

ORDINANCE NO. 86-77

AN ORDINANCE AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF REVENUE ANTICIPATION NOTES, SERIES 1986, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$40,000,000 OF CHICAGO TRANSIT AUTHORITY AND TO PROVIDE FOR THE DEFEASANCE OF \$40,000,000 OUTSTANDING REVENUE ANTICIPATION NOTES, SERIES 1985

WHEREAS, The Chicago Transit Authority (together with any lawful successors thereto, "CTA") is a political subdivision body politic and municipal corporation of the State of Illinois (the "State") created under the provisions of the Metropolitan Transit Authority Act, 1985, Ill. Rev. Stat, ch 111-2/3, §301 et seq., as amended, (the "CTA Act"); and

WHEREAS, CTA is authorized under the CTA Act to issue its notes from time to time in anticipation of certain revenues and receipts in order to provide money for CTA to cover any cash flow deficit which CTA anticipates incurring; and

WHEREAS, The Chicago Transit Board (the "CTA Board") has determined that it is necessary and desirable in order to cover anticipated monthly cash flow deficits to issue its notes in the aggregate principal amount of \$40,000,000 in anticipation of certain revenues; and

WHEREAS, CTA, pursuant to Ordinance No. 85-141 (the "Series 1985 Ordinance"), issued its 6-3/8% Revenue Anticipation Notes, Series 1985 (the "Series 1985 Notes") in the aggregate principal amount of \$40,000,000 which the CTA Board has determined that it is in the best interests of CTA to deposit with the Trustee, as paying agent for the Series 1985 Notes, sufficient funds to provide for the payment of principal and interest thereon; now, therefore:

BE IT ORDAINED BY CHICAGO TRANSIT BOARD
OF CHICAGO TRANSIT AUTHORITY:

SECTION 1. Definitions: The terms defined in this Section or in the Preamble to this ordinance shall, for the purposes of this ordinance, have the meanings herein or therein specified unless the context otherwise requires:

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"Allocated Tax Revenues" shall mean the funds payable to CTA and required to be paid to CTA by RTA pursuant to Sections 4.01(d) and 4.02(c)(1) of the RTA Act (1985 Ill. Rev. Stat. ch 111-2/3, §§704.01(d) and 704.02(c)(1)) as amended.

"Authorized Officer" or "Authorized Officers" shall mean the Chairman, Executive Director, Chief Administrative Officer, Treasurer or Deputy Executive Director, Finance of CTA or such other person or persons designated in writing to the Trustee from time to time by the CTA Chairman.

"Bank" shall mean the Mitsui Bank, Limited, (Chicago Branch).

"Bankruptcy Code" shall mean 11 U.S.C. §101 et seq., as amended.

"Business Day" shall mean any day on which the Trustee is open for business at its principal corporate trust office, on which the executive office of CTA are open for business and on which banks are not required or authorized to close in Chicago, Illinois, or New York, New York.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Collateral" shall mean, collectively, (i) the Allocated Tax Revenues, and (ii) all amounts in the Series 1986 Note Payment Fund and all investment earnings thereon, except for any amounts available in the CTA Series 1986 Account which are to be paid to CTA by the Trustee after reimbursement in full of the Bank following payment of interest on the Series 1986 Notes on the January 10, 1987 Payment Date pursuant to Section 9(b) hereof.

"Costs of Issuance" shall mean all costs incurred by CTA in connection with the issuance of the Series 1986 Notes, including without limitation, financial advisors' fees, printing fees, legal fees and expenses, letter of credit fees and

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expenses, rating fees, bond counsel fees, Trustee's and Paying Agent's fees and expenses and advertising costs.

"CTA Series 1986 Account" shall mean the account of such name established in the Series 1986 Note Payment Fund pursuant to Section 9(a) hereof.

"CTA's 1986 Fiscal Year" shall mean the fiscal year of CTA commencing December 29, 1985, and ending December 27, 1986.

"CTA's 1987 Fiscal Year" shall mean the fiscal year of CTA commencing December 28, 1986, and ending December 26, 1987.

"Day to Day Operating Expenses" shall mean wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rental, furniture, fixtures and equipment, insurance premiums, claims for self-insured amounts under insurance policies, public utility obligations for telephone, light, heat and similar items, travel expenses, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies.

"Event of Bankruptcy" shall mean the act of filing a petition for relief by or against CTA under the Bankruptcy Code.

"Government Obligations" shall mean any direct obligations of the United States of America.

