deposit of such funds into the Sales Tax Receipts Fund held by the Authority. The chart also depicts the required monthly deposits into the various Indenture debt service funds prior to implementation of the Plan of Finance. The chart also depicts the Authority's withdrawal of all remaining moneys (after funding of debt service) in the Sales Tax Receipts Fund free from the lien of the Indenture to be used for the Authority's general operations. The chart below does not include Federal Stimulus Funding available for general operations to make up shortfalls in Operating Revenues (as defined herein) and Public Funding (as defined herein), including Sales Tax Receipts and RETT Revenues. The Federal Stimulus Funding is not included in Sales Tax Receipts and such funds are not pledged to payment of the Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds. See "SECURITY FOR THE BONDS" herein.

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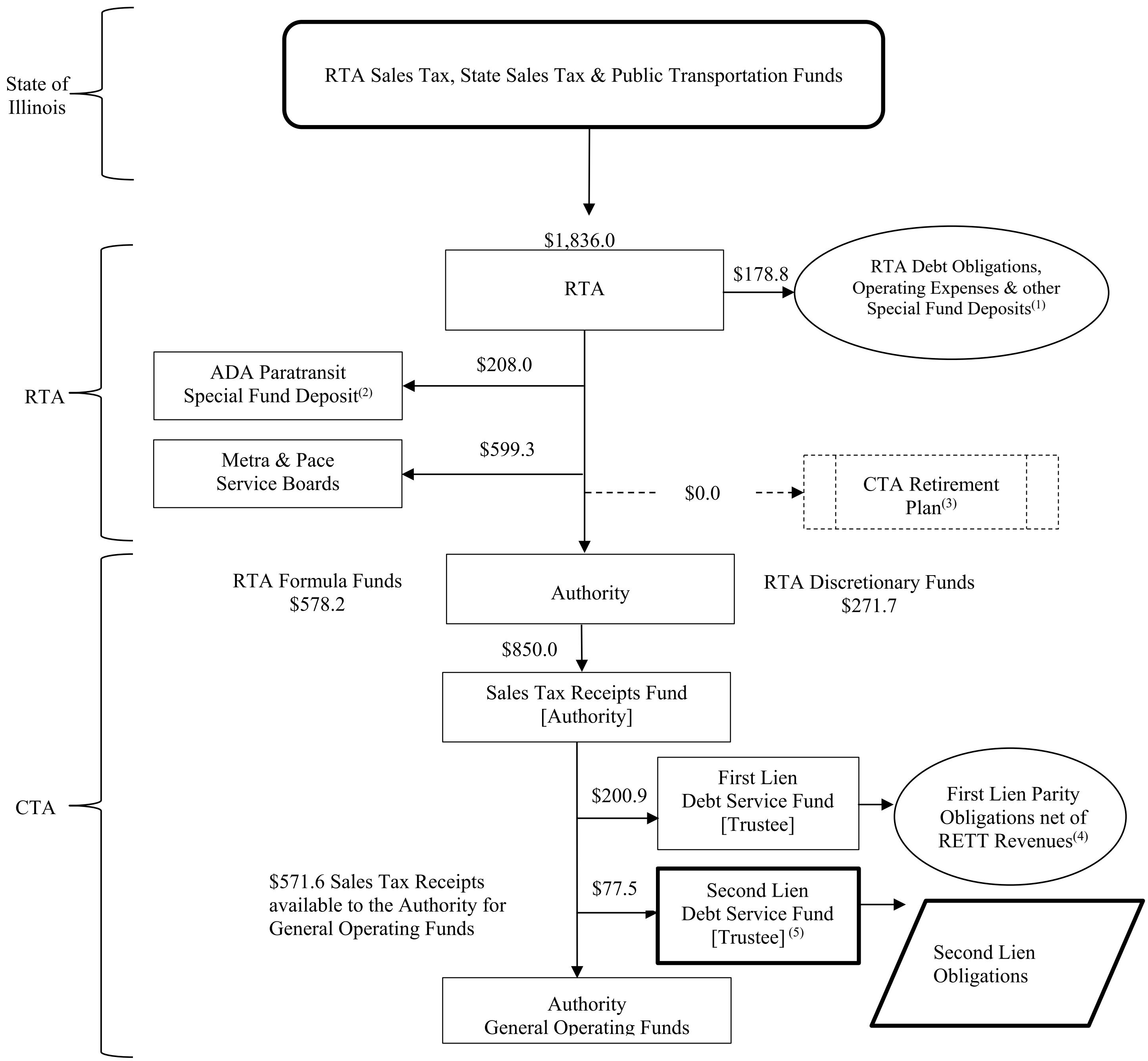
Flow of Funds—Distribution of State Sales Taxes and Public Transportation Funds



Source: The Authority.

[(1)] Includes $136.2 million for RTA debt service and operating expenses and $42.5 million of other special fund deposits for community mobility services for Pace and ICE funds for the Service Boards.

[(2)] $208.0 million for special fund deposits for ADA paratransit.

[(3)] The Authority currently makes contributions to the Retirement Plan (as defined herein) from the Authority's general operating funds. The RTA is required to withhold from the Authority any overdue pension contributions payable by the Authority to the Retirement Plan. The Authority has never failed to meet its contribution requirements to the Retirement Plan. *See* APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determinations of Authority's Contributions*."

[(4)] The RETT Revenues received by the Authority from the City are applied to the payment of debt service on Pension Bonds before any funds are withdrawn from the Sales Tax Receipts Fund to pay remaining sums due on the Pension Bonds.

[(5)] Includes debt service on Outstanding Second Lien Sales Tax Receipts Revenue Bonds and debt service on the Remaining Outstanding Second Lien CIP Notes due in 2022.

PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS

First Lien Sales Tax Receipts Obligations

Pension Bonds and 2008 Indenture. The Authority has entered into the 2008 Indenture with the 2008 Indenture Trustee pursuant to which the Authority has issued "Pension and Retirement Debt Obligations." Pension and Retirement Debt Obligations currently outstanding under the 2008 Indenture consist of $1.631 billion aggregate principal amount of Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) and Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) (collectively, the "Pension Bonds"). The Authority has established and maintains the Sales Tax Receipts Fund under the 2008 Indenture. The Sales Tax Receipts Fund is pledged for the payment of Pension and Retirement Debt Obligations issued under the 2008 Indenture. The Pension Bonds are secured by the Sales Tax Receipts on a first lien basis, but are payable from the Sales Tax Receipts only to the extent that the RETT Revenues are insufficient to make such payment. See "SALES TAX RECEIPTS—RETT Revenues Pledged to Payment of the Pension Bonds" herein.

Corporate Purpose Debt Obligations and 2010 Indenture. The 2008 Indenture provides that the Authority may issue certain "Corporate Purpose Debt Obligations" payable from and secured by a lien on the Sales Tax Receipts Fund on a parity with the lien granted by the 2008 Indenture for the payment of Pension and Retirement Debt Obligations. The Authority has entered into a Trust Indenture dated as of March 1, 2010 (the "2010 Indenture") with U.S. Bank National Association, as trustee (the "2010 Indenture Trustee"), to provide for the issuance of such Corporate Purpose Debt Obligations and other parity obligations secured by a lien on the Sales Tax Receipts Fund on a parity with the lien on and pledge of the Sales Tax Receipts Fund granted by the 2008 Indenture (the "2010 Indenture").

Pursuant to the 2010 Indenture, the Authority has previously issued and has outstanding Corporate Purpose Debt Obligations which are secured by a first lien on the Sales Tax Receipts Fund consisting of its (i) Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) (the "Series 2010 Bonds") in the aggregate principal amount of $481,750,000, (ii) the Sales Tax Receipts Revenue Bonds, Series 2014, in the aggregate principal amount of $555,000,000 (the "Series 2014 Bonds"), and (iii) the Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable), in the aggregate principal amount of $534,005,000 (the "Series 2020B Bonds," and collectively with the Series 2010 Bonds and the Series 2014 Bonds, the "Outstanding First Lien Bonds.")

PBC Senior Pledge Rights. The Authority has entered into a Lease Agreement dated March 31, 2003 (the "PBC Lease") with the Public Building Commission of Chicago ("PBC"), 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 (the "PBC Lease Revenues") to secure its debt on a priority basis with respect to its rent and other payment obligations under the PBC Lease (including $67.1 million of lease payments attributable to principal) and other payment obligations of the Authority thereunder if the maximum annual debt service on all such debt so secured exceeds 75% of the PBC Lease Revenues during the preceding Fiscal Year, without equally and ratably securing its obligations under the PBC Lease. This pledge of the PBC Lease Revenues under the PBC Lease is referred to herein as the "PBC Senior Pledge Rights" and is a First Lien Parity Obligation.

Additional First Lien Bonds. The 2010 Indenture permits the Authority to issue "Additional First Lien Bonds" and provides for the ability of the Authority to enter into agreements to provide credit support and/or liquidity support for such additional bonds, and to enter into swap agreements and similar hedge agreements; the payments of the debt service of such Additional First Lien Bonds and certain payments under such support agreements and hedge agreements to be payable from the Sales Tax Receipts on a parity with the Outstanding First Lien Bonds and the Pension and Retirement Debt Obligations to the extent provided in the 2010 Indenture (the Outstanding First Lien Bonds, Additional

First Lien Bonds, any such agreements and the Pension and Retirement Debt Obligations, collectively the "First Lien Parity Obligations"). For a discussion of the additional bonds test for First Lien Parity Obligations, see "SECURITY FOR THE BONDS—Additional Sales Tax Receipts Obligations" herein.

Second Lien Sales Tax Receipts Obligations

Subordinate Indebtedness. The 2010 Indenture also provides for the Authority's issuance of "Subordinate Indebtedness" secured by and payable from moneys and securities held in the Sales Tax Receipts Fund that is junior and subordinate in all respects to all First Lien Parity Obligations.

Series 2017 Bonds and 2017 Indenture. The Authority has entered into the 2017 Indenture to provide for the issuance from time to time of Subordinate Indebtedness, and to permit the issuance from time to time of other obligations secured by a pledge of or lien on the Sales Tax Receipts Fund subordinate to the 2008 Indenture and the 2010 Indenture (the "Second Lien Obligations").

The Authority previously issued and has outstanding Second Lien Sales Tax Receipts Revenue Bonds which are secured by a subordinate lien on the Sales Tax Receipts Fund consisting of its (i) Second Lien Sales Tax Receipts Revenue Bonds, Series 2017 (the "Series 2017 Bonds") in the aggregate principal amount of $296,220,000 and (ii) Second Lien Sales Tax Receipts Revenue Bonds, Series 2020A (the "Series 2020A Bonds" and collectively with the Series 2017 Bonds, the "Outstanding Second Lien Bonds") in the aggregate principal amount of $367,895,000. The Series 2022A Bonds are being issued as Second Lien Obligations.

Short-Term CIP Borrowing Program. The Authority has established a short-term borrowing program to fund its Capital Improvement Program (the "Short-Term CIP Borrowing Program"), pursuant to which the Authority may borrow up to $300 million and establish one or more short-term borrowing facilities by entering into one or more credit agreements, note purchase agreements or other borrowing agreements with financial institutions and to authorize the issuance of one or more series of short-term notes. Pursuant to the 2017 Indenture the Authority previously issued and has outstanding its (i) Second Lien Sales Tax Receipts Revenue Capital Improvement Notes, Series 2019D, in the aggregate principal amount of $117,750,000 (the "Series 2019D Notes"); (ii) Second Lien Sales Tax Receipts Revenue Refunding Notes, Series 2021A (Taxable), in the aggregate principal amount of $20,200,000 (the "Series 2021A Notes"); and (iii) Second Lien Sales Tax Receipts Revenue Capital Improvement Notes, Series 2021C, in the aggregate principal amount of $99,350,000 (the "Series 2021C Notes" and together with the Series 2019D Notes and the Series 2021A Notes, the "Outstanding Second Lien CIP Notes," and together with the Outstanding Second Lien Bonds, the "Outstanding Second Lien Obligations").

The Authority is refunding a portion of the Outstanding Second Lien CIP Notes with the proceeds of the Series 2022A Bonds. The Remaining Outstanding Second Lien CIP Notes are expected to be repaid at maturity. See "PLAN OF FINANCE" herein. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes on a revolving basis under its Short-Term CIP Borrowing Program. See "DEBT OBLIGATIONS—Short-Term CIP Borrowing Program" herein.

Additional Second Lien Bonds. The 2010 Indenture permits the Authority to issue "Additional Second Lien Bonds" and provides for the ability of the Authority to enter into agreements to provide credit support and/or liquidity support for such additional bonds, and to enter into swap agreements and similar hedge agreements on a subordinate and junior basis to the claim on such Sales Tax Receipts by First Lien Parity Obligations and on a parity basis to the claim on such Sales Tax Receipts by Second Lien Obligations. For a discussion of the additional bonds test for Second Lien Parity Obligations, see "SECURITY FOR THE BONDS—Additional Sales Tax Receipts Obligations" and see "PLAN OF FINANCE—Future Financings" herein.

SECURITY FOR THE BONDS

Pledge of Security

The Series 2022A Bonds are secured by a pledge of and lien on the Trust Estate. The Series 2022A Bonds are being issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly the MTA Act and the Debt Reform Act, and the Indenture. The Series 2022A Bonds are secured under the Indenture by a pledge of and lien on the following Trust Estate as provided in the Indenture (the "Trust Estate"):

(a) The Sales Tax Receipts Fund, subject however to (i) the PBC Senior Pledge Rights, (ii) the senior pledge and lien created by the 2008 Indenture with respect to Pension and Retirement Debt Obligations, and (iii) the senior pledge and lien created by the 2010 Indenture with respect to the Corporate Purpose Debt Obligations.

(b) All moneys and securities and earnings thereon in all Funds, Sub-Funds, Accounts and Sub-Accounts established and maintained pursuant to the Indenture for the payment and security of the Series 2022A Bonds.

(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.

Pursuant to Section 13 of the Debt Reform Act, the Sales Tax Receipts Fund and the other moneys and securities pledged in the Indenture shall immediately be subject to the lien and pledge under the Indenture without any physical delivery or further act and 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 hereof.

See APPENDIX A—"DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Limited Obligations of the Authority

The Series 2022A Bonds are limited obligations of the Authority payable solely from and secured solely by the Trust Estate under the Indenture. The Series 2022A 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 Authority) or of any municipality within the State nor shall any Series 2022A Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2022A Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

Additional Sales Tax Receipts Obligations

Additional First Lien Parity Obligations. The Authority may issue additional First Lien Parity Obligations pursuant to the 2008 Indenture or the 2010 Indenture for the purpose of financing any lawful project or purpose of the Authority. Such additional First Lien Parity Obligations may be issued only upon delivery to the applicable trustee of, among other things, 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 percent of the Maximum Annual Coverage Requirement for the First Lien Parity Obligations as of the time immediately following the issuance of such Series.

Additional Second Lien Obligations. The issuance of one or more Series of Second Lien Bonds entitled to the benefit, protection and security of the Indenture and constituting a Series of Additional Second Lien Bonds may be authorized and delivered upon original issuance for the purpose of financing any lawful project or purpose of the Authority, refund any First Lien Parity Obligation, to pay costs and expenses incident to the issuance of such Additional Second Lien 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 the receipt by it of, among other things, a Certificate of an Authorized Officer stating that the aggregate amount of all Available 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 150 percent 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 Second Lien Bonds Outstanding immediately prior to or after the issuance of the Additional Second Lien Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in the Indenture shall be applied in determining the Annual Second Lien Debt Service Requirements of such Second Lien Bonds.

Junior 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 only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all obligations issued and Outstanding under the Indenture secured by such revenues on a first lien or second lien basis (the "Junior Indebtedness").

Indebtedness and Liens

The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, or other payment obligations, which are secured by a pledge of or lien on the Trust Estate securing the Series 2022A Bonds, or create or cause to be created any lien or charge on the Sales Tax Receipts, or such moneys, securities or funds pledged under the Indenture, except as expressly authorized in the Indenture; *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, or from any other fund or account as provided in the Indenture or (b) payable from, or secured by the pledge of, the 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.

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 Senior Pledge Rights and the senior pledges to the First Lien Parity Obligations described under "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein. In the 2017 Indenture, the Authority established the Second Lien Debt Service Fund, which is a special fund of the Authority held by the Trustee as part of the Trust Estate. The Authority also established the Second Lien 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 only for the benefit and security of the Owners of Second Lien Consolidated Reserve Fund Bonds. The Series 2022A Bonds are not and the Authority has not issued any Second Lien Consolidated Reserve Fund Bonds.

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 Second Lien 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 Second Lien 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 Second Lien 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 or such Supplemental Indenture and shall be applied, used and withdrawn only for the purposes authorized in the Indenture or such Supplemental 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 moneys from the Sales Tax Receipts Fund and pay into the Second Lien Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Second Lien Sub-Fund Deposits and Other Required Second Lien Deposits to be disbursed from the Second Lien Debt Service Fund in that calendar month as described below under "— Funds and Accounts for Payment of Series 2022A Bonds" below.

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 and the Corporate Purpose Debt Payments on a senior basis with the payments to the Second Lien 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 Senior Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a senior basis to the payments to the Second Lien Debt Service Fund, sufficient to provide for the payment, in equal monthly installments, of the next payment of PBC Annual Rent. The Authority has never drawn on the Sales Tax Receipts Fund to meet its payment obligations under the PBC Lease.

In determining the monthly deposits to the Second Lien Debt Service Fund, such deposits may be reduced by excess amounts in the Second Lien Debt Service Fund or any Sub-Fund, Account or sub-account therein available to make the deposits required as described below under "— Funds and Accounts for Payment of Series 2022A Bonds" below.

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 and available as operating revenues of the Authority.

Funds and Accounts for Payment of Series 2022A Bonds

Creation of Series 2022A Dedicated Sub-Fund. The Seventh Supplemental Indenture establishes with the Trustee a separate and segregated Sub-Fund within the Second Lien Debt Service Fund related to the Series 2022A Bonds (the "Series 2022A Dedicated Sub-Fund"). Moneys on deposit in the Series 2022A 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 2022A Bonds and shall not be used or available for the payment of the other Second Lien Parity Obligations, except as expressly provided in the Indenture.

Creation of Accounts. The Seventh Supplemental Indenture establishes with the Trustee separate Accounts within the Series 2022A Dedicated Sub-Fund, designated as follows:

(i) Series 2022A Capitalized Interest Account: an Account to be designated the "Series 2022A Capitalized Interest Account" (the "Series 2022A Capitalized Interest Account");

(ii) Series 2022A Project Account: an Account to be designated the "Series 2022A Project Account" (the "Series 2022A Project Account");

(iii) Series 2022A Principal Account: an Account to be designated the "Series 2022A Principal Account" (the "Series 2022A Principal Account"); and

(iv) Series 2022A Interest Account: an Account to be designated the "Series 2022A Interest Account" (the "Series 2022A Interest Account").

Capitalized Interest Account. The Trustee shall withdraw from the Series 2022A 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 2022A Bonds due on such Interest Payment Date:

Interest Payment Date	Amount
December 1, 2022	$11,329,075.28
June 1, 2023	8,461,550.00
December 1, 2023	8,461,550.00
June 1, 2024	8,461,550.00
December 1, 2024*	8,461,550.00

*Interest capitalized through December 1, 2024.

Any amount remaining in the Series 2022A Capitalized Interest Account on December 1, 2024, after all deposits referenced above, shall be withdrawn from the Series 2022A Capitalized Interest Account and deposited into the Series 2022A Interest Account.

Deposits into Series 2022A 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 April 25, 2022 (each such date a "Deposit Date"), there shall be deposited into the Series 2022A Dedicated Sub-Fund from amounts on deposit in the Second Lien Debt Service Fund, an amount necessary to raise the amount on deposit in the Series 2022A Dedicated Sub-Fund, when combined with amounts already on deposit therein, equal to the aggregate of the amounts described in the following paragraphs, 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 2022A 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 2022A 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 Series 2022A Interest Account, an amount equal to the lesser of (i)(a) prior to the November 25, 2022 Deposit Date, an amount equal to the total amount due on the Series 2022A Bonds on the first Interest Payment Date (other than interest payable on such Interest Payment Date from the Series 2022A Capitalized Interest Account or available in the Series 2022A Capitalized Interest Account), divided by the number of months between the date of the Seventh Supplemental Indenture and the first Interest Payment Date; and (b) commencing on the December 25, 2022_ Deposit Date, one-sixth of the interest due on the Series 2022A Bonds on the next Interest Payment Date; or (ii) the amount required so that the sum held in the Series 2022A Interest Account will equal the interest due on the Series 2022A Bonds on such Interest Payment Date; and

Second: commencing on November 25, 2041, for deposit into the Series 2022A Principal Account, an amount equal to the lesser of (i) one-twelfth of the Principal due on the Series 2022A Bonds on the first day of December next ensuing, or (ii) the amount required so that the sum then held in the Series 2022A Principal Account will equal the Principal due on the Series 2022A Bonds on the first day of December next ensuing.

In addition to the Series 2022A Deposit Requirement, there shall be deposited into the Series 2022A Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2022A Dedicated Sub-Fund and to one or more accounts in the Series 2022A Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2022A Deposit Requirement, the Trustee shall notify the Authority of the Series 2022A Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the Authority may reasonably request.

DEBT SERVICE REQUIREMENTS

The table below sets forth the debt service requirements for the Outstanding First Lien Parity Obligations and the Outstanding Second Lien Obligations (including the Series 2022A Bonds, but not including the Outstanding Second Lien CIP Notes), following the issuance of the Series 2022A Bonds. The debt service requirements in the table below do not include debt service related to the PBC Senior Pledge Rights. See "PLAN OF FINANCE" herein.

DEBT SERVICE REQUIREMENTS

Period Ending Dec 31	Outstanding Pension Bonds Debt Service[2]	Outstanding Corporate Purpose Debt Obligations Debt Service[2]	Total Outstanding First Lien Obligations Debt Service	Outstanding Second Lien Obligations Debt Service[2]	Series 2022A Bonds Principal	Series 2022A Bonds Interest	Series 2022A Bonds Total Debt Service	Total Second Lien Obligations Debt Service	Total Aggregate Net Debt Service
2022	$ 156,576,474	$ 109,909,209	$ 266,485,683	$ 14,711,000	$ -	$ -	$ -	$ 14,711,000	$ 281,196,683
2023	156,575,395	109,913,886	266,489,281	18,780,713	-	-	-	18,780,713	285,269,994
2024	156,574,586	109,923,148	266,497,734	30,989,850	-	-	-	30,989,850	297,487,584
2025	156,574,560	109,927,503	266,502,063	30,989,850	-	16,923,100	16,923,100	47,912,950	314,415,013
2026	156,574,793	109,921,295	266,496,088	30,989,850	-	16,923,100	16,923,100	47,912,950	314,409,038
2027	156,573,729	109,928,637	266,502,366	30,989,850	-	16,923,100	16,923,100	47,912,950	314,415,316
2028	156,573,774	109,935,058	266,508,832	30,989,850	-	16,923,100	16,923,100	47,912,950	314,421,782
2029	156,570,957	109,933,664	266,504,620	30,989,850	-	16,923,100	16,923,100	47,912,950	314,417,570
2030	156,575,270	109,931,503	266,506,772	30,989,850	-	16,923,100	16,923,100	47,912,950	314,419,722
2031	156,574,636	109,939,671	266,514,307	30,989,850	-	16,923,100	16,923,100	47,912,950	314,427,257
2032	156,576,290	109,940,552	266,516,842	30,989,850	-	16,923,100	16,923,100	47,912,950	314,429,792
2033	156,575,394	109,941,491	266,516,885	30,989,850	-	16,923,100	16,923,100	47,912,950	314,429,835
2034	156,570,732	116,138,490	272,709,222	30,989,850	-	16,923,100	16,923,100	47,912,950	320,622,172
2035	156,574,364	116,138,097	272,712,460	30,989,850	-	16,923,100	16,923,100	47,912,950	320,625,410
2036	156,575,588	116,137,124	272,712,712	30,989,850	-	16,923,100	16,923,100	47,912,950	320,625,662
2037	156,577,324	116,136,058	272,713,383	30,989,850	-	16,923,100	16,923,100	47,912,950	320,626,333
2038	156,570,078	116,147,980	272,718,059	30,989,850	-	16,923,100	16,923,100	47,912,950	320,631,009
2039	156,572,630	116,141,634	272,714,264	30,989,850	-	16,923,100	16,923,100	47,912,950	320,627,214
2040	156,574,965	116,141,889	272,716,854	30,989,850	-	16,923,100	16,923,100	47,912,950	320,629,804
2041	-	78,776,788	78,776,788	69,489,850	13,790,000	16,923,100	30,713,100	100,202,950	178,979,738
2042	-	78,777,788	78,777,788	69,494,950	14,480,000	16,233,600	30,713,600	100,208,550	178,986,338
2043	-	78,778,288	78,778,288	69,494,850	15,205,000	15,509,600	30,714,600	100,209,450	178,987,738
2044	-	78,777,038	78,777,038	69,490,150	15,965,000	14,749,350	30,714,350	100,204,500	178,981,538
2045	-	78,777,538	78,777,538	69,491,100	16,760,000	13,951,100	30,711,100	100,202,200	178,979,738
2046	-	78,775,300	78,775,300	69,492,250	17,600,000	13,113,100	30,713,100	100,205,350	178,980,650
2047	-	78,775,063	78,775,063	69,487,600	18,480,000	12,233,100	30,713,100	100,200,700	178,975,763
2048	-	78,777,900	78,777,900	69,493,300	19,220,000	11,493,900	30,713,900	100,207,200	178,985,100
2049	-	78,774,363	78,774,363	69,491,600	19,990,000	10,725,100	30,715,100	100,206,700	178,981,063
2050	-	-	-	69,492,850	20,790,000	9,925,500	30,715,500	100,208,350	100,208,350
2051	-	-	-	69,491,750	21,825,000	8,886,000	30,711,000	100,202,750	100,202,750
2052	-	-	-	33,870,900	22,920,000	7,794,750	30,714,750	64,585,650	64,585,650
2053	-	-	-	33,867,950	24,065,000	6,648,750	30,713,750	64,581,700	64,581,700
2054	-	-	-	33,869,450	25,270,000	5,445,500	30,715,500	64,584,950	64,584,950
2055	-	-	-	33,867,600	26,530,000	4,182,000	30,712,000	64,579,600	64,579,600
2056					27,860,000	2,855,500	30,715,500	30,715,500	30,715,500
2057					29,250,000	1,462,500	30,712,500	30,712,500	30,712,500
Total	**$2,974,911,539**	**$2,841,116,951**	**$5,816,028,488**	**$1,460,205,313**	**$350,000,000**	**$442,902,050**	**$792,902,050**	**$2,253,107,363**	**$8,069,135,851**

Note: Columns may not add due to rounding.
Source: The Authority.
(1) Debt service shown is net of capitalized interest.
(2) See "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein.
(2) Debt service shown does not including debt service on the Outstanding Second Lien CIP Notes.

DEBT SERVICE COVERAGE

The table below sets forth the Sales Tax Receipts and RETT Revenues and the debt service and debt service coverage for the Outstanding First Lien Parity Obligations and the Outstanding Second Lien Obligations (including the Series 2022A Bonds), following the issuance of the Series 2022A Bonds, the refunding of a portion of the Outstanding Second Lien CIP Notes, and implementation of the Plan of Finance. The debt service requirements in the table below do not include debt service related to the PBC Senior Pledge Rights.

Debt service coverage is presented as annual debt service for the year and the maximum annual debt service for any year ("MADS"). The table below includes: (1) certain historical financial information from the Authority's financial statements and other records; (2) the Authority's 2021 Preliminary Estimate amounts for Sales Tax Receipts and RETT Revenues in 2021; (3) the CTA 2022 Budget amounts for Sales Tax Receipts and RETT Revenues in 2022; and (4) Sales Tax Receipts and RETT Revenues held constant at the CTA 2022 Budget amounts for the years 2023 and 2024. The following table presents combined MADS coverage assuming: (i) the Series 2022A Bonds will have capitalized interest and no maturing principal through December 1, 2024, (ii) proceeds of the Series 2022A Bonds in the aggregate principal amount of $126,775,815 and other available funds of the Authority in the amount of $21,624,185 will be used to refund a portion of the Outstanding Second Lien CIP Notes on April 1, 2022, and (iii) the Authority will have no additional borrowings payable from Sales Tax Receipts or RETT Revenues through 2024. See "PLAN OF FINANCE."

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Debt Service Coverage

		2019	2020	2021	CTA 2022 Budget	Pro Forma 2023	Pro Forma 2024
	First Lien Revenue						
A	Sales Tax Receipts [1]	$749,711,000	$683,286,375	$866,725,254	$849,959,000	$849,959,000	$849,959,000
	RETT Revenues [1] [2]	62,373,000	51,023,270	71,118,017	65,617,000	65,617,000	65,617,000
	First Lien Debt Service[3]						
	Total Pension Bonds	156,573,000	156,576,000	156,574,000	156,576,000	156,575,000	156,575,000
	Net Pension Bonds (net of RETT Revenues) [2] [4]	94,200,000	105,553,000	85,455,983	90,959,000	90,958,000	90,958,000
	Other First Lien Parity Obligations[5]	95,811,000	70,905,000	88,121,000	109,909,000	109,914,000	109,923,000
B	Net Total First Lien Parity Obligations	190,011,000	176,458,000	173,576,983	200,868,000	200,872,000	200,881,000
	Second Lien Revenue						
C	Available Sales Tax Receipts[6]	559,700,000	506,828,375	693,148,271	649,091,000	649,087,000	649,078,000
	Second Lien Debt Service[3] [8]						
	Second Lien Obligations	14,711,000	14,711,000	14,711,000	14,711,000	18,781,000	30,990,000
	Second Lien CIP Notes[9]	11,359,000	17,745,080	2,450,775	62,795,000	712,500	712,500
D	Total Second Lien Obligations	26,070,000	32,456,080	17,161,775	77,506,000	19,493,500	31,702,500
E	Total Net Debt Service	$216,081,000	$208,914,080	$190,738,757	$278,374,000	$220,365,500	$232,583,500
	MAXIMUM ANNUAL DEBT SERVICE[3] [7] [8]						
F	First Lien Parity Obligations (net of RETT Revenues)	210,355,000	221,695,000	201,600,000	207,101,000	207,101,000	207,101,000
G	Second Lien Obligations	151,211,000	175,195,000	254,461,775	106,006,000	100,209,450	100,209,450
H	Combined First and Second Lien = F+G	361,563,000	342,063,470	456,061,775	313,107,000	307,310,450	307,310,450
	COVERAGE CALCULATIONS						
	First Lien Annual Coverage = A/B	3.95x	3.87x	4.99x	4.23x	4.23x	4.23x
	First Lien MADS Coverage = A/F	3.56x	3.08x	4.30x	4.10x	4.10x	4.10x
	Second Lien Annual Coverage = C/D	21.47x	15.62x	40.39x	8.37x	33.30x	20.47x
	Second Lien MADS Coverage = C/G	3.70x	2.89x	2.72x	6.12x	6.48x	6.48x
	Combined Lien Annual Coverage = A/E	3.47x	3.27x	4.54x	3.05x	3.86x	3.65x
	Combined Lien MADS Coverage = A/H	2.07x	2.00x	1.90x	2.71x	2.77x	2.77x

Source: The Authority.

(1) See “SALES TAX RECEIPTS” herein. The amounts shown for Sales Tax Receipts and RETT Revenues in 2021 are the 2021 Preliminary Estimate and in 2022, 2023, and 2024 are the CTA 2022 Budget amounts. Coverage in 2023 and 2024 is calculated based on the Sales Tax Receipts and RETT Revenues included in the CTA 2022 Budget due to uncertainty regarding the amount of Sales Tax Receipts and RETT Revenues in such years.

(2) The RETT Revenues are pledged only to payment of debt service on the Pension Bonds.

(3) Amounts shown for debt service are net of any applicable capitalized interest.

(4) Represents debt service on the Pension Bonds paid from Sales Tax Receipts, net of RETT Revenues applied to pay debt service on the Pension Bonds.

(5) Other First Lien Parity Obligations include the Corporate Purpose Debt Obligations. Amounts shown for debt service on the First Lien Parity Obligations do not include Build America Bond subsidies for the Series 2010B Bonds, which are not pledged to pay debt service on the Series 2010B Bonds.

(6) Available Sales Tax Receipts are equal to the amount of Sales Tax Receipts less the amount of Sales Tax Receipts necessary for the First Lien Parity Obligations.

(7) MADS on the First Lien Parity Obligations is calculated by deducting the RETT Revenues from the aggregate maximum annual debt service for the First Lien Parity Obligations. MADS is based on the aggregate maximum debt service for the First Lien Parity Obligations for 2038.

(8) The increase in Second Lien Debt Service and MAXIMUM ANNUAL DEBT SERVICE in 2022 is due in part to the scheduled payment of a portion of the Authority’s Outstanding Second Lien CIP Notes at maturity in 2022.

(9) Interest on the Second Lien CIP Notes is a variable rate. Debt service on the Second Lien CIP Notes for 2022 assumes: (i) $148,400,000 of such notes will be refunded on April 1, 2022 and debt service includes interest on such refunded notes for 3 months at a rate of 2.5% and does not include principal paid with the proceeds of the Series 2022A Bonds and other available funds of the Authority, (ii) $88,900,000 of such notes will remain outstanding of which $60,400,000 will be paid at maturity on July 11, 2022 and debt service includes interest on such maturing notes for 6 months at a rate of 2.5% and includes principal paid at maturity, and (iii) $28,500,000 of such notes will remain outstanding and debt service includes one year’s interest on such notes at a rate of 2.5%. Debt service on the Second Lien CIP Notes in 2023 and 2024 assumes $28,500,000 of such notes will remain outstanding until maturity in 2026 and debt service includes annual interest on such notes at a rate of 2.5%.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Insured Series 2022A Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2022A Bonds maturing on December 1, 2046, in the original principal amount of $93,800,000 (CUSIP® 16772P DK9) (the "Insured Series 2022A Bonds") (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2022A Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See "APPENDIX I - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Series 2022A Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Series 2022A Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Series 2022A Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Insured Series 2022A Bonds, nor does it guarantee that the rating on the Insured Series 2022A Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $481.5 million, $183.4 million and $298.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Insured Series 2022A Bonds or the advisability of investing in the Insured Series 2022A Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" herein.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Insured Series 2022A Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Series 2022A Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Series 2022A Bonds, whether at the initial offering or otherwise.

THE AUTHORITY

General

The Authority was created in 1945 by the MTA Act 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 public 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 operates the nation's second largest public transit system (the "Transportation System"), providing bus and rail service in the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. Historically, the Authority has carried 81% percent of the public transit riders in the Northeastern Illinois Transit Region with direct or connecting service to Metra and Pace. Authority buses and trains combined provide approximately 1.5 million rides on an average weekday and approximately a half billion rides each year. For a discussion of ridership on the Authority's Transportation System, see "—Ridership Trends and CTA 2022 Budgeted Ridership" below. The Authority is one of two public transit systems in the United States that provides 24 hour service seven days a week. For economic and demographic statistics concerning the service area of the Authority, See APPENDIX C—"SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

The Authority has 1,862 buses that operate 127 routes and 1,519 route miles and serve 10,715 bus stops. On the rapid transit system, the Authority's 1,458 rail cars operate eight routes and 224 miles of track. The Authority's trains serve 145 stations, with one of the rail lines terminating at the City of Chicago's O'Hare International Airport. The Authority also provides regular service to Midway International Airport. Set forth below are the name designations and round-trip route descriptions for the Authority's rapid transit rail lines.

Authority Rail Lines

Name	Route
Blue Line	Chicago-O'Hare International Airport to the Forest Park terminal, via downtown Chicago.
Brown Line	Kimball to downtown Chicago (with certain late night trips between Kimball and Belmont only).
Green Line	Harlem in Forest Park, IL and Oak Park, IL to 63rd Street on Chicago's South Side, via Loop 'L'.
Orange Line	Midway Airport to downtown Chicago, providing service to Chicago's Southwest Side.
Pink Line	54th/Cermak (serves Cicero, IL and Berwyn, IL) to downtown Chicago.
Purple Line	Linden (in Wilmette, IL) to Howard (in Chicago) via Evanston, IL. During weekday rush-periods, express service continues to downtown Chicago.
Red Line	Howard on the North Side to 95th/Dan Ryan on the South Side via downtown Chicago.
Yellow Line	Dempster (in Skokie, IL) to Howard (in Chicago), with connecting service to downtown Chicago via Purple Line Express or Red Line.

See "CHICAGO TRANSIT AUTHORITY SYSTEM MAP" included in the forepart of this Official Statement.

Authority Operations in Response to the COVID-19 Outbreak

The Authority has been at the forefront of addressing the needs of its customers, its employees and the Chicago region throughout the COVID-19 Outbreak. During the Stay-at-Home Order, the Authority continued its operations (including its regular service schedule) to assure access to reliable transportation for first-responders, healthcare workers, other "essential" workers and others to get to and from work and for residents to get essential goods and services. The Authority was the only major U.S. transit agency that did not reduce or cut back on scheduled service throughout the pandemic. As the City and State removed COVID-19 restrictions there was more opportunity for riders to use the Transportation System. During these unprecedented circumstances, the Authority earned the two highest honors in the North American public transportation industry: (i) the Outstanding Public Transportation System Award and (ii) the Outstanding Public Transportation Manager Award, awarded by the American Public Transportation Association (APTA).

The Authority has worked to provide a healthy and comfortable environment for its customers and implemented measures to protect its employees and customers throughout the COVID-19 outbreak and to provide a level of comfort to Authority customers to use the Transportation System. The Authority has implemented a rigorous cleaning regimen of its vehicles and stations, including routine and deep cleaning before and during service. During the height of the pandemic, in conjunction with the Chicago Department of Public Health, the Authority established passenger capacity limits on buses and train cars that allowed social distancing across the Transportation System. The Authority has an ongoing relationship with the MIT Transit Lab which has extensive knowledge of the Authority's ridership. Ridership studies during the pandemic showed the Transportation System ridership to be at or near full capacity given social distancing mandates. The Authority launched a new "Ridership Information Dashboard" on its website that provided customers an overview of available ridership capacity on each of its bus routes. As medical professionals made strides to manage the COVID-19 pandemic, cities and businesses reopened, and people resumed some level of normalcy, the Authority has also been working to help put Chicago back on track to recovery through its efforts to increase ridership and advance major capital investments that modernize and improve Transportation System infrastructure, fleet, and service.

Throughout the pandemic, the Authority has adapted and kept Chicago moving and is continuing to work to achieve the return of pre-pandemic ridership levels. Historically, the Authority has provided over 81% of the public transit trips in the six-county Chicago metropolitan area and provided up to approximately 90% of regional transit trips during the pandemic. A significant aspect of the Authority's continued recovery of ridership is dependent on the business community and business staff returning to the office. The Authority is focused on providing bus and rail service that will appeal to and incentivize people to return to public transit for their daily commutes to and from work. The Authority's campaign to help foster ridership includes the first-ever promotional discount on the Authority's most popular unlimited-ride passes and the elimination of transfer fees, the launch of an expanded and accelerated program to improve more than 125 rail stations across the Transportation System, and the Authority's focus on providing a healthy, clean and comfortable riding environment, and continue to make investments to modernize the system and improve the overall experience of its customers. The Authority has also taken many steps to protect and support its employees including an on-site COVID-19 vaccine program, provision of personal protection equipment, and making workplace adjustments, such as protective shields to protect bus operators from exposure, The Authority has also put in place a variety of measures and other workplace protocols to protect employees, including, but not limited to, temperature checks, room occupancy limits, sanitation stations for employees and more frequent cleaning of high- touch surfaces.

Administration

The governing and administrative body of the Authority is the seven-member Chicago Transit Board. Three Chicago Transit Board members are appointed by the Governor, with the advice and consent of the Illinois Senate, subject to approval by the Mayor. 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 Chicago Transit 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. With respect to members appointed by the Governor, such member shall not continue in office longer than 60 calendar days after the expiration of such member's term of office and such office shall be considered vacant until a successor is appointed pursuant to applicable law.

The current members of the Chicago Transit Board are as follows:

Lester L. Barclay, Chairman, was appointed to the Chicago Transit Board by Mayor Lori Lightfoot in June 2021 for a term ending September 1, 2027. Mr. Barclay serves as senior partner of the Barclay Law Group, P.C. A champion of public service in the city, Mr. Barclay is a seasoned legal advocate who has leveraged his resources to bring positive change to the areas of transit, civil rights, health and education. Mr. Barclay has been involved with various civic and charitable organizations including Chairman of the Citizens Advisory Board.

Reverend Dr. L. Bernard Jakes, Vice Chairman, was appointed to the Chicago Transit Board by Governor J.B. Pritzker, in August 2019, to a term ending August 31, 2025. He is the Senior Pastor of West Point Baptist Church, in Chicago, having served the ministerial needs of Chicagoans for over 25 years. He is on the Board of Trustees of Elmhurst College and the Board of Directors of Vision House, besides participating in numerous social and religious organizations.

Kevin Irvine, was appointed to the Chicago Transit Board in December 2011 by Mayor Rahm Emanuel. He currently serves as Chairman of the Committee of Strategic Planning and Service Delivery. His term has expired although he continues to serve on the CTA Board until replaced. He is currently the Senior Talent Acquisition Consultant, Individuals with Disabilities, Rush University Medical Center. He was formerly Chair of the Authority's ADA Advisory Committee.

Reverend Johnny L. Miller, was appointed by Mayor Rahm Emanuel as a member of the Chicago Transit Board in April, 2016. His term has expired but he continues to serve on the CTA Board until replaced. Mr. Miller is a minister and has dedicated much of his life to community service. He oversaw construction of the Mt. Vernon Manor, a 65-unit senior facility, and the JLM Abundant Life Community Center, an evangelistic center for the community. He has experience serving as Chairman of the Board of the International Affairs Ministry for the National Baptist Convention USA, Inc., Moderator of the Sunlight District Association, Commissioner of the Westside Baptist Ministers Fellowship of Chicago and Vicinity, and is a member of various public outreach organizations. In the past, Reverend Miller has served as Chairman of the Board of the United Baptists State Convention of Illinois Inc.

Rosa Y. Ortiz, was appointed to the Chicago Transit Board by Governor J.B. Pritzker to the Chicago Transit Board in December, 2021, to a term ending August 31, 2028. Ms. Ortiz is a certified planner and LEED accredited professional. As principal and founder of 3e.Studio, she leads initiatives in equitable community development, sustainability, and strategic planning. She earned her master's degree in Urban Planning and Policy and a bachelor's degree in Architecture from the University of Illinois at Chicago.

Alejandro Silva, Chairman of the Committee on Finance, Audit and Budget, was appointed to the Chicago Transit Board by Mayor Richard M. Daley in March 2004 and reappointed by Mayor Rahm Emanuel in November 2015 for a term expiring on September 1, 2022. Mr. Silva is the retired 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.

There is currently one vacancy on the Chicago Transit Board to be appointed by the Governor.

The current officers of the Authority are as follows:

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

Jeremy V. Fine was named the Chief Financial Officer and Treasurer of the Authority in February 2016. Prior to joining the Authority, Mr. Fine served as the Deputy Comptroller for the City of Chicago, overseeing the debt and credit portfolios. He previously worked as a Public Finance Officer at ABN AMRO / LaSalle Bank Capital Markets, where he was involved in underwriting bonds for various municipal issuers throughout the Midwest. Mr. Fine received a B.S. in International Relations/Systems Engineering from the United States Military Academy at West Point and a MBA from the University of Notre Dame.

Brad Jansen was appointed Acting General Counsel by the Chicago Transit Board on February 9, 2022. He has served as an attorney in the Chicago Transit Authority's Law Department since 1996, and has been the CTA's Deputy General Counsel of its Labor & Employment Division since 2009. Mr. Jansen manages labor relations with 17 unions representing 9,200 employees. He represents the CTA in labor contract negotiations, interest arbitrations, and grievance arbitrations. He also advises executive management on labor and employment matters, including wage and hour issues, FMLA and ADA compliance, and EEO policies. Prior to joining the Chicago Transit Authority, Mr. Jansen specialized in commercial litigation, 11 years in private practice and five with the Federal Deposit Insurance Corporation. Mr. Jansen is an adjunct professor at Roosevelt University, where he teaches labor and employment law and other subjects. He received his B.A. in English from the University of Illinois at Chicago and his J.D. from IIT Chicago-Kent College of Law.

Gregory Longhini is the Assistant Board Secretary of the Chicago Transit 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.

Employees and Labor Relations

The Authority has approximately 10,250 employees and has entered into labor agreements with seventeen different unions representing approximately 9,215 employees.

The Amalgamated Transit Union Locals 241 and 308 (the "ATU Locals") represent approximately 7,800 of the Authority's unionized employees. The Authority and the ATU Locals have ratified a tentative agreement covering the term of January 1, 2020 through December 31, 2023.

The Craft Coalition of Trades Unions (the "Craft Unions") consists of eleven trade unions that represent approximately 1,200 of the Authority's craft employees. The Authority and Craft Unions are currently negotiating the successor contract to the collective bargaining agreement for the term January 1, 2017 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

I.A.M.-Dist. No. 8 ("I.A.M.-8") represents approximately 70 of the Authority's civil, structural and track engineers, architects and quality improvement technicians. Negotiations are pending on the successor contract to the collective bargaining agreement for the term January 1, 2017 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

IBEW Local 134 represents the Authority's 70 controllers, 35 yardmasters and 20 road masters. Negotiations are pending on the successor contracts to the collective bargaining agreements covering these bargaining units, each with a term of January 1, 2016 through December 31, 2021. The terms of the collective bargaining agreements remain in effect until a successor collective bargaining agreement is in place.

IBEW-Local 134 also represents the Authority's 17 rail janitor coordinators. Negotiations are pending on the successor contract to the collective bargaining agreement covering this bargaining unit for the term of August 5, 2016 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place,

Ironworkers Local 1 represents approximately 80 employees. The Authority and Local 1 are parties to a collective bargaining agreement for the term of June 1, 2019 through May 31, 2024.

Teamsters Local 700 represents approximately 80 drivers. Negotiations are pending on the successor contract to a collective bargaining agreement covering this bargaining unit for the term of January 1, 2017 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

Teamsters Local 700 also represents 7 construction project managers. Negotiations are pending on the successor contract to a collective bargaining agreement covering this bargaining unit for the term August 14, 2019 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor bargaining agreement is in place.

United Steelworkers Local 9777 represents 2 upholsterers. The Authority and United Steelworkers Local 9777 are currently negotiating the successor contract to the collective bargaining agreement for the term of January 1, 2017 through December 31, 2019. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

Operating Engineers Local 399 represents 11 building engineers. Negotiations are pending on the successor contract to the collective bargaining agreement for the term of January 1, 2017 through December 31, 2021. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

Ridership Trends and CTA 2022 Budgeted Ridership

The Authority's operating revenues from the Transportation System mostly come from the Transportation System's ridership, which is influenced by, among other factors, demographic and economic conditions, gas prices and competitive alternatives. See "CERTAIN INVESTMENT CONSIDERATIONS" herein and APPENDIX C—"SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

Transit ridership locally and nationally has been severely impacted by the COVID-19 outbreak. Ridership has changed significantly in terms of who commutes, when they commute and how they commute. Fewer riders travel to the central business district, the timeframe for peak travel has shifted, and the frequency of travel has changed. In addition, greater use of mobility options that provide more social distancing has amplified the reduction in transit ridership. At the height of the pandemic, system-wide ridership dropped to a low of approximately 250,000 average weekday rides. Throughout 2021, ridership steadily grew with more than 750,000 average weekday rides being provided, which is roughly half of pre-pandemic levels. Average monthly ridership grew 29% in 2021 compared to average monthly ridership from April to December 2020. Ridership is expected to grow 28% in 2022.

Set forth below are the unlinked passenger trips per year for the Transportation System on a historical basis for the years 2017 through 2020, the 2021 Preliminary Estimate and as included in the CTA 2022 Budget.

Yearly Ridership–Unlinked Passenger Trips[(1)]
2017 - 2020 Actual, 2021 Preliminary Estimate and CTA Budget 2022
(in millions)

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Preliminary Estimate 2021	CTA 2022 Budget
Bus	249.2	242.2	237.3	121.5	117.4	137.1
Rail	230.2	225.9	218.5	76.0	78.6	114.1
Total	479.4	468.1	455.7	197.5	196.0	251.2

Source: The Authority.

(1) Each boarding of a transit vehicle by a passenger is counted as an unlinked passenger trip. Columns may not add due to rounding.

THE REGIONAL TRANSPORTATION AUTHORITY

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 systems in the Northeastern Illinois Transit Region, which are operated by the Service Boards.

The governing body of the RTA is its Board of Directors (the "RTA Board") which consists of sixteen persons. Five directors are appointed by the Mayor of Chicago with the advice and consent of the City Council. Four directors are appointed by the commissioners of the Cook County Board of Commissioners (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 RTA Board is appointed by eleven members of the RTA Board with at least two votes from each sub-region of Chicago, 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 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 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 provides Public Funding Marks for the two-year financial plan. Funding "Marks" refer to the amounts RTA commits to provide to each of the Service Boards. The RTA Public Funding projections for the Authority include revenues from Sales Tax Receipts in addition to RETT Revenues from the City of Chicago.

The RTA Act requires the Northeastern Illinois Transit Region to fund 50 percent of its expenses through revenues generated by the three Service Boards. The recovery ratio measures the percentage of expenses that a Service Board must pay against the revenue that it generates. System-Generated Revenues (as defined herein), Operating Expenses (as defined herein) and certain statutory exclusions are used in the calculation. The RTA Act requires the Northeastern Illinois Transit Region to fund 50 percent of its expenses through revenues generated by the three Service Boards, including that each Service Board finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

The RTA Board, by the affirmative vote of twelve of its directors, determines whether a Service Board's budget and financial plan meet the RTA's criteria and certifies such to the Governor, the Mayor and the Auditor General of the State. If a Service Board's budget and financial plan are found not to be substantially in compliance with its criteria, the RTA may direct that Service Board to submit a revised budget and financial plan meeting the mandated criteria. See "—Annual Budget Process" herein. If the budget meets the RTA's criteria, which are identified in the RTA Act then the RTA is required to adopt the budget. If the RTA Board does not approve the budget, the RTA Board cannot release any RTA

Discretionary Funds to the Authority for the periods covered by the budget and two-year financial plan until the budget conforms to the criteria specified in the RTA Act.

The RTA Act also requires the RTA to annually prepare and adopt 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 RTA's five-year capital program.

The RTA Act also requires, among other things, that the Authority obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation and the Authority receives of 3.0 million annually from the City of Chicago and $2.0 million annually from Cook County.

Pursuant to the RTA Act, within six months of the end of each fiscal year the RTA is required to determine whether the aggregate of all "system-generated revenues" for public transportation in the Northeastern Illinois Transit Region which is provided by, or under grant or purchase of service contracts with, the Service Boards ("System-Generated Revenues") equals 50 percent of the aggregate of all costs of providing public transportation. System-Generated Revenues include all the proceeds of fares and charges for services provided, contributions received in connection with public transportation from units of local government other than the RTA (except for RETT Revenues, and from grants made by the Illinois Department of Transportation ("IDOT") to units of local government, districts, and carriers for the acquisition, construction, extension, reconstruction, and improvement of mass transportation), and all other revenues properly included consistent with generally accepted accounting principles. System-Generated Revenues do not include the proceeds from any borrowing, and all revenues and receipts, including but not limited to fares and grants received from federal, State or any unit of local government or other entity, derived from providing ADA paratransit service. The Authority has never failed to meet this requirement. If System-Generated Revenues are less than the amount required, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required System-Generated Revenues recovery ratio. The RTA Act was amended in 2021 to provide that due to the fiscal impacts from the COVID-19 outbreak, for fiscal years 2021, 2022, and 2023, no such payment shall be required.

Also within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all fares charged and received for ADA paratransit services equals the system-generated ADA paratransit services revenue recovery ratio percentage of the aggregate of all costs of providing the ADA paratransit services. The Authority has never failed to meet the requirement. If System-Generated Revenues are less than 10.0 percent of costs, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required System-Generated Revenues recovery ratio. The RTA Act was amended in 2021 to provide that due to the fiscal impacts from the COVID-19 outbreak, for fiscal years 2021, 2022, and 2023, no such payment shall be required.

See "CERTAIN INVESTMENT CONSIDERATIONS—Factors Affecting RTA's Transfer of Sales Tax Receipts to the Authority" herein.

Annual Budget Process

The RTA Act requires the RTA Board to adopt a consolidated annual operating budget, two-year financial plan, a strategic plan and five-year capital program. The budgetary process contains three phases: budget development, budget adoption, and budget execution and administration. The general budget calendar of the Authority is presented in the following table.

Annual Budget Calendar

Month	Action
July	RTA releases the requirements that the Service Boards must follow for the development of their annual budget, two-year financial plan, and five- year capital program.
September	RTA announces Marks. The RTA Board is required by the RTA Act to set operating and capital funding Marks for the three Service Boards by September 15. The operating Marks include estimates of available funding for the budget and financial plan, and a "Required Recovery Ratio" (the ratio or percentage of operating expenses that must be recovered from System-Generated Revenues) for the budget. Upon issuance of the budget Marks, the Authority revises its expenses and revenues to conform to the Marks.
	The capital Marks provide estimates of available grant receipts from federal, State, and local sources for the proposed fiscal year and the remaining years of the five year capital plan.
October	Authority Budget released to the public. The RTA Act requires that documents be available for public inspection 21 days prior to a public hearing.
November	Public Hearing to be scheduled to receive comments from the public.
	Budget presentation to Cook County Board. The Authority presents the budget to the Cook County Board after the Public Hearing but prior to the Authority adoption of the budget, as required by the RTA Act.
	Chicago Transit Board vote. The Chicago Transit Board incorporates any changes and adopts the operating and capital fiscal year budget and financial plans.
	Budget submission to the RTA. The RTA Act requires that the Authority, by November 15, submit its detailed budget and financial plan to the RTA. The budget must conform to the Marks set by the RTA by the statutory deadline of September 15.
December	RTA Board vote on consolidated regional budget. The RTA Board adopts the proposed fiscal year operating and capital budget and the two year and five year financial plan upon the approval of 12 of the RTA's 16 directors.
February	RTA and the Authority submit the Capital Improvement Program to the Chicago Metropolitan Agency from Planning ("CMAP"). CMAP adopts and incorporates the Authority's capital projects in the Regional Transportation Improvement Program, allowing the Authority to apply for federal funding of these projects.

If the budget meets the RTA's criteria, which are identified in the RTA Act, then the RTA is required to adopt the budget. If the RTA Board does not approve the budget, the RTA Board can only transfer to the Authority the portion of the Sales Tax Receipts that are RTA Formula Funds and cannot release any RTA Discretionary Funds for the periods covered by the budget and two-year financial plan, until the budget conforms to the criteria specified in the Act.

After the proposed budget and financial plan are adopted, the budget execution and administration phase begins. Detailed budgets of operating revenues and expenses for each of the 12 months of the budget year are forwarded to the RTA. The Authority's actual monthly financial performance is measured against the monthly budget and reported to the RTA Board. Detailed capital grant applications are prepared and submitted to funding agencies. Quarterly capital program progress reports are provided to the RTA Board to monitor expenditures and obligations for capital program items.

As the Authority monitors actual performance, changes may be required to the budget. The RTA might revise its Sales Tax estimate and in its judgment may thereafter require a Service Board to submit a revised budget incorporating such revised estimate and, if in the RTA Board's judgment the revised estimate requires it do so, the RTA Board may revise the Service Board's Required Recovery Ratio. A revised Sales Tax estimate could result in less Public Funding for the Authority. This in turn would require reduced spending to meet the RTA's revised funding commitment and previously established Required Recovery Ratio.

When the RTA amends a revenue estimate because of changes in economic conditions, governmental funding, a new program, or other reasons, the Authority has 30 days to revise its budget to reflect these changes. The RTA's Finance Committee must approve all amendments before they are recommended to the RTA Board for approval. The budget may also be amended based upon financial condition and results of operations if the Authority is significantly out of compliance with its budget for a particular quarter. The RTA Board, by a vote of 12 members, may require the Authority to submit a revised financial plan and budget, which show that the Marks will be met in a time period of less than four quarters.

As capital projects proceed, changes may be required to project budgets. Capital funding Marks may be revised based on actual federal or State appropriations actions. When revisions are necessary, the Authority will amend its five-year capital program and submit the changes to the RTA for RTA Board action.

FINANCIAL INFORMATION

This heading is a consolidated financial section designed to provide a comprehensive financial overview of the Authority as presented in the CTA 2022 Budget. The discussion that follows includes certain historical financial information from the Authority's financial statements and other records, and projected Operating Expenses, System-Generated Revenues and Public Funding for 2021 that were prepared for and included in the CTA 2022 Budget submitted in October 2021 (the "2021 Budget Forecast"). The 2021 Budget Forecast differs from the Preliminary Estimated 2021 number discussed herein which are the Authority's estimate of revenues and expenses for the year based on payments and collections to date. The following also includes a discussion of the CTA 2022 Budget and the Authority's 2023-2024 Financial Plan (as defined herein).

Certain Financial Impacts of the COVID-19 Outbreak

During 2021, the COVID-19 outbreak continued to impact the Authority, as it did public transportation throughout the country. While the economy has shown signs of recovery during 2021, certain economic activity remains constricted compared to pre-pandemic levels. Many businesses have reduced hours of operation, some employees continue to work from home and many people have opted to drive. The impact to ridership and Farebox Revenues has been substantial.

Federal Stimulus Funding

The Authority has relied on federal funding to offset the decline in operating revenues in 2020, 2021, budgeted in 2022 and extending into mid-2024. The following is a summary of the federal funding that has been provided to the Authority related to the COVID-19 outbreak.

<u>Coronavirus Aid, Relief, and Economic Security Act of 2020 (“CARES Act”).</u> On March 27, 2020, the CARES Act was signed into law. The Northeastern Illinois Transit Region’s share of CARES Act funding to the RTA and Service Boards was $1.438 billion and the Authority has been allocated approximately $817.5 million in CARES Act funding.

<u>Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (“CRRSAA”).</u> On December 27, 2020, the federal CRRSAA was signed into law. The regional share of CRRSAA funding to the RTA and Service Boards was $486 million. The Authority has been allocated approximately $361.3 million in CRRSAA funding.

<u>American Rescue Plan Act of 2021 (“ARP”).</u> On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law. The regional share of ARP Act funding to the urbanized area, including the RTA and Service Boards was $1.496 billion. In February 2022, the U.S. Department of Transportation (USDOT) awarded the Authority a $912.1 million ARP gramt. This funding is part of more than $30 billion for public transportation in the American Rescue Plan Act, which was signed into law by President Joe Biden in March 2021. The funds available for transportation help cover the operating expenses of transit agencies to respond to the COVID-19 emergency including payroll, operating costs, debt services, capital investments, and transportation planning and no local share is required for this funding. The Authority was recently awarded $118.4 in ARP discretionary funding.

The CARES Act; CRRSAA; and ARP are collectively referred to herein as “Federal Stimulus Funding,”

The table below shows the total Federal Stimulus Funding allocated to the Northeastern Illinois Transit Region and the amounts allocated by RTA to each of the Service Boards.

	Authority	Metra	Pace	Total
CARES Act	$ 817.5	$ 479.2	$112.8	$1,409.5
CRRSAA	361.3	83.4	21.4	466.2
ARP Act	912.1*	513.6	71.3	1,497.0
Total combined	$2,090.9*	$1,076.3	$205.5	$3,372.6
% Share	62.0%	31.9%	6.1%	100%

Source: RTA Proposed 2022 Operating Budget.
*In addition, the Authority recently was awarded $118.4 in discretionary funding under the ARP Act bringing the Authority’s total Federal Stimulus Funding to $2.2 billion.

The Authority’s allocation of each source of Federal Stimulus Funding is provided at a 100 percent Federal share, with no local match required. Funds provided under the CARES Act abd CRRSAA are available for all operating activities and do not expire until drawn in full. Funds provided under the ARP Act are available for all operating activities and must be obligated by September 30, 2024 and expended by September 30, 2029. The Authority submits one to two draws per month for Federal Stimulus Funding and funds are typically distributed to the Authority within two to three days of the Authority’s submittal of the draw request.

The Authority relied on Federal Stimulus Funding to provide substantial revenues to fund its operations in 2021 and such reliance continues in the CTA 2022 Budget which includes $456 in Federal Stimulus Funding. The table below shows the amount of the Authority's allocation of each component of Federal Stimulus Funding drawn, remaining and budgeted for expenditure in 2022. The Authority expects its Federal Stimulus Funding to be sufficient to close its budget gaps through mid-2024 based on current projections. The Authority expects to continue to review its revenues and expenses to identify and implement budget efficiencies in order to ensure a balanced budget.

In March 2022 the Authority was one of 35 recipients in 18 states awarded discretionary funding under the ARP Act. This funding was provided to transit agencies that demonstrated a need for additional financial support to cover expenses related to day-to-day operations, cleaning and sanitization, combating the spread of pathogens on transit systems, and retaining employees. The Authority was awarded $118.4 in discretionary funding under the ARP Act.

	Total	Amount Drawn	Amount Remaining
CARES Act	$ 817.5	$ 817.5	$ -0-
CRRSAA	361.3	10.1	351.2
ARP Act	912.1	0.0	912.1
ARP Act Discretionary	118.4	0.0	118.4
Total	$2,209.3	$827.6	$1,381.7

Source: The Authority.

RTA Budget Oversight and Public Funding Marks

The RTA Act vests responsibility for financial and budgetary oversight for the Authority and the other Service Boards in the RTA that is implemented in part through the operating budget process, in which the Authority submits an annual budget including a prior year budget forecast and a financial plan for the two succeeding fiscal years for RTA approval. The RTA reviews this budget submission for compliance with the provisions of the RTA Act. The RTA Act requires the Northeastern Illinois Transit Region to fund 50 percent of operating expenses through revenues generated by the Service Boards and the RTA establishes a Required Recovery Ratio for each Service Board, including the Authority, that measures the percentage of its expenses against the revenue that it generates. The RTA provides "Marks" indicating the RTA's estimate of the level of Public Funding to be provided to the Authority, including Sales Tax Receipts and RETT Revenues (the "Public Funding Marks"). See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein.

On October 21, 2021, the Authority publicly released its CTA 2022 Budget including the 2023-2024 Financial Plan in "RETURNING TO NORMAL: Transit's Critical Role in Recovery, President's 2022 Budget Recommendations" and the Chicago Transit Board approved the recommended budget on November 17, 2021. On November 18, 2021, the RTA Board approved the CTA 2022 Budget for the Authority. The CTA 2022 Budget can be found at https://www.transitchicago.com/assets/1/6/FY22_Budget_Book.

Operating Budgets 2017-2020 Actual, 2021 Preliminary Estimate and CTA Budget 2022

The Authority accounts for its activities on both an operating and capital basis. See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein. Operations reflect revenues generated from user fees (in the form of Farebox Revenues) or other activities and costs associated with the day-to-day operations of the Authority. Capital activities are directly related to the construction, replacement or maintenance of rolling stock (buses and railcars), track and structure, support facilities and equipment, and stations and passenger equipment. For information regarding the Authority's capital activities, see "CAPITAL IMPROVEMENT PROGRAM" herein.

The following table sets forth the "Operating Expenses" and "Operating Revenues," including System-Generated Revenues and Public Funding for the Authority on an historical basis for the years 2017 to 2020, the 2021 Preliminary Estimate. and as budgeted in the CTA 2022 Budget. The table also shows the System-Generated Revenue Recovery Ratio established by the RTA and achieved by the Authority for 2017 to 2020, as included in 2021 Preliminary Estimate. and as budgeted in the CTA 2022 Budget.

The following information should be read in conjunction with the audited financial statement of the Authority set forth in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019" and the CTA 2022 Budget that can be found at https://www.transitchicago.com/assets/1/6/FY22_Budget_Book.

The Series 2022A 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 2022A Bonds or the interest thereon.

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Operating Information – Budgetary Basis
2017-2020 Actual, 2021 Preliminary Estimate and CTA 2022 Budget
($ in thousands)

	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Preliminary Estimate 2021	CTA 2022 Budget
Operating Expenses						
Labor	$ 1,044,859	$ 1,070,458	$ 1,093,922	$ 1,135,354	$ 1,155,509	$ 1,241,207
Material	83,783	90,474	67,652	74,800	90,499	102,578
Fuel	28,757	32,079	40,396	37,125	30,779	35,440
Power	27,373	31,162	31,560	24,656	25,105	36,480
Provision for Injuries & Damages	3,167	5,000	7,500	22,000	31,680	31,680
Purchase of Security Services	17,041	17,502	14,920	19,976	15,680	26,269
Pension Obligation Bonds (Net)	104,469	105,526	103,378	105,735	105,986	104,332
Contractual Services	84,878	93,832	88,399	94,100	97,212	134,666
Utilities, Non-Capital Grant, Travel, Leases, Other	27,672	22,824	21,411	19,403	25,590	24,462
Other Debt Service	28,841	29,353	46,250	4,677	7,318	9,682
Other Expenses Total	245,860	251,535	259,438	223,916	236,107	273,143
Total Operating Expense	**$ 1,450,840**	**$ 1,498,210**	**$ 1,515,388**	**$ 1,537,826**	**$ 1,585,359**	**$ 1,746,797**
System-Generated Revenue						
Fare & Passes	$ 559,495	$ 588,791	585,297	232,830	242,864	293,925
Reduced Fare Subsidy	14,606	13,876	14,606	14,829	14,644	14,606
Advertising, Charter & Concessions	34,379	37,844	38,987	20,898	26,687	26,742
Investment Income	3,119	3,483	3,822	1,221	261	500
Statutory Required Contributions	5,000	5,000	5,000	5,000	5,000	5,000
	33,279	48,339	49,465	39,286	40,344	28,137
Total System-Generated Revenue	**$ 649,878**	**$ 697,333**	**697,177**	**314,063**	**329,801**	**368,910**
Public Funding						
Sales Tax Receipts[1]	710,312	731,816	$749,711	$683,287	$866,725	$849,959
RETT Revenues	62,021	71,518	62,373	51,023	71,118	65,617
ICE[1]	6,129	6,019	6,127	5,624	7,094	6,806
Total Public Funding	**$ 778,462**	**$ 809,352**	**$ 818,211**	**$ 739,934**	**$ 944,937**	**$ 922,382**
Federal Stimulus Funding	**$ -0-**	**$ -0-**	**$ -0-**	**$ 483,829**	**$ 310,621**	**$ 455,505**
Short-term Borrowing for Operations[3]	$ 22,499	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Balance	$ -0-	$ 8,475	$ -0-	$ -0-	$ -0-	$ -0-
RTA Required Recovery Ratio[2]	**55.48%**	**57.11%**	**54.75%**	**54.75%**	**54.75%**	**54.75%**
Actual Recovery Ratio[3]	**55.48%**	**57.11%**	**56.26%**	**55.91%**	**47.10%**	**56.86%**

Source: The Authority and APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019."

(1) Sales Tax Receipts and ICE funds for 2021 are estimated because actual December collection amounts are not yet available.

(2) The RTA Required Recovery Ratio is one of the operating Marks set for the Authority by the RTA during the annual budget process. See "THE REGIONAL TRANSPORTATION AUTHORITY—Annual Budget Process" herein.

(3) Actual recovery ratio is calculated by dividing the System-Generated Revenues over Operating Expenses. The calculation includes in-kind revenues and expenses for security provided by the City and some grant revenues, and excludes security expenses and Pension Bonds debt service. Amendments to the RTA Act provide recovery ratio relief to the Authority for 2021, 2022 and 2023.

Amended 2021 Budget

The Authority adopted its 2021 Budget in December 2020. In March 2021 RTA adopted amendments to its 2021 funding allocations for the Service Boards, including the Authority, and allocated CRRSAA funding and increased 2021 Public Funding levels to the Service Boards due to improving sales tax performance. In accordance with the RTA Act, the funding amendment required the Authority to adopt an "Amended 2021 Budget" conforming to RTA's amended funding amounts which was approved by the Authority's Board in May 2021.

CTA 2022 Budget Overview

The CTA 2022 Budget for Authority operations totals $1,746.8 million and reflects the continued impact of the COVID-19 outbreak. The CTA 2022 Budget includes Operating Revenue of $1,291.3 million. There is an operating budget gap of $455.5 million. CRRSA funds will cover $299 million and $156 million of ARP Act funds will also be required to fund this gap. The CTA 2022 Budget includes Operating Expenses of $1,746.8 million. The Authority continues to implement cost containment measures to reduce increases in Operating Expenses. The Authority has implemented over $168 million of budget efficiencies since 2015.

2023-2024 Financial Plan Overview

The two-year financial plan (the "2023-2024 Financial Plan") included in the CTA 2022 Budget continues the Authority's mission to deliver quality, affordable bus, and rail transit services and assumes no deviation from current service levels or increased fares. The plan projects a gradual return to "a new normal" from the COVID-19 outbreak. The pandemic has changed the way people live and work in the near term and is expected to continue to do so into the foreseeable future. The Authority is experiencing fundamental shifts in its ridership such as a shift from business to leisure, an expansion of "peak" travel periods, a shift away from transit trips into the central business district, all of which could impact future budget plans should these trends continue.

Operating Expenses are estimated to be $1,828.4 million in 2023 and $1,911.4 million in 2024. Compared to the CTA 2022 budget, Operating Expenses are expected to grow by $81.6 million or 4.7 percent in 2023 and by $83.0 million or 4.5 percent in 2024. Labor and Other Expenses (as defined herein) are the drivers of increases in 2023-2024.

The 2023-2024 Financial Plan projects System-Generated Revenues will grow from $1,291.3 million in 2022 to $1,350.1 million in 2023 and t $1,408.1 million in 2024. Fare and pass revenue is projected to increase by $29.8 million rides or 10.1 percent growth compared to the CTA 2022 Budget. In 2024 Farebox Revenue is projected to increase $29.3 million over 2023 or a 9.0 percent increase. Ridership levels are projected to be 60 percent and 65 percent in 2023 and 2024, respectively, compared to 2019. The projection for Farebox Revenue is 55 percent and 60 percent for 2023 and 2024 compared to 2019. Both ridership and Farebox Revenue are projected to have year over year growth, however it is difficult to predict ridership with any certainty given these unsettled times and outside factors impacting ridership due to the COVID-19 outbreak.

Under the 2023-2024 Financial Plan, Public Funding is projected to increase by 2.5 percent in 2023 and 2.7 percent in 2024. The increases are driven primarily by higher projected Sales Tax Receipts.

Operating Expenses

The Authority's annual Operating Expenses consist of Labor, Material, Fuel, Power, Provisions for Injuries and Damage, Purchase of Security Services and Other Expenses (each as defined herein). Set forth below is a review of the Authority's Operating Expenses as included in the CTA 2022 Budget and the 2023-2024 Financial Plan.

Labor. "Labor" is the largest expense of the Authority and Labor expense consists of wages, salaries, employer pension contributions, and fringe benefits such as healthcare. The 2022 Labor expense is budgeted to be approximately $1,241.2 million. The proposed Labor budget assumes no significant changes to service levels and includes approved contractual wage increases for craft union employees. Increased Labor costs also reflect the ongoing impact of COVID-19 on staffing levels and overtime due to a tight labor market and higher absenteeism rates, extra cleaning of buses, trains and rail stations, fringe benefit expenses, including healthcare costs, and additional positions. The Authority's 2022 Labor budget reflects an increase of 39 positions funded by the operating budget.

The 2023-2024 Financial Plan projects Labor expenses to be $1,303.3 million in 2023 and $1,368.4 million in 2024. The impact of the pandemic is expected to continue to impact employee absenteeism and overtime for the foreseeable future. The Labor costs for the 2023-2024 Financial Plan reflect a 5.0 percent growth rate for 2023 and 2024.

Labor expense includes the Authority's employer pension contributions. For a discussion of the Authority's retirement plans and employer contributions see "PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS" herein.

Material. Material primarily consists of parts replacement and supplies. Material tends to track the age of the Authority's fleet, changes in fleet mileage and the occurrence of severe weather. The COVID-19 outbreak continues to have an impact on the Authority's Material expenses due to the ongoing need for personal protective equipment and cleaning supplies to ensure the safety of employees and customers. Moreover, the 2021 expenses also reflect a continuation of strategic capital investments in the maintenance of Authority's bus fleet and rail cars, facilities, and infrastructure.

Material expenses represent 6.0 percent of the CTA 2022 Budget, at $102.6 million. The Authority's increase in Material expenses for 2022 is primarily driven by expiring warranties on most of the bus fleet and new overhaul work on buses and rail cars, as well as COVID-19 related expenses for personal protective equipment and cleaning supplies. Additionally, the Authority is subjected to the supply chain issues and Material shortages the global economy is facing and the corresponding upward pressure on prices.

The 2023-2024 Financial Plan projects Material expenses to be $106.7 million in 2023, and $110.9 million in 2024, growing 4.0 percent annually for 2023-2024. The increase reflects the increased costs to maintain the Authority's bus and rail fleet.

Fuel. Fuel represents the cost of diesel for revenue equipment. Fuel costs correlate to overall fuel consumption, fuel price levels, and service mileage. The CTA 2022 Budget includes diesel fuel expenditures for the bus fleet of $35.4 million. The Authority continued its practice of fixed-price purchasing for 2022, locking in 75 percent of expected consumption at historically low prices shortly after the COVID-19 outbreak hit 2020. Combined with higher market pricing for the remaining 25 percent of expected consumption, this yields a CTA 2022 Budget unit price of $2.13 per gallon. The 2023-2024 Financial Plan projects diesel fuel costs to be $41.3 million in 2023 and $40.6 million in 2024.

Power. Electric "Power" expenses reflect the cost of electric power for the rail. The Authority has a flat fixed rate on its electricity supply for 2020 through 2024, which helps provide budget certainty and insulate the Authority from significant market volatility. In mid-2021, the Authority began running 10 prototypes of its latest model of rail cars, the 7000-Series, which feature regenerative braking: the friction energy generated from train brakes is fed back into the third rail and then consumed by other accelerating trains. This lowers electricity consumption by more than 10 percent system-wide.

The CTA 2022 Budget includes $36.5 million in expenses for traction (rail system) electric power. While the Authority has a flat fixed rate on its electricity supply for 2020 through 2024, Commonwealth Edison (ComEd) charges for electricity distribution are anticipated to increase significantly in 2022 due to the enactment of a new State law that increases ratepayer charges to create or enhance incentives for nuclear and renewable power generation, energy efficiency, electric vehicles, and workforce training in the clean energy industry.

The 2023-2024 Financial Plan projects the Authority's traction (rail system) power expenses to be $35.1 million in 2023 and $35.5 million in 2024.

Provisions for Injuries and Damages. Provisions for Injuries and Damages are expenses for claims and litigation for incidents that occur on Authority property, as well as incidents involving Authority vehicles. This amount is suggested by the Authority's actuaries and reviewed annually. It is based on actual claims history and future projections. The CTA 2022 Budget expense is a $31.7 million contribution to the Provisions for Injuries and Damages fund. The 2023-2024 Financial Plan projects these expenses to remain fiat through 2024.

Purchase of Security Services. Expenses for the Purchase of Security Services are the costs the Authority incurs to provide police and security for the Transportation System. The budget for these Operating Expenses consists of expenditures for intergovernmental agreements with officers from the Evanston, Oak Park, Forest Park and Chicago police departments, as well as contracts with other private security firms. The Public Transportation Unit of the Chicago Police Department also provides services during its regular patrols at no expense to the Authority.

The CTA 2022 Budget of Purchase of Security Services is $26.3 million which is an increase over prior years due to additional contracted security services for the rail system and facilities, as well as, expected wage increases. For the 2023-2024 Financial Plan Operating Expenses for the Purchase of Security Services is projected to be $27.8 million in 2023 and $29.5 million in 2024.

Other Expenses. The Other Expenses category includes Operating Expenses such as utilities, legal fees, advertising, bank fees, debt service for sales tax revenue bonds, TIFIA loans and outstanding pension obligation bonds, consulting services and other miscellaneous expenses. In the CTA 2022 Budget, Other Expenses are budgeted to be $273.1 which reflects increases primarily due higher costs for leases, equipment rentals and contractual services. For the 2023-2024 Financial Plan, Other Expenses are projected to be $282.5 million in 2023 and $294,7 million in 2024. The increase for 2023-2024 is primarily driven by increased debt service on TIFIA loans.

System-Generated Revenues

The Authority's System-Generated Revenues include Fares and Passes, Reduced-Fare Subsidy, Advertising and Concessions, Investment Income, Statutory Required Contributions from the City and Cook County, and Other Revenues (each as defined herein). Set forth below is a review of the Authority's System-Generated Revenues as included in the CTA 2022 Budget and the 2023-2024 Financial Plan.

The CTA 2022 Budget includes System-Generated Revenues of $368.9 million For the 2023-2024 Financial Plan, System-Generated Revenues are forecasted to increase to $404.7 million in 2023 and to $437.4 million in 2024.

Fare and Pass Revenues. The CTA 2022 Budget includes "Fare and Pass Revenues" of $293.9 million, which reflects an increase due to higher projected ridership as the local economy continues to reopen and COVID-19 restrictions are lifted. For the 2023-2024 Financial Plan, from a base of $293.9 million in 2022, Fare and Pass Revenues are projected to increase by $29.8 million to $323.8 million in 2023 and by $29.3 million to $353.0 million in 2024. There is the expectation that Transportation System ridership will continue to increase as the local economy continues to reopen, COVID-19 vaccine rates among the population increase, and the local workforce returns to the office. If the local economic recovery is slowed or halted this projection will be impacted.

In order to respond to changes in ridership habits, the Authority has implemented reduced fares on its pass products and eliminated the transfer fee to attract new riders and encourage continued ridership of existing riders. The Authority wants to encourage people to ride, ride more and connect seamlessly between services. See 'THE AUTHORITY—Ridership Trends and CTA 2022 Budgeted Ridership" herein.

Reduced Fare Subsidy. "Reduced Fare Subsidy" revenue is the State's reimbursement to the Authority and the other Service Boards for certain discounted and free fares given to seniors and people with disabilities as mandated by State and federal law. Pre-pandemic, the Authority provided nearly 100 million free and reduced-fare trips annually to qualified riders based on federal, State, or local mandates. The Reduced Fare Subsidy covers only a portion of the more than $100 million in actual free and reduced fare rides provided by the Authority annually. The Illinois General Assembly provides partial support to local transit agencies for this mandate, with the Reduced Fare Subsidy. The funding is subject to annual State appropriation which has decreased in recent years. The CTA 2022 Budget assumes the Reduced Fare Subsidy cut will continue. The 2023-2024 Financial Plan assumes the Reduced Fare Subsidy will continue to be appropriated at the reduced level of $14.6 million in 2023 and 2024.

Advertising, Charters, and Concessions Revenues. "Advertising, Charters, and Concessions Revenues" include advertisements on buses, trains and stations, income from concessions, and other non-Farebox Revenue. The COVID-19 outbreak has substantially reduced demand for digital and billboard advertising throughout the Transportation System. The CTA 2022 Budget of revenue is $26.7 million which is due to a recovery in advertising and concessions revenues that were severely impacted by lower ridership during the COVID-19 outbreak. For the 2023-2024 Financial Plan, Advertising, Charters, and Concessions Revenues is expected to grow by $2.9 million in 2023 to $29.6 million and by $0.8 million to $30.4 million in 2024, respectively.

Investment Income. "Investment Income" is revenue generated from interest on cash balances held at financial institutions. The CTA 2022 Budget includes Investment Income of $0.5 million and for the 2023-2024 Financial Plan, Investment Income is projected to grow modestly, generating $1.0 million in 2023 and $1.3 million in 2024, respectively.

Statutory Required Contributions. The RTA Act requires the City of Chicago to contribute $3.0 million and Cook County to contribute $2.0 million annually toward Authority operations and these "Statutory Required Contributions" are unchanged in the CTA 2022 Budget and the 2023-2024 Financial Plan.

Other Revenue. "Other Revenue" includes, non-capital grants, park and ride revenue, rental revenue, third-party contractor reimbursements, filming fees, and certain other sources. The CTA 2022

Budget includes Other Revenue of $28.1 million and for the 2023-2024 Financial Plan is expected to grow by $2.5 million in 2023 to $30.7 million and by $2.5 million to $33.1 million in 2024 due to efforts to increase non-Farebox Revenues. The 2023-2024 Financial Plan projects increased miscellaneous revenues, slight growth in rental properties and park-and-ride revenues, fees from filming, non-capital grants from the federal government and other sources.

Public Funding

"Public Funding" is the largest source of the Authority's revenue and includes Sales Tax Receipts and the RETT Revenues. The amount of Public Funding available for Authority operations is established by the RTA, and is based on the RTA's revenue projections and the approved Public Funding Marks set by the RTA Board in the amounts RTA commits to provide to each of the Service Boards. The amounts budgeted as Public Funding by the Authority do not include certain other revenues received from public entities that are not established by Public Funding Marks. For a discussion of Public Funding see "SALES TAX RECEIPTS." For the 2023-2024 Financial Plan, the RTA Public Funding Marks for the Authority are projected to increase by 2.5 percent in 2023 and 2.7 percent in 2024 with the assumption that regional sales tax receipts will increase by 2 percent each year and RETT Revenues increase by 3 percent each year as the local economy continues to recover from the COVID-19 outbreak.

DEBT OBLIGATIONS

Short-Term CIP Borrowing Program

Short-term debt may be used by the Authority as a cash management tool to provide interim financing or to bridge temporary cash flow deficits within a fiscal year. The Authority established a short-term borrowing program in 2018 to provide interim funding of up to $300 million for capital improvement projects expected to be financed on a permanent basis with long-term debt (the "Short-Term CIP Borrowing Program"). The Short-Term CIP Borrowing Program is currently structured pursuant to two revolving note purchase agreements, each in the maximum aggregate amount outstanding of $150 million. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes on a revolving basis under its Short-Term CIP Borrowing Program.

The Authority's Series 2019D Notes and Series 2021A Notes are currently outstanding in a total aggregate principal amount of $137,950,000, are held by PNC Bank, National Association and mature on July 11, 2022. A portion of such notes is being refunded on April 1, 2022 with proceeds of the Series 2022A Bonds and other available funds of the Authority and following such refunding will be outstanding in the aggregate principal amount of $60,400,000. The Authority's Series 2021C Notes are currently outstanding in the aggregate principal amount of $99,350,000, are held by JPMorgan Chase Bank, National Association and mature on September 24, 2026. A portion of such notes is being refunded on April 1, 2022 with proceeds of the Series 2022A Bonds and other available funds of the Authority and following such refunding will be outstanding in the aggregate principal amount of $28,500,000. The Outstanding Second Lien CIP Notes are Second Lien Obligations secured by Sales Tax Receipts on a parity basis with the Outstanding Second Lien Bonds. See "PLAN OF FINANCE" herein.

The note purchase agreements entered into in connection with the Short-Term CIP Borrowing Program provide certain events of default and/or increased interest rates if the credit rating of the Authority's debt is reduced or terminated; however, no agreement provides for acceleration upon such default. See "RATINGS" and "CERTAIN INVESTMENT CONSIDERATIONS—Effect of Future Ratings Downgrades" herein.

A portion of the Outstanding Second Lien CIP Notes is being refunded on April 1, 2022 with the proceeds of the Series 2022A Bonds and other available funds of the Authority. See "PLAN OF FINANCE" herein.

Long-Term Debt Obligations and Debt Limitations

The Authority does not use long-term debt to fund operations. However, long-term bonds are deemed appropriate to finance essential capital activities and certain management initiatives. The Authority may also use long-term lease obligations to finance or refinance capital equipment. Prior to entering into any lease financing, the Authority evaluates the useful life of assets financed, the terms and conditions of the lease, and the budgetary, debt capacity and tax implications. The Authority is not subject to statutory debt limitations for capital investment.

Outstanding Long-Term Debt

The Authority's current long-term debt includes bonds issued by the Authority and capital lease obligations. The following table describes the current long-term debt of the Authority and includes the issuance of the Series 2022A Bonds. See "PLAN OF FINANCE" herein.

Long Term Debt
($ in millions)

Sales Tax and Transfer Tax Receipts Revenue Bonds.........			
	2008A and 2008B	$1,630.6	Sales Tax Receipts and RETT Revenues[1]
	2010B	481.8	Sales Tax Receipts
	2014	555.0	Sales Tax Receipts
	2017	296.2	Second Lien Sales Tax Receipts
	2020A	367.9	Second Lien Sales Tax Receipts
	2020B	534.0	Sales Tax Receipts
Capital Grant Receipts Revenue Bonds			
FTA 5307 Program............			
	2017	90.5	Grant Receipts
	2021	99.3	Grant Receipts
FTA 5309/5337 Program...			
	2015	44.4	Grant Receipts
	2017	75.8	Grant Receipts
	2021	21.7	Grant Receipts
PBC Lease...............................			
	2006	55.1	General Obligation[2]
TIFIA Loans[3]			
95th Street	2014	79.2	Farebox Revenue
Your New Blue	2015	120.0	Farebox Revenue
Railcars	2016	254.9	Farebox Revenue
Total		$4,706.4	

[1] Sales Tax Receipts are applied to pay the Series 2008A and 2008B Bonds (the Pension Bonds) only to the extent that the RETT Revenues applied to the payment of debt service thereon is insufficient.
[2] Rent and other obligations under the PBC Lease are payable from Sales Tax Receipts if the PBC Senior Pledge Rights are in effect. See "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein.
[3] See "CAPITAL IMPROVEMENT PROGRAM – Sources of Funds – *Federal Funding* – TIFIA Loan Program" herein.

The Authority's outstanding long term debt obligations are described below.

Sales Tax and Real Estate Transfer Tax Receipts Revenue Bonds. The Authority has outstanding bonds secured by Sales Tax Receipts and RETT Revenues. See "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING OBLIGATIONS—First Lien Sales Tax Receipts Obligations," and "—Second Lien Sales Tax Receipts Obligations" herein for a discussion of Authority's outstanding bonds secured by a pledge of Sales Tax Receipts and the RETT Revenues. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 9–Bonds Payable."

Capital Grant Receipts Revenue Bonds. The Authority has outstanding capital grant receipts revenue bonds secured by funds provided by the Federal Transit Administration (the "FTA") under the FTA's Urbanized Area Formula Funding Program (5307) (the "5307 Program"), and the State of Good Repair Grants Program (5337) (the "5309/5337 Program"). See "CAPITAL IMPROVEMENT PROGRAM−Sources of Funds" herein.

The proceeds of bonds backed by grants under the 5307 Program have been used to pay or reimburse the Authority for prior expenditures relating to facility rehabilitation, rail station reconstruction, replacing and upgrading track, structure and signal systems, communication infrastructure improvements, and replacing the bus and rail fleets. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 9–Bonds Payable.

The proceeds of bonds backed by grants under the 5309/5337 Program were used to refund a prior issue of bonds, the proceeds of which funded costs of the Authority's capital program in anticipation of the receipts under the 5309/5337 Program. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, NOTE 9–Bonds Payable.

PBC Lease Obligations. The Authority has outstanding the lease of the Authority's headquarters from the Public Building Commission. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 8–Capital Lease Obligations."

TIFIA Loans. The Authority has outstanding loans ("TIFIA Loans") from the USDOT pursuant to the credit program established under TIFIA (as defined herein). In 2014, the Authority received a TIFIA loan for $79.2 million as part of funding package to renovate the Red Line's 95th Street Terminal. In 2015, a second TIFIA loan was approved for $120.0 million to support the YNB program. On March 16, 2016, the Authority entered into a third TIFIA loan for $254.9 million to fund certain projects that are part of the Authority's rail car purchase program. See "CAPITAL IMPROVEMENT PROGRAM−Sources of Funds" herein for discussion of an additional TIFIA loan being sought by the Authority. The TIFIA Loans are secured by Farebox Revenues. As evidence of the Authority's obligation to repay the TIFIA loans, the Authority issues to the lenders a registered farebox receipts revenue bond in the respective amounts of the loans. For a discussion of the TIFIA Loan program see "CAPITAL IMPROVEMENT PROGRAM—Sources of Funds—*Federal Funding"* herein. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 12–TIFIA Loans."

CAPITAL IMPROVEMENT PROGRAM

General

As part of the Authority's annual budgeting process, the Authority prepares a five-year "Capital Improvement Program." Each project within the Authority's Capital Improvement Program is initially evaluated in an annual review process, and followed by monthly planning meetings where issues and needs are addressed. Evaluation criteria include: customer and employee safety, reductions to travel time, increased customer comfort and convenience, system security, impact on system reliability, compliance with regulations, and community impact. With the exception of the system miscellaneous category, rail system projects receive a significantly larger portion of the proposed capital program funding than bus projects, due partly to the need to maintain an exclusive right-of-way while buses operate on streets maintained by other units of government.

The "2022-2026 Capital Improvement Program" (or the "2022-2026 CIP") was approved by the Chicago Transit Board as a part of the CTA 2022 Budget and capital funding amounts for the Authority were approved by the RTA on December 16, 2021.

Projects Expected to be Funded with Series 2022A Bonds

The Authority expects to use the proceeds of the Series 2022A Bonds to fund certain costs of the following projects included in the Capital Improvement Program.