"Investment Securities" shall mean any securities including those of the bank then acting as Trustee in which funds of CTA may be invested pursuant to Section 16 of the CTA Act, (1985 Ill. Rev. Stat. ch 111-2/3, §316, as amended), 1985 Ill. Rev. Stat. ch 85, §902, as amended and any other applicable law.

"Letter of Credit Series 1986 Account" shall mean the account of such name established in the Series 1986 Note Payment Fund pursuant to Section 9(a) hereof.

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"Noteholder" shall mean the owner of any Series 1986 Note as shown on the registration books maintained by the Trustee as Note Registrar.

"Ordinance" shall mean this Note Ordinance of the CTA, passed by the CTA Board on the 25th day of June 1986.

"Payment Date" shall mean either January 10, 1987, or July 10, 1987; provided, however, that, if either date falls on a day other than a Business Day, then the payment due on such Payment Date shall be made on the next succeeding Business Day.

"Purchasers" shall mean L.F. Rothschild, Unterberg, Towbin, Inc; Matthews & Wright, Inc. and Rodman & Renshaw, Inc.

"Record Date" shall mean, with respect to any Payment Date, the last Business Day of the month preceding the month in which such Payment Date occurs.

"RTA" shall mean the Regional Transportation Authority (together with any lawful successors thereto), a unit of local government, body political, political subdivision and municipal corporation established pursuant to the RTA Act.

"RTA Act" shall mean the Regional Transportation Authority Act (1985 Ill. Rev. Stat. ch 111-2/3. §701.01 et seq., as amended).

"Series 1986 Letter of Credit" shall mean the irrevocable letter of credit issued by the Bank for the account of CTA in favor of the Trustee for the benefit of the Noteholders in the stated amount which is equal to the aggregate principal amount of the Series 1986 Notes plus 193 days' accrued interest thereon.

"Series 1986 Notes Payment Fund" shall mean the fund established by Section 9(a) hereof.

"Series 1986 Note Purchase Agreement" shall mean the note purchase agreement to be entered into by CTA with the Purchasers pursuant to Section 12 hereof.

"Series 1986 Notes" shall mean the \$40,000,000 aggregate principal amount of Revenue Anticipation Notes, Series 1986, of CTA authorized in Section 3 hereof.

"Series 1986 Official Statement" shall mean the official statement relating to the issuance of the Series 1986 Notes.

"Series 1986 Reimbursement Agreement" shall mean the reimbursement agreement dated as of July 10, 1986, between CTA, the Bank and the Trustee pursuant to which the Series 1986 Letter of Credit will be issued.

"Series 1985 Reimbursement Agreement" shall mean the reimbursement agreement dated as of November 14, 1985, between the CTA and the Bank.

"System" shall mean the "Transportation System" as defined in Section 2 of the CTA Act (1985 Ill. Rev. Stat. ch 111-2/3, §302, as amended).

"Trustee" shall mean the institution appointed as the Trustee hereunder pursuant to Section 19 hereof.

The following principles govern the interpretation of other words and phrases used in this ordinance:

(a) Captions, titles or headings preceding any section herein are solely for convenience of reference and are not part of this ordinance and shall not affect its meaning, construction or effect.;

(b) terms such as "herein", "hereunder", "hereby" "hereto", and "hereof" refer to this ordinance and not to any particular section hereof unless so indicated; "heretofore" and "hereafter" mean before and after the date of adoption of this ordinance, respectively;

(c) words importing the masculine gender include the feminine and neuter genders; and

(d) words importing the singular number include the plural number and vice versa.

SECTION 2. Determinations and Findings: The CTA Board does hereby determine and find:

(a) Without the issuance of the Series 1986 Notes, cash flow deficits will occur during certain months of CTA's 1986 Fiscal Year and CTA's 1987 Fiscal Year in connection with the operation of the System.

(b) It is necessary and desirable (i) to issue the Series 1986 Notes in the aggregate principal amount of \$40,000,000 in order to cover the expected monthly cash flow deficits during certain months of CTA's 1986 Fiscal Year and CTA's 1987 Fiscal Year; (ii) to deliver to the Trustee, for the benefit of the Noteholders, the Series 1986 Letter of Credit and thereby assure the prompt and full payment of the principal of and interest on the Series 1986 Notes and enhance the marketability of the Series 1986 Notes; (iii) to grant a security interest in the Collateral to the Trustee, for the benefit of the Noteholders, and to grant a security interest, junior and subordinate in all respects to that of the Noteholders, in the Collateral to the Trustee, for the benefit of the Bank to secure CTA's obligations incurred in connection with the issuance of the Series 1986 Notes and the execution and delivery of the Series 1986 Reimbursement Agreement, and (iv) to defease the Series 1985 Notes by depositing with the Trustee, as paying agent, for the Series 1985 Notes sufficient funds to provide for the payment of the principal and interest thereon in accordance with Section 12a(g) of the CTA Act and Section 20 of the Series 1985 Ordinance. Pursuant to Section 20 of the Series 1985 Ordinance, CTA hereby authorizes and directs the Authorized Officers to deposit with the Trustee, as paying agent for the Series 1985 Notes, sufficient funds to provide for payment of the principal of and interest on the Series 1985 Notes.