Major Rail Line Projects including (i) the Red Purple Modernization ("RPM") Project - Phase One that is a $2.1 billion project that will improve capacity, travel time, ride quality and safety on one of CTA's highest ridership corridors, and (ii) Red Line Extension ("RLE") Project this is a $2.3 billion project including heavy rail transit line extension, four new stations with Park & Ride and bus connections, and a train storage yard and maintenance facility.

All Stations Accessibility Program that is a comprehensive 20 year. program to make all stations vertically accessible.

Bus and Rail Fleet Modernization to purchase new and overhaul existing bus and rail vehicles and establish an ongoing capital maintenance program.

2022-2026 Capital Improvement Program

The $3.5 billion 2022-2026 Capital Improvement Program is the Authority's plan to renew and expand the Transportation System through preservation of scarce capital resources and maximizing available capital investments. The Authority maintains a rolling 5-Year CIP, that represents the Authority's capital investment priorities for the next five years based on anticipated available funding. The Authority's President and Chief Financial Officer present CIP revisions based on information provided through CTA's decision support processes to the Chicago Transit Board for consideration and approval. CIP development follows an annual update, review, and approval cycle in conjunction with the overall budget process.

The 2022-2026 CIP will advance modernization and improvements systemwide, with an emphasis on customer experience and safety, environmental sustainability, new technologies and rolling stock, innovation, advancing state of good repair initiatives for transit stations and rolling stock, and system expansion projects. These efforts will allow the region's transit riders to continue to have access to an affordable world-class public transportation system, recognizing it as a critical link for increasing economic vitality throughout Chicago and the region. The investments outlined in this program will reduce operating costs in some areas and avoid or slow escalating costs in others, allowing the Authority to leverage its limited operating and capital funds to further improve the Transportation System.

The following table sets forth the 2022-2026 Capital Improvement Program by general category of asset improved or replaced.

	Title	2022	2023-2026	Funding
Bus Projects	**Rolling Stock**			
	Bus Maintenance	$36,000	$144,000	$180,000
	Perform Mid-Life Bus Overhaul	17,709	16,764	34,473
	Replace Buses	29,374	257,174	286,548
	Sub-Total	**$83,083**	**$417,937**	**$501,021**
Rail Projects	**Modernization, Expansion & Improvements**			
	Red Line Extension	95,271	262,500	357,771
	North Main Line - RPM	$179,372	165,476	344,848
	Sub-Total	**$274,643**	**$427,976**	**$702,619**
	Power & Way Electrical, Signal & Communication			
	Replace/Upgrade Power Distribution and Signals	$10,923	$2,126	$13,049
	Sub-Total	**$10,923**	**$2,126**	**$13,049**
	Power & Way, Track & Structure			
	Infrastructure Safety & Renewal Program	$52,493	$152,000	$204,493
	Sub-Total	**$52,493**	**$152,000**	**$204,493**
	Rolling Stock			
	Perform Rail Car Overhaul	$12,399	$47,391	$59,790
	Rail Car Maintenance	18,106	72,000	90,106
	Purchase Rail Cars	94,456	255,202	349,659
	Sub-Total	**$124,962**	**$374,593**	**$499,555**
Systemwide Projects	**Miscellaneous**			
	Information Technology	$1,700	$18,100	$19,800
	Equipment and Non-Revenue Vehicles Replacement	18,333	46,000	64,333
	Rehabilitate Rail Stations	22,827	0	22,827
	Implement Security & Communication Projects	10,677	57,569	68,245
	Capital Improvement Program Management	12,493	44,609	57,103
	Bond Repayment, Interest Cost, & Finance Cost	332,022	764,815	1,096,837
	Bus Slow Zone Elimination Program	0	15,200	15,200
	Sub-Total	**$398,052**	**$946,293**	**$1,344,345**
	Support Facilities & Equipment			
	Improve Facilities - Systemwide	$22,136	$76,702	$98,838
	Control Center	110,000	0	110,000
	Sub-Total	**$132,136**	**$76,702**	**$208,838**
	Capital Project Total	**$1,076,293**	**$2,397,627**	**$3,473,919**
	CTA Share for Competitive Grants	-$105	-$420	-$525
	Marks	**$1,076,293**	**$2,397,627**	**$3,473,919**

Sources of Funds

The following table details the funding sources for the 2022-2026 Capital Improvement Program. The funding levels used in preparing the 2022-2026 Capital Improvement Program reflect the capital resources available to the Authority from the federal government, including the FTA, USDOT, and Department of Homeland Security, and State and local sources, including the RTA and State funding that consists of bond construction program and a dedicated annual share of Motor Fuel Tax receipts.

Funding for the 2022-2026 CIP anticipates $3.5 billion in commitments from various federal, State, and local sources. The following table details the funding sources as budgeted for the 2022-2026 Capital Improvement Program in the CTA 2022 Budget.

Capital Improvement Program Marks[1] 2022 – 2026
Sources of Funds
($ in thousands)

Sources of Funds	**2022**	**2023**	**2024**	**2025**	**2026**	**TOTAL**
5307 Urbanized Formula	$133,585	$135,589	$137,622	$149,184	$151,422	$707,402
5337 State of Good Repair	163,153	165,600	168,084	170,605	173,164	840,607
5339 Bus and Bus Facilities Formula	13,135	13,333	13,533	13,735	13,942	67,678
Subtotal FTA	**$309,873**	**$314,521**	**$319,239**	**$333,525**	**$338,528**	**$1,615,687**
5309 Core Capacity	$100,000	$100,000	$65,476	-	-	$265,476
CMAQ - TSP, E-Buses & Bus Slow Zones	-	38,694	-	-	74,255	112,949
Sec. 5303 UWP Planning	420	420	420	420	420	2,100
STP-Share	13,930	-	-	-	-	13,930
Transit Security Grant Program (DHS)	6,000	6,000	6,000	6,000	6,000	30,000
Other Federal	**$120,350**	**$145,114**	**$71,896**	**$6,420**	**$80,675**	**$424,455**
AVAILABLE FEDERAL	**$430,223**	**$459,635**	**$391,135**	**$339,945**	**$419,203**	**$2,040,142**
State Transit Motor Fuel (PAYGO)	141,875	141,875	141,875	135,519	135,519	696,663
CTA Financing	504,090	77,500	77,500	77,500	-	736,590
Subtotal Local	**$645,965**	**$219,375**	**$219,375**	**$213,019**	**$135,519**	**$1,433,253**
AVAILABLE LOCAL	**$645,965**	**$219,375**	**$219,375**	**$213,019**	**$135,519**	**$1,433,253**
New Funding Available	$1,076,188	$679,010	$610,510	$552,964	$554,722	$3,473,394
CTA Share for Competitive Grants	105	105	105	105	105	525
TOTAL Programmed Funds	**$1,076,293**	**$679,115**	**$610,615**	**$553,069**	**$554,827**	**$3,473,919**

Note: Columns may not add due to rounding.
Source: The Authority.
[1] "Marks" represent estimates of available grant receipts from federal, State, and local sources. The available funding sources budgeted for 2022 and projected for 2022-2026 are taken from the CTA 2022 Budget. The budgeted and projected information was prepared by the Authority as a part of its CTA 2022 Budget.

Federal Funding. Sources of federal funds for capital projects included in the 2022-2026 Capital Improvement Program are described below.

FTA Programs. On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law. The "FAST Act" is the first long-term federal surface transportation authorization enacted in more than a decade. By authorizing $305 billion over a five-year period for federal fiscal years 2016-2020 for highways, highway and motor vehicle safety, public transportation and other programs, this law provides multi-year funding certainty that allows the Authority to plan and implement major capital projects. The FAST Act includes modest annual funding increases over the levels included in the previous transportation authorization called Moving Ahead for Progress in the 21st Century (MAP-21). On September 30, 2020, a one-year extension of the FAST Act (set to expire October

31, 2020) was signed into law. Funding under the FAST Act has now been extended by Congress through March 18, 2022.

On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58, also known as the "Bipartisan Infrastructure Law") into law. The Bipartisan Infrastructure Law is the largest long-term investment in our infrastructure and economy in our Nation's history. It provides $550 billion over fiscal years 2022 through 2026 in new Federal investment in infrastructure, including in roads, bridges, and mass transit, water infrastructure, resilience, and broadband.

The IIJA is expected to provide an 75% increase in funding appropriations to Public Transit agencies over the next five years when compared to previous FAST Act levels. Included in the new federal transit funding program are new supplemental programs that provide for low or no emission vehicles and related infrastructure, making accessibility upgrades to facilities, and state of good repair. In addition, with a larger a Federal Highway funding program, it is expected that there will be a greater opportunity for a funds to be transferred (flexed) to transit projects that positively impact the regional air quality and environment. While at this time the increase funding levels have yet to be appropriated by Congress for the federal fiscal year 2022 budget, new funds are expected to be available in 2022. New funds and projects will be included in the Authority's Capital Improvement Program as part of a 2022 Budget amendment.

Transit funds are distributed through both formula and discretionary programs. Discretionary program funds that are not earmarked or distributed by Congress are made available to the FTA. The three federal formula programs that the Authority traditionally receives are 5307 Urbanized Area funds, which provide for public transportation capital and planning projects; 5337 State of Good Repair ("SOGR") funds, dedicated to repairing and upgrading rail transit systems along with bus rapid transit systems; and 5339 Bus & Bus Facility funds, which provide funding to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities. The RTA is the designated recipient of the federal formula funds distributed to the Chicago region, which is a part of the Chicago/Northwest Indiana Urbanized Area. The Chicago region's share of the annual apportionment is distributed to the each of the Service Boards on the following basis: the Authority 58%, Metra 34% and Pace 8%. Funding percentage splits may change post FY 2025 when a performance-based capital programming initiative is implemented.

In order to obtain federal transit grant funds each transit agency must submit a grant application to the FTA. When the grant is approved the funds are "granted" or "obligated" to that agency and the agency proceeds with its procurement process or receives reimbursement for expenditures that have already been made. Federal funds pay for a portion, termed the "federal share," of a project's costs. State or local funds, termed "matching funds," must also be expended on a project. The three traditional federal formula programs that the Authority receives annually require a 20 percent local contribution match to the project budget.

Grant programs under which the Authority expects or may receive funds for the 2022-2026 Capital Improvement Program include: FTA's 5339 sub-program for low and zero-emission vehicles; FTA's 5307 Congestion Mitigation and Air Quality program for projects that address air qualify or congestion; FTA's 5309 Core Capacity program for major transit capital investment, including heavy rail, light rail, streetcars, and bus rapid transit; the Department of Homeland Security's program for mass transit security infrastructure; Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grants for capital investments in surface transportation projects that will have a significant local or regional impact; and the U.S. Environmental Protection Agency's National Clean Diesel Funding

Assistance program for projects that protect human health and improve air quality by reducing harmful emissions from diesel engines.

On January 9, 2017, the FTA announced a federal grant of approximately $1.07 billion to the Authority for the first phase of the RPM Phase One Project. The grant funds include a core capacity construction grant agreement for $956.6 million through the FTA's Capital Investment Grant ("CIG") program, and approximately $125.0 million through the U.S. Department of Transportation's Congestion Mitigation and Air Quality program. The CIG funds will be provided over the course of nine years on an annual payment schedule, subject to Congressional approval during the annual appropriations process. The federal grant is included in the 2022-2026 Capital Improvement Program.

TIFIA Loan Program. The Transportation Infrastructure Finance and Innovation Act of 1998 ("TIFIA") established a federal credit program for eligible transportation projects under which the U.S. Department of Transportation ("USDOT") may provide three forms of credit assistance, i.e., secured (direct) loans, loan guarantees, and standby lines of credit. TIFIA was created because state and local governments that sought to finance large-scale transportation projects with tolls and other forms of user-backed revenue often had difficulty obtaining financing at reasonable rates due to the uncertainties associated with these revenue streams. The savings to the Authority from TIFIA financing come from two primary sources: (1) the Authority draws TIFIA funds on an "as needed" basis during the project, similar to a line of credit, rather than accruing interest on funds before they are used, and (2) the interest rate on this borrowing is set at the federal government's rate, which, for Authority loans, have been 1.0 to 1.5 percent lower than traditional financing. TIFIA financing enhances the affordability of the debt and maximizes borrowing capacity.

The Authority has entered into federal TIFIA financing agreements for three major capital projects. In 2014, the Authority received a federal TIFIA loan for $79.2 million as part of an overall $280.0 million funding package to renovate the Red Line's 95th Street Terminal. In 2015, the Authority entered into a $120.0 million TIFIA financing agreement to support the $411.0 million "Your New Blue" program. In 2016, the Authority entered into a TIFIA financing agreement that provides $254.9 million in funding to contribute to the contract budget totaling $632.0 million to purchase four hundred new 7000-Series railcars. By adding TIFIA financing as a source for capital projects, the Authority can leverage existing federal, state, and local source funds with TIFIA financing to advance identified major projects, while also freeing up funds to be directed to other projects in the capital program. See "FINANCIAL INFORMATION – Outstand Long-Term Debt – TIFIA Loans."

State and Local Funding. Sources of State and local funding for capital projects included in the 2022-2026 Capital Improvement Program are described below.

State Funding. Within the State, a number of grants are available through IDOT. Money is available to IDOT through federal funds in order to reduce motor vehicle, pedestrian, and bicycle crashes, fatalities, and injuries, and to increase safety for all users of the State's roadways. Transportation projects have traditionally been paid for out of user fees such as gas taxes and vehicle fees, those who use the transportation system pay for its construction and upkeep. The State transportation program includes funding from State transportation user fees, the federal gas tax proceeds and the State gas tax of 38 cents per gallon.

In June 2019, Governor Pritzker signed a historic, bipartisan bill giving Illinois a capital plan in "Rebuild Illinois" that will invest $33.2 billion in transportation improvements across the State over six years. Under Rebuild Illinois, the RTA receives funding from two revenue sources. A one-time investment of $2.7 billion in State bond proceeds funded by vehicle registration and title fees and sales tax on motor fuel. CTA has programmed and been granted its entire share of proceeds from this bond program and therefore no State Bond proceeds are funded in the 2022-2026 CIP. Second, an investment of $227 million annually (annual pay-as-you-go funds, "State PayGo") for the Northeastern Illinois Transit Region, State PayGo is funded by a $0.19 per gallon increase in the State's Motor Fuel Tax ("MFT"), which became effective July 1, 2019 and is currently assessed at the total rate of $0.38 per gallon, providing a recurring funding source to meet some of the region's SOGR needs going forward.

The funding allocation to the Service Boards has been agreed upon by RTA and the Service Boards and include an allocation of $1.1 billion of State bonds as well as $141 million earmarked State bond funds. With the final grant award of Rebuild Illinois State Bond funds in 2021, CTA will have received its full share of proceeds totaling $1.24 billion. These funds are invested in projects that will be started and completed over the duration of the 2022-2026 Capital Plan based on project needs for the renewal and/or overhaul of the revenue fleet, maintenance facilities, rail line and stations, and rail power substations.

Funding estimate of PayGo proceeds for the Authority are $142 million annually through 2024 and $135.5 million in 2025 and 2026. PayGo will provide a recurring funding stream that will allow the Authority to further invest in the acquisition and maintenance of its capital assets (buses, rail cars, track & structure, and facilities), as well as make upgrades to the existing fare equipment. The Authority plans to invest the annual allocation of State PayGo funds to meet deferred maintenance and replacement needs for the revenue fleet, facilities, infrastructure, and fare equipment.

Transit TIF. The Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "TIF Act") allows a municipality to (i) establish a transit facility improvement area (a "TFIA") and (ii) establish, within a TFIA, a redevelopment project area (a "Transit TIF District" or "RPA") for purposes of financing rehabilitation or expansion of existing and/or development of new public transit passenger stations; public transit maintenance, storage or service facilities; and public rights of way for use in providing transit (collectively, "Transit Facilities") through the use of incremental property tax revenues generated within the Transit TIF District.

In 2016 the City (i) established the Red and Purple Modernization Phase One TFIA to finance, in part, the Red and Purple Modernization Phase One Project ("RPM Phase One Project"). The City and the Authority have entered into a Redevelopment and Intergovernmental Agreement that provides for available incremental property tax revenues to be used to pay principal and interest on up to $622.0 million of debt financing or PayGo costs incurred by the Authority with respect to the RPM Phase One Project and to reimburse the Authority up to $3.0 million for certain transaction costs. Incremental property tax revenues generated within the Red and Purple Modernization Phase One TFIA will be used by the Authority to fund a portion of the RPM Phase One Project costs, including repayment of debt financing or to prepay debt obligations prior to maturity. The $622.0 million in RPM Phase One Project costs represents a portion of the local match required to obtain an approximately $957.0 million full funding grant agreement from the FTA for the RPM Phase One Project. The Authority intends to apply for and obtain debt financing in the form of a TIFIA loan in the amount of up to $622.0 million for the RPM Phase One Project. Should the TIFIA loan not be available the Board has authorized the issuance of sales tax revenue bonds as a source of alternative debt financing.

Incremental property tax revenues generated within the Red and Purple Modernization Phase One TFIA will be used by the Authority to fund a portion of the RPM Phase One Project costs, including repayment of debt financing. Excess incremental property taxes from the Red and Purple Modernization Phase One TFIA are expected to be used to prepay debt obligations prior to maturity. Upon full retirement of debt obligations incurred to fund the RPM Phase One Project, the Red and Purple Modernization Phase One TFIA will be terminated.

Authority Funds. Authority funds are used for capital projects as they become available and generally consist of proceeds of bond financings, proceeds from positive budget variance, insurance settlement agreements, and/or sale of assets.

Authority Bonds for Projects. Since fiscal year 2004, when the Authority issued its first series of capital bonds, Authority bonds have provided an internally generated source of capital funds for SOGR projects. The Authority bond financing program continues to be a strategically important supplement to the federal program. Through the issuance of bonds, supported by Sales Tax Receipts, federal grants or other State and local sources, the Authority can advance critically important projects which otherwise would need to be deferred for years and significantly increase system maintenance costs with continual degradation of assets. The Capital Improvement Program for 2022-2026 includes project revenues from bond financings. See "PLAN OF FINANCE—Future Financings" herein.

PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

Retirement Plan

The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a 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"), 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. Information relating to the Retirement Plan is set forth in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION, FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 13–Employees' Retirement Plan Pension Disclosures" and APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE." Capitalized terms, not otherwise defined in this heading, shall be as defined in Appendix F.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. 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 to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts, and certain other provisions of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code.

Under amendments to the Pension Code adopted by the General Assembly in 2008, the funding of the Retirement Plan is subject to the following requirements:

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be 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, increased contributions will be 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.

- 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.

- Beginning in 2060, the minimum contribution must be an amount necessary to maintain the Funded Ratio at 90%.

- Each year the Retirement Board must submit its actuarial valuation and determination of contribution rates to the Office of the Auditor General of the State of Illinois for a determination as to whether the rates and assumptions are not unreasonable in the aggregate.

- Two-thirds of required contributions are paid by the Authority and one-third by participating employees. The Authority's contributions are reduced by debt service on the Pension Bonds issued in 2008, up to maximum of six percent. (*See* "Pension Bonds" below.)

As of the January 1, 2021 Actuarial Valuation (the "2021 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 ARC and have resulted in an Unfunded Actuarial Accrued Liability ("UAAL") of $1.715 billion and a Funded Ratio of 53.27%. See APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determination of Authority's Contributions*."

In 2008, the Authority issued Pension Bonds in two series in an aggregate amount of $1,936.9 million. Proceeds of the Pension Bonds in the amount of approximately $1,110.5 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529.0 million were deposited into the Retiree Health Care Trust ("RHCT"). See "DEBT OBLIGATIONS–Outstanding Long-Term Debt–*Sales Tax and Real Estate Transfer Tax Receipts Revenue Bonds*" herein. The Pension Bonds were issued in part to fund a contribution to the Retirement Plan in order to increase the Funded Ratio of the Retirement Plan and to fully fund the RHCT. The Authority is obligated to make level annual debt service payments of $156.6 million through 2040 on the Pension Bonds. The Pension Code provides that the Authority's required annual contributions to the Retirement Plan are reduced by the amount of yearly debt service paid on the Pension Bonds up to a maximum of 6% of total employee compensation paid by the Authority for the year.

The funding mechanisms for the Retirement Plan can be distinguished in a number of respects from the retirement plans of other area governmental units, including plans currently in place for employees of the City of Chicago, Cook County and the Chicago Public Schools. First, the Pension Code requires the Authority to make contributions in amounts necessary to maintain target Funded Ratios that align with benefits earned under the Retirement Plan. The plans of certain other area governmental units base employer contributions on a multiple of employee contributions which has resulted in significant underfunding of the plans on an actuarial basis. Second, by making a large contribution to the Retirement Plan in 2008 with a portion of the proceeds of the Pension Bonds, the Authority was in effect able to convert uncertain or variable future contributions to level debt service payments on the Pension Bonds through 2040. Third, the Pension Code eliminates any discretionary action on the part of the Authority with respect to plan contributions by requiring the RTA to withhold funds otherwise distributable to the Authority if the Authority fails to meet its full payment obligations. Lastly, the funding formula for the Retirement Plan, in place since 2008, has not been challenged in the State courts as have the more recent legislative pension reforms undertaken on behalf of other area governmental units.

Supplemental Pension Plans

In addition to the Retirement Plan, the Authority maintains three non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the "Supplemental Pension Plans"). The Supplemental Pension Plans are operated separately from the Retirement Plan and closed to new participants. Descriptions of the Supplemental Pension Plans can found in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019," Note 14–Supplemental Plans Pension Disclosures." Also see APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–<u>SUPPLEMENTAL PENSION PLANS.</u>"

Health Care Benefits

Prior to 2008, retiree health care benefits were administered by the Retirement Plan pursuant to collective bargaining agreements ("CBAs") between the Authority and the labor unions representing Authority employees ("Unions"). In 2007, the Authority and its Unions agreed as part of an interest arbitration award (the "2007 CBA") that the responsibility for retiree health care benefits would be transferred to a separate and newly-created Retiree Health Care Trust. This agreement was codified in 2008 amendments to the Pension Code. As required by the parties' agreement, the Authority contributed $529.0 million in seed money to the RHCT from proceeds of the Pension Bonds, and the parties to the 2007 CBA confirmed that the obligation of the Authority and the Retirement Plan to provide or fund retiree health care benefits was terminated. Thereafter, the RHCT required subsidy of healthcare premiums from retirees. For a discussion of certain litigation relating to the RHCT, see APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Litigation, Investigations and Labor Relations- *Health Care Benefits*."

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2022A 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 this Official Statement. Each prospective purchaser of the Series 2022A 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 2022A Bonds. The order in which the investment considerations are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of or potential impact of such event. The investment considerations discussed herein, and others not discussed, could affect the ability of the Authority to pay principal of and interest on the Series 2022A Bonds, and could also affect the marketability of, or the market price for, the Series 2022A Bonds to an extent that cannot be determined.

Limited Obligations

The Series 2022A Bonds are limited obligations of the Authority payable solely from Sales Tax Receipts. The Series 2022A Bonds are not secured by a lien upon any physical properties of the Authority, nor has the Authority established a debt reserve fund or obtained any third-party credit enhancement, credit support, surety bond or insurance with respect to the Series 2022A Bonds. The Authority has no taxing authority which could be exercised for the purpose of paying debt service on the Series 2022A Bonds. See "SECURITY FOR THE BONDS—Limited Obligations of the Authority" herein.

Subordinate Bonds and Additional Bonds

The Series 2022A Bonds are secured by a parity lien on Sales Tax Receipts with Outstanding Second Lien Parity Obligations and a junior lien on Sales Tax Receipts with Outstanding First Lien Parity Obligations. Therefore, the security for the payment of the principal of and interest on the Series 2022A Bonds is dependent on the Authority's receipt of Sales Tax Receipts in amounts sufficient to meet the debt service requirements of First Lien Parity Obligations, Second Lien Obligations and the Series 2022A Bonds. See "PLAN OF FINANCE—"SECURITY FOR THE BONDS—Pledge of Security" herein.

Subject to certain financial tests and limitations contained in the Indenture, the Authority may issue additional bonds secured by a pledge of and lien on Sales Tax Receipts senior to or on a parity with the Series 2022A Bonds. See "PLAN OF FINANCE—Future Financings" and "CAPITAL IMPROVEMENT PROGRAM–Sources of Funds" herein. The debt service requirements for the payment of any such additional bonds may be substantial.

The financial tests that must be satisfied to permit the issuance of additional bonds are based on certain assumptions concerning future revenue and debt service requirements. Actual debt service requirements may exceed assumed requirements and result in lower debt service coverage on the Series 2022A Bonds. See "SECURITY FOR THE BONDS—Additional Sales Tax Receipts Obligations" herein.

COVID-19 Outbreak

The headings "INTRODUCTION—COVID-19 Outbreak" and "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein include a discussion of certain impacts of the COVID-19 outbreak and resulting economic conditions on the operations and financial condition of the Authority, as well as certain impacts on the State, the City, and the RTA that provide funding to the Authority and that its operations support. These could include a negative impact on Sales Tax Receipts realized by the Authority and available for payment of debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds.

The economic downturn from the COVID-19 outbreak could have an adverse impact on RETT Revenues distributed to the Authority. The RETT Revenues are used to pay the Pension Bonds prior to use of the Sales Tax Receipts for such purpose, and as a result the amount of RETT Revenues received by the Authority impacts the amount of Sales Tax Receipts available to pay Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds.

The COVID-19 outbreak and resulting economic impact are over-arching factors to be considered in reviewing the investment considerations discussed under this heading.

Factors Affecting Sales Tax Receipts

The following represent some of the factors that may affect the actual amount of sales tax and other revenues collected by the State that impact the amount of RTA Sales Tax, State Sales Tax and Public Transportation Funds transferred to the RTA for funding of the Service Boards, and ultimately the amount of Sales Tax Receipts realized by the Authority and available for payment of debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds. A significant change from historical results in any one of these factors could have a material impact on the availability of Sales Tax Receipts and the ability of the Authority to pay debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds.

The COVID-19 outbreak and the resulting economic impact and governmental responses have had and are expected to continue to have an adverse impact on economic activity and Sales Tax Receipts.

State Legislative Action. The General Assembly has the authority to amend the provisions of State law governing RTA Sales Tax, State Sales Tax and Public Transportation Funds and the Real Estate Transfer Tax. Legislative changes to (i) the tax base, tax rates and exemptions for sales taxes; (ii) use of such funds by the State for other purposes; or (iii) the formula for RTA's allocation of RTA Sales Tax, State Sales Tax and/or Public Transportation Funds among the Service Boards, could adversely affect the amount of RTA Sales Tax, State Sales Tax and Public Transportation Funds received by the RTA from the State and/or made available to the Authority.

Beginning in State fiscal year 2018, the General Assembly adopted a State budget that reduced the State's Public Transportation Fund "matching funds" on sales taxes collected by the State prior to transfer to the RTA for distribution to the Service Boards, including the Authority. This resulted in a reduction in Sales Tax Receipts of the Authority for the years affected. The State's fiscal year 2022 budget eliminated the 5 percent reduction to Public Transportation Fund matching funds but maintained the 1.5 percent surcharge on RTA Sales Taxes and State Sales Taxes collected by the State prior to transfer to the RTA. See the discussion under the heading "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" herein.

The General Assembly has proposed and may continue to propose legislation relating to the State and local tax system in Illinois that could impact the amount of Sales Tax Receipts received by the Authority. The Authority cannot predict the form of any such legislation, if any such legislation will be adopted or the impact of any such legislation on Sales Tax Receipts or operating revenues of the Authority.

The State has enacted new regulations as part of the "Leveling the Playing Field for Illinois Retail Act" that have increased sales tax rates and collections on internet sales, resulting in an increase in Sales Tax Receipts. See "SALES TAX RECEIPTS--Sales Tax Receipts Distributed to the Authority--Additional Sales Tax Revenues From Internet Sales" herein.

Uses of Sales Tax Sources That Impact Sales Tax Receipts. The State Distribution received by the RTA is the amount of the Sales Tax Sources collected by the State reduced by the collection fees imposed by the State on sales tax revenues and debt service on the RTA's bonds and notes. The RTA is entitled to withhold from the amount received in the form of RTA Sales Tax and State Sales Tax up to 15.0 percent for its general corporate purposes and to use the State Distribution to make RTA Withholdings consisting of special fund deposits for ADA paratransit, community mobility and RTA ICE programs, prior to the allocation of such funds among the Service Boards, including the Authority. The amount of Sales Tax Receipts distributed to the Authority in any year is impacted by the State collection fee on sales taxes, debt service on RTA's bond and notes, the amounts withheld for RTA's general corporate purposes and the RTA Withholdings. An increase in any of such amounts, over historical levels, could impact the amount of Sales Tax Receipts received by the Authority.

State Delays in Payments to RTA. From time to time, the RTA has experienced delays by the State in transferring the Sales Tax Sources to the RTA, resulting in certain delays in receipt of Sales Tax Receipts by the Authority. See the discussion regarding the timeliness of current payments by the State under the heading "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" herein. No assurance can be provided as to what effect, if any, future State payment delays could have on the Authority's ability to make timely payments of principal or interest on the Series 2022A Bonds when due. See "—Financial Condition of the State and the City of Chicago" below.

Changes in Economic and Demographic Conditions. The Sales Tax Sources are sensitive to changes in local, regional and national economic conditions and/or a decline in the population of the Northeastern Illinois Transit Region. For example, the Sales Tax Sources have historically declined during economic recession, when higher unemployment adversely affects consumption. Demographic changes in the population of the Northeastern Illinois Transit Region may adversely affect the level of commercial and industrial activity in the Northeastern Illinois Transit Region and could reduce the number and value of taxable transactions and thus reduce the amount of revenues from the Sales Tax Sources. 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 Receipts realized by the Authority. See APPENDIX C – "SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

Different Sales Tax Rates in Competing Jurisdictions. Increases in sales and use tax rates in the Northeastern Illinois Transit Region, or decreases in sales and use tax rates in other jurisdictions, may create incentives for certain purchases to be made and delivered in jurisdictions with lower overall sales tax rates. As a result, increasing sales and use tax rates in the Northeastern Illinois Transit Region as a means to increase Sales Tax Receipts may not have the intended effect.

Factors Affecting RTA's Transfer of Sales Tax Receipts to the Authority

There are certain State statutory provisions that trigger the withholding, intercept or diversion of the transfer of Sales Tax Receipts by the RTA to the Authority that are described below. Any such action by RTA would reduce the amount of Sales Tax Receipts transferred to the Authority, could have an adverse impact on the financial condition and operations of the Authority, and could impact the ability of the Authority to pay debt service on the Authority's Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds. The RTA has never withheld, intercepted or diverted the transfer of funds to the Authority pursuant to such provisions.

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 Board on behalf of the Authority out of moneys otherwise payable to the Authority, which includes Sales Tax Receipts, and to give notice to the Authority and certain other parties of such payment. The 2021 Actuarial Valuation of the Retirement Plan determined 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 ARC and have resulted in an Unfunded Actuarial Accrued Liability of $1.715 billion and a Funded Ratio of 53.27%. See APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determination of Authority's Contributions*."

The funding levels of the Retirement Plan are dependent on investment returns of assets of the Retirement Plan and the Funded Ratio and UAAL that are tied to the Authority's required employer contributions are determined, in part, on an assumed rate of return of such investments. Declines in the actual or assumed rate of return on such investments resulting from an economic downturn or market volatility, could have an adverse impact on the Funded Ratio and UAAL of the Retirement Plan and could result in an increase in the Authority's required contributions.

RTA Act Mandated Local Assistance to the Authority. 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." In addition, the RTA Act requires that the City and Cook County 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. The City and Cook County have made the required monetary contributions to the Authority each year since the inception of such requirement. If the mandated local assistance requirements are not met, it is possible that the RTA could withhold Sales Tax Receipts otherwise payable to the Authority.

RTA Act Mandated Authority Budget Requirements and Oversight. The RTA Act requires, among other things, that the RTA approve the annual budget of the Authority, including that the Authority finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis. The RTA Board, by the affirmative vote of twelve of its directors, determines whether the Authority's budget and financial plan meet the RTA's criteria and if they are found not to be substantially in compliance, the RTA may direct the Authority to submit a revised budget and financial plan meeting the mandated criteria. If the RTA Board does not approve the budget, the RTA Board can only transfer to the Authority the portion of the Sales Tax Receipts that are RTA Formula Funds and cannot release any RTA Discretionary Funds, until the budget conforms to the criteria specified in the Act. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA Oversight" and "—Annual Budget Process" herein.

In addition, the RTA Act requires the RTA to perform certain audits to determine if system-generated revenues of the Authority satisfy the Required Recovery Ratio required by the RTA Act, and if they fail to do so the RTA Board is required to remit an amount of such deficit to the State. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to the Authority, from RTA provided funding in proportion to the amount by which the Authority failed to meet its Required Recovery Ratio. The RTA Act was amended in 2021 to provide that due to the fiscal impacts from the COVID-19 outbreak, for fiscal years 2021, 2022, and 2023, no such payment shall be required. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA Oversight" and "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

RTA's Right to Intercept Sales Tax Receipts. Pursuant to the RTA Act, the RTA has the right to intercept Sales Tax Receipts allocable to the Service Boards, including 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 Funds) are not available to make such payments. Such occurrence could result in the RTA withholding, delaying or not making payments to the Authority of Sales Tax Receipts.

Discretionary Funding. The RTA provides financial assistance to the Service Boards with RTA Discretionary Funds. The percentage of RTA Discretionary Funds are not fixed by statute and requires action each year by the RTA Board. The RTA has historically allocated between 90% and 99% of RTA Discretionary Funds to the Authority. See "SALES TAX RECEIPTS—Allocations of RTA Formula Funds and RTA Discretionary Funds Among the Service Boards" herein. Any significant reduction in RTA's allocation of RTA Discretionary Funds to the Authority, whether the exercise of such discretion is the result of reduced ridership, declining operations, or some other factor, could have a negative impact on Sales Tax Receipts.

Force Majeure Events

General. There are certain unanticipated events beyond the Authority's control that could have a material adverse impact on the generation or collection of Sales Tax Receipts, RETT Revenues and the operations and revenues of the Authority, State, City of Chicago and the RTA if they were to occur. These events include fire, flood, earthquake, severe weather conditions, epidemic, pandemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the financial condition and operations of the Authority, State, City of Chicago and the RTA if they were to occur and the generation or collection of Sales Tax Receipts, RETT Revenues and of operating revenues of the Authority. See "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

Weather Conditions. The Chicago region is naturally susceptible to the effects of extreme weather events and natural disasters, which could result in negative economic impacts on the Authority, State, City of Chicago and the RTA if they were to occur. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising lake levels and/or a polar vortex. The occurrence of such extreme weather events could damage local infrastructure, including the Authority's Transportation System. Such extreme weather events could have an adverse impact on the financial condition and operations of the Authority, State, City of Chicago and the RTA if they were to occur the generation or collection of Sales Tax Receipts, RETT Revenues and of operating revenues of the Authority.

Cyber Security

The Authority, State, City of Chicago and the RTA, like many other public and private entities, each rely on a large and complex technology environment to conduct their operations, and face multiple cybersecurity threats including, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private or sensitive information, the Authority, State, City of Chicago and RTA each may be the target of cybersecurity incidents that could result in adverse consequences to such entities' Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attack by unauthorized entities attempting to gain access to Systems Technology for the purposes of misappropriating assets or information or causing operational disruption or damage to public services, including operation of the Authority's Transportation System. Cybersecurity breaches could cause material disruption to affected entities finances and operations. And the cost of remedying any such damage, protecting against future attacks, or responding to resulting legal claims or proceedings could be substantial.

No assurance can be provided that such a cybersecurity incident will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the financial condition or operations of the Authority, State, City of Chicago and RTA and the generation or collection of Sales Tax Receipts and of operating revenues of the Authority.

Financial Condition of the State and the City of Chicago

Public Funding is the largest source of operating revenues of the Authority. The financial impact that the Authority is experiencing as a result of the COVID-19 outbreak and the impact of other economic conditions is often similarly felt by the State, the City and the RTA that provide funding to the Authority. This can impact their capacity to increase or maintain the historical level of financial support to the Authority or their need to divert such revenues for other purposes. The financial condition of such entities may result in legislative, administrative or other actions that impact Sales Tax Receipts, RETT Revenues, and operating revenues of each such entity, or the timeliness of payment thereof. Certain of the sources of Public Funding to the Authority have statutory or contractual protections from legislative action, reduction or diversion by the funding entity. For a discussion of such statutory and contractual protections see "SALES TAX RECEIPTS—State Collection and Disbursements to the RTA" and "—RETT Revenues Pledged to Payment of the Pension Bonds" and "PLEDGE OF SALES TAX RECEIPTS TO OUTSTANDING INDEBTEDNESS" herein. See "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

Operating Revenues of the Authority

The largest source of Operating Revenues of the Authority is fare box revenues. Similar to other public transit agencies around the country, the Authority is experiencing decreased ridership which adversely impacts fare box revenues and other Authority revenues tied to Transportation System operations. See "THE AUTHORITY—Ridership Trends and CTA 2022 Budgeted Ridership" herein. Ridership is also impacted by various of the factors that impact Sales Tax Receipts that are described in this heading, such as the COVID-19 outbreak, economic and demographic factors, force majeure events, etc. See FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

The Authority's Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds, are not a general obligation of the Authority and are not secured by the operating revenues of the Authority, including fare box revenues. However, the ability of the Authority to generate revenues for operations and capital improvements is important to the ongoing funding of the Authority by the State, RTA and federal government.

Project Costs and Capital Requirements

The Authority receives substantial federal assistance for planned capital improvements. The Authority is currently undertaking major transit projects that require significant capital investment to augment transit services and maintain the Transportation System in SOGR. See "CAPITAL IMPROVEMENT PROGRAM" herein. There can be no assurances that these projects will be completed on budget or on schedule. Whether or not the projects can be completed on budget or on schedule depends on a large number of factors, many of which are beyond the control of the Authority, including unavailability of needed goods, materials and personnel and delay in receipt of federal and State grants or loans. The costs for these projects may require the issuance of additional bonds secured by Sales Tax Receipts, which could result in lower debt service coverage on the Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds.

Changes in Federal Subsidy Programs

Authority anticipates that its planned capital improvements will require increasing amounts of federal subsidies for the foreseeable future. Any reduction in federal subsidies from anticipated levels or use of such subsidies for operating costs would cause the Authority to place additional reliance on the issuance of additional bonds secured by Sales Tax Receipts, which could result in lower debt service coverage on the Sales Tax Receipts Revenue Bonds, including the Series 2022A Bonds. See "FINANCIAL INFORMATION—Certain Financial Impacts of the COVID-19 Outbreak" herein.

Bankruptcy

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Series 2022A Bonds will be similarly qualified.

State and local governments, including the Authority, cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. Illinois law does not currently permit the State or other Illinois public entities to file for bankruptcy; however, from time to time, legislation has been introduced in the General Assembly which, if enacted, would permit such entities to file for bankruptcy under the U.S. Bankruptcy Code. No assurance can be provided as to whether any such legislation will be enacted into law.

No Secondary Market

There can be no assurance that a secondary market for the Series 2022A Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Series 2022A Bonds to maturity.

Limitations on Remedies of Bondholders

The remedies available upon an event of default under each Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. The legal opinion to be delivered by Co-Bond Counsel concurrently with the delivery of the Series 2022A Bonds will be qualified as to the enforceability of such Series and the related Indenture by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Indenture securing the Series 2022A Bonds does not contain a provision allowing for the acceleration of the Series 2022A Bonds secured by such Indenture in the event of a default in the payment of principal of and interest on the Series 2022A Bonds when due. In the event of a default under the Indenture, the Trustee will have the right to exercise the remedies provided in such Indenture. See APPENDIX A— "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—THE INDENTURE–Events of Default" and "–Remedies."

Loss of Tax Exemption

Interest on the Series 2022A Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2022A Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the Series 2022A Bonds. Interest on the Series 2022A Bonds also could become subject to federal income tax as a result of changes of law. See "TAX MATTERS" herein. Should interest become includable in federal gross income, the Series 2022A Bonds are not subject to mandatory redemption by reason thereof and may remain outstanding until maturity.

Effect of Future Ratings Downgrades

The interest rate the Authority pays on new issuances of long-term and short-term debt is highly dependent on the Authority's credit ratings, and downward changes in the Authority's ratings could result in significantly higher interest rates payable by the Authority on future bond issuances and other borrowings. Ratings downgrades below certain threshold levels could trigger an increase in interest rates and costs and events of default under the agreements securing the Authority's notes issued, from time to time, under its Short-Term Borrowing Program. See "DEBT OBLIGATIONS—Short-Term Borrowing Program" herein. It is uncertain as to the effect that the COVID-19 outbreak's continued impact on the operations and financial condition of the Authority of unknown duration may have on the credit ratings of the Authority.

Forward-Looking Statements

This Official Statement, including the appendices hereto, contain certain statements relating to future results that are forward-looking statements. See the discussion under the heading "INTRODUCTION—Forward-Looking Statements" herein. 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. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The Authority does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2022A Bonds are subject to the approving opinion of Mayer Brown LLP, Chicago, Illinois, and Shaw Legal Services, Ltd., Chicago, Illinois, Co-Bond Counsel. The proposed form of the opinions to be delivered by Co-Bond Counsel is attached hereto as APPENDIX H—"PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL." Approval of certain other legal matters will be passed upon for the Authority by its Acting General Counsel and by Thompson Coburn LLP, Chicago, Illinois, Disclosure Counsel, and for the Underwriters by Burke Burns & Pinelli, Ltd., Chicago, Illinois.

TAX MATTERS

Interest Not Exempt From State of Illinois Income Taxes

Interest on the Series 2022A Bonds is not exempt from present State of Illinois income taxes. Ownership of the Series 2022A 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 2022A Bonds. Prospective purchasers of the Series 2022A 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 2022A Bonds. It deals only with the Series 2022A 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, certain accrual-method taxpayers subject to special tax accounting rules as a result of their use of applicable financial statements, life insurance companies, persons that hold the Series 2022A 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 2022A 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 2022A 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 2022A Bonds.

Tax-Exempt Bonds

Summary of Co-Bond Counsel Opinion. Mayer Brown LLP and Shaw Legal Services, Ltd., Co-Bond Counsel, are of the opinion that under existing law, interest on the Series 2022A 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 2022A Bonds is not an item of tax preference for purposes of computing individual alternative minimum taxable income. Prospective purchasers of the Series 2022A 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 2022A Bonds.

In rendering the foregoing opinions, Co-Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications and compliance with certain covenants of the Authority and the Trustee contained in various documents included in the transcript of proceedings, which are intended to evidence and assure that the Series 2022A 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 2022A 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 2022A Bonds to be included in gross income for federal income tax purposes, in some cases, effective from the date such Series 2022A Bonds are initially issued. The Authority 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 2022A Bonds to be included in the gross income of the owners of the Series 2022A Bonds for federal income tax purposes.

Under the Code, interest on the Series 2022A 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 2022A 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 2022A Bonds. Prospective purchasers of the Series 2022A 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 2022A 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 the Series 2022A Bonds, whether or not issued prior to enactment of such proposal. Prospective purchasers of the Series 2022A 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 2022A 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 2022A Bond is purchased at any time for a price that is less than the Series 2022A Bond's Offering Price plus accrued original issue discount, if any, the purchaser may be treated as having purchased the Series 2022A 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 2022A 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 2022A Bond. Purchasers should consult their own tax advisors regarding the potential implications of the market discount rules with respect to the Series 2022A Bonds.

Bond Premium. An amount equal to the excess of the purchase price of a Series 2022A Bond over the stated redemption price payable at maturity of such Series 2022A 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 2022A Bond, the tax basis of each Series 2022A 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 2022A 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 2022A 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 2022A Bond). If the bond premium allocable to an accrual period exceeds the interest on the Series 2022A 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 2022A Bond.

Sale and Retirement of the Series 2022A Bonds. Holders of the Series 2022A Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Series 2022A Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Series 2022A Bond and the holder's adjusted tax basis in the Series 2022A 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 2022A 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 2022A 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.

Change of Law

The opinions of Co-Bond Counsel and the descriptions of tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Series 2022A Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2022A Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2022A Bonds.

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 2022A 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 2022A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2022A 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 2022A Bonds, or the Indenture or any other agreement entered into in connection therewith.

RATINGS

S&P and KBRA have assigned the Series 2022A Bonds ratings of "A+" (Stable outlook) and "AA-" (Stable outlook), respectively, and S&P has assigned the Insured Series 2022A Bonds a rating of "AA" (Stable outlook), based solely on the Bond Insurance Policy issued by BAM concurrently with the delivery of the Insured Series 2022A Bonds, based solely on the Bond Insurance Policy to be issued by BAM concurrently with the delivery of the Insured Series 2022A Bonds. See "BOND INSURANCE" herein. There is no assurance that the credit ratings given to the Series 2022A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by the rating agencies, if, in their judgment, circumstances so warrant. The Authority does not undertake and has no responsibility to oppose any downward revision or withdrawal of any one or both of the ratings. Any downward revision or withdrawal of one or both of the ratings may have an adverse effect on the market price of the Series 2022A Bonds. The ratings reflect only the views of such organizations and an explanation of the significance of the ratings may be obtained from the credit rating agencies.

MUNICIPAL ADVISORS

Mohanty Gargiulo LLC, New York, New York ("Mohanty") and Blue Rose Capital Advisors, LLC, Minneapolis, Minnesota ("Blue Rose," and together with Mohanty, the "Municipal Advisors"), have been retained by the Authority to provide certain financial advisory services in connection with the issuance of the Series 2022A Bonds. The Municipal Advisors are not obligated to conduct, and have not conducted, a detailed investigation of the affairs of the Authority to independently verify the completeness or accuracy of the information set forth in this Official Statement and the Appendices hereto. The Municipal Advisors are not public accounting firms and have not been engaged by the Board to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. The Municipal Advisors are municipal advisors registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board in accordance with applicable federal securities laws, and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2022A Bonds. The fees to be paid to the Municipal Advisors for services provided in connection with the issuance of the Series 2022A Bonds are contingent upon the closing of the Series 2022A Bonds.

Blue Rose is under common ownership with HedgeStar, LLC ("HedgeStar") and MuniPriceTracker, LLC ("MPT"). HedgeStar provides hedge accounting, fair value accounting, and valuation services for financial instruments including, but not limited to, fixed-income securities and derivatives. MPT provides secondary market bond trading reporting services, which may be relied upon for tax compliance and trading performance evaluation by the Authority, or by other parties involved in the issuance, in connection with the Series 2022A Bonds. HedgeStar and MPT currently do not, and in connection with the Series 2022A Bonds are not expected to, provide services to the Authority.

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 2022A 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 in APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

On January 17, 2013, Moody's Investors Service Inc. ("Moody's") downgraded the rating of Assured Guaranty Municipal Corp. from "Aa3" to "A2", which provided a municipal bond insurance policy relating to a certain series of the Authority's capital grant receipts revenue bonds. Also, on June 27, 2017, S&P upgraded the rating of certain of the Authority's capital grants receipts revenue project bonds from "A" to "A+". Event notices with respect to such rating changes were not filed with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board as required by the Rule. The Authority made such required filings on June 28, 2017 and July 13, 2017, respectively. Further, Moody's and S&P downgraded the rating on the Authority's sales and transfer tax receipts revenue bonds on September 21, 2009 and February 12, 2010, respectively. 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 August 16, 2020.

In June 2020, the Authority made certain filings with the EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Authority's outstanding Sales Tax Receipts Revenue Bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2016, 2017 and 2018. In addition, on August 14, 2020, the Authority filed an amendment to the cover page of an Annual Disclosure, originally filed on June 28, 2020, that added one additional fiscal year to the previously filed list of years for which the Authority failed to file. Further, on August 16, 2020, the Authority made certain filings with the EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Public Building Commission of Chicago's outstanding building revenue bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2015 through 2019. 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

Series 2022A Bonds

Cabrera Capital Markets LLC, on behalf of itself and the other underwriters listed on the cover hereof (the "Underwriters"), is purchasing the Series 2022A Bonds, subject to certain conditions set forth in a bond purchase agreement relating to the Series 2022A Bonds (the "Bond Purchase Agreement").

Pursuant to the Bond Purchase Agreement, the Underwriters have agreed to purchase the Series 2022A Bonds at a purchase price of $385,994,099.60 (representing the principal amount of the Series 2022A Bonds, less the Underwriters' discount of $1,886,934.00, plus net original issue premium of $37,881,033.60). The initial public offering prices of the Series 2022A Bonds may be changed from time to time by the Underwriters after the Series 2022A Bonds have been released for sale. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2022A 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 Underwriters' Counsel.

Certain Relationships

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

Academy Securities, Inc., Co-Manager of the above referenced issue, has entered into Third-Party Distribution Agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, 280 Securities LLC, Mountainside Securities LLC, World Equity Group, Inc., and CINCaP Investment Group, Inc. for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these Third-Party Distribution Agreements (if applicable to this transaction), Academy Securities may share a portion of its underwriting compensation with these firms.

Valdés & Moreno Inc. ("V&M") has entered into a formal distribution agreement with Rockfleet Financial Services, Inc. ("Rockfleet"), a woman-owned business enterprise, whereby V&M can potentially distribute municipal securities to retail and institutional investors through Rockfleet. As part of this agreement, V&M will compensate Rockfleet part of the takedown for its selling efforts with respect to the Series 2022A Bonds.

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers, holders or beneficial owners of any of the Series 2022A Bonds. All of the summaries of the Series 2022A Bonds, the Indenture, applicable legislation, and other agreements and documents in this Official Statement are made subject to the provisions of the Series 2022A 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.

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

CHICAGO TRANSIT AUTHORITY

By: /s/ Jeremy V. Fine
Chief Financial Officer and Treasurer

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LIST OF APPENDICES

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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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 or Seventh Supplemental Indenture are qualified in their entirety by the definitions set forth in the Indenture or Seventh Supplemental 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 or any Supplemental Indenture.

"*Accreted Amount*" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture authorizing such Capital Appreciation Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Capital Appreciation Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Capital Appreciation Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Capital Appreciation Bonds. The Accreted Amounts for such Capital Appreciation Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Capital Appreciation 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 Capital Appreciation 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 Second Lien Bonds*" means Second Lien Bonds authorized and delivered on original issuance as described below under the heading "THE INDENTURE—Additional Second Lien Bonds."

"*Allocable Share*" means, with respect to any Series of Second Lien Consolidated Reserve Fund Bonds and the funding of any deficiency in the Second Lien Consolidated Debt Service Reserve Fund or any reimbursement of a draw of moneys under a Qualified Reserve Credit Instrument held in the Second Lien 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 Second Lien Bonds of such Series and the denominator of which is the principal amount of all Outstanding Second Lien Consolidated Reserve Fund Bonds.

"*Annual Coverage Requirement*" means, with respect to any Bond Year, the aggregate of the Annual Second Lien Debt Service Requirement for such Bond Year.

"*Annual Second Lien Debt Service Requirement*" means, with respect to any Bond Year, the aggregate of the Second Lien Interest Requirement and the Second Lien 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 Chicago Transit Board, the President, the Treasurer or the Assistant Treasurer of the Authority, or any other officer or employee of the Authority or member of the Chicago Transit Board authorized to perform specific acts or duties hereunder by ordinance duly adopted by the Authority.

"*Available Sales Tax Receipts*" means the Sales Tax Receipts remaining after the satisfaction of all monthly amounts then due on the First Lien Obligations pursuant to the PBC Lease, the 2008 Indenture and the 2010 Indenture, respectively.

"*Board*" means the Chicago Transit Board.

"Bond Insurance Policy" means any municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Second Lien 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 municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on the Second Lien Bonds, and with respect to the Insured 2022A Second Lien Bonds, means Build America Mutual Assurance Company ("*BAM*"), or any successor thereto.

"*Bond Ordinance*" means Ordinance Number 022-024 adopted by the Chicago Transit Board on March 9, 2022 and entitled: "An Ordinance Authorizing the Execution and Delivery of One or More Supplemental Indentures under which the Chicago Transit Authority May Issue One or More Series of Corporate Purpose Debt Obligations Payable from the Sales Tax Receipts Fund; Authorizing the Issuance of Sales Tax Receipts Revenue Bonds, Series 2022; Authorizing the Execution and Delivery of One or More Supplemental Indentures under which the Chicago Transit Authority May Issue Second Lien Obligations Payable from the Sales Tax Receipts Fund; and Authorizing the Issuance of Second Lien Sales Tax Receipts Revenue Bonds, Series 2022."

"*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 Second Lien 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 Second Lien 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" also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"*Capital Improvement Program*" means the five-year capital improvement program that the Chicago Transit Authority prepares and submits to the RTA in accordance with the RTA Act.

"*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.

"*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.

"*Corporate Purpose Debt Obligation*" means 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 the senior lien on or pledge of the Sales Tax Receipts Fund granted by the 2010 Indenture.

"*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 2022A 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 2022A 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 2022A 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 Second Lien Bonds, the person (other than a Bond Insurer) providing a Credit Facility.

"*Credit Facility*" means, as to any particular Series of Second Lien 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 Second Lien Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Current Interest Bond. The term "Current Interest Bond" also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

"*Date of Issuance*" means the date of original issuance and delivery of the Series 2022A Bonds.

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

"*Depositary*" 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 depositary 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 2022A Bonds.

"*DTC Participant*" means any securities broker or dealer, bank, trust company, clearing corporation or other organization depositing Series 2022A Bonds with DTC.

"*Event of Default*" means any event so designated and specified as described below under the heading "THE INDENTURE—Events of Default."

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

"*First Lien Parity Obligations*" means the Pension and Retirement Debt Obligations, the Corporate Purpose Debt Obligations (including the Outstanding First Lien Bonds) and the PBC Senior Pledge Rights.

"*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 2017 Indenture as supplemented and amended to the date hereof, and as further supplemented by the Seventh Supplemental Indenture.

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

"*Insured 2022A Second Lien Bonds*" means the Series 2022A Bonds maturing on December 1, 2046, in the original principal amount of $93,800,000 (CUSIP 16772P DK9).

"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 Capital Appreciation and Income 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 December 1, 2022 and each June 1 and December 1 thereafter.

"Interest Period" means the period from the date of any Second Lien Parity Obligation to and including the date 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.

"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
- 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 or Federal Home Loan Mortgage Corporation
- obligations of the Resolution Funding Corporation
- obligations of the Tennessee Valley Authority
- senior debt obligations of the Federal Home Loan Bank System
- 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 in the highest classification by any two Rating Services 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 by any two Rating Services and which matures not more than 270 calendar days after the date of purchase;

(vi) investments in a money market fund rated the equivalent of "AAA" or better by any two Rating Services;

(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 any two Rating Services; 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 the equivalent of "AAA" by any two Rating Services or general obligations of states with a rating of the equivalent of "A" or better by any two Rating Services;

(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") the equivalent of "A-" by any Rating Service 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 Service has been informed of the proposal to invest in such investment and each Rating Service has confirmed that such investment will not adversely affect the rating then assigned by such Rating Service to any Second Lien Parity Obligations.

"*Junior Indebtedness*" means indebtedness permitted to be issued or incurred pursuant to the Indenture.

"*LIBOR*" means the London interbank offered rate as administered by the Ice Benchmark Administration (or any other Person that takes over the administration of such rate for United States Dollars for a period equal in length to one month as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Trustee in its reasonable discretion) at approximately 11:00 a.m., London time, two London Business Days prior to the date of calculation, as the rate for dollar deposits in the London interbank market with a comparable maturity.

"*Local Government Debt Reform Act*" means the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, as the same may be amended and supplemented from time to time.

"*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 Second Lien Debt Service Requirement occurring in the then current and any succeeding Bond Year.

"*Optional Tender Bonds*" means any Second Lien 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 Optional Tender Bonds for payment or purchase.

"*Outstanding*," when used with reference to Second Lien Parity Obligations, means, as of any date, all Second Lien 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 Second Lien 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) Second Lien Parity Obligations (or portions of Second Lien Parity Obligations) for the redemption or purchase in lieu thereof for 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 Second Lien Parity Obligations (or portions of Second Lien 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) Second Lien Bonds in lieu of or in substitution for which other Second Lien Bonds shall have been authenticated and delivered;

(iv) Second Lien Parity Obligations deemed to have been paid as described below under the heading "THE INDENTURE—Defeasance"; 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 Second Lien Bonds have been authenticated and delivered under such Supplemental Indenture.

"*Outstanding First Lien Bonds*," means the Series 2010 Bonds, the Series 2014 Bonds and the Series 2020B Bonds issued under the 2010 Indenture.

"*Outstanding Second Lien Bonds*," means the Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, of the Authority in the aggregate principal amount of $296,220,000, all of which are currently outstanding; and (ii) Second Lien Sales Tax Receipts Revenue Bonds, Series 2020A, of the Authority in the aggregate principal amount of $367,895,000, all of which are currently outstanding, issued under the Indenture.

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

"*Paying Agent*" means (a) with respect to Second Lien Bonds, any bank, national banking association or trust company designated by ordinance of the Chicago Transit Board or by an Authorized Officer as paying agent for the Second Lien 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 Second Lien 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 Senior 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 Obligation, 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.

"*Policy*" means the municipal bond insurance policy issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Insured 2022A Second Lien Bonds when due.

"*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 Second Lien Bonds and with the order of priority of payments of Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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.

"*Purchase Price*" means the purchase price established in any Supplemental Indenture authorizing Optional Tender Bonds as the purchase price to be paid for such Optional Tender Bonds upon an optional or mandatory tender of all or a portion of such Optional Tender 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 the equivalent of "A" or better by any one Rating Service 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 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 at least investment grade (as defined by the applicable Rating Service), without regard to sub-category designations; *provided, however* that if three or more Rating Services have assigned ratings to any Outstanding Bonds then such investment grade 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 statistical rating organization by the U.S. Securities and Exchange Commission.

"*Record Date*" means the fifteenth (15^{th}) 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 Second Lien 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 Second Lien Bond in a Supplemental Indenture.

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

"*RTA*" means the Regional Transportation Authority, a political subdivision of the State of Illinois organized and existing under the 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 Lien Bond*" or "*Second Lien Bonds*" means any bond or bonds, including any Series 2022A Bonds, any Additional Second Lien Bond, and any Second Lien Refunding Bond, issued pursuant to the 2017 Indenture, together with the Seventh Supplemental Indenture.

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

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

"*Second Lien Consolidated Reserve Requirement*" means, as of the date of calculation, the lesser of (i) the maximum amount of Second Lien Principal Requirement and Second Lien Interest Requirement on the Second Lien Consolidated Reserve Fund Bonds in the current or any succeeding Bond Year, (ii) 150 percent of the average Second Lien Principal Requirement and Second Lien Interest Requirement on the Second Lien Consolidated Reserve Fund Bonds, or (iii) 10 percent of the original principal amount of the Second Lien Consolidated Reserve Fund Bonds.

"*Second Lien Debt Service Fund*" means the Second Lien Debt Service Fund established in the Indenture.

"*Second Lien Debt Service Reserve Account*" means any reserve account within the Second Lien Debt Service Fund established pursuant to the Indenture.

"Second Lien Interest Requirement" for any Bond Year or any Interest Period, as the context may require, as applied to Second Lien 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 Second Lien Bonds or Section 207 Obligations during such Bond Year or Interest Period if the interest on the Second Lien 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

under the heading *"Variable Interest Rates"* in the case of a Qualified Swap Agreement and (ii) in the Indenture as described under the heading *"Optional Tender Bonds and Variable Rate Bonds"* in the cases of Optional Tender Bonds and Variable Rate Bonds; *provided, however,* that interest expense shall be excluded from the determination of Second Lien Interest Requirement to the extent that such interest is to be paid from the proceeds of Second Lien Bonds allocable to the payment of such interest as provided in the Supplemental Indenture authorizing the issuance of a Series of Second Lien 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 Second Lien Bonds, except to the extent such interest exceeds the interest otherwise payable on such Second Lien Bonds, shall not be included in the determination of Second Lien Interest Requirement.

"*Second Lien Parity Obligations*" means any Second Lien Bonds, any Section 206 Obligation and any Section 207 Obligation.

"*Second Lien Obligations"* means Subordinate Indebtedness, and other obligations secured by a pledge of or lien on the Sales Tax Receipts Fund subordinate to the 2008 Indenture and the 2010 Indenture.

"*Second Lien Principal Requirement*" for any Bond Year, as applied to the Second Lien 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 on the preceding Principal Payment Date, if any, that occurs

(vi) one year or less before the Applicable Principal Payment Date, or

(vii) one year prior to the 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 Second Lien Bonds or Section 207 Obligations during such Bond Year of

(viii) 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

(ix) 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 as described below under the heading "THE INDENTURE—Optional Tender Bonds and Variable Rate Bonds" in the cases of Optional Tender Bonds and Variable Rate Bonds, if such principal or Accreted Amounts were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided, however,* that an amount of principal shall be excluded from the determination of Second Lien 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 Second Lien 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.

"*Second Lien Refunding Bonds*" means Second Lien Bonds issued pursuant to the provisions of the Indenture as described below under the heading "THE INDENTURE—Refunding Bonds."

"*Security Document*" means the Bond Ordinance, the Indenture, the Seventh Supplemental Indenture, any Supplemental Indenture, bond, note, or any additional or supplemental document executed in connection with the Insured 2022A Second Lien Bonds.

"*Section 206 Obligations*" means any payment obligations incurred by the Authority to any one or more Swap Providers as described below under the heading "THE INDENTURE—Hedging Transactions."

"*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 Second Lien Bonds as described below under the heading "THE INDENTURE—Credit Facilities to Secure Bonds," including any fees or other amounts payable to the issuer of any such Credit Facilities, whether such obligations are set forth in one or more reimbursement agreements entered into between the Authority and the Credit Bank, or in one or more notes or other evidences of indebtedness executed and delivered by the Authority pursuant thereto, or any combination thereof.

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

"*Series*" means all of the Second Lien Bonds (including Working Cash Notes) designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Second Lien Bonds thereafter authenticated and delivered in lieu of or in substitution for such Second Lien Bonds pursuant to the Indenture or the provisions of a Supplemental Indenture.

"Series 2010 Bonds" means the Sales Tax Receipts Revenue Bonds, Taxable Series 2010B (Build America Bonds) in the aggregate principal amount of $505,355,000.

"Series 2014 Bonds" means the Sales Tax Receipts Revenue Bonds, Series 2014, in the aggregate principal amount of $555,000,000.

"Series 2020B Bonds" means the Sales Tax Receipts Revenue Refunding Bonds, Series 2020B (Taxable), in the aggregate principal amount of $534,005,000.

"*Series 2022A Bonds"* means the $350,000,000 principal amount of the Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A, of the Authority authorized by the Bond Ordinance and the Seventh Supplemental Indenture.

"*Seventh Supplemental Indenture*" *means* the Seventh Supplemental Indenture, dated as of March 1, 2022, by and between the Authority and the Trustee, as from time to time amended and supplemented.

"*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 2010 Indenture.

“Supplemental Indenture” means any Supplemental Indenture authorized under the 2017 Indenture.

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

“*Term Bonds*” means the Second Lien 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.

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

“*Trustee*” means Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), Chicago, Illinois, and any successor or successors appointed under the Indenture.

“*Trust Estate*” means the security for the payment of Second Lien 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 Indenture 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 Indenture Trustee*” means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the 2008 Indenture.

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

“*2010 Indenture Trustee*” means U.S. Bank National Association, Chicago, Illinois, and any successor or successors appointed under the 2010 Indenture.

“*2017 Indenture*” means the Trust Indenture, dated as of January 1, 2017, by and between the Authority and the Trustee, securing Chicago Transit Authority Second Lien Sales Tax Receipts Revenue Bonds, as from time to time amended and supplemented, and as further supplemented by the Seventh Supplemental Indenture.

“*2022A Project*” means those projects identified on Schedule 1 of the Ordinance, also defined as the Project.

“*Variable Rate Bonds*” means any Second Lien 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 composite summary of certain provisions of the Indenture and the Seventh Supplemental Indenture pursuant to which the Series 2022A 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 and Seventh Supplemental Indenture, copies of which are on file with the Trustee.

Authorization of Series 2022A Bonds

The Indenture and the Seventh Supplemental Indenture authorize the Authority to issue the Series 2022A Bonds. Each 2022A Bond is a Second Lien Parity Obligation under the Indenture. Working Cash Notes may also be issued under the Indenture as a Series of Second Lien Bonds and shall contain the words "Working Cash Notes" as an additional designation and need not contain the word "Bonds."

Variable Interest Rates

In determining the Second Lien Interest Requirement for the purpose of determining Annual Second Lien Debt Service Requirements and the Maximum Annual Second Lien Debt Service Requirement and for the purpose of determining the amount of any deposit of Sales Tax Receipts, as described below under the heading "—Deposit and Application of Sales Tax Receipts," interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the Securities Industry and Financial Markets Association Municipal Swap Index, (d) if interest is not so excludable, an interest rate equal to LIBOR plus 150 basis points, and (e) the interest rate set forth in a Certificate filed with the Trustee. For the purposes of this paragraph, in the event that either the Securities Industry and Financial Markets Association Municipal Swap Index or LIBOR becomes unavailable or otherwise (in the Authority's reasonable determination) ceases to be a market-accepted index, the Authority, upon prior notice to the Trustee, may select an alternate index that the Authority reasonably determines has become acceptable to the municipal debt markets with respect to such matters.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Second Lien Bonds constitute Optional Tender Bonds, then in determining the Second Lien Interest Requirement and the Second Lien Principal Requirement of a Series of Second Lien 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 Second Lien Bonds constitute Variable Rate Bonds, the interest rate used in determining the Second Lien Interest Requirement for such Variable Rate Bonds shall be the interest rate determined as described above under the heading "—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 as described above under the heading "—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 Second Lien Bonds under the Indenture. In determining the Second Lien Interest Requirement or the Second Lien 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 Second Lien Bonds

One or more Series of Second Lien Bonds entitled to the benefit, protection and security of the Indenture and constituting a Series of Additional Second Lien Bonds may be authorized and delivered upon original issuance for the purpose of financing any lawful project or purpose of the Authority, refund any First Lien Obligation, to pay costs and expenses incident to the issuance of such Additional Second Lien 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 Second Lien Bonds) of a Certificate of an Authorized Officer stating that the aggregate amount of all Available 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 150 percent 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 Second Lien Bonds Outstanding immediately prior to or after the issuance of the Additional Second Lien Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth as described above under the captions "—Variable Interest Rates" and "—Optional Tender Bonds and Variable Rate Bonds" shall be applied in determining the Annual Second Lien Debt Service Requirements of such Second Lien Bonds and of any Outstanding Section 207 Obligations.

Additional First Lien Obligations

The Authority may also issue additional First Lien Obligations pursuant to the 2008 Indenture or the 2010 Indenture for the purpose of financing any lawful project or purpose of the Authority. Such additional First Lien Obligations may be issued only upon delivery to the 2010 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 percent of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series. *See* "SECURITY FOR THE 2017 SECOND LIEN BONDS—Additional Bonds" herein.

Refunding Bonds

One or more Series of Second Lien Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Second Lien 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 Second Lien Refunding Bonds and to make deposits in any Fund, Sub-Fund, Account or Sub-Account under the Indenture or any Supplemental Indenture.

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

(1) Such instructions to the Trustee as necessary to comply with all requirements as described below under the heading "—Defeasance" so that the Second Lien Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid as described below under the heading "—Defeasance."

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Second Lien 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 Second Lien 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 as described below under the heading "—Defeasance."

(3) A Certificate (a) stating that the aggregate amount of all Available 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 150 percent of the Maximum Annual Coverage Requirement as of the time immediately following the issuance of such Series, or (b) evidencing that the aggregate of the Annual Second Lien Debt Service Requirements for the then current and each future such Bond Year on account of all Second Lien Bonds and Section 207 Obligations Outstanding as of the time immediately after the issuance of such Second Lien Refunding Bonds does not exceed the aggregate of the Annual Second Lien Debt Service Requirements for the corresponding Bond Year on account of all the Second Lien Bonds and Section 207 Obligations Outstanding as of the time immediately prior to the issuance of such Second Lien Refunding Bonds.

In applying the foregoing tests set forth in clause (3) of the preceding paragraph, if any of the Second Lien Bonds Outstanding immediately prior to or after the issuance of the Second Lien Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth as described above under the headings "—Variable Interest Rate" and "—Optional Tender Bonds and Variable Rate Bonds" in the Indenture shall be applied in determining the Annual Second Lien Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations.

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 Second Lien 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 Second Lien Interest Requirements, the interest rate on the Second Lien Bonds of such maturity or maturities shall be determined as if such Second Lien 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 Available 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 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 Second Lien 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 Available Sales Tax Receipts or (ii) if made from Available Sales Tax Receipts, such payments, and any lien on Available Sales Tax Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on Available Sales Tax Receipts created by the Indenture as security for the payment of Second Lien Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as Available Sales Tax Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as Available 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 Available Sales Tax Receipts, or (ii) if made from Available Sales Tax Receipts, such termination payment and any lien on Available Sales Tax Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on Available Sales Tax Receipts created by the Indenture as security for the payment of Second Lien Parity Obligations.

Credit Facilities to Secure Second Lien 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 Second Lien Bonds, or in the event Owners of such Second Lien Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Second Lien 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 Second Lien Parity Obligation under the Indenture (a “Section 207 Obligation”) to the same extent as any Series of Second Lien 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 Second Lien Parity Obligations.

Source of Payment; Pledge of Receipts

The Indenture provides that the Second Lien Parity Obligations are limited obligations of the Authority payable solely from (i) the Available Sales Tax Receipts on deposit in the Sales Tax Receipts Fund, subject and subordinate however to the PBC Senior Pledge Rights and the senior pledge of or lien on the Sales Tax Receipts Fund as security for the payment of Pension and Retirement Debt Payments and the Corporate Purpose 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 in accordance with the Senior Lien 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. 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 Second Lien 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 Second Lien 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 Senior Pledge Rights and the senior pledge of or lien on the Sales Tax Receipts Fund as security for the payment of Pension and Retirement Debt Payments and Corporate Purpose Debt Payments. In the Indenture, the Authority covenants to cause the Sales Tax Receipts Fund to be continued in the event that the 2008 Indenture is terminated. The Authority also establishes the Second Lien Debt Service Fund to be held and administered by the Trustee. Subject to use and application in accordance with the Senior Lien Indenture and the Indenture in the case of the Sales Tax Receipts Fund and the Indenture in the case of the Second Lien Debt Service Fund and the Second Lien Consolidated Debt Service Reserve Fund, all of the Available Sales Tax Receipts held in the Sales Tax Receipts Fund and the moneys and securities held in the Second Lien Debt Service Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Second Lien 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. The Sales Tax Receipts shall first be applied in accordance with the terms of the Senior Lien Indenture, as applicable, with respect to the First Lien Obligations.

Subject to the following paragraph, the Authority covenants and agrees to withdraw Available Sales Tax Receipts from the Sales Tax Receipts Fund and pay into the Second Lien Debt Service Fund, not later than the 20th day of each calendar month, the sum required to make all of the Second Lien Sub-Fund Deposits and Other Required Second Lien Deposits to be disbursed from the Second Lien 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 and the Corporate Purpose Debt Payments on a senior basis with the payments to the Second Lien 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 Senior Pledge Rights are in effect, the Authority may make monthly allocations from the Sales Tax Receipts Fund, on a senior basis with the payments to the Second Lien 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 Second Lien Bonds, or by an instrument creating Section 206 Obligations or Section 207 Obligations, the Trustee will segregate within the Second Lien 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 Second Lien Parity Obligations and (ii) any other amounts required to be withdrawn or deposited by such Supplemental Indenture or instrument. Moneys on deposit in the Second Lien 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 Second Lien 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 Second Lien 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 Seventh Supplemental Indenture creates and establishes with the Trustee a separate and segregated Sub-Fund within the Second Lien Debt Service Fund (the "Series 2022A Dedicated Sub-Fund"). Moneys on deposit in the Series 2017 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 2017 Second Lien Bonds and shall not be used or available for the payment of any other Second Lien Parity Obligations, except as expressly provided in the Seventh Supplemental Indenture.

Second Lien Consolidated Debt Service Reserve Fund

A Second Lien Consolidated Debt Service Reserve Fund is established under the Indenture for the benefit and security of Second Lien Consolidated Reserve Fund Bonds to be maintained in an amount equal to the Second Lien Consolidated Reserve Requirement, which requirement may be satisfied in whole or in part with one or more Qualified Reserve Credit Instruments. **The 2022 Second Lien Bonds are not designated as Second Lien 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 Second Lien Consolidated Debt Service Reserve Fund may be used. If any time the Second Lien 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 Second Lien 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 Second Lien Debt Service Fund maintained under a Supplemental Indenture for the payment of interest on a Series of Second Lien Consolidated Reserve Fund Bonds due on such Interest Payment Date, then the Trustee shall withdraw from the Second Lien 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 Second Lien Debt Service Fund maintained under a Supplemental Indenture for the payment of the principal of a Series of Second Lien 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 Second Lien 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 Second Lien 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 by either of the two preceding paragraphs, pro-rata based upon the amount needed to cure each such deficiency.

Each Supplemental Indenture authorizing the issuance of a Series of Second Lien 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 Second Lien 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 Second Lien Consolidated Debt Service Reserve Fund sufficient to fully restore the amount held on the Second Lien Consolidated Debt Service Reserve Fund to the Second Lien Consolidated Reserve Requirement within one year of the initial deficiency in the Second Lien 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 Second Lien Consolidated Reserve Fund Bonds, then each Series and its associated Sub-Fund shall be charged for its Allocable Share of the amounts due under this paragraph.

If on any date all withdrawals or payments from the Second Lien 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 Second Lien Consolidated Debt Service Reserve Fund the amount of any excess therein over the Second Lien 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 Supplemental Indenture 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 Second Lien Consolidated Debt Service Reserve Fund may be withdrawn from the Second Lien 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 as described below under the heading "—Defeasance," provided that immediately after such withdrawal the amount held in the Second Lien Consolidated Debt Service Reserve Fund equals or exceeds the Second Lien Consolidated Reserve Requirement.

Second Lien Debt Service Reserve Accounts

Any Supplemental Indenture pursuant to which a Series is issued may establish a Second Lien 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 Second Lien Debt Service Reserve Account may be used.

Deposits into the Series 2022A 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 April 25, 2022 (each such date referred to as the "Deposit Date") there shall be deposited into the Series 2022A Dedicated Sub-Fund from amounts on deposit in the Second Lien Debt Service Fund, an amount necessary to raise the amount on deposit into the Series 2022A Dedicated Sub-Fund, when combined with amounts already on deposit therein, to equal the aggregate of the amounts set forth in the paragraph below, which amounts shall have been calculated by the Trustee on the 5th day of each month (such aggregate amount with respect to any Deposit Date being referred to as the "Series 2022A 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 2022A 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 Series 2022A Interest Account, an amount equal to the lesser of (i) (a) prior to the November 25, 2022 Deposit Date, an amount equal to the total amount due on the Series 2022A Bonds on the first Interest Payment Date (other than interest payable on such Interest Payment Date from the Series 2020A Capitalized Interest Account or available in the Series 2020A Capitalized Interest Account) divided by the number of months between the date of the First Supplemental Indenture and the first Interest Payment Date; and (b) commencing on the December 25, 2022 Deposit Date, one-sixth of the interest due on the Series 2022A Bonds on the next Interest Payment Date; or (ii) the amount required so that the sum held in the Series 2020A Interest Account, when added to the interest payable from the Series 2022A Capitalized Interest Account on the next Interest Payment Date and available in the Series 2022A Capitalized Interest Account, will equal the interest due on the Series 2022A Bonds on such Interest Payment Date; and

Second: commencing on November 25, 2040 for deposit into the Series 2022A Principal Account, an amount equal to the lesser of (i) one-twelfth of the Principal due on the Series 2022A Bonds on the first day of December next ensuing, or (ii) the amount required so that the sum then held in the Series 2022A Principal Account will equal the Principal due on the Series 2022A Bonds on the first day of December next ensuing.

In addition to the Series 2022A Deposit Requirement, there shall be deposited into the Series 2022A Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Indenture or the Seventh Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2022A Dedicated Sub-Fund and to one or more accounts in the Series 2022A Dedicated Sub-Fund.

Upon calculation by the Trustee of each Series 2022A Deposit Requirement under the Indenture, the Trustee shall notify the Authority of the Series 2022A 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

In accordance with the 2008 Indenture, the 2010 Indenture and the Indenture, the Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Second Lien Parity Obligations, Qualified Swap Agreements, the PBC Lease, the Pension and Retirement Debt Obligations, the Corporate Purpose Debt Obligations and Junior 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 Available Sales Tax Receipts or such moneys, securities or funds; *provided, however,* 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 Second Lien Debt Service Fund as provided in the Indenture or from the Second Lien Consolidated Debt Service Reserve Fund as provided in the Indenture or (b) payable from, or secured by the pledge of, the Available 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 described below under the heading "—Defeasance."

Project Account

The Trustee shall apply moneys in the Series 2022A Project Account for the payment of costs of issuance of the Series 2022A Bonds, as directed in a Certificate filed with the Trustee.

The Trustee shall make payment of the Costs of Construction of the 2022A Project from the Series 2022A 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 Series 2022A 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 Series 2022A 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 2022A Project, pay from the Series 2022A 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 hereinafter 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 hereafter. Such revolving fund shall be reimbursed by the Trustee from time to time for such expenses so paid, by payments from the appropriate 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 in the subsection 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 2022A Project, make payments from the Series 2022A Project Account in addition to those made as described in the above paragraph, in the amounts, at the times, in the manner, and on the other terms and conditions described under this heading. 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 2022A Project, and that each item thereof is a proper charge against the Series 2022A 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 Series 2022A 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 Series 2022A 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 Series 2022A Project Account.

The Trustee shall withdraw from the Series 2022A Project Account and pay to the Authority free from the lien of the Indenture any balance in the Series 2022A 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 2022A 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 such Series 2022A 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 Series 2022A 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 Series 2022A Project Account below the amount stated in the respective certificate of the Authority as required to be reserved in the Series 2022A Project Account. Moneys so withdrawn from the Series 2022A Project Account may be re-appropriated by the Chicago Transit Board 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 2022A 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 Second Lien Debt Service Fund or the Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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 sub-paragraph (iii) of the definition of Investment Securities described above under the heading "DEFINITIONS OF CERTAIN TERMS," 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 Second Lien Bonds

If the maturity of any Second Lien Bond or installment of interest shall be extended pursuant to the written consent of the Owner thereof, such Second Lien 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 Second Lien Bond or installment of interest) until the prior payment of the principal of all Second Lien Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Second Lien 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 Second Lien Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Second Lien Bonds.

Indebtedness and Liens

The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Second Lien Parity Obligations, Qualified Swap Agreements, the PBC Lease, the Pension and Retirement Debt Obligations, the Corporate Purpose Debt Obligations and Junior 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 Available Sales Tax Receipts or such moneys, securities or funds; provided, however, 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 described in under "—Deposit and Application of Sales Tax Receipts" or from the Second Lien Debt Service Fund or from the Second Lien Consolidated Debt Service Reserve Fund or (b) payable from, or secured by the pledge of, the Available 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.

Construction of the 2022A Project

The Authority shall include the construction of the 2022A Project (and the payment of the Series 2022A Bonds from Available Sales Tax Receipts on deposit in the Sales Tax Receipts Fund and other designated funds) in each five-year capital improvement plan 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 Available Sales Tax Receipts; provided, however, that nothing in this paragraph shall 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 Available 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 Second Lien 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 2022A Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Series 2022A Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2022A Bond, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2022A 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 2022A Bonds or other moneys to be invested in any manner that would cause any Series 2022A 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 Second Lien 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 Second Lien Parity Obligation, when and as such interest shall become due and payable;

(c) if a default shall occur in the due and punctual payment of the Purchase Price on any Optional Tender Bonds;

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

(e) 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 Second Lien 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 Second Lien Bonds or (b) the Person entitled to payment under any other Outstanding Second Lien Parity Obligation; or

(f) 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, (2) if no Pension and Retirement Debt Obligation is then outstanding and any Corporate Purpose Debt Obligation is then outstanding, to the 2010 Trustee and (3) if no Pension and Retirement Debt Obligation and no Corporate Purpose Debt Obligation is then outstanding, to the Trustee (a) amounts on deposit in 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, if no Pension and Retirement Debt Obligation and no Corporate Purpose Debt Obligation is then outstanding, the Trustee shall provide for the equitable distribution of the amounts on deposit in the Sales Tax Receipts Fund for the payment of the PBC Annual Rent, if then subject to the PBC Senior Pledge Rights, and for the payment of Second Lien Parity Obligations.

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 Second Lien Parity Obligations then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Second Lien Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair consequent thereon.

For purposes of the provisions of the Indenture summarized under this caption, interest on Second Lien 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 Second Lien 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 Second Lien 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 herein contained, or in aid of the execution of any power herein granted, 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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, and the Owners of at least a majority in principal amount of the Second Lien 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 Second Lien 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 herein provided; 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 Second Lien Bonds, subject only to the provisions of the Indenture.

Nothing in the Indenture or in the Second Lien 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 Second Lien 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 Second Lien Bond solely from the sources provided herein and the Supplemental Indenture pursuant to which such Second Lien Bond was issued.

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 Second Lien 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 Second Lien Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Second Lien Bonds pursuant to the Indenture; provided, however, that such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Second Lien 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 Second Lien 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 Second Lien 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 hereof for any one or more of the following purposes:

(1) to authorize a Series of Second Lien 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 Second Lien 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 Second Lien 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 Second Lien Bonds under the Indenture, in any particular, may be made by a Supplemental Indenture with the written consent given as described under this heading and below under the heading "—Consent of Owners" (i) of the Owners of at least a majority in principal amount of the Second Lien Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Second Lien Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Second Lien Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Second Lien Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Second Lien Bonds shall not be required and such Second Lien Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien 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 Second Lien 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 Second Lien Bond, or shall reduce the percentages or otherwise affect the classes of Second Lien 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 Second Lien Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Second Lien 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 Second Lien 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 as described above under the heading "—Powers of Amendment" to take effect when and as provided under this caption. The rights of an owner of an Insured Bond to take any action described in 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 described in the provisions of this paragraph. 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 described in this paragraph. 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 Second Lien 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 described in this paragraph. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Second Lien Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Second Lien Bonds giving such consent and upon any subsequent Owner of such Second Lien Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; provided, however, that any consent may be revoked by any Owner of such Second Lien Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter referred to in this paragraph to is filed, a written revocation, with proof that such Second Lien 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 this paragraph, 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 Second Lien 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 Second Lien Bonds and will be effective as described in this paragraph, 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 as described in this paragraph 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien Bonds and to the Trustee shall thereupon be discharged and satisfied.

Second Lien 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 described under this heading if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Second Lien 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 Second Lien 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 Second Lien Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, (iv) if any of said Second Lien Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Second Lien Bonds a notice that such deposit has been made with the Trustee and that said Second Lien Bonds are deemed to have been paid as described in this paragraph 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 Second Lien Bonds, (v) if any of said Second Lien 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 Second Lien 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 Second Lien Bonds are no longer Outstanding under the Indenture. The Trustee shall execute a certificate confirming the defeasance of said Second Lien Bonds and the satisfaction of the foregoing conditions. The Defeasance Obligations and moneys deposited with the

Trustee as described in this paragraph shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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 Second Lien Bonds as described in this paragraph. Second Lien 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 Second Lien Bonds to be redeemed shall be reduced by the Principal amount of Second Lien Bonds so purchased. Second Lien 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 as described in the above paragraph, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Second Lien Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Second Lien Bonds deemed to be paid pursuant to the Indenture as described in this paragraph. Second Lien 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 Second Lien Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Second Lien Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Second Lien Bonds upon surrender of such Second Lien Bonds to the Trustee. Second Lien 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 Second Lien Bonds upon surrender of such Second Lien 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 Second Lien 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 Second Lien Parity Obligations which remain unclaimed for two years after the date when Second Lien 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 Second Lien 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 Second Lien 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 Second Lien 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.

Notice and Other Information to be Given to the Bond Insurer

The Authority will provide the Bond Insurer with all notices and other information it is obligated to provide (i) under the Continuing Disclosure Undertaking executed by the Authority in connection with the Series 2022A Bonds, and (ii) to the Owners of the Insured 2022A Second Lien Bonds under the Security Documents or the Trustee pursuant to the Indenture.

Amendments, Supplements and Consents.

Wherever any Security Document requires the consent of Owners of the Insured 2022A Second Lien Bonds, the Bond Insurer's consent shall also be required. In addition, any amendment, supplement or modification to the Security Documents that adversely affect the rights or interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

Anything in Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, the Bond Insurer shall be deemed to be the sole holder of the Insured 2022A Second Lien Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured 2022A Second Lien Bonds or the Trustee for the benefit of such holders under any Security Document. The Trustee may not waive any default or Event of Default or accelerate the Insured 2022A Second Lien Bond without the Bond Insurer's written consent.

Bond Insurer as Third-Party Beneficiary

In accordance the Indenture, the Bond Insurer is explicitly recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce any right, remedy or claim conferred, given or granted thereunder.

Policy Payments

In the event that principal and/or interest due on the Insured 2022A Second Lien Bonds shall be paid by the Bond Insurer pursuant to the Policy, the Insured 2022A Second Lien Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the Insured 2022A Second Lien Bonds.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee shall agree for the benefit of the Bond Insurer that:

(1) The Authority and the Trustee recognize that to the extent the Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Insured 2022A Second Lien Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Security Document and the Insured 2022A Second Lien Bonds; and

(2) The Authority and the Trustee will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon, but only from the sources and in the manner provided in the Security Documents and the Insured 2022A Second Lien Bonds for the payment of principal of and interest on the Insured 2022A Second Lien Bonds to holders, and will otherwise treat the Bond Insurer as the Owner of such rights to the amount of such principal and interest

If an Insurer Default (defined below) shall occur and be continuing, then, notwithstanding anything in paragraph (B) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Policy, to the extent of such payment the Bond Insurer shall be treated like any other holder of the Insured 2022A Second Lien Bonds for all purposes, including giving of consents, and (2) in accordance with the Indenture, if the Bond Insurer has not made any payment under the Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (C), “Insurer Default” means: (A) the Bond Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Bond Insurer (including without limitation under the New York Insurance Law).

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APPENDIX B

SALES TAX RECEIPTS

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APPENDIX B

SALES TAX RECEIPTS

Sales Tax Receipts consist of RTA Sales Tax, State Sales Tax and Public Transportation Funds that are transferred by the RTA to the Authority and deposited by the Authority into the Sales Tax Receipts Fund. Set forth below is a detailed description of the components of Sales Tax Receipts. For additional information on Sales Tax Receipts, see *"SALES TAX RECEIPTS" in this Official Statement.*

RTA Sales Tax

RTA Sales Tax consists of the RTA sales and use taxes imposed by the RTA under the RTA Act. The following table sets forth the components of the RTA Sales Tax and associated tax rates currently:

RTA Sales Tax

		Rate		
		Cook County		Collar Counties
RTA Tax	**Description**	**Food and Drug Sales**	**General Sales**	**All Sales**
Retailer's Occupation Tax	Tax upon all persons engaged in the Northeastern Illinois Transit Region in the business of selling tangible personal property at retail, applicable to (i) sales of food for human consumption that is to be consumed off the premises where it is sold (other than alcoholic beverages, soft drinks and food that has been prepared for immediate consumption) and prescription and nonprescription medicines, drugs, medical appliances and insulin, urine testing materials, syringes and needles used by diabetics ("Food and Drug Sales"), and (ii) sales of tangible personal property at retail ("General Sales").	1.25%	1.00%	0.75%
Service Occupation Tax	Tax upon all persons in the Northeastern Illinois Transit Region engaged in the business of making sales of service, who as an incident to making the sales of service, transfer tangible personal property within the Northeastern Illinois Transit Region, either in the form of tangible personal property or in the form of real estate as an incident to a sale of service.	1.25%	1.00%	0.75%
Use Tax	Tax imposed upon the privilege of using in the Northeastern Illinois Transit Region any item of tangible personal property that is purchased outside the Northeastern Illinois Transit Region at retail from a retailer, and *that is titled or registered with an agency of State.* The tax shall be collected from persons whose Illinois address for titling or registration purposes is given as being in the metropolitan region.		Titled or registered property* 1.00%	Titled or registered property* 0.75%

* e.g. cars, boats and aircraft.

On or before the 25th day of each calendar month, the Illinois Department of Revenue prepares and certifies to the Comptroller of the State of Illinois (the "State Comptroller") and to the RTA: (i) the amount of RTA Sales Tax collected in the Collar Counties, (ii) the amount of RTA Sales Tax collected within the City of Chicago, and (iii) the amount of RTA Sales Tax collected in that portion of Cook County outside of Chicago, each amount less refunds to taxpayers. Within 10 days after receipt of the Department of Revenue's certification of RTA Sales Tax, the State Comptroller orders to be drawn for payment: (1) two-thirds of the amounts certified in item (i) above to the RTA Sales Tax Fund, (2) one-third of the amounts certified in item (i) to the Collar Counties, and (3) the amounts certified in items (ii) and (iii) above to the RTA Sales Tax Fund.

State Sales Tax

The following table describes the components of the State Sales Tax and associated tax rates.