(c) The annual cost of the Series 1986 Notes for the fiscal year of CTA ending December 27, 1986, is the sum total of (i) the Purchasers' discount and other Costs of Issuance presently estimated at \$495,500 and (ii) accrued interest on the Series 1986 Notes from July 10, 1986 to December 27, 1986 presently estimated to be an amount not exceeding \$920,833, which annual cost is hereby determined to be included in the annual budget for the fiscal year of CTA ending December 27, 1986.

SECTION 3. Authorization of the Series 1986 Notes:

Pursuant to the authority contained in the CTA Act, and in particular Section 12a thereof, CTA hereby authorizes the issuance of the Series 1986 Notes in the aggregate principal amount of \$40,000,000 in anticipation of the Allocated Tax Revenues accruing to CTA during CTA's 1986 Fiscal Year and CTA's 1987 Fiscal Year, for the purpose of covering the monthly cash flow deficits which are anticipated during certain months of CTA's 1986 Fiscal Year and CTA's 1987 Fiscal Year, provided, however, that the Series 1986 Notes shall not be issued or delivered to the Purchasers until the Series 1985 Notes shall have been defeased in accordance with Section 20 of the Series 1985 Ordinance and are therefore no longer outstanding as provided in Section 12a(g) of the CTA Act and the Trustee shall have received a verification report of a firm of certified public accountants selected by an Authorized Officer and satisfactory to the Trustee evidencing that the Series 1985 Notes have been so defeased in accordance therewith.

The proceeds from the sale of the Series 1986 Notes to the Purchasers shall be disbursed as follows: (a) that portion of the proceeds which represents accrued interest to the Trustee for deposit as provided in Section 9(b) hereof; and (b) the balance of the proceeds to CTA for the payment of Costs of Issuance and Day to Day Operating Expenses of CTA, as permitted by the CTA Act. The Treasurer, or one or more duly appointed Assistant Treasurers, of CTA are authorized to invest the proceeds of the Series 1986 Notes and monies on deposit in the CTA Series 1986 Account in Investment Securities and, in making such investment or investments, shall not be restricted to investing such proceeds or monies on deposit in the CTA Series 1986 Account on a short-term basis as that term is used in Ordinance No. 86-2 adopted by the Chicago Transit Board on January 8, 1986; however, Investment Securities purchased using such proceeds shall all mature, or shall be subject to redemption at the option of CTA, not later than July 10, 1987. The proceeds of the Series 1986 Notes shall not be used (i) to increase or provide a debt service reserve fund for any bonds or notes other than the Series 1986 Notes, or (ii) to pay principal of or interest or redemption premium on any capital bonds or notes, whether as such amounts become due or by earlier redemption, issued by CTA or a transportation agency to construct or acquire public transportation facilities or to provide funds to purchase such capital bonds or notes.

The Series 1986 Notes shall be general obligations of CTA. CTA hereby pledges its full faith and credit to the

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payment, when due of principal of and interest on the Series 1986 Notes and of its obligations under the Series 1986 Reimbursement Agreement. Neither the Series 1986 Notes, the obligations of CTA under the Series 1986 Reimbursement Agreement nor any other obligations undertaken by CTA in connection with the issuance of the Series 1986 Notes shall constitute a debt of the State.

SECTION 4. Terms of the Series 1986 Notes: The Series 1986 Notes shall be designated "4.875% Revenue Anticipation Notes, Series, 1986" shall be issued in fully registered form, shall be dated July 10, 1986, shall mature on July 10, 1987, and shall not be subject to redemption prior to maturity. The principal of and interest on the Series 1986 Notes shall be payable in lawful money of the United States of America. The Series 1986 Notes shall be issued in denominations of \$5,000, or any integral multiple thereof, in substantially the form set forth in Exhibit A hereto and shall bear interest, payable on each Payment Date, from their date of issue until their date of maturity, at a rate per annum equal to 4.875% computed on the basis of twelve 30-day months and a 360 day year.