State Sales Tax

State Tax	Description	Rate: Food and Drug Sales	Rate: General Sales
Retailer's Occupation Tax	Tax imposed upon persons engaged in the State in the business of selling tangible personal property to purchasers for use or consumption.	1.00%	6.25%
Service Occupation Tax	Tax imposed upon all persons engaged in the State in the business of making sales of service on all tangible personal property transferred as an incident of a sale of service.	1.00%	6.25%
Use Tax	Tax imposed upon the privilege of using in the State tangible personal property purchased in a sale at retail from a retailer.	1.00%	6.25%
Service Use Tax	Tax imposed upon the privilege of using in the State real or tangible personal property acquired as an incident to the purchase of a service from a serviceman.	1.00%	6.25%

In general, 20 percent of the 6.25 percent net State use tax on General Sales and 100 percent of the 1.00 percent net State use tax on Food and Drug Sales are deposited in the State and Local Sales Tax Reform Fund maintained by the State Treasurer. Additionally, 4 percent of the 6.25 percent net State sales tax on General Sales, and 4 percent of the 6.25 percent net State use tax on titled or registered tangible personal property are deposited monthly in the County and Mass Transit District Fund. After certain deductions, 10 percent of the money paid into the State and Local Sales Tax Reform Fund is transferred into the Regional Transportation Authority Occupation and Use Tax Replacement Fund. Of the money paid into the County and Mass Transit District Fund, amounts attributable to retail sales occurring (or vehicles titled or registered) in Cook County are transferred to the RTA Sales Tax Fund.

Public Transportation Funds

Public Transportation Funds represent State money dedicated to public transportation in Illinois in addition to amounts paid for public transportation out of the State Sales Tax. Public Transportation Funds received by the RTA are separated into amounts that must be distributed to the Service Boards pursuant to statutorily prescribed formula allocations (the "Formula PTF") and amounts allocated to the Service Boards at the discretion of the RTA Board ("Discretionary PTF"). The following table sets forth the calculation of Formula PTF and Discretionary PTF.

Public Transportation Funds

Type	Description
Formula PTF	25% of the net revenue (after taxpayer refunds for overpayments), before the deduction of serviceman and retailer discounts, realized by the RTA from (i) 20% of the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 25% of the State Sales Tax collected in Cook County on General Sales, and (iii) one-third of the RTA Sales Tax collected in the Collar Counties on Food and Drug Sales and General Sales, plus
	5% of the net revenue, before deduction of servicemen and retailer discounts, realized from RTA Sales Tax, plus
	5% of amounts deposited into the RTA Tax Fund from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the County and Mass Transit District Fund, plus
	30% of the revenue realized by the Authority as financial assistance from the City of Chicago from the proceeds of the tax imposed by the City of Chicago under the Illinois Municipal Code on the privilege of transferring title to, or beneficial interest in, real property located in the City of Chicago (the "Real Estate Transfer Tax").
Discretionary PTF	25% of the net revenue (after taxpayer refunds for overpayments), before the deduction of serviceman and retailer discounts, realized by the RTA from (i) 80% the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 75% of the proceeds of the RTA Sales Tax collected in Cook County on General Sales and (ii) one-third of the RTA Sales Tax collected in the Collar Counties on Food and Drug Sales and General Sales, plus
	25% of amounts deposited into the RTA Tax Fund from the Regional Transportation Authority Occupation and Use Tax Replacement Fund and the County and Mass Transit District Fund.

Public Transportation Funds are paid from the State's General Revenue Fund into the Public Transportation Fund for the benefit of local units of government responsible for public transportation. No moneys are to be paid from the Public Transportation Fund to the RTA for any fiscal year until the RTA has certified to the Governor, the Comptroller, and the Mayor that the RTA has adopted for that fiscal year an annual budget and two-year financial plan meeting the requirements of the RTA Act.

Within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all System-Generated Revenues for public transportation in the Northeastern Illinois Transit

Region which is provided by, or under grant or purchase of service contracts with, the Service Boards equals 50 percent of the aggregate of all costs of providing public transportation. System-Generated Revenues include all the proceeds of fares and charges for services provided, contributions received in connection with public transportation from units of local government other than the RTA (except for contributions received by the Authority from the Real Estate Transfer Tax, and from grants made by the Illinois Department of Transportation to units of local government, districts, and carriers for the acquisition, construction, extension, reconstruction, and improvement of mass transportation), and all other revenues properly included consistent with generally accepted accounting principles. System-Generated Revenues do not include the proceeds from any borrowing, and all revenues and receipts, including but not limited to fares and grants received from the federal government, the State or any unit of local government or other entity, derived from providing ADA paratransit service. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its Required Recovery Ratio. The Transportation System has never failed to meet the requirement.

Also within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all fares charged and received for ADA paratransit services equals the system-generated ADA paratransit services revenue recovery ratio of the aggregate of all costs of providing the ADA paratransit services. If System-Generated Revenues are less than 10.0 percent of costs, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. The Transportation System has never failed to meet the requirement.

Allocations of RTA Tax Funds

As described above, RTA Sales Tax, State Sales Tax and Public Transportation Funds are ultimately deposited in the RTA Sales Tax Fund maintained by the State Treasurer. After providing for the payment of outstanding RTA bonds and notes issued under the provisions of RTA Act, amounts in the RTA Sales Tax Fund are distributed to the RTA. Of the amount received by the RTA in the form of RTA Sales Tax and State Sales Tax, the RTA is entitled to withhold 15.0 percent for its general corporate purposes. After making special fund deposits for ADA paratransit, community mobility and RTA innovation, coordination and enhancement ("ICE") programs, remaining RTA Sales Tax and State Sales Tax and a portion of Public Transportation Funds are then distributed to the Service Boards, as RTA Formula Funds, in accordance with statutorily-required formula allocations. Additionally, the RTA distributes to the Service Boards discretionary operating funds, as RTA Discretionary Funds, that were derived from the RTA's 15.0 percent retention of RTA Sales Tax and State Sales Tax and the remaining portion of Public Transportation Funds. Although the RTA Act does not specify how RTA Discretionary Funds are to be allocated, the RTA has historically allocated nearly half of the RTA Sales Tax and State Sales Tax and between 90 and 99 percent of Discretionary PTF to the Authority. The percentage allocations of RTA Formula Funds and RTA Discretionary Funds to the Service Boards are set forth in the following tables. All allocations of RTA Formula Funds and RTA Discretionary Funds constitute Sales Tax Receipts.

Allocations of RTA Formula Funds

RTA Sales Tax	Authority % Allocation
85% of 80% of taxes on Food and Drug Sales in Chicago.	100%
85% of 80% of taxes on Food and Drug Sales in Cook County but outside of Chicago.	30%
85% of 75% of taxes on General Sales in Chicago and property titled or registered in Chicago	100%
85% of 75% of taxes on General Sales in Cook County, but sold outside of Chicago, or property titled or registered in Cook County but outside of Chicago.	30%
85% of 50% of taxes on Food and Drug Sales, General sales and property titled or registered in Collar Counties.	
20% of taxes on Food and Drug Sales in Cook County, 25% of taxes on General Sales in Cook County (and property titled or registered in Cook County), and 50% of taxes on Food and Drug Sales, General sales and property titled or registered in Collar Counties (after required deposits into other funds for ADA paratransit, community mobility and ICE programs).	48%
State Sales Tax	
85% of State Sales Tax received by the RTA attributable to retail sales within the City of Chicago.	100%
85% of State Sales Tax received by the RTA attributable to retail sales within Cook County but outside of the City of Chicago.(1)	30%
Public Transportation Funds	
The State's contribution of an amount equal to the amount of RTA State Sales Tax and State Sales Tax distributable to the RTA as Formula PTF, and the State's contribution of an amount equal to 5% of the Real Estate Transfer Tax(2) (after required deposits into other funds for ADA paratransit, community mobility and ICE programs).	48%
The State's contribution of an amount equal to 25% of the Real Estate Transfer Tax.(2)	100%

(1) All of the State use tax received by the RTA from the State and Local Tax Reform Fund are allocated among the Service Boards on the basis of each Service Board's "distribution ratio." The distribution ratio is the ratio of the total amount of RTA Sales Tax distributed to a Service Board for the immediately preceding calendar year to the total amount of RTA Sales Tax distributed to all of the Service Boards for the immediately preceding calendar year.

(2) Public Transportation Funds represent State matching funds determined in part by reference to the Real Estate Transfer Tax paid to the Authority from the City of Chicago. Public Transportation Funds do not represent the actual Real Estate Transfer Tax collected by the City of Chicago and paid to the Authority. RETT Revenues are not part of Sales Tax Receipts and are not pledged to payment of the Series 2022A Bonds. See "FINANCIAL INFORMATION—Public Funding."

Allocations of RTA Discretionary Funds

RTA Sales Tax and State Sales Tax	Authority % Allocation
Amounts authorized by ordinance by the RTA Board from the 15% of RTA Sales Tax and State Sales Tax retained by the RTA (after payment of RTA debt service and operating expenses).	48%
Formula PTF	
25% of (i) 80% of the proceeds of the RTA Sales Tax collected in Cook County on Food and Drug Sales, (ii) 75% of the proceeds of the RTA Sales Tax collected in Cook County on General Sales, (iii) one-third of the RTA Taxes collected in the Collar Counties; and (iv) the amount of State Sales Tax deposited into the RTA Tax Fund.	98%

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APPENDIX C

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX C

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

The Authority's revenue is affected by various economic and demographic factors, including population, economic conditions, employment, fuel costs and consumer and producer prices. Chicago is the third largest economy ranked by GDP in the U.S. and the 22nd largest economy in the world as of 2020.* Set forth below are selected and comparative statistics demonstrating trends in population, economic activity and prices for the sectors and years cited. Information presented for the Northeastern Illinois Transit Region is for Cook County and the Collar Counties of DuPage, Kane, Lake, McHenry and Will, collectively. The Chicago Metropolitan Statistical Area ("Chicago MSA") represents the Northeastern Illinois Transit Region and the Counties of DeKalb, Grundy, and Kendall in Illinois, the Counties of Jasper, Lake, Newton and Porter in Indiana, and the County of Kenosha in Wisconsin. Chicago MSA information is presented where no comparable information is available for the Northeastern Illinois Transit Region.

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[1] (Source: BEA))

Population
1980-2020

Year	Northeastern Illinois Transit Region	Cook County	City of Chicago	State of Illinois
1980	7,103,636	5,253,628	3,005,072	11,427,409
1990	7,261,176	5,105,044	2,783,726	11,430,602
2000	8,091,720	5,376,741	2,896,016	12,419,293
2010	8,316,650	5,194,675	2,695,598	12,830,632
2020	8,445,866	5,275,541	2,746,388	12,812,508

Source: U.S. Census Bureau, www.census.gov/quickfacts/fact/table (accessed February 2, 2022).

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Gross Domestic Product
Percent Change from Preceding Period
2011-2020 (most current)

Year	United States	State of Illinois	Chicago MSA
2011	1.5%	1.9%	1.6%
2012	2.3%	2.1%	2.6%
2013	1.8%	0.0%	0.2%
2014	2.3%	2.1%	2.4%
2015	2.7%	1.4%	2.2%
2016	1.7%	-0.3%	0.4%
2017	2.3%	0.8%	1.3%
2018	2.9%	2.4%	2.6%
2019	2.3%	0.5%	0.7%
2020	-3.4%	-5.1%	-5.4%
2021	5.7%	N/A	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Annual percent change in Real GDP from prior year based on chained 2012 dollars. www.bea.gov/national, www.bea.gov/regional (Interactive table accessed February 3, 2022).

Per Capita Personal Income
2011-2020 (most current)

Year	United States	State of Illinois	Chicago MSA	Cook County
2011	38,094	44,279	46,509	45,866
2012	39,797	46,190	49,031	48,519
2013	39,567	47,285	49,980	49,874
2014	41,402	49,564	52,962	53,622
2015	42,831	51,864	55,769	56,568
2016	43,748	52,543	56,522	57,194
2017	45,511	54,252	58,501	59,285
2018	47,805	57,240	61,970	63,491
2019	49,370	59,115	64,079	65,817
2020	52,800	62,930	67,671	69,935

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Current Dollars http://www.bea.gov/national/ http://www.bea.gov/regional/ (Interactive table accessed February 7, 2022).

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Educational Attainment
2019 (most current)

	United States	State of Illinois	Cook County	City of Chicago
High School Graduate	27.5%	26.4%	23.6%	22.9%
Bachelor's Degree	18.7%	20.2%	22.4%	22.9%
Graduate or Professional Degree	10.9%	11.9%	14.0%	14.2%
Bachelor's Degree or Higher	29.6%	32.1%	36.3%	37.1%

Source: U.S. Census Bureau; 2019: ACS 5-Year Estimates Data Profile
https://www.census.gov/topics/education/educational-attainment/data/tables.html
(accessed February 2, 2022).

Employment
2011–2020
(in thousands)

Calendar Year	State of Illinois	Chicago MSA	Cook County	City of Chicago
2011	5,926	4,356	2,345	1,200
2012	5,989	4,447	2,406	1,232
2013	5,961	4,466	2,418	1,238
2014	6.049	4,540	2,456	1,257
2015	6,120	4,597	2,481	1,271
2016	6,173	4,648	2,500	1,282
2017	6,164	4,655	2,500	1,285
2018	6,189	4,670	2,496	1,286
2019	6,189	4,669	2,494	1,287
2020	5,658	4,247	2,258	1,165

Source: Bureau of Labor Statistics, www.bls.gov/regions/Midwest/il_chicago_md.htm
(Interactive table accessed February 2, 2022).

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Annual Unemployment Rates
2011-2021

Calendar Year	United States	State of Illinois	Chicago MSA	Cook County	City of Chicago
2011	8.9%	9.8%	10.0%	10.6%	11.0%
2012	8.1%	9.0%	9.2%	9.7%	10.0%
2013	7.4%	9.1%	9.1%	9.7%	10.1%
2014	6.2%	7.2%	7.2%	7.6%	7.9%
2015	5.3%	6.0%	6.0%	6.3%	6.6%
2016	4.9%	5.9%	5.8%	6.2%	6.5%
2017	4.4%	5.0%	4.9%	5.2%	5.4%
2018	3.9%	4.4%	4.2%	4.2%	4.4%
2019	3.7%	4.0%	3.9%	4.0%	4.1%
2020	8.1%	9.5%	9.9%	11.1%	12.0%
2021	5.3%	N/A	N/A	N/A	N/A

Source: Bureau of Labor Statistics, https://www.bls.gov/lau/home.htm
(Interactive table accessed February 2, 2022).

Percentage of Total Non-Farm Employment
by Major Industry Sector
November 2021

Sector	United States	State of Illinois	Chicago MSA	MSA Employment (in 000's)
Trade, Transportation and Utilities....	19.1%	20.9%	21.2%	970.3
Education and Health Services	16.1%	15.2%	15.6%	713.1
Government	15.0%	13.5%	11.5%	527.4
Professional and Business Services ...	14.6%	15.8%	17.9%	817.0
Leisure and Hospitality......................	9.8%	8.8%	8.6%	395.9
Manufacturing	8.4%	9.4%	8.8%	400.8
Financial Activities............................	5.9%	6.7%	6.9%	316.9
Construction......................................	5.1%	4.0%	3.9%	177.4
Other Services...................................	3.7%	4.1%	4.0%	183.6
Information	1.9%	1.5%	1.6%	71.1
Mining and Logging	0.4%	0.1%	0.0%	1.8
				4,575.3

Source: Bureau of Labor Statistics "Current Employment Statistics" November 2021
https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm
(Interactive table accessed February 7, 2022).

Largest Non-Government Employers in Chicago Area[1]
(FTE as of 12/31/20)

Employer	Number of Employees
Advocate Aurora Health	26,335
Northwestern Memorial Healthcare	21,999
University of Chicago	18,732
Walmart Inc.	16,711
Amazon.com	16,610
Amita Health	14,282
JP Morgan Chase & Co	13,750
Walgreens Boots Alliance Inc.	13,377
United Continental Holdings Inc.	11,059
Jewel-Osco	10,754

Source: City of Chicago CAFR for the Year Ended 12/31/20

(1) Includes Northeastern Illinois Transit Region and Lake County, Indiana.

Tourism—City of Chicago
2010-2018 (most current)
(in millions)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Visitations	39.3	43.7	46.5	48.5	50.2	52.7	54.1	55.0	57.6

Source: Choose Chicago,
http://www.choosechicago.com/articles/view/research-statistics/927/?fmid=1748
(accessed March 6, 2020).

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Retail Fuel Prices
2011-2021 (most current)
($ per gallon)

Year	Gasoline (Unleaded regular)	On-Highway Diesel Fuel
2011	3.53	3.84
2012	3.64	3.97
2013	3.53	3.92
2014	3.37	3.83
2015	2.45	2.71
2016	2.14	2.30
2017	2.41	2.65
2018	2.74	3.18
2019	2.64	3.06
2020	2.17	2.55
2021	3.05	3.29

Source: U.S. Department of Labor, Bureau of Labor Statistics; US City Average per Gallon; U.S. Energy Information Administration, https://www.eia.gov/totalenergy/data/monthly/#prices (accessed February 2, 2022).

Consumer Price Index (All Urban Consumers)
Year-to-Year Changes[(1)]
2011-2021

Year	U.S. City Average	Chicago MS
2011	3.2%	2.7%
2012	2.1%	1.5%
2013	1.5%	1.1%
2014	1.6%	1.7%
2015	0.1%	-0.3%
2016	1.3%	0.7%
2017	2.1%	1.9%
2018	2.4%	1.8%
2019	1.8%	1.5%
2020	1.2%	1.1%
2021	4.7%	4.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/cpi (Interactive table accessed February 2, 2022).
[(1)] Not seasonally adjusted.

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Producer Price Index
Year-to-Year Changes
2011-2020

Year	Industrial Commodities	Gasoline	Diesel Fuel (No. 2)
2011	8.0%	31.2%	35.8%
2012	0.0%	2.5%	3.1%
2013	0.4%	-3.5%	-2.6%
2014	0.5%	-5.6%	-5.7%
2015	-7.5%	-35.8%	-39.5%
2016	-2.2%	-18.1%	-20.9%
2017	4.9%	18.1%	29.3%
2018	5.2%	18.1%	33.2%
2019	-1.5%	-9.5%	-10.5%
2020	-3.4%	-29.5%	-20.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/ppi (Interactive table accessed February 3, 2022).

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Fortune 500 Companies
Headquartered in the Chicago MSA

Fortune Rank	Company	Headquarters Location
16	Walgreens Boots Alliance	Deerfield IL
51	Archer Daniels Midland	Chicago, IL
54	Boeing	Chicago, IL
68	AbbVie	North Chicago, IL
70	Allstate	Northbrook, IL
89	Abbott Laboratories	Abbott Park, IL
92	Exelon	Chicago, IL
108	Mondelez International	Deerfield IL
128	US Foods Holdings	Rosemont, IL
157	McDonald's	Chicago, IL
161	CDW	Lincolnshire, IL
186	Jones Lang LaSalle	Chicago, IL
199	Tenneco	Lake Forest, IL
233	Discover Financial Services	Riverwoods, IL
240	Illinois Tool Works	Glenview, IL
258	W.W. Grainger	Lake Forest, IL
264	Baxter International	Deerfield IL
266	LKQ	Chicago, IL
283	Conagra Brands	Chicago, IL
362	Univar	Downers Grove, IL
389	Navistar International	Lisle, IL
395	Motorola Solutions	Chicago, IL
401	Old Republic International	Chicago, IL
416	Arthur J. Gallagher	Rolling Meadows, IL
429	Dover	Downers Grove, IL
433	Packaging Corp. of America	Lake Forest, IL
443	Northern Trust	Chicago, IL
451	Ulta Beauty	Bolingbrook, IL
463	Ingredion	Westchester, IL
499	R.R. Donnelley & Sons	Chicago, IL

Source: Fortune500 (accessed February 11, 2022).

APPENDIX D

CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019

(With Independent Auditor’s Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Chicago Transit Authority (CTA), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the CTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the CTA, as of December 31, 2020 and 2019, and the respective changes in its 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.

(Continued)

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the CTA's basic financial statements. The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2020 and 2019, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2020 and 2019 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2020 and 2019 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 29, 2021 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 the effectiveness of CTA's 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 LLP

Crowe LLP

Chicago, Illinois
April 29, 2021

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, 2020 and 2019. 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 2020

- Net position totaled ($869,101,000) at December 31, 2020.
- Net position increased $17,062,000 in 2020 which compares to a decrease $115,208,000 in 2019.
- Total net capital assets were $5,173,793,000 at December 31, 2020, an increase of 2.25% over the balance at December 31, 2019 of $5,059,929,000.

Financial Highlights for 2019

- Net position totaled ($886,163,000) at December 31, 2019.
- Net position decreased $115,208,000 in 2019 which compares to a decrease of $137,645,000 in 2018.
- Total net capital assets were $5,059,929,000 at December 31, 2019, an increase of 2.50% over the balance at December 31, 2018 of $4,936,546,000.

The Financial Statements

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

Overview of the Financial Statements for Business-Type Activities

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

Statements of Net Position

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Statements of Cash Flows

The Statements of Cash Flows discloses net cash provided by or used for operating activities, investing activities, noncapital financing activities, and from capital and related financing activities.

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the basic financial statements and describe the organization, budget, significant accounting policies, related-party transactions, deposits and investments, restrictions on deposits and investments, capital assets, capital lease obligations, bonds payable, long-term liabilities, defined-benefit pension plans, other post-employment benefits, 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.

Financial Analysis of the CTA's Business-Type Activities

Statements of Net Position

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the CTA as of December 31, 2020, 2019, and 2018:

Table 1
Summary of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position
December 31, 2020, 2019, and 2018
(In thousands of dollars)

	2020	2019	2018
Assets:			
Current assets	$ 728,508	$ 633,635	$ 696,275
Capital assets, net	5,173,793	5,059,929	4,936,546
Noncurrent assets	591,848	354,624	430,392
Total assets	6,494,149	6,048,188	6,063,213
Total deferred outflows of resources	206,448	312,255	185,039
Total assets and deferred outflows of resouces	$ 6,700,597	$ 6,360,443	$ 6,248,252
Liabilities:			
Current liabilities	$ 914,167	$ 847,915	$ 758,276
Long-term liabilities	6,633,523	6,378,597	6,260,931
Total liabilities	7,547,690	7,226,512	7,019,207
Total deferred inflows of resources	22,008	20,094	-
Net position			
Net investment in capital assets	2,318,323	2,372,455	2,510,818
Restricted:			
Payment of leasehold obligations	2,032	2,227	2,297
Debt service	129,159	71,631	70,804
Unrestricted (deficit)	(3,318,615)	(3,332,476)	(3,354,874)
Total net position	(869,101)	(886,163)	(770,955)
Total liabilities, deferred inflows of resources, and net position	$ 6,700,597	$ 6,360,443	$ 6,248,252

Year Ended December 31, 2020

Current assets increased by $94,873,000 primarily due to higher capital receivable balances.

Capital assets (net) increased by $113,864,000 or 2.25% to $5,173,793,000 due to more capital funding. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), U.S. Department of Transportation, the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets increased by 66.89% to $591,848,000 due to the receipt of the 2020 bond proceeds.

Current liabilities increased 7.81% to $914,167,000 primarily due to higher accrued payroll.

Long-term liabilities increased by $254,926,000 or 4.00% to $6,633,523,000. The increase is due to an increase in bonds payable related to the 2020A and 2020B Series bonds.

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 0.41% over the prior year.

Year Ended December 31, 2019

Current assets decreased by $62,640,000 primarily due to lower operating and capital receivable balances.

Capital assets (net) increased by $123,383,000 or 2.50% to $5,059,929,000 due to more capital funding. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), U.S. Department of Transportation, the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 17.60% to $354,624,000 due to capital spending of bond proceeds.

Current liabilities increased 11.82% to $847,915,000 primarily due to the capital line of credit balance due in 2020.

Long-term liabilities increased by $117,666,000 or 1.88% to $6,378,597,000. The increase is primarily due to increases in the net pension liability associated with the employee pension plan in accordance with GASB 68 and in the capital lines of credit.

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, increased 2.81% over the prior year.

Statements of Revenues, Expenses, and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses, and changes in net position (in thousands) for the years ended December 31, 2020, 2019, and 2018:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2020, 2019, and 2018
(In thousands of dollars)

	2020	2019	2018
Operating revenues	$ 278,469	$ 654,009	$ 656,076
Operating expenses:			
Operating expenses	1,463,634	1,451,594	1,435,054
Depreciation	500,980	500,475	459,447
Total operating expenses	1,964,614	1,952,069	1,894,501
Operating loss	(1,686,145)	(1,298,060)	(1,238,425)
Nonoperating revenues:			
RTA operating assistance	739,933	818,211	809,352
FTA operating assistance - CARES	483,829	-	-
Build America Bond subsidy	10,176	10,127	10,090
Other nonoperating revenues	28,191	42,400	39,112
Total nonoperating revenues	1,262,129	870,738	858,554
Nonoperating expenses	(194,174)	(190,124)	(198,936)
Change in net position before capital contributions	(618,190)	(617,446)	(578,807)
Capital contributions	635,252	502,238	441,162
Change in net position	17,062	(115,208)	(137,645)
Total net position, beginning of year	(886,163)	(770,955)	(633,310)
Total net position, end of year	$ (869,101)	$ (886,163)	$ (770,955)

Year Ended December 31, 2020

Total operating revenues decreased by $375,540,000, or 57.42% primarily due to sharply lower ridership as a result of the COVID-19 pandemic.

Farebox and pass revenue decreased $352,467,000 due to lower ridership. CTA's ridership decreased by 56.6% or 257.7 million rides over the prior year. CTA's average fare of $1.18 was $0.11 lower than 2019.

In 2020, CTA provided approximately 53,121,000 free rides, a decrease of 14,665,000 or 21.63% over 2019. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses increased $12,545,000, or 0.64%. The increase is primarily driven by higher labor expense. Labor expense increased $12,036,000 primarily due to an increase in paid time off as a result of the COVID-19 pandemic.

Year Ended December 31, 2019

Total operating revenues decreased by $2,067,000, or 0.32% primarily due to a decrease in farebox revenue.

Farebox and pass revenue decreased $3,494,000 primarily due to lower ridership. CTA's ridership decreased by 2.8% or 12.9 million rides over the prior year. CTA's average fare of $1.29 was $0.03 higher than 2018.

In 2019, CTA provided approximately 67,786,000 free rides, an increase of 1,634,000 or 2.47% over 2018. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses increased $57,568,000, or 3.04%. The increase is primarily driven by higher depreciation and labor expense. Labor expense increased $47,017,000 primarily due to an increase in actuarial estimates for pension costs. Depreciation expense increased $41,028,000.

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

Table 3
Operating Revenues and Expenses
Years ended December 31, 2020, 2019, and 2018
(In thousands of dollars)

	2020	2019	2018
Operating Revenues:			
Farebox revenue	$ 132,463	$ 350,992	$ 359,614
Pass revenue	100,367	234,305	229,177
Total farebox and pass revenue	232,830	585,297	588,791
Advertising and concessions	20,898	38,987	37,844
Other revenue	24,741	29,725	29,441
Total operating revenues	$ 278,469	$ 654,009	$ 656,076
Operating Expenses:			
Labor and fringe benefits	$ 1,175,565	$ 1,163,529	$ 1,116,512
Materials and supplies	74,800	67,652	90,474
Fuel	37,125	40,396	32,079
Electric power	24,656	31,560	31,162
Purchase of security services	19,976	14,920	17,502
Other	108,647	104,801	111,677
Operating expense before provisions	1,440,769	1,422,858	1,399,406
Provision for injuries and damages	22,865	28,736	35,648
Provision for depreciation	500,980	500,475	459,447
Total operating expenses	$ 1,964,614	$ 1,952,069	$ 1,894,501

Capital Asset and Debt Administration

Capital Assets

The CTA has $13,799,527,000 in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2020 recorded at historical cost. Net of accumulated depreciation, the CTA's capital assets at December 31, 2020 totaled $5,173,793,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $113,864,000, or 2.25%, over the December 31, 2019 balance primarily due to an increase in capital funding.

The CTA has $13,204,811,000 in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2019 recorded at historical cost. Net of accumulated depreciation, the CTA's capital assets at December 31, 2019 totaled $5,059,929,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $123,383,000, or 2.50%, over the December 31, 2018 balance primarily due to an increase in capital funding.

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

Debt Administration

Long-term obligations includes capital lease obligations payable, accrued pension costs, bonds payable, certificates of participation, and fare collection purchase agreement.

At December 31, 2020, the CTA had $58,330,000 in capital lease obligations outstanding, a decrease from the prior year due to principal payments on lease transactions. The bonds payable liability increased by a net amount of $323,155,000 due to new debt issued in 2020. Current liabilities increased 7.81% to $914,167,000 primarily due to higher accrued payroll. Long-term liabilities increased by $254,926,000 or 4.00% to $6,633,523,000. The increase is primarily due to an increase in bonds payable, which was partially offset by a decrease in the net pension liability associated with the employee pension plan in accordance with GASB 68.

At December 31, 2019, the CTA had $67,867,000 in capital lease obligations outstanding, a decrease from the prior year due to principal payments on lease transactions. The bonds payable liability decreased by $97,860,000 primarily due to debt service payments. Current liabilities increased 11.82% to $847,915,000 primarily due to the capital line of credit balance due in 2020. Long-term liabilities increased by $117,666,000 or 1.88% to $6,378,597,000. The increase is primarily due to increases in the net pension liability associated with the employee pension plan in accordance with GASB 68 and in the capital lines of credit.

Additional information on the debt activity can be found in notes 7, 8, 9, 10, 11, and 12 of the audited financial statements.

2021 Budget and Economic Factors

On November 18, 2020, the CTA Board adopted the fiscal Year 2021 operating budget of $1.645 billion and capital budget of $3.4 billion. After adoption, the budgets were submitted to and approved by the RTA Board (the regional oversight agency) on December 17, 2020. The 2021 operating budget maintains bus and rail service levels while the capital budget continues historic investments to modernize and improve the customer experience.

Despite the financial challenges that the CTA faces due to this pandemic, the 2021 Proposed Operating Budget of $1.645 billion does not include any reductions in bus or rail service or changes to the fare structure. This budget utilizes all available sources at its disposal, including system-generated revenue, public funding, Coronavirus Aid, Relief and Economic Security (CARES) Act federal funding, as well as other budget balancing actions.

In March 2020, President Trump signed the CARES Act into law, providing emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. Included within this legislation is $25 billion in financial assistance for public transportation agencies for eligible expenses to prevent, prepare for, and respond to COVID-19, as well as maintaining essential transit services during the pandemic. The CTA was allocated $817.5 million in federal funding from this law and is using this critical funding to offset shortfalls in system-generated revenues and public funding due to the pandemic. The CTA will carryover approximately $333.7 million from the CARES Act funding into 2021 to help offset continued projected shortfalls.

In December 2020, Federal Omnibus government budget appropriation bill (Public Law No: 116-260) included the second installment of COVID-19 emergency relief funding in Division titled "Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The bill provides $14 billion for the nation's Public Transit agencies to provide for costs and to replace lost revenues due to the pandemic. CTA has been allocated $361.3 million and the application is in progress as of April 29, 2021. The federal CRRSAA funds are expected to offset the remaining FY 2021 projected budget shortfalls.

The CTA is actively working with the American Public Transportation Association (APTA) and other transit agencies around the country to advocate for additional federal funding. The CTA and other transit agencies around the country continue to advocate for additional federal funding to avoid other undesirable options, which have historically included service adjustments or fare increases. As the local economy continues to reopen gradually through the year, ridership levels in 2021 are projected to be 54 percent below 2019 levels. Public Funding levels for 2021 are projected to be 18 percent lower than 2019 levels and 5 percent lower than forecasted 2020 levels due to restrictions on activities that led to a significant contraction in state and local sales tax revenues.

In addition to financial challenges associated with the COVID-19 health pandemic, CTA has been subject to financial pressures and conditions outside the agency's control in recent years. The first is unexpected State of Illinois operating budget cuts that have significantly impacted public funding revenues and the Reduced Fare Reimbursement (RFR). The RFR has been cut by approximately 50 percent of historical levels each year since 2015. The State of Illinois fiscal year 2020 and 2021 imposes a 1.5% surcharge on sales tax receipts and 5.0% cut to Public Transportation Funding (PTF). The estimated impact of these State cuts on the CTA Budget is approximately $38 million annually. The second factor is that CTA's cost for pension obligations will continue to increase for 2021 due to actuarial requirements to maintain the needed funding ratio per Illinois state law.

The Proposed 2021 Operating Budget is balanced between expenses, system generated revenues, and traditional public funding, and federal COVID-19 Emergency funding. CTA continues to maintain existing service levels while holding fares constant, even as the impact of COVID and State funding reductions continue to impact revenues.

System-generated revenues in 2021 are projected to be $338.3 million, a $357.3 million decrease compared to the 2020 budget and a $36.2 million increase compared to the 2020 forecast. COVID-19 has impacted more than CTA farebox revenues. Advertising revenue is about 20% below 2019 levels as companies have reduced advertising initiatives at this time. Film and TV projects have been shut down for a period of time, which was another CTA revenue stream. Lower ridership has also resulted in less parking revenues at CTA lots and lower vending revenue at rail stations.

Public funding for 2021 is budgeted to be $671.3 million, a $203.5 million decrease compared to the original 2020 budget and a $35.4 million decrease from the 2020 forecast. As a result of the economic recession due to the COVID-19 health pandemic, state and local sales tax revenues have been severely negatively impacted due to stay-at-home mandates and restrictions on business activity to help slow the spread of COVID-19. While the local economy began to gradually reopen in the second half of 2020, it could take years for a full economic recovery from this pandemic, which will impact state and local public funding available to the CTA for the foreseeable future. Offsetting a portion of the public funding decline is a change to the state sales tax laws, which includes RTA's sales taxes being collected on more online transactions. RTA estimates this will provide in excess of $50 million for the region for 2021 and beyond.

Prior to the COVID-19 health pandemic, growing employment levels combined with high downtown parking costs increase the relative value of public transportation. As a result of the COVID-19 health pandemic that began in March 2020, stay-at-home orders were mandated at the state level for nonessential activities to help slow the spread of COVID-19. This led to a substantial increase in telework and procurement of online services, which reduced trips taken across all transportation modes.

CTA's 2021 budget is aligned with CTA's strategic priorities of safety, customer experience and workforce development.

Safety and Security initiatives include the ongoing five-year multi-faceted program aimed at increasing safety across the system. As part of this program, CTA will add 1,000 new cameras and upgrade more than 3,800 older-model cameras throughout the system to high-definition (HD). New cameras will be installed at more than 100 CTA bus turnaround locations, and video monitors will be added to all CTA rail stations to aid personnel in monitoring station and customer activity. New lighting, repairs and other improvements will also enhance safety at about 100 CTA rail stations. To date, more than 1,500 new HD cameras have been installed at nearly 50 stations across the Red, Blue, Brown, Green, Orange and Pink lines. In 2020, crews have been working to equip 50 of the identified 100 bus turnarounds with up to 200 new security cameras. Each location will feature an innovative camera POD enclosure that can accommodate up to six cameras based on the size and needs of respective bus turnaround sites. Similar work is expected to begin on the remaining 50 bus turnaround locations in 2021 and continue through 2022.

It is vital that work continues to modernize infrastructure, enhance safety and security, enrich workforce development, and improve the customer experience. Doing so will not only help play a pivotal role in restarting the local economy it will also help ensure the CTA can accommodate returning riders in a safe, reliable way. Since the onset of the pandemic, the CTA has remained steadfast in its efforts to provide the highest levels of service possible, the safest possible environment for customers and employees, and extensively promoting healthy travel habits. The following are some of the measures the CTA has implemented in response to the COVID-19 pandemic:

- Tripling the resources to allow for the cleaning and disinfecting of our buses, trains, and stations throughout the day
- Implementing new cleaning tools to further enhance our already rigorous cleaning process, including the use of electrostatic sprayers which create a fine mist to clean and disinfect buses and trains more effectively
- Saturating the system with signage as part of a targeted customer education and awareness campaign highlighting the importance of social distancing, wearing masks, and following public health guidance
- Instituting new policies regarding vehicle capacity limits to promote social distancing and ensure the health and safety of riders and employees
- Closely monitoring crowding conditions and designing a CTA-specific “Ridership Information Dashboard” to allow riders to choose the best time to travel
- Piloting pop-up, essential bus lanes to allow for bus service to be prioritized

In addition to following CDC guidelines per pandemic, CTA continues to enhance the customer experience through a number of initiatives such that include the following: (1) “Fast Tracks” a targeted multi-year program of track repairs and maintenance that provides faster commutes and smoother rides for ‘L’ customers, reducing and preventing slow zones on the rail system; (2) Planning to launch with the Chicago Department of Transportation a program of nine Bus Priority Zones aimed at improving bus speed and reliability. Bus Priority Zones target pinch points areas that cause delays on high ridership, frequent bus routes that span across the city; (3) Introducing Pre-Paid boarding on two of CTA's high use bus routes as a precursor to more extensive implementation system-wide; (4) Making up to eight stations vertically accessible over the next series of years as a part of CTA's All Stations Accessibility Plan to make all stations accessible; (5) Adding a digital Ventra fare card, beyond Apple, to more mobile wallets including Google Pay to the Ventra fare application; and (6) a multi-year initiative to install 775 new digital screens; nearly tripling the 425 digital screens currently found across CTA's rail system. The new screens will include large format displays; in-station and street level screens; interactive digital kiosks and a digital advertising display in every CTA station.

An important element of CTA's workforce development plan is the Second Chance Program. The program continues to provide valuable training, educational and career opportunities to Chicago residents who are met with challenges re-entering the workforce. To date, more than 1,300 people have participated in this invaluable program and more than 360 program participants have secured permanent employment with the CTA, with several later promoted to management-level positions. Many others have secured permanent jobs elsewhere because of their successful experience at the CTA.

In 2021 CTA will continue to pursue long-term priorities, which focus on improving service to customers. With the influx of State funds from the Rebuild Illinois Grant, the Agency will continue to make extensive investments in its bus and rail system, along with modernizing its infrastructure. The Red-Purple Modernization (RPM) project is one of five major construction projects the CTA has embarked on; RPM is a $2.1 billion investment to modernize and add capacity to the CTA's busiest rail corridor. CTA awarded a contract to the Walsh-Fluor Design Build Team in 2018; Major construction began in October 2019 with the start of construction of a new Red-Purple Bypass north of the Belmont Red, Purple and Brown Line station; estimated construction completion of Bypass FY2021; structure and track renewal work along the corridor will also initiate in 2021. In addition, CTA continues to move forward with its planning for the proposed $2.3 billion Red Line Extension (RLE) project between 95th and 130th streets. The proposed 5.3-mile extension would include four new, fully accessible stations at 103rd Street, 111th Street, Michigan Avenue and 130th Street. In 2018, the CTA selected a preferred alignment for the extension, and awarded a Program Management Contract. The Program Manager will oversee final environmental review and preliminary engineering work necessary to ultimately seek federal funding for the project. In 2019, the agency committed $310 million to advance the project beyond Project Development phase. In 2020 RLE entered the Project Development Phase. Furthermore, as Your New Blue (YNB) finalizes Phase 4 Signal improvements from Jefferson Park to O'Hare and with the influx of State funds the agency is able to further modernize the Blue Line O'Hare branch. YNB will reconstruct the Harlem Bus Bridge at the O'Hare Harlem Station; it will also replace canopies at the Montrose and Irving Park Stations in addition to adding two new Blue Line substations and providing for traction power improvements along the O'Hare Branch. Lastly, CTA continues with its two new initiatives to modernize and improve the rail system: the Green Line Improvements and the Forest Park Branch on the Blue Line. The Green Line Improvements will enhance its infrastructure including track, substations, traction power cable replacement and all local traction power cables throughout the line system. The Forest Park - Blue Line Upgrades project is the first of four phases of the Forest Park Branch. It will provide for new track-work from Halsted to Illinois Medical District, rehabilitate the Racine station making it ADA compliant, advanced utility work, and add a new substation and traction power equipment at Hermitage.

Major projects completed or substantially underway in 2020:

Vehicles – As of 2020, CTA received 6 of 20 electric buses. Buses received post-delivery inspection and a HVAC upgrade; Also, in 2020 CTA announced Request for Proposal (RFP) for a base order of 100 buses with an Option up to 500 additional buses to begin replacement of the New Flyers 1,030 buses, contract to be awarded early 2021. The agency is also reviewing final specs on the life-extending overhaul (430) 1000-Series New Flyer buses, anticipated award contract 2021. On the rail system CTA received and began non-revenue testing on ten (10) 7000 Series Prototype railcars, CTA also completed Phase One (pre-overhaul) on the 5000-Series Rail Cars (714 cars), overhaul program planned in two phases. In addition, design and award contract for 4 Diesel Locomotives was approved anticipated delivery 2022. **Infrastructure** - Major construction continued thru 2020 on the new Red-Purple Bypass north of the Belmont Red, Purple and Brown Line station; anticipated Bypass completion 2021. The City of Chicago also continued construction on the new Green Line station located at Damen/Lake. **Renewal of Track and Structure** –CTA and the City of Chicago continues its efforts to improve and enhance the system with the scheduled multi-year programs Fast Tracks and Safe & Secure. In 2020, work has been completed on the Nagle Curve and State Street Improvements; CTA also completed design on two new substations and new tie house at Barry, Damen and Canal on the Blue line construction to begin in 2021.

Among the capital projects to continue or begin in FY 2021:

Vehicles - CTA anticipates delivery of the remaining 14 of the 20 contracted electric buses, buses are scheduled to be in service by end of FY21; Five (5) chargers are also expected along with buses; Also, in early 2021 the Authority anticipates the design and award contract for the purchase of up to 600 new buses, to begin replacement of 1,030 New Flyers buses. CTA will initiate revenue testing mid 2021 on ten (10) 7000 Series Prototype railcars; In addition, the agency continues with Phase Two of the Quarter-life Overhaul Program for the 5000-Series Rail Cars (714 cars), Second Phase to begin mid-year 2021 and scheduled to continue through 2025. **Infrastructure** – In FY2021 CTA will initiate re-design on the Austin, California, Racine and Cottage Grove Stations to accommodate elevators and other ADA related upgrades; the agency also expects to award Design/Build contract for the Non-Revenue Shop in 2021; **Renewal of Track and Structure** – Substantial completion is expected by 3rd quarter for the Signal Upgrades from Jefferson Park to O'Hare on the Blue Line. In addition, CTA will continue its efforts to improve and enhance the system with the scheduled multi-year programs Fast Tracks and Safe & Secure initiating construction on the State (Red), Dearborn (Blue) Subway Improvements and the Blue Line Tactical Traction Upgrades. Planning/Design for the Lake Street Bridge will continue in FY2021 in coordination with Chicago Department of Transportation.

Many capital projects include distinctive architecture and public art from notable Chicago and international artists, part of ongoing efforts to make public transportation more attractive and to highlight communities.

Legislation

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

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

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

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue $640 million in pension obligation bonds to fund the healthcare trust. Subsequent to the 2008 legislation, the Board of Trustees of the Retiree Healthcare Trust amended the eligibility requirements to receive postemployment health benefits. Effective January 1, 2018, employees will be eligible for retiree healthcare at or after the age of 65 with 10 years of continuous service or at or after age 55 or at pension start date (whichever is later) 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, 2020 and 2019
(In thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 123,994	$ 111,639
Cash and cash equivalents restricted for damage reserve	42,451	50,071
Investments	20	14,900
Total cash, cash equivalents, and investments	166,465	176,610
Operating and capital receivables:		
Due from the RTA	209,178	235,674
Unbilled work in progress	287,081	142,821
Other	14	171
Total operating and capital receivable	496,273	378,666
Accounts receivable, net	28,936	43,385
Materials and supplies, net	30,767	29,133
Prepaid expenses and other assets	6,067	5,841
Total current assets	728,508	633,635
Noncurrent assets:		
Other noncurrent assets:		
Restricted bond proceeds held by trustee	591,140	353,926
Restricted assets held by trustee for supplemental retirement plans	708	698
Total other noncurrent assets	591,848	354,624
Capital assets:		
Capital assets not being depreciated:		
Land	173,027	173,028
Construction in process	936,139	601,571
Total Capital assets not being depreciated	1,109,166	774,599
Capital assets being depreciated	12,690,361	12,430,212
Less accumulated depreciation	(8,625,734)	(8,144,882)
Total capital assets being depreciated, net	4,064,627	4,285,330
Total capital assets, net	5,173,793	5,059,929
Total noncurrent assets	5,765,641	5,414,553
Total assets	6,494,149	6,048,188
Deferred outflows of resources		
Deferred loss on refunding	25,022	10,153
Pension outflows - CTA Retirement Plan	181,426	302,102
Total deferred outflows of resources	206,448	312,255
Total assets and deferred outflows of resources	$ 6,700,597	$ 6,360,443

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 266,837	$ 256,853
Accrued payroll, vacation pay, and related liabilities	188,594	131,666
Accrued interest payable	18,815	21,529
Advances, deposits, and other	18,211	27,217
Unearned passenger revenue	75,752	73,784
Other unearned revenue	2,278	2,280
Unearned operating assistance	43,981	42,953
Current portion of long-term liabilities	299,699	291,633
Total current liabilities	914,167	847,915
Long-term liabilities:		
Self-insurance claims, less current portion	194,437	185,625
Capital lease obligations, less current portion	57,442	61,006
Bonds payable, less current portion	4,336,607	4,006,526
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable	105,636	81,731
Capital line of credit - note purchase agreement	105,700	119,000
Net pension liability - CTA Employees' Retirement Plan	1,765,839	1,847,007
Net pension liability - CTA Supplemental Plans	32,857	32,031
Total other postemployment benefits liability	10,553	9,820
Other long-term liabilities	24,452	35,851
Total long-term liabilities	6,633,523	6,378,597
Total liabilities	7,547,690	7,226,512
Deferred inflows of resources		
Pension inflows - CTA Retirement Plan	20,669	19,170
Pension inflows - CTA Supplemental Plans	1,339	924
Total deferred inflows of resources	22,008	20,094
Net position:		
Net investment in capital assets	2,318,323	2,372,455
Restricted:		
Payment of leasehold obligations	2,032	2,227
Debt service	129,159	71,631
Unrestricted (deficit)	(3,318,615)	(3,332,476)
Total net position	(869,101)	(886,163)
Total liabilities, deferred inflows of resources, and net position	$ 6,700,597	$ 6,360,443

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Operating revenues:		
Fare box revenue	$ 132,463	$ 350,992
Pass revenue	100,367	234,305
Total fare box and pass revenue	232,830	585,297
Advertising and concessions	20,898	38,987
Other revenue	24,741	29,725
Total operating revenues	278,469	654,009
Operating expenses:		
Labor and fringe benefits	1,175,565	1,163,529
Materials and supplies	74,800	67,652
Fuel	37,125	40,396
Electric power	24,656	31,560
Purchase of security services	19,976	14,920
Maintenance and repairs, utilities, rent, and other	108,647	104,801
	1,440,769	1,422,858
Provisions for injuries and damages	22,865	28,736
Provision for depreciation	500,980	500,475
Total operating expenses	1,964,614	1,952,069
Operating expenses in excess of operating revenues	(1,686,145)	(1,298,060)
Nonoperating revenues (expenses):		
RTA operating assistance	739,933	818,211
FTA operating assistance - CARES	483,829	-
Reduced-fare subsidies	14,829	14,606
Build America Bond subsidy	10,176	10,127
Operating grant revenue	4,274	9,613
Contributions from local government agencies	5,000	5,000
Investment income	3,993	13,181
Gain on sale of assets	95	-
Interest expense on bonds and other financing	(191,241)	(186,931)
Interest expense on leasing transactions	(2,933)	(3,193)
Total nonoperating revenues, net	1,067,955	680,614
Change in net position before capital contributions	(618,190)	(617,446)
Capital contributions	635,252	502,238
Change in net position	17,062	(115,208)
Total net position – beginning of year	(886,163)	(770,955)
Total net position – end of year	$ (869,101)	$ (886,163)

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Cash received from fares	$ 234,798	$ 585,865
Payments to employees and benefit payments	(1,084,465)	(1,105,361)
Payments to suppliers	(259,730)	(297,746)
Other receipts	51,080	54,968
Net cash flows used in operating activities	(1,058,317)	(762,274)
Cash flows from noncapital financing activities:		
RTA operating assistance	767,457	898,226
FTA operating assistance - CARES	407,407	-
Reduced-fare subsidies	14,829	14,606
Operating grant revenue	4,274	9,613
Contributions from local governmental agencies	5,000	5,000
Net cash flows provided by noncapital financing activities	1,198,967	927,445
Cash flows from capital and related financing activities:		
Interest payments on bonds	(188,134)	(195,912)
Repayment of lease obligations	(12,723)	(18,976)
Proceeds from issuance of bonds	388,289	-
Proceeds from capital line of credit - note purchase agreement	181,835	158,915
Proceeds from issuance of Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds	25,512	2,840
Repayment of bonds payable	(72,885)	(105,403)
Repayment of line of credit - note purchase agreement	(179,800)	-
Repayment of Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds	(1,552)	-
Repayment of other long-term liabilities	(10,887)	(10,396)
Payments for acquisition and construction of capital assets	(625,093)	(586,148)
Proceeds from the sale of property and equipment	127	-
Build America Bond subsidy	10,176	10,127
Capital grants	567,571	516,629
Net cash flows used in capital and related financing activities	82,436	(228,324)
Cash flows from investing activities:		
Purchases of unrestricted investments	(20)	(14,900)
Proceeds from maturity of unrestricted investments	14,900	43,691
Restricted cash and investment accounts:		
Purchases	(2,034,533)	(1,108,488)
Withdrawals	1,797,309	1,184,256
Investment revenue	3,993	13,181
Net cash flows provided (used) by investing activities	(218,351)	117,740
Net increase (decrease) in cash and cash equivalents	4,735	54,587
Cash and cash equivalents – beginning of year	161,710	107,123
Cash and cash equivalents – end of year	$ 166,445	$ 161,710

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	$ (1,686,145)	$ (1,298,060)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	500,980	500,475
(Increase) decrease in assets:		
Accounts receivable	14,449	(5,602)
Materials and supplies	(1,634)	1,569
Prepaid expenses and other assets	(226)	(267)
Deferred outflow - pension	120,676	20,094
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	20,201	(17,607)
Accrued payroll, vacation pay, and related liabilities	56,928	(5,636)
Self-insurance reserves	1,189	(6,719)
Unearned passenger revenue	1,968	568
Other unearned revenue	(2)	(15)
Advances, deposits, and other	(9,006)	(8,127)
Net pension liability	(80,342)	187,364
Total OPEB liability	733	69
Deferred inflow - pension	1,914	(130,380)
Net cash flows used in operating activities	$ (1,058,317)	$ (762,274)

	2020	2019
Noncash investing and financing activities:		
Retirement of fully depreciated capital assets	$ 20,128	$ 73,604
Purchases of capital assets in accounts payable at year-end	106,289	116,506
RTA operating assistance not received	209,178	325,674
Unbilled work in progress	287,081	142,821
Bonds refunded with proceeds going directly to escrow agents	513,611	-

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Position
Qualified Supplemental Retirement Plan
December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Assets:		
Contributions from employees	$ 79	$ 55
Contributions from employer	-	280
Investments at fair value:		
Short-term investments	80	93
U.S. fixed income	9,369	10,394
Common stock	23,046	21,665
Real estate	3,993	4,217
Total investments at fair value	36,488	36,369
Total assets	36,567	36,704
Liabilities:		
Accounts payable and other liabilities	25	17
Total liabilities	25	17
Net position restricted for pensions	$ 36,542	$ 36,687

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Position
Qualified Supplemental Retirement Plan
Years ended December 31, 2020 and 2019
(In thousands of dollars)

	2020	2019
Additions:		
Contributions:		
Employee	$ -	$ 29
Employer	870	1,120
Total contributions	870	1,149
Investment income:		
Net increase (decrease) in fair value of investments	2,148	3,327
Investment income	1,145	2,191
Total investment income	3,293	5,518
Total additions	4,163	6,667
Deductions:		
Benefits paid to participants or beneficiaries	4,093	4,192
Administrative fees	215	228
Total deductions	4,308	4,420
Net increase (decrease)	(145)	2,247
Net position restricted for pensions		
Beginning of year	36,687	34,440
End of year	$ 36,542	$ 36,687

See accompanying notes to financial statements.

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 is not a component unit of any other entity.

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

The CTA participates in the Retiree Health Care Trust (RHCT), which provides and administers health care benefits for CTA retirees and their dependents and survivors. The Retiree Health Care Trust was established by Public Acts 94-839 and 95-708. The RHCT is not a fiduciary fund or a component unit of the CTA. This trust is a legal entity separate and distinct from the CTA. This trust is administered by its own board of trustees comprised of three union representatives, three representatives appointed by the CTA and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the RHCT. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

The CTA administers supplemental retirement plans that are separate, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board), (2) closed (Non-Qualified) supplemental plan for members retired or terminated from employment before March 2005, including early retirement incentive, and (3) closed (Qualified) 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 (Qualified Supplemental Retirement Plan). The Qualified plan is administered by a committee that is appointed by the Board of Directors of the CTA. In addition, there is a financial burden as the CTA has the obligation to make contributions to the Qualified plan. Based on this, the trust for the Qualified plan is reported as a fiduciary component unit. Whereas the activities for the Non-Qualified 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 (Qualified Supplemental Retirement Plan) activities. Separate statements for each category, business-type and fiduciary, are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations are provided; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

The financial statements for the CTA's business-type activities are used to account for the CTA's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the CTA maintains its records on the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the CTA are included in the Statements of Net Position.

The principal operating revenues of the CTA are bus and rail passenger fares. The CTA also recognizes as operating revenue the rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Operating expenses for the CTA include the costs of operating the mass transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the CTA receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the CTA on a reimbursement basis.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Qualified Supplemental Retirement Plan. The assets of the Qualified 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.

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.

Materials and Supplies: Materials and supplies are stated at average cost 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.

Bond proceeds held by trustee: During various fiscal years, 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. For more detailed information see Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: All capital assets are stated at cost. Capital assets are defined as assets which (1) have a useful life of one year or more and a unit cost of more than $5,000, (2) have a unit cost of $5,000 or less, but which are part of a network or system conversion, or (3) were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. Interest is capitalized on constructed capital assets. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capitalized interest cost is amortized on the same basis as the related asset is depreciated. Projects funded with bond proceeds incurred $29,366,597 and $28,396,546 of interest expense for the years ended December 31, 2020 and 2019, respectively. Of those interest costs incurred, $93,032 and $74,467 were capitalized during the years ended December 31, 2020 and 2019, respectively.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

	Years
Buildings	10-40
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.

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Deferred Inflows of Resources: A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

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 16. 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.

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, which is materiality consistent with the effective interest method.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (the Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more detailed information see Notes 13 and 14.

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 is recorded on an annual basis based on the results of an actuarial valuation in conformity with GASB 67 and 68. For more detailed information see Note 13.

Fare Box and Pass Revenues: Fare box and pass revenues are recorded as revenue at the time services are performed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that are scheduled to become effective for periods beginning after June 15, 2018. The provisions of this Statement became effective for the CTA during fiscal year 2020 and will postpone the implementation of GASBs 87, 89, 91, 92, and 93.

Future Pronouncements:

In June 2017, GASB issued Statement No. 87 *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Upon the CTA's adoption of GASB Statement No. 95, the effective date of the Statement was delayed for the CTA. The Statement is now effective for reporting periods beginning after June 15, 2021.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Upon the CTA's adoption of GASB Statement No. 95, the effective date of the Statement was delayed for the CTA. The Statement is now effective for reporting periods beginning after December 15, 2020.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; sets standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Upon the CTA's adoption of GASB Statement No. 95, the effective date of the Statement was delayed for the CTA. The Statement is now effective for reporting periods beginning after December 15, 2021.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, the applicability of Statements 73 and 74 to reporting assets accumulated for postemployment benefits, the applicability of Statement 84 to postemployment benefit arrangements, measurement of liabilities and assets related to asset retirement obligations in a government acquisition, and reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature. The topics within this Statement that were not effective for the CTA's fiscal year ended December 30, 2020 were, upon the CTA's adoption of GASB Statement No. 95, delayed for the CTA until reporting periods beginning after June 15, 2021.

In March 2020, GASB issues Statement No. 93, *Replacement of Interbank Rates.* The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Upon the adoption of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate is delayed for the CTA until the reporting periods ending after December 31, 2022. All other requirements of this Statement are delayed till reporting periods beginning after June 15, 2021.

In April 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). In addition, the statement provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria*, *and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units when a potential component unit does not have a governing board and the primary government performs those duties; (2) mitigate costs associated with reporting; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. The topics within this Statement that were not effective for the CTA's fiscal year ended December 31, 2020 are effective for the CTA's fiscal year beginning after June 15, 2021.

Management has not yet determined the impact of these statements on the basic financial statements.

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with GAAP, except for the exclusion of certain income and expenses. For 2020 and 2019, 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.

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.

(Continued)

NOTE 4 - BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS (Continued)

The components of the operating assistance from the RTA were as follows (in thousands of dollars):

		2020	2019
83 Legislation	Illinois state sales tax allocation	$ 336,135	$ 388,833
83 Legislation	RTA discretionary funding and other	209,271	220,959
08 Legislation	Illinois state sales tax allocation & PTF	137,881	139,919
08 Legislation	Real estate transfer tax	51,023	62,373
08 Legislation	Innovation, Coordination and Enhancement funding (ICE)	5,623	6,127
Final operating assistance		$ 739,933	$ 818,211

Reduced-fare subsidies from the State of Illinois were $14,829,000 and $14,606,000 during the years ended December 31, 2020 and 2019, respectively, for discounted services provided to the elderly, disabled, or student riders.

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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, 2020 and 2019 (in thousands of dollars):

	2020	2019
Current assets:		
Cash and cash equivalents	$ 123,994	$ 111,639
Restricted for damage reserve	42,451	50,071
Investments	20	14,900
Noncurrent assets:		
Bond proceeds held by trustee	591,140	353,926
Held by trustee for supplemental retirement plan	708	698
Total	$ 758,313	$ 531,234

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2020 and 2019 (in thousands of dollars):

	2020	2019
Investments:		
Certificates of deposit	$ 6,020	$ 20
Money market mutual funds	263,818	209,323
U.S. government agencies	49,989	153,613
U.S. Treasury notes	163,621	6,647
Municipal bonds	14,954	-
Commercial paper	195,739	98,896
Total Investments	694,141	468,499
Deposits with financial institutions	64,172	62,735
Total deposits and investments	$ 758,313	$ 531,234

(Continued)

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

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan or the Retiree Healthcare Trust, which are separate legal entities. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee. In accordance with the Act and the Investment Policy, CTA can invest 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 in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC) and no more than 33.33% of the maximum portfolio percentage amount allowed by the chart in Section 2B of the Investment Policy for investment in Certificates of Deposit may be invested in Certificates of Deposit of a single issuer of such Certificates.
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 for short-term obligations and one of the three highest classifications for long-term obligations established by at least two standard rating services and which mature no later than 3 years from the date of purchase; (b) such purchases do not exceed 10% of the corporation's outstanding obligations; (c) no more than one-third of the Authority's funds may be invested in short term obligations of corporations; and (d) no more than 25% of the maximum portfolio percentage allowed by the chart in Section 2B of the Investment Policy for all Corporate Obligations may be invested in Corporate Obligations of a single issuer.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Investment Pool. CTA may invest in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
7. 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 a custodial bank authorized by the Chicago Transit Board; and (b) each transaction must be entered into under terms of a master repurchase agreement in a form authorized by the Chicago Transit Board.

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

8. 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 (8) shall, at the time of purchase, not exceed 5 years; provided that a longer maturity is authorized if the Authority has a put option on the bonds to demand early repayment on the bonds within 5 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 five 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. Custodial credit risk for investments 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.

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. As of December 31, 2020 and 2019, the CTA's bank balances were fully insured or collateralized.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the CTA's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Investment Policy limits the allocation of the portfolio and the term of investments as follows:

Instrument type	Maximum Investment Level	Actual Investment Level	Term of investment
U.S. Treasuries	100%	24%	3 years
Repurchase Agreements	33%	0%	330 days
Certificates of Deposit	30%	1%	365 days
Corporate Obligations	33%	28%	3 years
Government Money Market Funds	50%	38%	n.a.
U.S. Government Agencies	75%	7%	5 years
Municipal Bonds (Callable)	25%	2%	5 years
Investment Pool - Illinois Fund	25%	0%	n.a.

(Continued)

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

As of December 31, 2020, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1 - 5	5+
Certificates of deposit	$ 6,020	$ 6,020	$ -	$ -
Money market mutual funds	263,818	263,818	-	-
U.S. government agencies	49,989	29,997	19,992	-
U.S. Treasury notes	163,621	163,621	-	-
Municipal bonds	14,954	-	14,954	-
Commercial paper	195,739	195,739	-	-
Total	$ 694,141	$ 659,195	$ 34,946	$ -

As of December 31, 2019, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1 - 5	5+
Certificates of deposit	$ 20	$ 20	$ -	$ -
Money market mutual funds	209,323	209,323	-	-
U.S. government agencies	153,613	128,627	24,896	-
U.S. Treasury notes	6,647	6,647	-	-
Commercial paper	98,896	98,896	-	-
Total	$ 468,499	$ 443,513	$ 24,896	$ -

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. To address this risk, the CTA invests in accordance with its Investment Policy which states investments held by CTA are backed by the United States Government, which are valued at AAA, municipal bonds that 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, and commercial paper that are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than three years from the date of purchase.

(Continued)

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

As of December 31, 2020, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings				
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	B	Not rated
Money market mutual funds	$ 263,818	$ 263,818	$ -	$ -	$ -	$ -
U.S. government agencies	49,989	49,989	-	-	-	-
Municipal bonds	14,954	14,954	-	-	-	-
Commercial paper	195,739	195,739	-	-	-	-
Total	$ 524,500	$ 524,500	$ -	$ -	$ -	$ -

As of December 31, 2019, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings				
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	B	Not rated
Money market mutual funds	$ 209,323	$ 209,323	$ -	$ -	$ -	$ -
U.S. government agencies	153,613	153,613	-	-	-	-
Commercial paper	98,896	98,896	-	-	-	-
Total	$ 461,832	$ 461,832	$ -	$ -	$ -	$ -

Concentration of Credit Risk: Except for investments in certificates of deposits and commercial paper, the CTA does not restrict the amount which may be invested in authorized investments of a single issuer or financial institution. No more than 30 percent of the maximum portfolio percentage amount allowed for investment in certificates of deposit may be invested in certificates of deposit of a single issuer of such certificates. No more than 25 percent of the maximum portfolio percentage amount allowed for investment in commercial paper may be invested in commercial paper of a single issuer of such commercial paper.

As of December 31, 2020, the CTA had investments in Goldman Sachs – Amalgamated (11.26%), Morgan Stanley – Zions Bank (26.70%), Banco de Credito-BCI (5.32%), and Treasury Bill (T-Bills) (23.57%), that exceeded 5 percent of the total investment balance. As of December 31, 2019, the CTA had investments in Goldman Sachs – Amalgamated (28.02%), Federal Home Loan Bank (FHLB) (20.44%), Morgan Stanley – Zions Bank (16.66%), Cabrera (12.60%), Federal National Mortgage Association (FNMA) (7.02%), Great Pacific (5.74%), and Federal Home Loan Mortgage Corporation (FHLMC) (5.33%), that exceeded 5 percent of the total investment balance.

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

Fair Value: CTA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. CTA has the following fair value measurements as of December 31, 2020 and 2019 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2020			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 29,997	$ -	$ 29,997	$ -
Federal Farm Credit Banks	19,992	-	19,992	-
US Treasury Notes	163,621	163,621	-	-
Municipal bonds	14,954	-	14,954	-
Money market mutual funds	263,818	263,818	-	-
Commercial paper	195,739	-	195,739	-
Total	$ 688,121	$ 427,439	$ 260,682	$ -

	Fair Value Measurements as of December 31, 2019			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 95,756	$ -	$ 95,756	$ -
Federal National Mortgage Association	32,871	-	32,871	-
Federal Home Loan Mortgage Corporation	24,986	-	24,986	-
US Treasury Notes	6,647	6,647	-	-
Money market mutual funds	209,323	209,323	-	-
Commercial paper	98,896	-	98,896	-
Total	$ 468,479	$ 215,970	$ 252,509	$ -

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, 2020 and 2019 (in thousands of dollars):

	2020	2019
Investments, at fair value:		
Short-term investments	$ 80	$ 93
U.S. fixed income	9,369	10,394
Common stock	23,046	21,665
Real estate	3,993	4,217
Total	$ 36,488	$ 36,369

(Continued)

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

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Qualified 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 Qualified 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 Employee Retirement Review Committee engaged a new registered investment adviser in October 2015. The investment adviser is authorized to invest and reinvest the assets of the Qualified 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 Qualified 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 as of December 31, 2020 and 2019:

Asset class	2020 Allocation	2019 Allocation
U.S. large cap equities	20.00%	20.00%
U.S. mid size cap equities	5.00	5.00
U.S. small cap equities	5.00	5.00
Developed non-U.S. equities	15.00	15.00
Emerging markets equities	5.00	5.00
U.S. fixed income	30.00	30.00
Real estate	10.00	10.00
Open-End Private Equity	10.00	10.00
	100.00%	100.00%

As of December 31, 2020, the maturities for the Plan's fixed-income investments are as follows (in thousands):

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 80	$ 80	$ -
U.S. fixed income	9,369	9,369	-
Total	$ 9,449	$ 9,449	$ -

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

As of December 31, 2019, 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	$ 93	$ 93	$ -
U.S. fixed income	10,394	10,394	-
Total	$ 10,487	$ 10,487	$ -

Credit Risk: Credit risk is the risk that the Qualified Supplemental Retirement Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation.

As of December 31, 2020, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings Government Secured	Not Rated
Short-term investment funds	$ 80	$ -	$ 80
U.S. fixed income	9,369	-	9,369
Total	$ 9,449	$ -	$ 9,449

As of December 31, 2019, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings Government Secured	Not Rated
Short-term investment funds	$ 93	$ -	$ 93
U.S. fixed income	10,394	-	10,394
Total	$ 10,487	$ -	$ 10,487

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Qualified 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. There was no foreign currency risk as of December 31, 2020 or 2019.

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

Fair Value: The Qualified Supplemental Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. The Qualified Supplemental Plan has the following fair value measurements as of December 31, 2020 and 2019 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2020			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ -	$ -	$ -	$ -
Common Stock	-	-	-	-
Total investments by fair value level	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	9,369			
Common Stock	14,801			
Common Stock - Global	8,245			
Real Estate	3,993			
Total investments	$ 36,408			

	Fair Value Measurements as of December 31, 2019			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ -	$ -	$ -	$ -
Common Stock	-	-	-	-
Total investments by fair value level	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	10,394			
Common Stock	13,751			
Common Stock - Global	7,914			
Real Estate	4,217			
Total investments	$ 36,276			

Investment in Certain Entities that Calculate Net Asset Value Per Share

CTA measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. The Real Estate, Common Stock – Global, and the U.S. Fixed Income and Common Stock are generally structured as limited partnerships, limited liability corporations, or collective trusts, respectively, with an investment manager and are created by raising pools of capital from investors that will be invested according to one or more specific investment strategies. Investors commit capital to the fund, and as the investment manager identifies investment opportunities, the committed capital is called to purchase the investments.

(Continued)

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

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement as of December 31, 2020 and 2019 (in thousands of dollars):

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2020	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 9,369	$ -	N/A	N/A
Common Stock	14,801	-	N/A	N/A
Common Stock - Global	8,245	-	N/A	30 Days
Real Estate	3,993	-	Quarterly on a Calendar Basis.	60 Days

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2019	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 10,394	$ -	N/A	N/A
Common Stock	13,751	-	N/A	N/A
Common Stock - Global	7,914	-	N/A	30 Days
Real Estate	4,217	-	Quarterly on a Calendar Basis.	60 Days

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 $1,216,139,000 and $410,404,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2020 and 2019, respectively.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, FEMA, IEMA, or a capital line of credit. Commitments of approximately $1,542,785,000 and $462,605,000 have been entered into for these state and local capital grants as of December 31, 2020 and 2019, respectively. Changes in capital assets for the year ended December 31, 2020 are as follows (in thousands of dollars):

	January 1, 2020	Increase	Decrease	December 31, 2020
Capital assets not being depreciated:				
Land	$ 173,028	$ -	$ (1)	$ 173,027
Construction in process	601,571	614,876	(280,308)	936,139
Total capital assets not being depreciated	774,599	614,876	(280,309)	1,109,166
Capital assets being depreciated:				
Land improvements	172,248	39,435	-	211,683
Buildings	3,309,706	60,660	-	3,370,366
Transportation vehicles	3,911,688	81,472	(19,434)	3,973,726
Elevated structure track	2,687,208	50,561	-	2,737,769
Signal and communication	1,517,702	12,794	(132)	1,530,364
Other equipment	831,660	35,386	(593)	866,453
Total capital assets being depreciated	12,430,212	280,308	(20,159)	12,690,361
Less accumulated depreciation for:				
Land improvements	59,942	38,930	-	98,872
Buildings	1,791,619	120,239	-	1,911,858
Transportation vehicles	2,666,485	176,782	(19,424)	2,823,843
Elevated structure track	1,797,127	70,664	-	1,867,791
Signal and communication	1,116,895	48,450	(132)	1,165,213
Other equipment	712,814	45,915	(572)	758,157
Total accumulated depreciation	8,144,882	500,980	(20,128)	8,625,734
Total capital assets being depreciated, net	4,285,330	(220,672)	(31)	4,064,627
Total capital assets, net	$ 5,059,929	$ 394,204	$ (280,340)	$ 5,173,793

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2019 are as follows (in thousands of dollars):

	January 1, 2019	Increase	Decrease	December 31, 2019
Capital assets not being depreciated:				
Land	$ 171,201	$ 1,827	$ -	$ 173,028
Construction in process	633,054	623,856	(655,339)	601,571
Total capital assets not being depreciated	804,255	625,683	(655,339)	774,599
Capital assets being depreciated:				
Land improvements	63,642	108,672	(66)	172,248
Buildings	3,068,849	252,002	(11,145)	3,309,706
Transportation vehicles	3,843,953	94,554	(26,819)	3,911,688
Elevated structure track	2,609,703	77,901	(396)	2,687,208
Signal and communication	1,454,561	65,386	(2,245)	1,517,702
Other equipment	809,590	54,999	(32,929)	831,660
Total capital assets being depreciated	11,850,298	653,514	(73,600)	12,430,212
Less accumulated depreciation for:				
Land improvements	37,835	22,173	(66)	59,942
Buildings	1,675,899	126,865	(11,145)	1,791,619
Transportation vehicles	2,524,840	168,464	(26,819)	2,666,485
Elevated structure track	1,716,619	80,904	(396)	1,797,127
Signal and communication	1,063,533	55,607	(2,245)	1,116,895
Other equipment	699,281	46,462	(32,929)	712,814
Total accumulated depreciation	7,718,007	500,475	(73,600)	8,144,882
Total capital assets being depreciated, net	4,132,291	153,039	-	4,285,330
Total capital assets, net	$ 4,936,546	$ 778,722	$ (655,339)	$ 5,059,929

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2020 are as follows (in thousands of dollars):

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 256,527	$ 235,425	$ (234,236)	$ 257,716	$ 194,437	$ 63,279
Bonds payable:						
Bonds payable (note 9)	4,016,015	901,900	(578,745)	4,339,170	4,223,480	115,690
Premium on bonds payable	92,351	43,580	(22,804)	113,127	113,127	-
Total bonds payable	4,108,366	945,480	(601,549)	4,452,297	4,336,607	115,690
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	67,867	-	(9,537)	58,330	55,105	3,225
Premium on capital lease obligation	2,676	-	(339)	2,337	2,337	-
Total capital lease obligations	70,543	-	(9,876)	60,667	57,442	3,225
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	83,283	25,512	(1,552)	107,243	105,636	1,607
Certificates of participation (note 10)	7,751	-	(7,751)	-	-	-
Fare system purchase agreement (note 11)	46,717	-	(10,887)	35,830	24,432	11,398
Total direct borrowings	208,294	25,512	(30,066)	203,740	187,510	16,230
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,879,038	-	(80,342)	1,798,696	1,798,696	-
Total OPEB liability (note 15)	9,820	733	-	10,553	10,553	-
Capital line of credit - note purchase agreement (note 17)	208,165	181,835	(179,800)	210,200	105,700	104,500
Other	20	-	-	20	20	-
Total other long-term liabilities	2,097,043	182,568	(260,142)	2,019,469	1,914,969	104,500
Total	$ 6,670,230	$ 1,388,985	$ (1,125,993)	$ 6,933,222	$ 6,633,523	$ 299,699

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the year ended December 31, 2019 are as follows (in thousands of dollars):

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 263,246	$ 158,362	$ (165,081)	$ 256,527	$ 185,625	$ 70,902
Bonds payable:						
Bonds payable (note 9)	4,113,875	-	(97,860)	4,016,015	3,914,175	101,840
Premium on bonds payable	103,909	-	(11,558)	92,351	92,351	-
Total bonds payable	4,217,784	-	(109,418)	4,108,366	4,006,526	101,840
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	83,518	-	(15,651)	67,867	58,330	9,537
Premium on capital lease obligation	3,033	-	(357)	2,676	2,676	-
Total capital lease obligations	86,551	-	(16,008)	70,543	61,006	9,537
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	80,443	2,840	-	83,283	81,731	1,552
Certificates of participation (note 10)	15,294	-	(7,543)	7,751	-	7,751
Fare system purchase agreement (note 11)	57,113	-	(10,396)	46,717	35,831	10,886
Total direct borrowings	239,401	2,840	(33,947)	208,294	178,568	29,726
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,691,674	187,364	-	1,879,038	1,879,038	-
Total OPEB liability (note 15)	9,751	69	-	9,820	9,820	-
Capital line of credit - note purchase agreement (note 17)	49,250	196,815	(37,900)	208,165	119,000	89,165
Other	20	-	-	20	20	-
Total other long-term liabilities	1,750,695	384,248	(37,900)	2,097,043	2,007,878	89,165
Total	$ 6,471,126	$ 545,450	$ (346,346)	$ 6,670,230	$ 6,378,597	$ 291,633

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 $1,891,000 and $13,563,000 at December 31, 2020 and 2019, 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 $30,000 is recorded as deferred outflows of resources as of December 31, 2019. There is no unamortized loss remaining as of December 31, 2020. The present value of the future payments to be made by the CTA under the lease of approximately $6,472,000 is reflected in the accompanying December 31, 2019 Statements of Net Position, as a capital lease obligation. No capital lease obligation is reflected as of December 31, 2020.

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

This lease contains a provision that in the event of a termination event, the total amount of unpaid principal and accrued interest become due immediately or Lessor can demand the return or repossess the buses as defined in the Lessor Remedies Upon Termination Event section.

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 $305,000 and $418,000 are recorded as deferred outflows of resources in the accompanying Statements of Net Position as of December 31, 2020 and 2019, respectively.

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 $58,330,000 and $61,395,000 is reflected in the accompanying December 31, 2020 and 2019 Statements of Net Position, respectively, as a capital lease obligation.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2020 are as follows (in thousands of dollars):

2020	Beginning balance	Additions	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 6,472	$ -	$ (6,472)	$ -	$ -	$ -
2006 PBC lease	61,395	-	(3,065)	58,330	3,122	3,225
Total capital lease obligation	$ 67,867	$ -	$ (9,537)	$ 58,330	$ 3,122	$ 3,225

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2019 are as follows (in thousands of dollars):

2019	Beginning balance	Additions	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 19,208	$ -	$ (12,736)	$ 6,472	$ 350	$ 6,472
2006 PBC lease	64,310	-	(2,915)	61,395	3,272	3,065
Total capital lease obligation	$ 83,518	$ -	$ (15,651)	$ 67,867	$ 3,622	$ 9,537

Future Minimum Lease Payments: As of December 31, 2020 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2021	$ 3,225
2022	3,390
2023	3,565
2024	3,760
2025	3,960
2026 - 2030	23,250
2031 - 2033	17,180
Total minimum lease payments	58,330
Less interest	-
	$ 58,330

NOTE 9 - BONDS PAYABLE

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.

NOTE 9 - BONDS PAYABLE (Continued)

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.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay any amounts remaining in the Sales Tax Receipt Fund and the Transfer Tax Receipts Fund, as defined by the bond agreement, and all tax receipts as promptly as practicable after receipt.

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.9%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2013 through June 1, 2040.

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

	Principal	Interest	Total
2021	$ 41,465	$ 115,109	$ 156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	$ 1,672,085	$ 1,459,401	$ 3,131,486

NOTE 9 - BONDS PAYABLE (Continued)

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.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

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):

		2010B	
	Principal	Interest	Total
2021	$ 12,095	$ 30,214	$ 42,309
2022	12,720	29,583	42,303
2023	13,405	28,900	42,305
2024	14,135	28,167	42,302
2025	14,930	27,372	42,302
2026	15,855	26,447	42,302
2027	16,835	25,464	42,299
2028	17,880	24,420	42,300
2029	18,985	23,311	42,296
2030	20,155	22,134	42,289
2031	21,400	20,885	42,285
2032	22,725	19,558	42,283
2033	24,135	18,149	42,284
2034	31,820	16,653	48,473
2035	33,785	14,680	48,465
2036	35,875	12,585	48,460
2037	38,090	10,361	48,451
2038	40,455	7,999	48,454
2039	42,955	5,491	48,446
2040	45,610	2,828	48,438
Total	$ 493,845	$ 395,201	$ 889,046

There are no bond debt service requirements on the Series 2010A bonds as of December 31, 2020 and 2019.

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.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5309 Grant Receipts as promptly as practicable after receipt.

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 $78,528,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,099,000. The defeased debt had a zero balance as of December 31, 2020 and 2019.

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

	2010 5307		2010 5309		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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
Total	$ 63,895	$ 22,403	$ 26,820	$ 9,403	$ 90,715	$ 31,806

NOTE 9 - BONDS PAYABLE (Continued)

2011 (5307 Urbanized Area Formula Program) Refunding Series Capital Grant Receipts Revenue Bonds: On October 26, 2011, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program, in the amount of $56,525,000, along with a premium of $1,806,000, 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 2004B and 2006A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 Grant Receipts as promptly as practicable after receipt .

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 $57,535,000 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 defeased debt had a zero balance as of December 31, 2020 and 2019.

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 years ended December 31, 2020 and 2019 was $2,499,000 and $2,968,000, 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 $468,000 for the years ended December 31, 2020 and 2019, respectively.

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

	Principal	Interest	Total
2021	$ -	$ 2,865	$ 2,865
2022	6,595	2,700	9,295
2023	6,920	2,353	9,273
2024	7,285	1,980	9,265
2025	7,665	1,594	9,259
2026	8,060	1,187	9,247
2027	-	975	975
2028	-	975	975
2029	20,000	488	20,488
Total	$ 56,525	$ 15,117	$ 71,642

NOTE 9 - BONDS PAYABLE (Continued)

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.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2011 bonds bear interest ranging from 5.0% to 5.25%. Scheduled interest on the 2010 bonds will be funded through December 1, 2015 with proceeds of the 2011 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on December 1, 2021 through December 1, 2040.

The Sales Tax Receipts Revenue Bonds, Refunding Series 2020B bonds refunded the maturities dated December 1, 2021 through December 1, 2040.

There are no bond debt service requirements on the Series 2011 bonds as of December 31, 2020.

2014 Sales Tax Receipts Revenue Bonds: On July 10, 2014, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds, Series 2014 in the amount of $550,000,000, along with a premium of $45,154,000. The bonds were issued to provide funds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2014 bonds bear interest ranging from 5.0% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2049.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 28,597	$ 28,597
2022	-	28,597	28,597
2023	-	28,597	28,597
2024	-	28,597	28,597
2025	-	28,597	28,597
2026	-	28,597	28,597
2027	-	28,597	28,597
2028	-	28,597	28,597
2029	-	28,597	28,597
2030	-	28,597	28,597
2031	-	28,597	28,597
2032	-	28,597	28,597
2033	-	28,597	28,597
2034	-	28,597	28,597
2035	-	28,597	28,597
2036	-	28,597	28,597
2037	-	28,597	28,597
2038	-	28,597	28,597
2039	-	28,597	28,597
2040	-	28,597	28,597
2041	50,180	28,597	78,777
2042	52,690	26,088	78,778
2043	55,325	23,453	78,778
2044	58,090	20,687	78,777
2045	60,995	17,783	78,778
2046	64,195	14,580	78,775
2047	67,565	11,210	78,775
2048	71,115	7,663	78,778
2049	74,845	3,929	78,774
Total	$ 555,000	$ 725,930	$ 1,280,930

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2015 Refunding Series Capital Grant Receipts Revenue Bonds: On September 16, 2015, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $176,920,000 along with a premium of $21,569,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund a portion of the outstanding 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2015 bond bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2015 and the bonds mature serially June 1, 2018 through June 1, 2026.

The remaining net proceeds of $197,159,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) 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 2015 Series bonds which reduced its total debt service payments over the next 10 years by $10,043,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9,856,000. The defeased debt had a zero balance as of December 31, 2020 and December 31, 2019.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 of $12,281,000 was deferred and is being amortized over the next 10 years. The deferred amount ending balance for the years ended December 31, 2020 and 2019 was $2,621,000 and $3,835,000, respectively. Amortization of the deferred amount on the refunding was $1,214,000 and $1,592,000 for the years ended December 31, 2020 and 2019, respectively.

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

	2015 (5307)		**2015 (5337)**		**Total**	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2021	$ 41,410	$ 1,035	$ 335	$ 2,228	$ 41,745	$ 3,263
2022	-	-	350	2,211	350	2,211
2023	-	-	370	2,193	370	2,193
2024	-	-	13,855	1,838	13,855	1,838
2025	-	-	14,550	1,128	14,550	1,128
2026	-	-	15,275	382	15,275	382
Total	$ 41,410	$ 1,035	$ 44,735	$ 9,980	$ 86,145	$ 11,015

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2017 Second Lien Sales Tax Receipts Revenue Bonds: On January 10, 2017, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, in the amount of $296,220,000, along with a premium of $18,108,000. The bonds were issued to (i) finance certain capital projects contemplated by the CTA's capital improvement plan, (ii) capitalize interest on the 2017 Second Lien Bonds and (iii) pay costs in connection with the issuance of the 2017 Second Lien Bonds.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds and on the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2017 bonds was funded through December 1, 2018 with proceeds of the 2017 bonds and interest thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2051.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 14,711	$ 14,711
2022	-	14,711	14,711
2023	-	14,711	14,711
2024	-	14,711	14,711
2025	-	14,711	14,711
2026	-	14,711	14,711
2027	-	14,711	14,711
2028	-	14,711	14,711
2029	-	14,711	14,711
2030	-	14,711	14,711
2031	-	14,711	14,711
2032	-	14,711	14,711
2033	-	14,711	14,711
2034	-	14,711	14,711
2035	-	14,711	14,711
2036	-	14,711	14,711
2037	-	14,711	14,711
2038	-	14,711	14,711
2039	-	14,711	14,711
2040	-	14,711	14,711
2041	20,910	14,711	35,621
2042	21,945	13,681	35,626
2043	23,025	12,599	35,624
2044	24,160	11,464	35,624
2045	25,350	10,273	35,623
2046	26,600	9,023	35,623
2047	27,910	7,712	35,622
2048	29,310	6,316	35,626
2049	30,775	4,851	35,626
2050	32,310	3,312	35,622
2051	33,925	1,696	35,621
Total	$ 296,220	$ 389,858	$ 686,078

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2017 Refunding Series Capital Grant Receipts Revenue Bonds: On July 18, 2017, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $225,795,000 along with a premium of $31,279,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund the Series 2008A 5307 bonds maturing June 1, 2022 through 2026 as well as refunding the Series 2008 5337 bonds maturing June 1, 2019 through 2026 and the Series 2008A 5337 bonds maturing June 1, 2019 through 2023.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 2.0% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially June 1, 2018 through June 1, 2026.

Net proceeds of $255,396,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) 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 2017 Series bonds which resulted in a difference of cash flows of debt service payments on the old and new debt of $30,456,000 and an economic gain (present value of the difference in debt service cash flows payments) of $27,099,000. The defeased debt had a balance of zero as of December 31, 2020 and 2019.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2017 of $4,929,000 was deferred and is being amortized over the next 9 years. The deferred amount ending balance for the years ended December 31, 2020 and 2019 was $2,157,000 and $2,902,000, respectively. Amortization of the deferred amount on the refunding was $745,000 and $817,000 for the years ended December 31, 2020 and 2019, respectively

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

	2017 (5307)		2017 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ -	$ 4,527	$ 20,385	$ 4,810	$ 20,385	$ 9,337
2022	16,385	4,527	21,405	3,791	37,790	8,318
2023	17,205	3,708	22,475	2,720	39,680	6,428
2024	18,065	2,848	10,130	1,597	28,195	4,445
2025	18,970	1,944	10,635	1,090	29,605	3,034
2026	19,915	996	11,165	558	31,080	1,554
Total	$ 90,540	$ 18,550	$ 96,195	$ 14,566	$ 186,735	$ 33,116

2020A Second Lien Sales Tax Receipts Revenue Bonds: On September 3, 2020, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2020A, in the amount of $367,895,000, along with a premium of $43,580,000. The bonds were issued to pay for projects included in the Capital Improvement Plan and repay a portion of CTA's Second Lien Sales Tax Receipts Capital Improvement Notes.

NOTE 9 - BONDS PAYABLE (Continued)

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds and on the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2020A bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2020A bonds was funded through September 1, 2023 with proceeds of the 2020A bonds and interest thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature on December 1, 2041 through December 1, 2055.

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

	Principal	Interest	Total
2021	$ -	$ 16,279	$ 16,279
2022	-	16,279	16,279
2023	-	16,279	16,279
2024	-	16,279	16,279
2025	-	16,279	16,279
2026	-	16,279	16,279
2027	-	16,279	16,279
2028	-	16,279	16,279
2029	-	16,279	16,279
2030	-	16,279	16,279
2031	-	16,279	16,279
2032	-	16,279	16,279
2033	-	16,279	16,279
2034	-	16,279	16,279
2035	-	16,279	16,279
2036	-	16,279	16,279
2037	-	16,279	16,279
2038	-	16,279	16,279
2039	-	16,279	16,279
2040	-	16,279	16,279
2041	17,590	16,279	33,869
2042	18,470	15,399	33,869
2043	19,395	14,476	33,871
2044	20,360	13,506	33,866
2045	21,380	12,488	33,868
2046	22,450	11,419	33,869
2047	23,345	10,521	33,866
2048	24,280	9,587	33,867
2049	25,250	8,616	33,866
2050	26,265	7,606	33,871
2051	27,315	6,556	33,871
2052	28,515	5,355	33,870
2053	29,765	4,103	33,868
2054	31,075	2,794	33,869
2055	32,440	1,427	33,867
Total	$ 367,895	$ 465,712	$ 833,607

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2020B Taxable Series Sales Tax Receipts Revenue Refunding Bonds: On September 3, 2020, the CTA issued the Taxable Sales Tax Receipts Revenue Refunding Bonds, Series 2020B, in the amount of $534,005,000. The bonds were issued to refund the outstanding Sales Tax Receipts Revenue Bonds Series 2011 and to repay a portion of CTA's Second Lien Sales Tax Receipts Capital Improvement Notes.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2020B bonds bear interest ranging from 1.7% to 3.9%. Scheduled interest on the 2020B bonds was funded through June 1, 2021 with proceeds of the 2020B bonds and interest thereon. Interest on the 2020 bonds is payable semiannually on June 1 and December 1 and the bonds mature on December 1, 2022 through December 1, 2040.