The principal of each Series 1986 Notes shall be payable in accordance with its terms upon the presentation and surrender of such Series 1986 Notes on the final Payment Date at the principal corporate trust office of the Trustee. The interest due on each Series 1986 Note on each Payment Date shall be payable by check or draft mailed on such Payment Date to the person or entity in whose name such Series 1986 Note is registered on the registration books maintained by the Trustee on behalf of CTA at the close of business on the Record Date preceding such Payment Date at the address appearing on such registration books. If either Payment Date falls on other than a Business Day, then the payment of interest or principal due on such Payment Date shall be made on the next succeeding Business Day.

The Trustee is hereby also initially appointed and constituted the Paying Agent with respect to the Series 1986 Notes. CTA may designate as other Paying Agents commercial banks or trust companies which it may select; provided that any such Paying Agent shall have an office either in Chicago, Illinois or New York, New York. The principal of and interest on the Series 1986 Notes shall be payable only to the person appearing on registration books maintained by the Trustee as the registered owner thereof or his legal representative.

SECTION 5. Registration, Exchange and Transfer:

(a) CTA shall cause books for the registration and for the transfer of the Series 1986 Notes to be kept by the Trustee, which is hereby constituted and appointed the Note Registrar of CTA for the Series 1986 Notes. Any Series 1986 Note may be transferred only upon an assignment duly executed by the registered owner or his attorney, duly authorized in writing in such form as shall be satisfactory to the Trustee, such transfer to be made on such books and endorsed on such Series 1986 Note by the Trustee. The Trustee shall not be required to transfer any Series 1986 Note after the last Business Day of June, 1987.

In the case of any exchange, transfer or registration of any Series 1986 Note, the Trustee shall require the payment by the Noteholder requesting such exchange, transfer or registration of any tax or other governmental charge required to be paid with respect to such exchange, transfer or registration, but no other charge shall be made to any Noteholder for such request.

All Series 1986 Notes surrendered for payment or registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee, and any such Series 1986 Notes delivered or surrendered to the Trustee for any such purpose shall be promptly cancelled by it. CTA may at any time deliver to the Trustee for cancellation any Series 1986 Notes previously delivered hereunder which CTA may have acquired in any manner whatsoever, and all Series 1986 Notes so delivered shall be promptly cancelled by the Trustee; provided, however, that CTA shall not purchase any Series 1986 Notes. No Series 1986 Notes shall be delivered in lieu of or in exchange for any Series 1986 Notes, except as provided in Section 5(b) below and Section 6(b) hereof and except Series 1986 Notes surrendered for registration of transfer or exchange and cancelled as provided in this Section 5(a). All cancelled Series 1986 Notes held by the Trustee shall be destroyed by the Trustee unless otherwise directed by CTA.

(b) If any Series 1986 Note is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to CTA or the Trustee that a lost, wrongfully taken or destroyed Series 1986 Note has been acquired by a bona fide purchaser, CTA shall execute, and the Trustee shall authenticate and deliver, a new Series 1986 Note of like denomination as the Series 1986 Note

mutilated, lost, wrongfully taken or destroyed; provided, however, that (i) in the case of any mutilated Series 1986 Note, the mutilated Series 1986 Note first shall be surrendered to the Trustee, and (ii) in the case of any lost, wrongfully taken or destroyed Series 1986 Note, there first shall be furnished to CTA and the Trustee evidence of the loss, wrongful taking or destruction satisfactory to the CTA and the Trustee together with indemnity satisfactory to them.

If any lost, wrongfully taken or destroyed Series 1986 Note shall have matured, instead of issuing a new Series 1986 Note, CTA may direct the Trustee to pay that Series 1986 Note without surrender thereof upon the furnishing of satisfactory evidence and indemnity as in the case of issuance of a new Series 1986 Note. CTA and the Trustee may charge the holder of a mutilated, lost, wrongfully taken or destroyed Series 1986 Note their reasonable fees and expenses in connection with their actions pursuant to this Section 5(b).

Every new Series 1986 Note issued pursuant to this Section 5(b) by reason of any Series 1986 Note being mutilated, lost, wrongfully taken or destroyed (i) shall constitute to the extent of the outstanding principal amount of the Series 1986 Note mutilated, lost wrongfully taken or destroyed, an additional contractual obligation of CTA regardless of whether the mutilated, lost, wrongfully taken, or destroyed Series 1986 Note shall be enforceable at any time by anyone, and (ii) shall be entitled to all of the benefits of this ordinance equally and proportionately with any and all other Series 1986 Notes issued and outstanding hereunder.

All Series 1986 Notes shall be held and owned on the express condition that the foregoing provisions of this Section 5(b) are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Series 1986 Notes, and to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or enacted hereafter.