Net proceeds of $513,611,000 were deposited into an irrevocable trust with an escrow agent to provide for debt services payments on the Sales Tax Receipts Revenue (Series 2011) bonds. As a result, a portion of the Sales Tax Receipts Revenue (Series 2011) 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 Series 2011 bonds using the proceeds from the 2020B Series bonds which resulted in a difference of cash flows of debt service payments on the old and new debt of $47,604,000 and an economic gain (present value of the difference in debt service cash flow payments) of $46,991,000. The defeased debt had a balance of $476,905,000 as of December 31, 2020.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Taxable Sales Tax Receipts Revenue Bonds, Refunding Series 2020B of $17,927,000 was deferred and is being amortized over the next 20 years. The deferred amount ending balance for the year ended December 31, 2020 was $17,440,000. Amortization of the deferred amount on the refunding was $487,000 for the year ended December 31, 2020.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 17,214	$ 17,214
2022	21,795	17,214	39,009
2023	22,170	16,842	39,012
2024	22,590	16,435	39,025
2025	23,060	15,968	39,028
2026	23,565	15,458	39,023
2027	24,160	14,873	39,033
2028	24,825	14,213	39,038
2029	25,560	13,481	39,041
2030	26,345	12,700	39,045
2031	27,175	11,883	39,058
2032	28,075	10,986	39,061
2033	29,030	10,031	39,061
2034	30,055	9,014	39,069
2035	31,130	7,947	39,077
2036	32,255	6,825	39,080
2037	33,525	5,564	39,089
2038	34,845	4,252	39,097
2039	36,210	2,889	39,099
2040	37,635	1,472	39,107
Total	$ 534,005	$ 225,261	$ 759,266

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

	Principal	Interest	Total
2021	$ 115,690	$ 242,125	$ 357,815
2022	123,330	236,645	359,975
2023	129,665	230,294	359,959
2024	136,430	223,193	359,623
2025	143,655	215,949	359,604
2026 - 2030	709,635	957,652	1,667,287
2031 - 2035	740,470	759,452	1,499,922
2036 - 2040	1,021,180	497,347	1,518,527
2041 - 2045	489,865	251,484	741,349
2046 - 2050	546,215	116,345	662,560
2051 - 2055	183,035	21,931	204,966
Total	$ 4,339,170	$ 3,752,417	$ 8,091,587

NOTE 9 - BONDS PAYABLE (Continued)

Future Revenue Pledges: The CTA has pledged the following future revenues to secure outstanding balances of bond issuances as of December 31, 2020 and 2019 in accordance with bond security requirements:

- Real Estate Transfer Tax (RETT) Receipts received from the City of Chicago are pledged to secure the Series 2008A and 2008B Sales and Transfer Tax Receipts Revenue Bonds; Sales Tax Receipts received from the Regional Transportation Authority (RTA) are pledged to secure remaining debt service unpaid by RETT receipts. Debt service for the bonds outstanding were $3,131,486,000 and $3,288,062,000 as of December 31, 2020 and 2019, respectively. Total real estate transfer tax funds were approximately $51,023,000 and $62,373,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	Principal	Interest
2020	$ 39,010	$ 117,566
2019	36,695	119,878

- Sales Tax Receipts are also pledged to secure the First Lien Series 2010A, 2010B, 2011, 2014, and 2020B as well as Second Lien Series 2017 and 2020A Sales Tax Receipts Revenue Bonds and 2017 Tax-Exempt Note Purchase Agreement (NPA). Sales Tax Receipts secure balances due on the Second Lien Series 2017 and 2020A Sales Tax Receipts Revenue Bonds and the 2017 Tax-Exempt Note NPA after satisfying balances due on First Lien Obligations. Debt service for the bonds outstanding were $4,448,927,000 and $3,748,233,000 as of December 31, 2020 and 2019, respectively. Total sales tax receipts funds were approximately $683,287,000 and $749,711,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010A		2010B		2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ -	$ 11,510	$ 30,798	$ 476,905	$ 12,483
2019	10,915	536	-	30,798	-	24,965

	2014		2017	
	Principal	Interest	Principal	Interest
2020	$ -	$ 28,597	$ -	$ 14,711
2019	-	28,597	-	14,711

	2020A		2020B	
	Principal	Interest	Principal	Interest
2020	$ -	$ -	$ -	$ -
2019	-	-	-	-

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

- Federal Transit Authority (FTA) Section 5307 Urbanized Area Formula funds received from the FTA are pledged to secure the Series 2010, 2011, 2015, and 2017 FTA Section 5307 Urbanized Area Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $309,475,000 and $354,507,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5307 Urbanized Area Formula funds were approximately $616,629,000 and $160,330,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010		2011		2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 3,195	$ -	$ 2,865	$ 31,585	$ 2,860
2019	-	3,195	-	2,865	31,275	4,432

	2017	
	Principal	Interest
2020	$ -	$ 4,527
2019	-	4,527

- MAP-21 restructured the Federal Transit Program in 2015 to end the FTA Section 5309 Formula Program and created a broader formula program in FTA Section 5337 that incorporates the rail modernization formula program formerly included in FTA Section 5309. Debt service for the bonds outstanding were $36,223,000 and $37,564,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5309 Fixed Guideway Modernization Formula funds were approximately $122,635,000 and $91,988,000 as of December 31, 2020 and 2019, respectively.

- As such, FTA Section 5337 State of Good Repair Federal Funds also received from the FTA are pledged to secure the Series 2010 FTA Section 5309 Fixed Guideway Modernization Capital Grant Receipts Revenue Bonds as well as the Series 2015 and 2017 FTA Section 5337 State of Good Repair Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $165,476,000 and $193,237,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5337 State of Good Repair Formula funds were approximately $166,622,000 and $167,664,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010 (5309)		2015 (5337)		2017 (5337)	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 1,341	$ 320	$ 2,245	$ 19,415	$ 5,781
2019	-	1,341	305	2,260	18,670	6,527

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, Certificates of Participation (COP) totaling $78,430,000 were issued on behalf of the CTA. The COPs were used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments which are remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. During 2013, CTA terminated the original 2008 agreement and entered into three new agreements with the same terms and reduced interest rates. Principal and interest paid in 2020 and 2019 was approximately $7,911,000 and $7,912,000, respectively.

There are no debt service requirements as of December 31, 2020.

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 $1,067,600 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 $35,830,000 is reflected in the accompanying December 31, 2020 Statements of Net Position as an other long-term liability.

As of September 2019, CTA has entered into another purchase agreement to replace the majority of the fare collection system equipment. No amounts are due and payable under the agreement for the new system until it is delivered and operational, which is not anticipated to occur for several years. The payment for such replacement system will be a separate capital cost to be paid in addition to the foregoing financed amounts.

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

	Principal	Interest	Total
2021	$ 11,398	$ 1,412	$ 12,810
2022	11,935	876	12,811
2023	12,497	314	12,811
	$ 35,830	$ 2,602	$ 38,432

NOTE 12 - TIFIA LOANS

<u>2014 TIFIA Loan</u>

On April 24, 2014, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's 95th Street Terminal Improvement Project.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

NOTE 12 – TIFIA LOANS (Continued)

The principal amount of the TIFIA Loan shall not exceed $79,200,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot 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 fare box receipts revenue bonds in the amount of $79,200,000 dated April 24, 2014 with a maturity date of December 1, 2050 bearing an interest rate of 3.5%, with a loan amortization schedule.

CTA borrowed $79,200,000 in 2018 and is capitalizing interest through 2020. Total capitalized interest of $5,298,000 will be added to the principal repayments over the life of the loan. As of December 31, 2020 and 2019, CTA had accrued $5,298,000 and $4,083,000 of capitalized interest, respectively.

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

	Principal*	Interest	Total
2021	$ 1,607	$ 2,903	$ 4,510
2022	1,663	2,847	4,510
2023	1,721	2,789	4,510
2024	1,782	2,728	4,510
2025	1,844	2,666	4,510
2026 - 2030	10,233	12,317	22,550
2031 - 2035	12,153	10,394	22,547
2036 - 2040	14,436	8,114	22,550
2041 - 2045	17,145	5,405	22,550
2046 - 2050	20,362	2,187	22,549
Total	$ 82,946	$ 52,350	$ 135,296

* Includes capitalized interest

<u>2015 TIFIA Loan</u>

On February 3, 2015, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's "Your New Blue" capital improvement program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The principal amount of the TIFIA Loan shall not exceed $120,000,000; provided the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans

NOTE 12 – TIFIA LOANS (Continued)

and all federal direct or indirect grants, cannot 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 two fare box receipts revenue bonds in the amounts of $42,600,000 with a maturity date of December 1, 2029, bearing an interest rate of 2.02%, and $77,400,000 with a maturity date of December 1, 2052, bearing an interest rate of 2.31%.

As of December 31, 2020 CTA had drawn down $24,180,000 on the 2015 TIFIA loan. Total capitalized interest of $117,000 will be added to the principal repayments over the life of the loan. As of December 31, 2020, CTA had accrued $117,000 of capitalized interest. The payment schedule below assumes that the entire balance will be drawn down and will require payment. As a result, the payment schedule includes amounts that have not yet been drawn down and that the CTA is not yet obligated to pay.

	Principal*	Interest	Total
2021	$ -	$ 1,358	$ 1,358
2022	-	2,162	2,162
2023	-	2,184	2,184
2024	5,570	2,184	7,754
2025	5,682	2,071	7,753
2026 - 2030	23,901	8,589	32,490
2031 - 2035	-	7,370	7,370
2036 - 2040	-	7,370	7,370
2041 - 2045	24,480	6,264	30,744
2046 - 2050	27,441	3,303	30,744
2051 - 2052	11,884	414	12,298
Total	$ 98,958	$ 43,269	$ 142,227

* Includes capitalized interest

2016 TIFIA Loan

On March 30, 2016, CTA entered into a third definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administration under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are part of the Authority's Rail Car Purchase Program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The aggregate principal amount of the loan shall not exceed $254,930,000, (excluding any interest that is capitalized in accordance with the terms of the loan); provided, however, in no event shall the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA Act, cannot exceed thirty-three percent (33%) of reasonable anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loan and all federal direct or indirect grants, shall not exceed eighty percent (80%) of reasonably eligible project costs.

NOTE 12 - TIFIA LOANS (Continued)

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender registered receipts revenue bonds in the aggregate principal amount not to exceed $254,930,000, comprising two (2) tranches in the principal amounts of $147,018,000 ("Tranche A-1") and $107,912,000 ("Tranche A-2") and bearing an interest rate of 2.64%, with corresponding loan amortization schedules for each tranche. The final maturity date for the Tranche A-1 is December 1, 2049 and the earlier of (a) the last semi-annual payment date occurring no later than thirty-four (34) years from the substantial completion date and (b) December 1, 2056.

As of December 31, 2020 no drawdown had occurred on the 2016 TIFIA loan. No balance is presented for this loan on the Statements of Net Position as of December 31, 2020 or 2019.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES

General Information about the Retirement Plan for Chicago Transit Authority Employees

Plan Description. 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. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Contributions. 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).

Actual contributions made to the Employees' Plan during the years ended December 31, 2020 and 2019 are as follows (in thousands of dollars):

	Employees' Plan	
	2020	2019
Employer contributions	$ 135,830	$ 121,668
Employee contributions	87,539	79,721
Total	$ 223,369	$ 201,389

	Employees' Plan	
	2020	2019
Employer contribution rate	20.647%	18.019%
Employee contribution rate	13.324%	12.010%

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Benefit terms. Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employee Plan. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, not to exceed 70%, of their average annual compensation in the highest four of the 10 preceding years. For employees retiring on or after January 1, 2001, the percentage is 2.15% multiplied by the employee's number of continuous years of participating service. The Employee Plan permits early retirement at age 55 with three years of service, generally with reduced benefits. However, in the event of early retirement by an employee who has 25 years or more of continuous service, regardless of their age, benefits will not be reduced. In accordance with Public Act 095-0708, for all employees hired on or after January 18, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service and early retirement is age 55 with 10 years of service. Benefits are paid monthly equal to one-twelfth of the annual benefit for the retiree's lifetime. Married employees can elect to receive their pension benefits in the form of a joint and survivor option. In addition to retirement benefits, the Employee Plan also provides disability and death benefits.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2019 and January 1, 2018:

	Employees' Plan
Participants as of January 1, 2019	
Retirees and beneficiaries currently receiving benefits	10,482
Terminated employees entitled to but not yet receiving benefits	113
Active plan members	8,159
Total	18,754
Participants as of January 1, 2018	
Retirees and beneficiaries currently receiving benefits	10,387
Terminated employees entitled to but not yet receiving benefits	106
Active plan members	8,192
Total	18,685

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Net Pension Liability

The CTA's net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and 2018.

Actuarial assumptions and calculations. The total pension liability was determined using the following actuarial assumptions, applied to the periods included in the measurement:

	Employee Plan
January 1, 2020 Actuarial Valuation	
Acturial valuation date	January 1, 2019
Measurement date	December 31, 2019. Census data was collected as of January 1, 2019. Liabilities measured as of the census date were projected to December 31, 2019, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.10% per annum
Salary increases	Service graded table starting at 11% with 3.5% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	SOA Public Mortality General Below Median generational with Improvement Scale MP-2018
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

	Employee Plan
January 1, 2019 Actuarial Valuation	
Acturial valuation date	January 1, 2018
Measurement date	December 31, 2018. Census data was collected as of January 1, 2018. Liabilities measured as of the census date were projected to December 31, 2018, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.10% per annum
Salary increases	Service graded table starting at 11% with 3.5% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	SOA Public Mortality General Below Median generational with Improvement Scale MP-2018
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017.

From 2018 to 2019, the mortality tables changed from the RP-2000 Blue Collar Table, generational from 2000 based on Scale BB to the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Employees' Plan target asset allocation as of January 1, 2020 and 2019 are summarized in the following tables (note that the rates shown below include the inflation components):

	Employees' Plan			
	December 31, 2019		December 31, 2018	
	Target Allocation	Estimate of expected long-term rate of return	Target Allocation	Estimate of expected long-term rate of return
Fixed income	15%	1.83%	17%	2.33%
Domestic equities	30	9.04	28	8.77
International equities	26	8.45	21	7.77
Venture capital and partnerships	10	12.80	10	11.70
Real estate	12	4.76	12	4.60
Hedge funds	-	4.32	7	3.80
Infrastructure	7	6.17	5	5.66

The long-term expected rate of returns on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of returns by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 8.25% for both 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that Employees' Plan members and employer contributions will continue to follow the current funding policy. Based on those assumptions, the Employees' Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Changes in Net Pension Liability (in thousands of dollars):

	Employees' Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/17	$ 3,522,803	$ 1,865,901	$ 1,656,902
Change for the year:			
Service cost	54,814	-	54,814
Interest	283,757	-	283,757
Difference between expected and actual experience	7,455	-	7,455
Changes in assumptions	(24,727)		(24,727)
Benefit payments	(281,868)	(281,868)	-
Contributions - Employer	-	117,115	(117,115)
Contributions - Employee	-	78,340	(78,340)
Net investment income, net of expenses	-	(61,343)	61,343
Administrative expenses	-	(2,918)	2,918
Net changes	39,431	(150,674)	190,105
Balance at 12/31/18	3,562,234	1,715,227	1,847,007
Change for the year:			
Service cost	53,967	-	53,967
Interest	286,687	-	286,687
Difference between expected and actual experience	41,530	-	41,530
Changes in assumptions	-	-	-
Benefit payments	(288,113)	(288,113)	-
Contributions - Employer	-	121,668	(121,668)
Contributions - Employee	-	81,298	(81,298)
Net investment income, net of expenses	-	263,201	(263,201)
Administrative expenses	-	(2,815)	2,815
Net changes	94,071	175,239	(81,168)
Balance at 12/31/19	$ 3,656,305	$ 1,890,466	$ 1,765,839

Plan fiduciary net position as a percentage of the total net pension liability - 12/31/19	51.70%
Plan fiduciary net position as a percentage of the total net pension liability - 12/31/18	48.15%

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Employees' Plan, calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate (in thousands of dollars):

	Employees' Plan		
	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Employees' Plan net pension liability - 2020	$ 2,112,391	$ 1,765,839	$ 1,468,250
Employees' Plan net pension liability - 2019	$ 2,184,641	$ 1,847,007	$ 1,557,002

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CTA Employees' Retirement Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2020 and 2019, CTA recognized pension expense of $176,837,000 and $197,854,000, respectively. At December 31, 2020 and 2019, CTA reported net deferred outflows of resources related to pensions from the following sources:

	Employee Plan 2020	
	Deferred Outflow of Resources (in thousands)	**Deferred Inflow of Resources (in thousands)**
Difference between projected and actual earnings on pension plan	$ -	$ (7,055)
Difference between expected and actual experience	45,596	-
Changes in assumptions	-	(13,614)
Employer contribution made after measurement date	135,830	-
Balance as of 12/31	$ 181,426	$ (20,669)

	Employee Plan 2019	
	Deferred Outflow of Resources (in thousands)	**Deferred Inflow of Resources (in thousands)**
Difference between projected and actual earnings on pension plan	$ 148,563	$ -
Difference between expected and actual experience	31,871	-
Changes in assumptions	-	(19,170)
Employer contribution made after measurement date	121,668	-
Balance as of 12/31	$ 302,102	$ (19,170)

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

CTA reported $135,830,000 and $121,668,000 as deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

	Employees' Plan	
Year Ended December 31:	2020 Amortization per year (in thousands)	2019 Amortization per year (in thousands)
2020	$ -	$ 67,610
2021	17,260	32,254
2022	5,817	20,813
2023	25,593	40,587
2024	(23,743)	-
Total Amortization	$ 24,927	$ 161,264

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

General Information about the Supplemental Plans

Plan Description. 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) closed board member plan (Board) (2) closed (Non-Qualified) supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for active employees and members retiring after March 2005. All plans are closed to new entrants. 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 (Qualified Supplemental Retirement Plan). The Qualified Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the Non-Qualified and Board plans are included in the financial statements of the CTA's business-type activities. There are no separate stand-alone financial reports issued for any of the Supplemental Plans.

Each of the Supplemental plans are administered by the Employee Retirement Review Committee (ERRC) of the CTA, whose members are appointed by the Board of Directors of the CTA, which retains oversight of the plan administration. The plans are each established by CTA ordinances, which grant the ERRC operational authority and can be modified by the CTA Board. The Board and Non-Qualified plans do not have assets accumulated in a trust.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Contributions. The Board and Non-Qualified plans are administered on a pay as you go basis. The CTA contributes to the Qualified plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

The CTA's annual pension cost for the current year and related information for fiscal years ended December 31, 2020 and 2019 for each plan are as follows (in thousands of dollars):

	Qualified Supplemental	Non-Qualified Supplemental	Board Plan
Actual 2020 contributions:			
CTA	$870	$2,175	$347
Plan members	$0	$0	$7
Actual 2019 contributions:			
CTA	$1,120	$2,340	$326
Plan members	$29	$0	$9

Benefit terms

Qualified and Non-Qualified Plans: Employees of the CTA in certain employment classifications established by Board ordinance are eligible to participate based on age and service credit, generally as follows: at age 65, at age 55 with three years of pensionable service or with twenty-five years of pensionable service. Disability and death benefits are provided to employees.

Benefits are based on the highest average annual compensation ("AAC") over any four calendar years out of the final ten years prior to retirement. For normal retirement and disability retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees. For early retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, with this benefit commencing at age 65. Benefits can commence prior to age 65 under certain conditions, generally as follows: any time after age 55 with a 5% reduction for each year under age 65 or with twenty-five years of service with no reduction. A minimum benefit is payable to an employee under normal, early or disability retirement equal to one-sixth of 1% of AAC multiplied by years of service limited to a maximum of 5% of AAC, with the minimum benefit commencing at early retirement. Termination benefits available to employees who complete ten years of service are as follows: the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees, with the benefit commencing at age 65.

Qualified and Non-Qualified participants who retire on or after February 1, 1984 may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions. In addition to the increased supplemental benefits attributable to such "bridged" service, the Supplemental Plan is responsible for paying any additional benefits that the employees would be eligible for under the Retirement Plan for CTA Employees had they received this additional bridged service under both plans.

Board Plan: Individuals appointed to the Chicago Transit Board are eligible to participate based on age and service credit, generally as follows: at age 65 with completion of two years of service or at age 50 with completion of five years of service.

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Benefits are based, generally, on provisions of the Retirement Plan for CTA Employees and the Supplemental Plan, to provide benefits to members of the Board comparable to what they would receive if employees of the CTA participating in those plans – with certain additional conditions and provisions, including specified minimum benefits, intended to take into account the anticipated periods of service by individuals as members of the Board.

Participants in the Board Plan may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions – generally on terms similar to those applying to Qualified and Non-Qualified Plan participants receiving credit for bridged service.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2021 and January 1, 2020:

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2021				
Retirees and beneficiaries currently receiving benefits	126	283	18	427
Terminated employees entitled to but not yet receiving benefits	10	2	5	17
Active plan members	8	-	1	9
Total	144	285	24	453
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	-	2	10
Total	142	305	24	471

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

<u>Net Pension Liabilities</u>

Actuarial assumptions and calculations. The total pension liabilities in the December 31, 2020 and 2019 actuarial valuation were determined using the following actuarial assumptions, applied to the periods included in the measurement:

2020 Actuarial Assumptions	
Acturial valuation date	December 31, 2020
Measurement date	December 31, 2020
Investment return	
Qualified	6.75% per year
Non-Qualified and Board	2.00%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2020 based on Scale MP2020
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal
2019 Actuarial Assumptions	
Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	2.75%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2019 based on Scale MP2019
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in assumptions from 2019-2020 include: investment return decreases for the Qualified Plan from 7.00% to 6.75% and Non-Qualified and Board Plans from 2.75% to 2.00% and change in mortality table from RP-2014 mortality projected to 2019 based on Scale MP-2019 to RP-2014 mortality projected to 2020 based on Scale MP-2020.

Changes in assumptions from 2018-2019 include: investment return decrease for the Non-Qualified and Board Plans from 4.10% to 2.75% and change in mortality table from RP-2014 mortality projected to 2018 based on Scale MP-2018 to RP-2014 mortality projected to 2019 based on Scale MP-2019.

Best estimates of arithmetic real rates of return for each major asset class included in the Supplemental Plans target asset allocation as of December 31, 2020 and 2019 are summarized in the following tables (note that the rates shown below include the inflation components):

	2020 Target Allocation	**2020 Estimate of expected rate of return**	**2019 Target Allocation**	**2019 Estimate of expected rate of return**
U.S. Large Size Company Equities	20.0%	6.9%	20.0%	7.2%
U.S. Mid Size Company Equities	5.0%	7.2%	5.0%	7.4%
U.S. Small Size Company Equities	5.0%	7.7%	5.0%	7.8%
Developed Non-U.S. Size Company Equities	15.0%	7.5%	15.0%	7.2%
Emerging Markets Company Equities	5.0%	8.1%	5.0%	8.0%
Total Equities	50.0%		50.0%	
U.S. Fixed Income	30.0%	1.7%	30.0%	2.3%
Total Fixed Income	30.0%		30.0%	
Real Estate	10.0%	5.6%	10.0%	6.0%
Total Real Estate	10.0%		10.0%	
Open-End Private Equity	10.0%	11.3%	10.0%	10.8%
Total Private Equity	10.0%		10.0%	
Total Assets	100.0%		100.0%	

(Continued)

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected long-term future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected long-term future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rates used to measure the total pension liabilities in 2020 were 6.75% for the Qualified and 2.00% for the Non-Qualified and Board. The Qualified discount rate of 6.75% is a change from 7.00% that was used to measure the total pension liabilities as of December 31, 2019. The Non-Qualified and Board discount rate of 2.00% is a change from 2.75% that was used to measure the total pension liabilities as of December 31, 2019. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The discount rates used to measure the total pension liabilities in 2019 were 7.0% for the Qualified and 2.75% for the Non-Qualified and Board. The Non-Qualified and Board discount rate of 2.75% is a change from 4.10% that was used to measure the total pension liabilities as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Qualified			
Balance as of 12/31/18	$ 42,116	$ 34,441	$ 7,675
Change for the year:			
Service cost	64	-	64
Interest	2,789	-	2,789
Differences between expected and actual experience	1,346	-	1,346
Changes in assumptions	(7)	-	(7)
Benefit payments	(4,192)	(4,192)	-
Contributions - Employer	-	1,120	(1,120)
Contributions - Employee	-	29	(29)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	-	2,246	(2,246)
Balance as of 12/31/19	$ 42,116	$ 36,687	$ 5,429
Change for the year:			
Service cost	68	-	68
Interest	2,793	-	2,793
Differences between expected and actual experience	771	-	771
Changes in assumptions	855	-	855
Benefit payments	(4,093)	(4,093)	-
Contributions - Employer	-	870	(870)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	3,293	(3,293)
Administrative expenses	-	(215)	215
Net changes	394	(145)	539
Balance as of 12/31/20	$ 42,510	$ 36,542	$ 5,968

Plan fiduciary net position as a percentage of the total pension liability - 2020	85.96%
Plan fiduciary net position as a percentage of the total pension liability - 2019	87.11%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease) Total Pension Liability
Non-Qualified	
Balance as of 12/31/18	$ 22,839
Change for the year:	
Service cost	-
Interest	884
Differences between expected and actual experience	(1,237)
Changes in assumptions	1,979
Benefit payments	(2,340)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	(714)
Balance as of 12/31/19	$ 22,125
Change for the year:	
Service cost	-
Interest	576
Differences between expected and actual experience	(351)
Changes in assumptions	1,176
Benefit payments	(2,175)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	(774)
Balance as of 12/31/20	$ 21,351

Plan fiduciary net position as a percentage of the total pension liability - 2020	0.00%
Plan fiduciary net position as a percentage of the total pension liability - 2019	0.00%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Board			
Balance as of 12/31/18	$ 4,361	$ 103	$ 4,258
Change for the year:			
Service cost	32	-	32
Interest	172	-	172
Differences between expected and actual experience	(221)	-	(221)
Changes in assumptions	571	-	571
Benefit payments	(326)	(326)	-
Contributions - Employer	-	326	(326)
Contributions - Employee	-	9	(9)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	228	9	219
Balance as of 12/31/19	$ 4,589	$ 112	$ 4,477
Change for the year:			
Service cost	23	-	23
Interest	121	-	121
Differences between expected and actual experience	839	-	839
Changes in assumptions	432	-	432
Benefit payments	(347)	(347)	-
Contributions - Employer	-	347	(347)
Contributions - Employee	-	7	(7)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	1,068	7	1,061
Balance as of 12/31/20	$ 5,657	$ 119	$ 5,538

Plan fiduciary net position as a percentage of the total pension liability - 2020	2.09%
Plan fiduciary net position as a percentage of the total pension liability - 2019	2.42%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Total			
Balance as of 12/31/18	$ 69,315	$ 34,543	$ 34,772
Change for the year:			
Service cost	96	-	96
Interest	3,845	-	3,845
Differences between expected and actual experience	(112)	-	(112)
Changes in assumptions	2,543	-	2,543
Benefit payments	(6,858)	(6,858)	-
Contributions - Employer	-	3,786	(3,786)
Contributions - Employee	-	38	(38)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	(486)	2,255	(2,741)
Balance as of 12/31/19	$ 68,829	$ 36,798	$ 32,031
Change for the year:			
Service cost	91	-	91
Interest	3,490	-	3,490
Differences between expected and actual experience	1,259	-	1,259
Changes in assumptions	2,463	-	2,463
Benefit payments	(6,615)	(6,615)	-
Contributions - Employer	-	3,392	(3,392)
Contributions - Employee	-	7	(7)
Net investment income, net of expenses	-	3,293	(3,293)
Administrative expenses	-	(215)	215
Net changes	688	(138)	826
Balance as of 12/31/20	$ 69,517	$ 36,660	$ 32,857

Plan fiduciary net position as a percentage of the total pension liability - 2020	52.74%
Plan fiduciary net position as a percentage of the total pension liability - 2019	53.46%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Qualified, Non-qualified, and Board plans, calculated using the discount rates disclosed above for each plan, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate (in thousands of dollars):

Plan	1% Decrease	Current Discount Rate	1% Increase
Qualified Discount Rate			
Qualified Plan - 2020 - 6.75%	$ 9,620	$ 5,968	$ 2,818
Qualified Plan - 2019 - 7.00%	$ 8,997	$ 5,429	$ 2,348
Non-Qualified Discount Rate			
Non-Qualified Plan - 2020 - 2.00%	$ 23,103	$ 21,351	$ 19,828
Non-Qualified Plan - 2019 - 2.75%	$ 23,867	$ 22,125	$ 20,602
Board Discount Rate			
Board Plan - 2020 - 2.00%	$ 6,209	$ 5,538	$ 4,980
Board Plan - 2019 - 2.75%	$ 4,990	$ 4,477	$ 4,046

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2020 and 2019, CTA recognized pension expense and reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands of dollars):

	December 31, 2020		
	Qualified	**Non-Qualified**	**Board**
Pension expense	$ 1,824	$ 1,401	$ 1,408
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ (1,339)	$ -	$ -
Total Deferred Inflows	$ (1,339)	$ -	$ -

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

	December 31, 2019		
	Qualified	**Non-Qualified**	**Board**
Pension expense	$ 2,507	$ 1,626	$ 544
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ (924)	$ -	$ -
Total Deferred Inflows	$ (924)	$ -	$ -

CTA did not report a deferred outflow of resources related to pensions resulting from contributions paid subsequent to the measurement dates for any Supplemental Plan for December 31, 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows for December 31, 2020 and 2019 (in thousands of dollars):

	December 31, 2020		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2021	$ (442)	$ -	$ -
2022	122	-	-
2023	(832)	-	-
2024	(187)	-	-
Total Amortization	$ (1,339)	$ -	$ -

	December 31, 2019		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2020	$ (332)	$ -	$ -
2021	(255)	-	-
2022	308	-	-
2023	(645)	-	-
Total Amortization	$ (924)	$ -	$ -

GASB Statements No. 67 *Financial Reporting for Pensions Plans—an amendment of GASB Statement No. 25*

Investments. The Board and Non-Qualified plans are administered on a pay as you go basis. The Non-Qualified plan does not have any associated assets. The Board plan has a limited reserve held in cash or cash equivalents, which is not actively managed or associated with an investment policy. The Qualified plan's investment policy is established and may be amended by the CTA's Employment Retirement Review Committee. The primary objective of the policy is to provide a documented structure for the implementation of investment strategies which suggests the highest probability of maximizing the level of investment return within acceptable parameters for the total Fund's volatility and risk.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on Qualified plan assets, net of pension plan investment expense, was 8.73% and 16.12%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

	12/31/2020	12/31/2019
Inflation	2.50% per year	2.50% per year
Salary increases	3.50% per year	3.50% per year
Investment rate of return (Discount rate)		
Qualified Plan	6.75% per year	7.00% per year
Non-Qualified and Board Plan	2.00% per year	2.75% per year

Mortality rates were based on the RP-2014 Mortality projected to 2020 based on Scale MP2020 and the RP-2014 Mortality projected to 2019 based on Scale MP2019 for the years ended December 31, 2020 and 2019, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 and 2019 (see the discussion of the pension plan's investment policy). The 2.00% and 2.75% rates used for the Non-qualified and Board plans represents the 20-year municipal bond rate as determined by the 20-year bond buyer index as of December 31, 2020 and 2019, respectively.

Summary (in thousands of dollars):

	December 31, 2020		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,765,839	$ 32,857	$ 1,798,696
Deferred Outflows of Resources	181,426	-	181,426
Deferred Inflows of Resources	20,669	1,339	22,008
Pension Expense	176,837	4,633	181,470

	December 31, 2019		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,847,007	$ 32,031	$ 1,879,038
Deferred Outflows of Resources	302,102	-	302,102
Deferred Inflows of Resources	19,170	924	20,094
Pension Expense	197,854	4,677	202,531

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – Other Postemployment Benefits (OPEB)

Employees' Plan – Retiree Healthcare Benefits: In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust (RHCT), a single employer defined benefit plan. The RHCT was established in May 2008 and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the RHCT. Members are eligible for health benefits based on their age and length of service with CTA. The legislation provides that CTA will have no future responsibility for retiree healthcare costs. The RHCT issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Supplemental and Board Plans – Retiree Healthcare Benefits: Employees of the CTA in certain employment classifications are eligible to participate in the supplemental retirement plan, a single employer defined benefit plan. Members of the Supplemental Plan with bridged service or service purchased through the Voluntary Termination Program are eligible for Supplemental Healthcare benefits if they retired under the Supplemental Plan and do not immediately qualify for healthcare benefits under the CTA RHCT. Supplemental Healthcare Plan benefits are administered through the CTA's healthcare program covering active members. Supplemental healthcare benefits cease when the member becomes eligible for healthcare coverage under the RHCT. Certain members not eligible for benefits under the RHCT will continue to receive benefits through the CTA's healthcare program covering active members. The benefits are dependent on the amount of bridged service and the amount of service at the CTA that is credited in the Employees Plan.

Chicago Transit Board members participate in a separate Board Member Retirement Plan, a single employer defined benefit plan, and a Supplemental Plan. Board members with greater than five years of service are eligible for healthcare benefits immediately after termination or retirement.

The Supplemental and Board Plans do not issue separate stand-alone financial reports and do not have assets accumulated in a trust.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Covered Participants – The following participants were covered by the benefit terms as of January 1, 2021 and January 1, 2020:

	Supplemental & Board Plans
Participants as of January 1, 2021	
Retirees and beneficiaries currently receiving benefits	56
Terminated employees entitled to but not yet receiving benefits	6
Active plan members	4
Total	66
Participants as of January 1, 2020	
Retirees and beneficiaries currently receiving benefits	54
Terminated employees entitled to but not yet receiving benefits	7
Active plan members	5
Total	66

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions – Funding for the Supplemental and Board Retiree Healthcare Plans are on a pay-as-you-go basis. CTA's contribution rate was 131.15% and 114.03% of covered employee payroll for the years ended December 31, 2020 and 2019, respectively. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost.

Total OPEB Liability – CTA's total OPEB liability was measured as of December 31, 2020 and 2019 and the total OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – Projection 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 type of benefits provided at the time of each valuation and the historical pattern of sharing 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.

Actuarial valuations were performed for the OPEB Plan as of December 31, 2020 and 2019. The following table shows a summary of significant actuarial assumptions:

2020 Actuarial Assumptions	
Acturial valuation date	December 31, 2020
Measurement date	December 31, 2020
Discount rate	2.00%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.00%
Health care cost trend rate	Starts with 7.75% in year 2022 and goes down to 5.0% in year 2028 and after.
Mortality	RP-2014 base rates projected to 2020 using Scale MP2020
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

2019 Actuarial Assumptions

Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Discount rate	2.75%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.75%
Health care cost trend rate	Starts with 8.25% in year 2020 and goes down to 5.0% in year 2027 and after.
Mortality	RP-2014 base rates projected to 2019 using Scale MP2019
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

Changes in assumptions from 2019 to 2020 include: investment return decrease from 2.75% to 2.00%.

Discount rate. The discount rate used to measure the total OPEB liability in 2020 and 2019 was 2.00% and 2.75%, respectively. The single discount rate was determined by the 20-year municipal bonds rates based on an index of 20-year obligation bonds with an average AA credit rating. The contribution policy assumed for this valuation was pay-as-you-go.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Net OPEB Liability: The changes in the total OPEB liability for the plan are as follows:

	Increase (Decrease) Total OPEB Liability
Supplemental & Board Plans	
Balance as of 12/31/18	$ 9,751
Change for the year:	
Service cost	54
Interest	385
Benefit changes	-
Differences between expected and actual experience	(982)
Changes in assumptions	1,310
Benefit payments	(698)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	69
Balance as of 12/31/19	$ 9,820
Change for the year:	
Service cost	41
Interest	260
Benefit changes	(99)
Differences between expected and actual experience	374
Changes in assumptions	886
Benefit payments	(729)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	733
Balance as of 12/31/20	$ 10,553

***Sensitivity of the total OPEB liability to changes in discount rate*.** The following presents the net OPEB liability of CTA as well as what CTA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Plan	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Supplemental & Board Plans - 2020 - 2.00%	$ 11,970	$ 10,553	$ 9,413
Supplemental & Board Plans - 2019 - 2.75%	$ 11,068	$ 9,820	$ 8,812

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of CTA, as well as what the CTA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan	1% Decrease	Current Trend Rates	1% Increase
Supplemental & Board Plans - 2020 - 7.75%	$ 9,480	$ 10,553	$ 11,851
Supplemental & Board Plans - 2019 - 8.25%	$ 8,865	$ 9,820	$ 10,972

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2020 and 2019, CTA recognized OPEB expense of $1,462,000 and $767,000, respectively. At December 31, 2020 and 2019, CTA reported no deferred inflows/outflows of resources related to OPEB.

NOTE 16 - 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 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, 2020 to July 29, 2021. Property limit of liability is $180,000,000 per occurrence, and is purchased in three layers. The first/primary layer provides a $25,000,000 limit. The first excess layer provides a $105,000,000 limit excess and above the primary. The second excess layer provides the final $50,000,000 limit excess. The basic policy deductible is $1,000,000 per each occurrence, with a $5,000,000 deductible for each rail car collision or derailment claim.

The CTA is also self-insured for general liability, workers' compensation, employee accidents, environmental, automotive liability losses, 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 five insurance policies in effect from June 15, 2020 to June 15, 2021. The first policy provides $10,000,000 in excess of the $15,000,000 self-insured retention and $20,000,000 in the aggregate. The second policy provides $5,000,000 in excess of the $25,000,000 and $10,000,000 in the aggregate. The third policy provides $10,000,000 in excess of $30,000,000 and $20,000,000 in the aggregate. The fourth policy provides $10,000,000 in excess of $40,000,000 and $20,000,000 in the aggregate. The fifth policy provides $50,000,000 in excess of $50,000,000 and $100,000,000 in the aggregate. In 2020 and 2019, no CTA claim existed that is expected to exceed the $15,000,000 self-insured retention under this insurance policy.

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued**)**

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2,500,000 per occurrence up to the total balance in the Fund or a maximum of $47,500,000. The CTA is obligated to reimburse the Fund for the principal amount borrowed plus a floating interest rate. However, the CTA is not obligated to make reimbursement payments, including interest, in excess of $3,500,000 in any one year. No borrowings were made from the Fund in fiscal years 2020 or 2019.

Settlements did not exceed coverage for any of the past three years, and there has been no significant reduction in coverage during that period.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 3.4% and 2.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.0% and 2.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	Injury and damage	Group health and dental	Workers' compensation	Total
Balance at January 1, 2018	$ 74,897	$ 18,956	$ 166,547	$ 260,400
Funded	5,000	159,769	53,644	218,413
Funding (excess)/deficiency per actuarial requirement	30,648	-	(1,482)	29,166
Payments	(31,882)	(159,207)	(53,644)	(244,733)
Balance at December 31, 2018	78,663	19,518	165,065	263,246
Funded	7,500	98,924	51,938	158,362
Funding (excess)/deficiency per actuarial requirement	21,236	-	(6,165)	15,071
Payments	(22,112)	(106,102)	(51,938)	(180,152)
Balance at December 31, 2019	85,287	12,340	158,900	256,527
Funded	22,000	160,536	52,889	235,425
Funding (excess)/deficiency per actuarial requirement	865	-	(2,770)	(1,905)
Payments	(12,868)	(166,574)	(52,889)	(232,331)
Balance at December 31, 2020	$ 95,284	$ 6,302	$ 156,130	$ 257,716

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued**)**

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance, and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See Note 5 regarding cash and investment amounts maintained in this account.

NOTE 17 - LINE OF CREDIT – NOTE PURCHASE AGREEMENT

<u>2018 Line of Credit</u>

On July 10, 2018, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with Bank of America, N.A. in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the LIBOR rate. The Notes had an initial commitment expiration date of July 10, 2020, which was extended to September 30, 2021.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $104.5 million and $89.2 million as of December 31, 2020 and 2019, respectively. The unused line of credit was $45.5 million and $60.8 million as of December 31, 2020 and 2019, respectively.

<u>2019 Line of Credit</u>

On July 12, 2019, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with PNC Bank, National Association in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the LIBOR rate. The Notes have an initial commitment expiration date of July 11, 2022.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $105.7 million and $119.0 million as of December 31, 2020 and 2019, respectively. The unused line of credit was $44.3 million and $31.0 million as of December 31, 2020 and 2019, respectively.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

<u>Litigation</u>: 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.

(Continued)

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued**)**

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt as of December 31, 2020 and 2019 was $27,250,000 and $35,450,000, respectively.

NOTE 19 – COVID-19 PANDEMIC

The United States and the State of Illinois declared a state of emergency in March 2020 due to the COVID-19 global pandemic. During this evolving situation, CTA continues to analyze the impact on its financial position. Below is a summary of the federal funding that has supplemented the lower fare and public funding revenues due to the pandemic.

Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES)
On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The regional share of CARES Act funding to the RTA and Service Boards was $1.438 billion. CTA has been allocated approximately $817.5 million in CARES Act funding.

Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA)
On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law. The regional share of CRRSAA funding to the RTA and Service Boards was $486 million. CTA has been allocated approximately $361.3 million in CRRSAA funding and the application is in progress as of April 29, 2021.

American Rescue Plan Act of 2021 (ARP)
On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law. The regional share of ARP Act funding to the urbanized area, including RTA and Service Boards was $1.496 billion. CTA has not yet received the allocation amount for ARP funding as of April 29, 2021.

The funding provided through the CARES Act; CRRSAA; and ARP allowed for changes in how recipients use FTA funds. The most significant of these changes has been allowing recipients to charge operating expenses to FTA grants with no matching requirements.

The RTA approved a provision to allow the CARES Act funding which was provided to replace fare revenue lost due to the COVID-19 pandemic to be included as operating revenue for purposes of the recovery ratio calculation.

NOTE 20 - SUBSEQUENT EVENTS

Line of Credit
On April 14, 2021, the CTA drew down $8,000,000 on the 2019 capital line of credit. Additional information on the capital lines of credit can be found in Note 17.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

	2020	2019	2018	2017	2016	2015
Employees' Plan						
Total Pension Liability	$ 3,656,305	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position	1,890,466	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
Plan's Net pension Liability	$ 1,765,839	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	51.70%	48.15%	52.97%	50.23%	52.00%	56.53%
Covered Payroll	$ 645,799	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,828
Plan's Net pension Liability as a percentage of Covered Payroll	273.43%	296.45%	278.45%	299.01%	280.50%	252.69%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

Note 1: 2016 used the RP Blue Collar Table, generational to 2016 based on Scale BB. Also the asset valuation changed to 5 year smoothed actuarial value of assets.
Note 2: 2017 used the RP Blue Collar Table, generational to 2017 based on Scale BB.
Note 3: 2018 used the RP Blue Collar Table, generational to 2000 based on Scale BB.
Note 4: 2019 used the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.
Note 5: 2020 used the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

	2020	2019	2018	2017	2016	2015	2014
Supplemental Qualified Plan							
Total Pension Liability	$ 42,510	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position	36,542	36,687	34,441	40,250	37,805	37,875	42,046
Plan's Net Pension Liability	$ 5,968	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.96%	87.11%	81.78%	91.35%	78.75%	76.77%	80.67%
Covered Payroll	$ 1,214	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443
Plan's Net Pension Liability as a percentage of Covered Payroll	491.40%	443.34%	629.84%	347.13%	841.07%	845.71%	697.92%
Supplemental Non-Qualified Plan							
Total Pension Liability	$ 21,351	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 29,926	$ 28,105
Covered Employee Payroll	-	-	-	-	-	-	-
Plan's Total Pension Liability as a percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Board Member Plan							
Total Pension Liability	$ 5,657	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position	119	112	103	88	77	68	88
Plan's Net Pension Liability	$ 5,538	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	2.09%	2.42%	2.34%	1.84%	1.69%	1.52%	1.72%
Covered Employee Payroll	$ 25	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125
Plan's Net Pension Liability as a percentage of Covered-Employee Payroll	22149.74%	5746.55%	5676.97%	6191.50%	5978.83%	5883.44%	4031.43%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Employees' Retirement Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

Employees' Plan	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Total Pension Liability - Beginning	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154	$ 3,220,533
Service Cost	53,967	54,814	50,433	50,111	51,358	49,066
Interest	286,687	283,757	278,184	269,899	264,579	259,593
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	41,530	7,455	13,679	51,518	13,082	-
Changes of Assumptions	-	(24,727)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(288,113)	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Net Change in Total Pension Liability	94,071	39,431	65,811	104,961	68,877	62,621
Total Pension Liability - Ending	$ 3,656,305	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position						
Plan Fiduciary Net Position - Beginning	$ 1,715,227	$ 1,865,901	$ 1,736,369	$ 1,743,216	$ 1,855,912	$ 1,892,715
Contributions - Employer	121,668	117,115	104,523	83,855	82,800	82,268
Contributions - Member	81,298	78,340	70,286	59,561	58,993	58,566
Net Investment Income	263,201	(61,343)	233,739	118,613	8,230	71,524
Benefit Payments, Including Refunds of Member Contributions	(288,113)	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Administrative Expense	(2,815)	(2,918)	(2,531)	(2,309)	(2,577)	(3,123)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	175,239	(150,674)	129,532	(6,847)	(112,696)	(36,803)
Plan Fiduciary Net Position - Ending	1,890,466	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
CTA Net Pension Liability - Ending	$ 1,765,839	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Qualified	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118	$ 53,464
Service Cost	68	64	60	60	56	52	61
Interest	2,793	2,789	2,929	3,204	3,296	3,488	3,578
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual E	771	1,346	(1,310)	(3,170)	(611)	(2,145)	(554)
Changes of Assumptions	855	(7)	480	62	71	67	-
Benefit Payments	(4,093)	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Net Change in Total Pension Liability	394	-	(1,946)	(3,942)	(1,331)	(2,783)	(1,346)
Total Pension Liability - Ending	$ 42,510	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position							
Plan Fiduciary Net Position - Beginning	$ 36,687	$ 34,441	$ 40,250	$ 37,805	$ 37,875	$ 42,046	$ 43,503
Contributions - Employer	870	1,120	550	1,300	1,380	1,164	1,130
Contributions - Member	-	29	72	-	8	34	82
Net Investment Income	3,293	5,518	(2,080)	5,357	2,942	(878)	2,073
Benefit Payments	(4,093)	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Refunds of Member Contributions	-	-	-	-	(17)	-	-
Administrative Expense	(215)	(229)	(246)	(114)	(240)	(237)	(311)
Other	-	-	-	-	-	(9)	-
Net Change in Plan Fiduciary Net Position	(145)	2,246	(5,809)	2,445	(70)	(4,171)	(1,457)
Plan Fiduciary Net Position - Ending	$ 36,542	$ 36,687	$ 34,441	$ 40,250	$ 37,805	$ 37,875	$ 42,046
CTA Net Pension Liability - Ending	$ 5,968	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Non-Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Non-Qualified	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105	$ 27,205
Service Cost	-	-	-	-	-	-	-
Interest	576	884	792	903	911	949	1,209
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(351)	(1,237)	141	90	369	498	341
Changes of Assumptions	1,176	1,979	26	655	(315)	57	2,373
Benefit Payments	(2,175)	(2,340)	(2,500)	(2,542)	(2,617)	(2,683)	(3,023)
Net Change in Total Pension Liability	(774)	(714)	(1,541)	(894)	(1,652)	(1,179)	900
Total Pension Liability - Ending	$ 21,351	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Board Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Board	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128	$ 4,698
Service Cost	23	32	34	33	33	46	45
Interest	121	172	157	166	153	176	216
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	839	(221)	(45)	125	310	(514)	(64)
Changes of Assumptions	432	571	(202)	166	(90)	3	566
Benefit Payments	(347)	(326)	(315)	(319)	(326)	(358)	(333)
Net Change in Total Pension Liability	1,068	228	(371)	171	80	(647)	430
Total Pension Liability - Ending	$ 5,657	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position							
Plan Fiduciary Net Position - Beginning	$ 112	$ 103	$ 88	$ 77	$ 68	$ 88	$ 75
Contributions - Employer	347	326	321	321	327	328	334
Contributions - Member	7	9	9	9	8	10	12
Net Investment Income	-	-	-	-	-	-	-
Benefit Payments	(347)	(326)	(315)	(319)	(326)	(358)	(333)
Administrative Expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	7	9	15	11	9	(20)	13
Plan Fiduciary Net Position - Ending	$ 119	$ 112	$ 103	$ 88	$ 77	$ 68	$ 88
CTA Net Pension Liability - Ending	$ 5,538	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040

Note 1: 2016 used the mortality table from RP-2000 projected to 2016 based on Scale AA.
Note 2: 2017 used the mortality table from RP-2000 projected to 2017 based on Scale AA.
Note 3: 2018 used the mortality table from RP-2014 projected to 2018 based on Scale MP 2018.
Note 4: 2019 used the mortality table from RP-2014 projected to 2019 based on Scale MP 2019.
Note 5: 2020 used the mortality table from RP-2014 projected to 2020 based on Scale MP 2020.
Note 6: The investment return was the following for the Board and Non-Qualified Plan:

2020 - 2.00%
2019 - 2.75%
2018 - 4.10%
2017 - 3.44%
2016 - 3.78%

There are no assets accumulated in a trust to pay related benefits for the Non-Qualified and Board Plans.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

Employees' Plan	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Statutorily determined contribution	N/A *	$ 116,367	$ 112,265	$ 106,662	$ 82,001	$ 81,731	$ 80,488	$ 102,800	$ 61,982	$ 55,976
Contributions in relation to the statutorily determined contribution	135,830	121,668	117,115	104,523	83,855	82,800	82,268	79,518	62,788	60,318
Contribution deficiency (excess)	N/A *	$ (5,301)	$ (4,850)	$ 2,139	$ (1,854)	$ (1,069)	$ (1,780)	$ 23,282	$ (806)	$ (4,342)
Covered payroll	N/A *	$ 645,799	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,827	$ 550,616	$ 548,515	$ 541,354
Contributions as a percentage of covered payroll	N/A *	18.02%	18.02%	17.93%	14.25%	14.25%	14.25%	18.67%	11.30%	10.34%

N/A * - Information not available

Notes to Schedule

Valuation date:	January 1, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The difference between projected and actual earnings is amortized over a closed period of five years.
Remaining amortization period	5 Years - Closed
Asset valuation method	5-year Smoothed Actuarial Value of Assets
Inflation	3.10%
Salary increases	11% for 1 year of service, 12% for 2 years of service, 16% for 3 years of service, 8% for 4 years of service, and 3.5% thereafter.
Investment rate of return	8.25%

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Qualified Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 871	$ 1,118	$ 550	$ 1,299	$ 1,380	$ 1,164	$ 1,130	$ 1,926	$ 2,267	$ 2,207
Contributions in relation to the actuarially determined contribution	870	1,120	550	1,300	1,380	1,164	1,130	1,927	2,267	2,210
Contribution deficiency (excess)	$ 1	$ (2)	$ -	$ (1)	$ -	$ -	$ -	$ (1)	$ -	$ (3)
Covered payroll	$ 1,214	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443	$ 1,647	$ 2,282	$ 2,486
Contributions as a percentage of covered payroll	71.64%	91.46%	45.13%	118.37%	113.81%	85.90%	78.30%	117.02%	99.33%	88.90%

Non-qualified Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 2,215	$ 2,430	$ 2,501	$ 2,542	$ 2,571	$ 2,678	$ 4,595	$ 4,295	$ 4,116	$ 4,041
Contributions in relation to the actuarially determined contribution	2,175	2,340	2,500	2,542	2,617	2,683	3,023	3,114	3,299	3,447
Contribution deficiency (excess)	$ 40	$ 90	$ 1	$ -	$ (46)	$ (5)	$ 1,572	$ 1,181	$ 817	$ 594
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Board Member Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 331	$ 348	$ 360	$ 358	$ 323	$ 379	$ 324	$ 331	$ 348	$ 372
Contributions in relation to the actuarially determined contribution	347	326	321	321	327	328	333	338	323	323
Contribution deficiency (excess)	$ (16)	$ 22	$ 39	$ 37	$ (4)	$ 51	$ (9)	$ (7)	$ 25	$ 49
Covered payroll	$ 25	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125	$ 139	$ 150	$ 175
Contributions as a percentage of covered payroll	1386.99%	418.52%	427.63%	427.63%	436.37%	437.23%	266.66%	242.12%	215.19%	184.45%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Method
Amortization method	Level Dollar
Remaining amortization period	20 year level dollar closed period (effective January 1, 2009) Qualified: 9 Years remaining as of January 1, 2020 - Closed Qualified: 8 Years remaining as of December 31, 2020 - Closed
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3.5% per year
Investment rate of return	Qualified: 6.75% per year Non-qualified: 2.00% per year Board: 2.00% per year

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Investment Returns (Unaudited)
Year Ended December 31, 2020

	Year	Qualified Supplemental Plan
Annual Money-Weighted Rate of Return, Net of Investment Expense	2020	8.73%
	2019	16.12%
	2018	-5.85%
	2017	14.40%
	2016	7.38%
	2015	-2.69%
	2014	4.20%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Changes in the Total OPEB Liability (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan	2020	2019	2018
Total OPEB Liability			
Total OPEB Liability - Beginning	$ 9,820	$ 9,751	$ 11,649
Service Cost	41	54	54
Interest	260	385	390
Changes of Benefit Terms	(99)	-	(478)
Differences Between Expected and Actual Experience	374	(982)	(606)
Changes of Assumptions	886	1,310	(664)
Benefit Payments, Including Refunds of Member Contributions	(729)	(698)	(594)
Net Change in Total OPEB Liability	733	69	(1,898)
Total OPEB Liability - Ending	$ 10,553	$ 9,820	$ 9,751
Covered-employee payroll	557	612	410
The total OPEB liability as a percentage of covered-employee payroll	1894.61%	1604.58%	2378.29%

Note: There is no separate Trust established for OPEB benefits.
Note: The discount rate is 2.00% for December 31, 2020. The discount rate in the prior measurement period was 2.75%, this represents a decrease of 0.75%.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan

	2020	2019	2018
Actuarially determined contribution	$ 730	$ 698	$ 594
Contributions in relation to the actuarially determined contribution	730	698	594
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 557	$ 612	$ 410
Contributions as a percentage of covered-employee payroll	131.15%	114.03%	145.07%

Notes to Schedule

Valuation date:	December 31, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Discount rate	2.00%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.00%
Health care cost trend rate	Starts with 7.75% in year 2022 and goes down to 5.0% in year 2028 and after.
Mortality	RP-2014 base rates projected to 2020 using Scale MP2020
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2020
(In thousands of dollars)

	Original budget	Final budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:				
Labor and fringe benefits	$ 1,133,287	$ 1,136,251	$ 1,135,354	$ 897
Materials and supplies	74,686	76,280	74,800	1,480
Fuel	44,376	40,941	37,125	3,816
Electric power	32,639	29,229	24,656	4,573
Purchase of security services	20,445	20,228	19,976	252
Other	243,032	267,194	223,915	43,279
Provision for injuries and damages	22,000	22,000	22,000	-
Total operating expenses	1,570,465	1,592,123	1,537,826	54,297
System-generated revenues:				
Fares and passes	585,660	210,605	232,830	22,225
Reduced-fare subsidies	14,606	14,606	14,829	223
Advertising and concessions	39,852	23,520	20,898	(2,622)
Investment income	3,000	1,870	1,221	(649)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	47,538	36,253	39,286	3,033
Total system-generated revenues	695,656	291,854	314,064	22,210
Operating expenses in excess of system-generated revenues	874,809	1,300,269	1,223,762	76,507
Public funding:				
RTA operating assistance	874,809	610,169	739,933	129,764
FTA operating assistance - CARES	-	690,100	483,829	(206,271)
	874,809	1,300,269	1,223,762	(76,507)
Change in net position – budgetary basis	$ -	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:				
Provision for depreciation			(495,975)	
Pension expense in excess of pension contributions			(2,729)	
Supplemental Retirement			(1,778)	
Incentive Retirement			536	
Workers Compensation			2,770	
Provision for injuries and damages			(865)	
Interest expense on bond transactions			(121,673)	
Interest expense on TIFIA bond transactions			1,686	
Interest revenue on bond transactions			2,771	
Interest expense from sale/leaseback			(2,933)	
Capital contributions			635,252	
Change in net position – GAAP basis			$ 17,062	
CTA recovery ratio:				
Total operating expenses			$ 1,537,826	
Less mandated security costs			(19,976)	
Less security camera contracts			(1,298)	
Less CSA Labor			(52,324)	
Less CTA security department costs			(1,479)	
Less ICE operating funds			(5,623)	
Less depreciation expense			(5,006)	
Less Pension Obligation Bond debt service			(156,576)	
Plus City of Chicago in-kind services			22,000	
Total operating expenses for recovery ratio calculation (B)			1,317,544	
Total system-generated revenues			$ 314,064	
Plus FTA operating assistance - CARES			348,954	
Plus differential between loss in system-generated revenue and CARES funding			32,640	
Plus Senior Free Rides			19,015	
Plus City of Chicago in-kind services			22,000	
Total system-generated revenues for recovery ratio calculation (A)			$ 736,673	
Recovery ratio (A/B)			55.91%	

See accompanying independent auditor's report.

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2019
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,084,100	$ 1,093,922	$ (9,822)
Materials and supplies	80,064	67,652	12,412
Fuel	44,084	40,396	3,688
Electric power	34,372	31,560	2,812
Purchase of security services	19,307	14,920	4,387
Other	282,685	259,438	23,247
Provision for injuries and damages	7,500	7,500	-
Total operating expenses	1,552,112	1,515,388	36,724
System-generated revenues:			
Fares and passes	588,012	585,297	(2,715)
Reduced-fare subsidies	28,321	14,606	(13,715)
Advertising and concessions	38,758	38,987	229
Investment income	2,100	3,822	1,722
Contributions from local governmental units	5,000	5,000	-
Other revenue	45,555	49,465	3,910
Total system-generated revenues	707,746	697,177	(10,569)
Operating expenses in excess of system-generated revenues	844,366	818,211	26,155
Public funding from the RTA:			
RTA operating assistance	844,366	818,211	(26,155)
	844,366	818,211	(26,155)
Change in net position – budgetary basis	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(495,532)	
Pension expense in excess of pension contributions		(38,185)	
Supplemental Retirement		(1,391)	
Incentive Retirement		499	
Workers Compensation		6,165	
Provision for injuries and damages		(21,236)	
Interest expense on bond transactions		(73,934)	
Interest revenue on bond transactions		9,361	
Interest expense from sale/leaseback		(3,193)	
Capital contributions		502,238	
Change in net position – GAAP basis		$ (115,208)	
CTA recovery ratio:			
Total operating expenses		$ 1,515,388	
Less mandated security costs		(14,920)	
Less security camera contracts		(2,617)	
Less CSA Labor		(20,579)	
Less CTA security department costs		(1,374)	
Less ICE operating funds		(6,206)	
Less depreciation expense		(4,943)	
Less Pension Obligation Bond debt service		(156,576)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		1,330,173	
Total system-generated revenues		$ 697,177	
Plus Senior Free Rides		29,212	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 748,389	
Recovery ratio (A/B)		56.26%	

See accompanying independent auditor's report.

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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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 $350,000,000 Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A (the "Series 2022A Bonds"). The Series 2022A Bonds are being issued pursuant to a Trust Indenture dated as of January 1, 2017 (the "2017 Indenture"), by and between the Authority and Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), Chicago, Illinois, as trustee (the "Trustee"), as supplemented and amended to the date hereof, and as further supplemented by a Seventh Supplemental Indenture, dated as of March 1, 2022, by and between the Authority and the Trustee (the "Seventh Supplemental Indenture," and the 2017 Indenture as so supplemented and amended, the "Indenture").

In consideration of the issuance of the Series 2022A Bonds by the Authority and the purchase of such Series 2022A Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Series 2022A Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Authority represents that it will be the only obligated person with respect to the Series 2022A Bonds at the time the Series 2022A 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 Series 2022A 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 described in Exhibit I hereto.

"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 as described in Exhibit I hereto.

"Bondholder" means any registered owner of any of the Series 2022A Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Series 2022A Bonds (including persons holding Series 2022A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Series 2022A Bonds for federal income tax purposes.

"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.

"*Financial Obligation*" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"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 Series 2022A 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 Series 2022A Bonds are as set forth in Exhibit III hereto. The Official Statement relating to the Series 2022A Bonds dated March 23, 2022 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 Series 2022A Bonds or defeasance of any Series 2022A 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 under the Indenture.

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 Series 2022A Bonds, the Indenture, 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 Indenture), pursuant to authorization granted in the Indenture, 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 Series 2022A Bonds, as determined by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of the beneficial owners of the Series 2022A Bonds pursuant to the terms of the Indenture 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 Series 2022A Bonds under the Indenture.

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 Series 2022A Bonds, and shall create no rights in any other person or entity.

13. ASSIGNMENT. The Authority shall not transfer its obligations under the Indenture 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 Series 2022A Bonds to be executed by its duly Authorized Officer as of the date below written.

Chicago Transit Authority

By: ___________________________
Name:_________________________
Title: __________________________

Chicago Transit Authority
567 W. Lake St.
Chicago, IL 60661

Dated: _____, 2022

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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) generally consistent with that contained in the Final Official Statement under the tables captioned "RTA Percentage Funding Allocations Among the Service Boards as Budgeted by RTA for 2022", "RTA Funding Allocations Among the Service Boards as Budgeted by RTA for 2022" and "Sales Tax Receipts Distributed to the Authority" under the heading "SALES TAX RECEIPTS," the table captioned "Debt Service Coverage" under the heading "DEBT SERVICE COVERAGE," and the tables captioned "RTA Sales Tax" and "State Sales Tax" in APPENDIX B—"SALES TAX RECEIPTS."

(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.

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EXHIBIT II

EVENTS WITH RESPECT TO THE SERIES 2022A 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 Bondholders, 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 Chicago Transit Board 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;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

EXHIBIT III

CUSIP NUMBERS

YEAR OF MATURITY (DECEMBER 1)	CUSIP NUMBER (16772P)
2046	DK9
2049	DL7
2052	DM5
2057	DN3

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APPENDIX F

PENSION PLANS AND POST- EMPLOYMENT HEALTHCARE

PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

TABLE OF CONTENTS

PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

General Overview

Retirement Plan. 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 Authority 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"), 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 "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. More information about the Retirement Board can be found below under the heading "Background Information Regarding the Retirement Plan" below.

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 to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts and certain other provisions 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 January 1, 2021 Actuarial Valuation (the "2021 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 ARC and have resulted in an Unfunded Actuarial Accrued Liability (or "UAAL," as defined below) of $1.715 billion and a Funded Ratio (as defined below) of 53.27%. (*See* "Determination of Authority's Contributions," "The Actuarial Valuation – Authority's Contributions Not Related to GASB Standards" and "Funded Status" below.)

Under the Pension Code, the funding of the Retirement Plan is subject to the following requirements:

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be 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, increased contributions will be 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.

- 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.

- Beginning in 2060, the minimum contribution must be an amount necessary to maintain the Funded Ratio at 90%.

- Each year the Retirement Board must submit its actuarial valuation and determination of contribution rates to the Office of the Auditor General of the State of Illinois for a determination as to whether the rates and assumptions are not unreasonable in the aggregate.

- Two-thirds of required contributions are paid by the Authority and one-third by participating employees. The Authority's contributions are reduced by debt service on pension obligation bonds issued in 2008, up to maximum of six percent. (*See* "Pension Bonds" below.)

Supplemental Pension Plans. The Authority also maintains three other separate, non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the "Supplemental Pension Plans"): (i) a Chicago Transit Board member plan (the "Board Plan") for Chicago Transit Board members; (ii) a supplemental pension plan for certain employees who retired or terminated employment prior to March 2005 (the "Supplemental Non-Qualified Plan"); and (iii) a supplemental pension plan for certain employees retiring after March 2005 (the "Supplemental Qualified Plan"). The Board Plan and the Closed Supplemental Plan are administered on a pay-as-you-go basis. The Authority contributes to the Supplemental Qualified Plan based on an actuarially determined rate recommended by an independent actuary.

It should be noted that pursuant to legislation in 2008 (*see* "Legislative Changes 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 Chicago 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."

Retiree Health Care Trust. Prior to 2009, health care benefits for retirees and their dependents 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 one 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."

Pension Bonds. On August 6, 2008, the Authority issued its Pension and Retirement Debt Obligations ("Pension Bonds") in two series in an aggregate amount of $1,936.9 million. Proceeds of the Pension Bonds in the amount of approximately $1,110.5 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529.0 million were deposited into the RHCT. 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 total employee 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 public information made available by the Retirement Plan and the RHCT; 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; and the State of Illinois Office of Auditor General's "2021 Annual Review of Information Submitted by the Retirement Plan for the CTA Employees" and its "2021 Annual Review of Information Submitted by the Retiree Health Care Trust."

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, 2017, 2018, 2019 and 2020.

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, (i) the Financial Statements for the Retirement Plan for the years ended December 31, 2019 and 2020 and the Actuarial Valuation as of January 1, 2021 and (ii) the Financial Statements for the RHCT for the years ended December 31, 2019 and 2020 and the Actuarial Valuation as of January 1, 2021, 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* "Legislative Changes Impacting the Retirement Plan" below. Subsequent to 2008, various amendments to the Pension Code that could have impacted the Retirement Plan or the RHCT have been introduced. The Authority is not aware of any currently proposed amendments. It cannot be predicted 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.

Legislative Changes Impacting the Retirement Plan

2006 Pension Reform. 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.

2008 Pension Reform. 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 2008 Pension Reform, thereby closing the Supplemental Qualified 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 2008 Pension Reform to receive benefits under the Retirement Plan; and

- requires a Funded Ratio of at least 80% for any future early retirement incentive program.

2013 Pension Reform. 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. 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 filed lawsuits (the "2013 Pension Reform Lawsuits") challenging the constitutionality of the 2013 Pension Reform, including on the basis that it violated the Pension Protection Clause. The 2008 Pension Reform was not the subject of these lawsuits. *See* "Litigation, Investigation and Labor Relations - Litigation" below. Ultimately a circuit court entered a decision declaring Public Act 098-0599 to be unconstitutional and permanently enjoining its enforcement, which decision was later affirmed on appeal to the Illinois Supreme Court.

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 is the "single–employer." "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 individual 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. 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. Participants with at least ten years of continuous participation in the Retirement Plan who retire or leave employment with the Authority before age 65 are eligible to defer payment of pension benefits until they reach age 65. Participants who leave the Authority prior to vesting for benefits receive a refund of their contributions with 3% interest, but they receive no refund of the Authority's contributions made on their behalf. 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, 2021, the date of the latest Actuarial Valuation.

TABLE 1
Membership of Retirement Plan

Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Receiving Disability Allowance
8,078	160	9,313	1,303

Source: Actuarial Valuation Report as of January 1, 2021 prepared by Buck Consultants, LLC

Governance. The Retirement Plan is governed by the 11-member Retirement Board appointed as follows: (i) five trustees are appointed by the Chicago Transit Board; (ii) three trustees are appointed by Amalgamated Transit Union, Local 241; (iii) one trustee is appointed by Amalgamated Transit Union, Local 308; (iv) one trustee is appointed by the recognized coalition of representatives of participants who are not represented by the Amalgamated Transit Union; and (v) one trustee is selected by the RTA Board. Trustees serve on the Retirement 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 Retirement Board, provided that the Retirement Board may require a supermajority vote with respect to the investment of assets of the Retirement Plan. All trustees have alternates who are authorized to vote on their behalf if they are unavailable for a meeting.

Investments. The Retirement 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. Retirement 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 Retirement 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 Retirement Board has adopted a formal investment policy for the Retirement Plan. This investment policy is separate from the investment policy adopted for the RHCT. According to Note 3 of the Financial Statements for the Retirement Plan for the years ended December 31, 2020 and December 31, 2019 the primary objective of the Retirement Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above average returns consistent with prudent risk and investment volatility. 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. The Retirement Plan's assumed rate of return is currently 8.25%. According to the Auditor General's Report released November 2021, the State of Illinois Office of the Auditor General (the "Auditor General") concluded that, although the Plan's assumptions, including the interest rate, are "not unreasonable in the aggregate," the assumed rate of return and assumed rate of inflation "should continue to be monitored and justified on an annual basis."

The following Table 2 provides information on the actual investment returns experienced by the Retirement Plan for the period 2008 through 2018.

TABLE 2
Historical Investment Returns

Fiscal Year	Total Rate of Return
2011	3.5
2012	11.3
2013	19.5
2014	5.2
2015	(0.2)
2016	7.2
2017	14.9
2018	(3.2)
2019	16.2
2020	8.0

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2011 through 2020.

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. Beginning January 1, 2020, the employee contribution rate was 13.324% of compensation. In the 2021 Actuarial Report, the Actuaries stated that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there was no need to increase the employee contribution rate, which shall remain at 13.324%.

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. Beginning January 1, 2020, the Authority contribution rate was 26.647% of compensation, less a 6% credit for debt service on Pension Bonds, for a net contribution rate of 20.647%. The dollar amounts contributed by the Authority for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 were $83,855,000, $104,523,000, $117,115,000, $121,668,000 and $135,832,000, respectively. The following Table 3 provides information on the annual contributions made by the Authority to the Retirement Plan for the period 2009 through 2020.

In the 2021 Actuarial Report, the Actuaries state that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there is no need to increase the Authority's required contributions, which shall remain at 26.647% or 20.647% after taking into account the 6% credit, beginning January 1, 2022.

Under the Pension Code, by September 15 of each year for the years 2009 through 2039, the Retirement 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 Retirement 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 Retirement 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.

As of the January 1, 2021 Actuarial Valuation, the Funded Ratio meets the standard set forth in ILCS 5/22-101(e). Therefore, the Retirement Board determined that there is no need to increase the Authority's required contribution rates to comply with the requirements under the Pension Code as described in the previous paragraph. The current contribution rates adopted by the Retirement 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 Retirement 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 Retirement Board out of moneys otherwise payable to the Authority. 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 Retirement 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. 67 ("GASB 67") which is applicable for fiscal years ending 2014 and later and GASB Statement No. 68 ("GASB 68") which is applicable for the fiscal years beginning after 2014. GASB 67 replaces GASB 25 which is applicable for fiscal years ending prior to 2014. GASB 68 replaces GASB 27 which is applicable for the fiscal years ending prior to 2015.

Additionally, the Illinois State Auditing Act requires the Retirement 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 Retirement 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 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 Plan's 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. The Retirement Plan's Actuary has recommended that the Retirement Board consider, as appropriate, moving towards a contribution of the Annual Required Contribution over the next several years. The contribution rates adopted by the Retirement Board pursuant to its ten-year plan are higher than the minimum required by the Pension Code. The Retirement 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. The new Statements have been adopted by the Authority.

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.

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 smoothing method which smoothes investment gains and losses over a period of five years.

The 2021 Actuarial Valuation for the year ended December 31, 2020 states that the Funded Ratio of the Retirement Plan increased from 52.55% at December 31, 2019 to 53.27% at December 31, 2020. 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 2021 Actuarial Valuation. See "Source Information" above.

The actuarial assumptions used by the Retirement Plan are determined by the Retirement 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, 2013 to December 31, 2017 and was first used with the January 1, 2019 Actuarial Valuation. In the 2021 Actuarial Valuation, the Actuary stated that the actuarial assumptions developed are reasonable and appropriate and that assumptions and methods used for financial reporting purposes fulfill the requirements of GASB 67 and GASB 68. Any changes in assumptions as a result of future experience studies 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. The Retirement Plan assumes an average long-term investment rate of return of 8.25%. 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 Plan – 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 Retirement Board in recent years. The assumed investment rate of return was 8.50% prior to January 1, 2013, 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.

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Funded Status

UAAL and Funded Ratio. According to the 2021 Actuarial Valuation, the Retirement Plan had a UAAL of $1,715,408,000 as of January 1, 2021. The 2021 Actuarial Valuation shows that the UAAL as of January 1, 2021 increased by approximately $15 million from the UAAL as of January 1, 2020. The 2021 Actuarial Valuation states that Funded Ratio of the Retirement Plan increase by .72% during this time.

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
($ in thousands)

Fiscal Year Ended December 31	Annual Employer Required Contribution	Actual Employer Contribution	Contribution Deficiency(Excess)
2011	55,976	60,318	(4,342)
2012	61,982	62,788	(806)
2013	76,899	79,518	(2,619)
2014	80,488	82,268	(1,780)
2015	81,731	82,800	(1,069)
2016	82,001	83,855	(1,854)
2017	106,662	104,523	2,139
2018	112,265	117,115	(4,850)
2019	116,367	121,668	(5,301)
2020	132,232	135,832	(3,600)

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2011 through 2020 and the Retirement Plan's 2021 Actuarial Valuation, prepared by Buck Consultants, LLC.

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TABLE 4
Historical Funding Progress
($ in thousands)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
January 1, 2009	2,632,556	1,995,953	636,403	76.82
January 1, 2010	2,588,462	1,936,849	651,613	74.83
January 1, 2011(1)	2,724,191	1,909,967	814,224	70.11
January 1, 2012(2)	2,808,184	1,662,196	1,145,988	59.19
January 1, 2013	2,867,335	1,702,789	1,164,546	59.39
January 1, 2014(3)	3,105,567	1,892,714	1,212,853	60.95
January 1, 2015	3,186,187	1,855,912	1,330,275	58.25
January 1, 2016	3,267,121	1,743,216	1,523,904	53.36
January 1, 2017	3,338,641	1,752,473	1,586,168	52.49
January 1, 2018(4)	3,423,218	1,802,216	1,621,002	52.65
January 1, 2019	3,488,955	1,835,792	1,653,163	52.62
January 1, 2020	3,583,859	1,883,411	1,700,448	52.55
January 1, 2021	3,670,670	1,955,264	1,715,406	53.27

Source: The Retirement Plan's 2021 Actuarial Valuation, prepared by Buck Consultants, LLC and the Retirement Plan's audited financial statements for the years ended December 31, 2008 through 2020.

(1) Effective January 1, 2011, the assumed investment rate of return was changed from 8.75% to 8.50%.
(2) 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.
(3) Effective January 1, 2013, the assumed investment rate of return was changed from 8.50% to 8.25%.
(4) Effective January 1, 2017, the actuarial value of assets was changed from being valued using the market value method to using the Asset Smoothing 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 January 1, 2021 Actuarial Valuation, the Funded Ratio of the Plan was 53.27%. This represents an increase of 0.72% from the Retirement Plan's funded ratio of 52.55% as of January 1, 2020.

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

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Beginning Net Assets	$ 1,794,742	$ 1,662,196	$1,702,789	$1,892,714	$ 1,855,912	$ 1,743,216	$1,736,369	$1,865,900	1,715,227	1,890,466
Additions										
Net Investment income (loss)	$ (13,018)	$ 168,193	$ 299,510	$ 78,661	$ 8,230	$ 118,613	$ 233,738	$ (61,343)	263,201	123,612
Employer contributions...............	60,318	62,788	79,518	82,269	82,800	83,855	104,523	117,115	121,668	135,832
Employee contributions...............	47,169	48,342	56,792	58,566	58,993	59,560	70,286	78,340	81,298	87,926
Other income..............	4	-							285	240
Total Additions	$ 94,473	$ 279,323	$ 435,820	$ 219,496	$ 150,023	$ 262,028	$ 408,547	$ 134,112	$466,167	$ 347,370
Deductions										
Benefit payments.........	$ 221,732	$ 232,433	$ 238,539	$ 245,746	$ 253,436	$ 261,389	$ 269,141	274,465	280,686	288,940
Contribution refunds, including interest.........	2,879	4,022	4,932	7,137	6,354	4,840	7,344	7,402	7,110	5,151
Administrative expenses	2,408	2,275	2,424	3,415	2,929	2,646	2,531	2,918	3,132	2,579
Total	$ 227,019	$ 238,730	$ 245,895	$ 256,298	$ 262,719	$ 268,875	$ 279,016	$ 284,785	290,928	296,670
• Net Increase (Decrease)	(132,546)	40,593	189,925	(36,802)	(112,696)	(6,847)	129,531	(150,673)	175,239	50,700
Ending Net Assets	$ 1,662,196	$ 1,702,789	$ 1,892,714	$ 1,855,912	$1,743,216	$1,736,369	$1,865,900	$1,715,227	$1,890,466	$1,941,166

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2011 through 2020. 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 2021 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 2021 Actuarial Valuation.

TABLE 6
Projected Actuarial Results

	Board Adopted Contribution Rates			Board Adopted Contributions					
Fiscal Year	**Employee Contribution Percent**	**Employer Contribution Percent**	**Total Percent**	**Employee Contribution**	**Employer Contribution**	**Total Contribution**	**Actuarial Accrued Liability**	**Actuarial Value of Assets**	**Funded Ratio**
2021	13.324	20.647	33.971	86,610,708	134,218,529	220,829,237	3,670,670,170	1,955,264,394	53.27
2022	13.324	20.647	33.971	87,544,393	135,665,437	223,209,830	3,725,175,167	2,017,785,361	54.17
2023	13.324	20.647	33.971	88,783,933	137,586,322	226,370,255	3,777,974,390	2,061,299,799	54.56
2024	13.324	20.647	33.971	90,268,187	139,886,435	230,154,622	3,826,737,166	2,147,193,740	56.11
2025	13.324	20.647	33.971	92,329,607	143,080,968	235,410,622	3,871,620,598	2,209,085.814	57.06
2026	13.324	20.647	33.971	94,721,723	146,787,973	241,509,696	3,912,653,472	2,279,661,231	58.26
2027	13.324	20.647	33.971	97,148,711	150,549,018	247,697,729	3,949,528,797	2,354,160,569	59.61
2028	13.324	20.647	33.971	99,788,193	154,639,359	254,427,552	3,982,305,295	2,433,320,312	61.10
2029	13.324	20.647	33.971	102,590,921	158,982,679	261,573,600	4,011,211,547	2,518,794,965	62.79
2030	13.324	20.647	33.971	105,474,998	163,452,065	268,927,063	4,036,752,509	2,612,227,712	64.71
2031	13.324	20.647	33.971	108,686,863	168,429,413	277,116,276	4,059,452,612	2,714,812,789	66.88
2032	13.324	20.647	33.971	112,126,275	173,759,388	285,885,663	4,081,436,740	2,830,316,320	69.35
2033	13.324	20.647	33.971	115,643,243	179,209,548	294,852,791	4,103,717,413	2,961,181,975	72.16
2034	13.324	20.647	33.971	119,355,172	184,961,836	304,317,008	4,127,198,377	3,109,477,482	75.34
2035	13.324	20.647	33.971	123,265,871	191,022,152	314,288,023	4,153,242,597	3,278,103,470	78.93
2036	13.324	20.647	33.971	127,378,439	197,395,299	324,773,738	4,183,718,544	3,470,383,827	82.95
2037	13.324	20.647	33.971	131,690,226	204,077,172	335,767,398	4,220,866,142	3,690,055,112	87.42
2038	13.324	20.647	33.971	136,135,251	210,965,520	347,100,771	4,266,723,960	3,940,887,364	92.36
2039	13.324	20.647	33.971	140,688,929	218,022,245	358,711,174	4,322,994,127	4,226,291,076	97.76
2040	13.324	20.647	33.971	145,284,633	225,144,097	370,428,730	4,390,834,849	4,549,501,349	103.61
2041	13.324	26.647	39.971	149,953,093	299,906,186	449,859,279	4,468,991,243	4,913,357,337	109.94

Source: The Retirement Plan's 2021 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 109.94% by 2041 based on current assumptions, which include the assumption that the Authority will make contributions to the Retirement Plan equal to 20.647% from 2020 to 2040, which is higher than the minimum required by the Pension Code, and 26.647% in 2041. The six percent increase for 2041 is due to the final maturity of the Pension Bonds in 2040, after which the six percent credit for debt service on the Pension Bonds will no longer apply. 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 years ended December 31, 2019 and 2020. 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.

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The following Table 7 shows the membership in the Supplemental Pension Plans as of January 1, 2020 and January 1, 2019:

TABLE 7
Membership of Supplemental Pension Plans

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	0	2	10
Total	142	305	24	471
Participants as of January 1, 2019				
Retirees and beneficiaries currently receiving benefits	125	323	17	465
Terminated employees entitled to but not yet receiving benefits	11	3	6	20
Active plan members	8	0	2	10
Total	144	326	25	495

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

The Board Plan and the Closed Supplemental Plan are administered on a pay-as-you-go basis. The Authority contributes to the Supplemental Qualified Plan based on an actuarially determined rate recommended by an independent actuary.

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The following table shows the actual Authority contribution levels for the Supplemental Pension Plans for the years ended December 31, 2017 through 2020:

TABLE 8
Annual Employer Contribution
($ in thousands)

Pension Plan	Year Ended December 31	Annual Employer Contribution
Supplemental Qualified Plan	2017	1,300
	2018	550
	2019	1,120
	2020	870
Supplemental Non-Qualified Plan	2017	2,542
	2018	2,500
	2019	2,340
	2020	2,175
Board	2017	321
	2018	321
	2019	326
	2020	347

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

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

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

Pension Plan	Valuation Date December 31	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
Supplemental Qualified Plan					
	2014	$52,118	$42,046	$10,072	80.67
	2015	49,335	37,875	11,460	76.77
	2016	48,004	37,805	10,199	78.75
	2017	44,062	40,250	3,812	91.35
	2018	42,116	34,441	7,675	81.78
	2019	42,116	36,687	5,429	87.11
	2020	42,510	36,542	5,968	85.96
Supplemental Non-Qualified Plan					
	2014	$28,103	$ 0	$28,103	0
	2015	29,926	0	29,926	0
	2016	25,274	0	25,274	0
	2017	24,380	0	24,380	0
	2018	22,839	0	22,839	0
	2019	22,125	0	22,125	0
	2020	21,351	0	21,351	0
Board					
	2014	$5,128	$ 88	$5,040	1.72
	2015	4,481	68	4,413	1.52
	2016	4,561	77	4,484	1.69
	2017	4,732	88	4,644	1.84
	2018	4,361	103	4,258	2.34
	2019	4,589	112	4,477	2.42
	2020	5,657	119	5,538	2.09

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

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 2006 Pension Reform required the Authority to separate the funding of retiree healthcare benefits from the funding of its pension system by no later than January 1, 2009. The 2008 Pension Reform provided for the establishment of the RHCT, which is solely responsible for providing health care benefits to eligible Authority retirees and their dependents and survivors. The RHCT is established and administered under Section 22-101B of the Illinois Pension Code (40 ILCS 5/22-101B).

As discussed above, on August 6, 2008, the Authority issued the Pension Bonds and used $528.8 million 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 dependents 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, dependents and survivors. As noted in General Overview above, Authority employees are required to contribute not less than one percent of their compensation to the RHCT. The most recent Actuarial Valuation Report dated January 1, 2021 and Financial Statements for the RHCT for the years ended December 31, 2020 and 2019 show a fiduciary net position well exceeding 100% of the total OPEB liability for each of the past five 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 (the "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 Chicago Transit 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, the Authority funds the OPEB Plan on a self-insured "pay-as-you-go" basis. As of December 31, 2020 the OPEB Plan was not funded, resulting in an OPEB liability $10,553,000.

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 years ended December 31, 2019 and 2020. 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, 2013 through 2019:

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TABLE 10
Annual Employer Contribution
($ in thousands)

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Percentage of Annual Required Contribution Contributed
2018	594	594	100.0
2019	698	698	100.0
2020	730	730	100.0

Source: Financial Statements of the Authority for the years ended December 31, 2018 through 2020.

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 claimed 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. The Retirement Plan later amended its complaint to seek additional damages in excess of $1 million based on its claim that the Authority had billed the Retirement Plan for healthcare costs of certain ineligible individuals. On June 1, 2016, the Authority filed a motion for summary judgment, that was granted in part and denied in part and in August 2018, the circuit court held a four-day bench trial on the remaining claims. On November 2, 2018, the circuit court issued its trial order entering judgment in favor of the Authority that the Retirement Plan appealed. On March 30, 2020, the First District of the Illinois Appellate Court issued a published opinion affirming the judgment in favor of the Authority. The Retirement Plan has not sought to appeal the appellate court's decision, and the deadline for further appeal has lapsed.

In addition to the lawsuit described above, in 2017, the Retirement Plan filed a claim against three former trustees, and one former alternate trustee, of the Plan in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking damages of approximately $7 million. (Retirement Plan for Chicago Transit Authority Employees v. Dorval Carter, et. al., Case No. 17 CH 08090). The Retirement Plan claimed that, the Defendants failed to inform the Retirement Plan that the Authority received prescription drug rebates which it did not share with the Retirement Plan. In October, 2019, the parties filed cross-motions for summary judgment. On February 10, 2020, the Court entered judgment in favor of the Defendants. The Retirement Plan filed an appeal. On April 12, 2021, the First District of the Illinois Appellate Court issued an opinion affirming the judgment in favor of the Defendants. The Retirement Plan has not sought to appeal the appellate court's decision.

Health Care Benefits. Prior to 2008, retiree health care benefits were administered by the Retirement Plan pursuant to collective bargaining agreements (“CBAs”) between the Authority and the labor unions representing Authority employees (“Unions”). In 2007, the Authority and its Unions agreed as part of an interest arbitration award (the “2007 CBA”) that the responsibility for retiree health care benefits would be transferred to a separate and newly-created Retiree Health Care Trust. This agreement was codified in 2008 amendments to the Pension Code. As required by the parties’ agreement, the Authority contributed $529.0 million in seed money to the RHTC from proceeds of the Pension Bonds, and the parties to the 2007 CBA confirmed that the obligation of the Authority and the Retirement Plan to provide or fund retiree health care benefits was terminated. Thereafter, the RHCT required subsidy of healthcare premiums from retirees. In *Williams et al. v. Chicago Transit Authority et al.*, 11 CH 15446 (2014), a group of retirees and Authority employees claimed that, due to changes in retiree healthcare arising under the 2007 CBA, the Authority, the Retirement Plan and the RHCT breached certain contractual and constitutional obligations to provide retiree healthcare benefits. In May 2015, the parties argued all issues in the case before the Illinois Supreme Court, which issued its opinion on May 5, 2016 holding that Class I retirees (hired before September 5, 2001 and retired before January 1, 2007) have standing to challenge the enforceability of the 2007 CBA as it relates to retiree healthcare benefits but that other employees lacked such standing. The Court dismissed any remaining claims against the Authority, while the claims against the Retirement Plan and RHCT were remanded to the Circuit Court for further proceedings. Any judgment against the RHCT would have no impact against the Authority. The Circuit Court recently ruled that the RHCT must fully indemnify the Retirement Plan for any losses related to the litigation, including the Retirement Plan's attorneys' fees. *See* "—Background Information Regarding the Retirement Plan—*Determination of Authority's Contributions*."

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

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

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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APPENDIX G

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 2022A Bonds. The Series 2022A 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 2022A Bond certificate will be issued for each maturity of the Series 2022A 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 2022A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A 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 2022A 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 2022A Bonds, except in the event that use of the book-entry system for the Series 2022A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A 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 2022A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC Nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A 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 2022A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2022A Bond documents. For example, Beneficial Owners of Series 2022A Bonds may wish to ascertain that the nominee holding the Series 2022A 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 2022A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022A 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 2022A 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 2022A 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 2022A Bonds purchased or tendered, through its Participant, to the tender agent, and shall effect delivery of such Series 2022A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2022A Bonds, on DTC's records, to the tender agent. The requirement for physical delivery of Series 2022A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2022A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2022A Bonds to the tender agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2022A 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 2022A 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 2022A Bond certificates 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 Series 2022A 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 2022A BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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APPENDIX H

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

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March 31, 2022

The Chicago Transit Board of the Chicago Transit Authority
Chicago, Illinois

Zions Bancorporation, National Association
Chicago, Illinois

Re: $350,000,000 Chicago Transit Authority Second Lien
Sales Tax Receipts Revenue Bonds, Series 2022A (Tax-Exempt)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $350,000,000 aggregate principal amount of Second Lien Sales Tax Receipts Revenue Bonds, Series 2022A (Tax-Exempt) (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 022-024 adopted by the Chicago Transit Board on March 9, 2022 (the "Bond Ordinance"). The Bonds are issued and secured under the Trust Indenture dated as of January 1, 2017 (the "Indenture") by and between the Authority and Zions Bancorporation, National Association (f/k/a Zions Bank, a division of ZB, National Association), as trustee (the "Trustee"), as supplemented by the Seventh Supplemental Indenture dated as of March 1, 2022 (the "Seventh Supplemental Indenture") by and between the Authority and the Trustee. The Bonds are Second Lien Bonds and Second Lien Parity Obligations under the Indenture.

The Bonds are dated March 31, 2022 and bear interest from their date payable on December 1, 2022 and semiannually thereafter on each June 1 and December 1.

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, 2031 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, 2046 in the original principal amount of $93,800,000, the Bonds maturing on December 1, 2049 in the original principal amount of $57,690,000, the Bonds maturing on December 1, 2052 in the original principal amount of $65,535,000, and the Bonds maturing on December 1, 2057 in the original principal amount of $132,975,000 are term bonds subject to mandatory redemption in accordance with the provisions of the Indenture and the Seventh 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:

$93,800,000 Term Bond Due December 1, 2046

Year	**Principal Amount**
2041	$13,790,000
2042	14,480,000
2043	15,205,000
2044	15,965,000
2045	16,760,000
2046	17,600,000*

*Final Maturity.

$57,690,000 Term Bond Due December 1, 2049

Year	**Principal Amount**
2047	$18,480,000
2048	19,220,000
2049	19,990,000*

*Final Maturity.

$65,535,000 Term Bond Due December 1, 2052

Year	**Principal Amount**
2050	$20,790,000
2051	21,825,000
2052	22,920,000*

*Final Maturity.

$132,975,000 Term Bond Due December 1, 2057

Year	**Principal Amount**
2053	$24,065,000
2054	25,270,000
2055	26,530,000
2056	27,860,000
2057	29,250,000*

*Final Maturity.

The Bonds and all other Second Lien 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 (a) the Sales Tax Receipts Fund held by the Authority, subject and subordinate however to (i) the PBC Senior Pledge Rights, (ii) the senior pledge and lien created by the 2008 Indenture with respect to Pension and Retirement Debt Obligations and (iii) the senior pledge and lien created by the 2010 Indenture with respect to the Corporate Purpose Debt Obligations (all capitalized terms as defined in the Indenture); and (b) the Second Lien Debt Service Fund held by the Trustee under the Indenture, subject to the allocation of the Second Lien Debt Service Fund into dedicated sub-funds, including the Series 2022 Dedicated Sub-Fund established and maintained for the benefit of the Bonds under the Seventh 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 Seventh Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Seventh 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 Seventh 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 2022 Dedicated Sub-Fund, are entitled to the benefits and security of the Indenture and the Seventh Supplemental Indenture, and are enforceable in accordance with their terms.

5. All Second Lien 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 Second Lien 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. 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 Seventh 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.

Very truly yours,

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CHICAGO TRANSIT AUTHORITY • SECOND LIEN SALES TAX RECEIPTS REVENUE BONDS, SERIES 2022A

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