SECTION 6. Manner of Execution of Series 1986 Notes:

(a) The Series 1986 Notes shall be executed by the manual or facsimile signature of the Chairman and the Secretary of the CTA and the official seal of CTA (or a facsimile thereof) shall

be affixed to or printed on the Series 1986 Notes. Such officers are authorized to execute and to deliver the Series 1986 Notes upon receipt of the purchase price therefor specified in the Series 1986 Note Purchase Agreement. Neither the Directors of RTA, the Directors of CTA, nor any person executing the Series 1986 Notes shall be liable personally on the Series 1986 Notes by reason of the issuance thereof. In any case any officer of CTA whose signature appears on any of the Series 1986 Notes shall cease to be such officer before the delivery of the Series 1986 Notes, his signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until such delivery. The Series 1986 Notes shall also contain a manually executed certificate of an authorized representative of the Trustee in the form provided in Exhibit A hereto. It is hereby determined that the provisions of Section 56 of the By-Laws of CTA shall not apply to the manner of execution of the Series 1986 Notes or the issuance thereof. To the extent such provisions might otherwise be construed to apply, they are hereby suspended with respect to the manner of execution and issuance of the Series 1986 Notes.

(b) Until definitive Series 1986 Notes are prepared, CTA may execute and cause to be authenticated by the Trustee in the same manner as is provided in this Ordinance for definitive Series 1986 Notes, and delivered, in lieu of definitive Series 1986 Notes, one or more temporary Series 1986 Notes, in denominations of \$5,000, or any integral multiple thereof, in substantially the form set forth in Exhibit A hereto, with such omissions, insertions and variations as may be appropriate for temporary Series 1986 Notes. CTA, at its own expense, shall prepare, execute and cause to be authenticated by the Trustee and, upon the surrender of such temporary Series 1986 Notes for exchange and the cancellation of such surrendered temporary Series 1986 Notes, without charge to the owners of such Series 1986 Notes deliver in exchange, at the principal corporate trust office of the Trustee, definitive Series 1986 Notes. Until so exchanged, the temporary Series 1986 Notes shall in all respects be entitled to the same benefits and security as definitive Series 1986 Notes issued pursuant to this ordinance. All temporary Series 1986 Notes surrendered in exchange for definitive Series 1986 Notes shall then be promptly cancelled by the Trustee.

SECTION 7. CTA Covenants:

(a) CTA covenants that it will not make or cause any investment or other use of the proceeds of the Series 1986 Notes that would cause the Series 1986 Notes to be "arbitrage bonds" as that term is defined in Section 103(c) of the Code, and all applicable regulations promulgated thereunder, it will comply with the requirements of such Code section and regulations throughout the term of the Series 1986 Notes, and it will not direct the Trustee to make any investment inconsistent with the foregoing covenants.

(b) CTA covenants that it will cause the principal of and interest on every Series 1986 Note issued under the provisions of this ordinance to be paid to the Trustee, at the principal corporate trust office of the Trustee or other Paying Agent, if any, designated by CTA, on the date and in the manner provided herein and in the manner provided in the Series 1986 Notes. In the event that any Series 1986 Note shall not be presented for payment on the final Payment Date or upon notice of acceleration of the Series 1986 Notes given pursuant to Section 11 hereof, or in the event a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of such Series 1986 Note or such check or draft shall have been paid to the Trustee for the benefit of its Noteholder, all liability of CTA to such Noteholder for such payment of the principal then due of such Series 1986 Note or of such check or draft thereupon shall cease and be discharged completely, unless and until the Trustee shall have returned such moneys to CTA as provided in the last sentence of this Section 7(b). Thereupon, it shall be the duty of the Trustee to hold those moneys without liability for interest thereon, in the Series 1986 Note Payment Fund for the exclusive benefit of the Noteholders subject to the interest of the Bank in being reimbursed out of the CTA Series 1986 Account for draws made by the Trustee under the Series 1986 Letter of Credit, and the Noteholder thereafter shall be restricted exclusively to those moneys for any claim of whatever nature on its part under this ordinance or on, or with respect to, the principal then due of such Series 1986 Note or of such check or draft; provided, however, that the liability of the Trustee to any Noteholder under this ordinance or on, or with respect to, the outstanding principal of such Series 1986 Note or such check or draft shall cease and be discharged completely on the earlier to occur of two (2) years after the final Payment Date or two (2) years after notice of acceleration of the Series 1986 Notes given pursuant to

Section 11 hereof. Upon the earlier to occur of two (2) years after the final Payment Date or two (2) years after notice of acceleration of the Series 1986 Notes given pursuant to Section 11 hereof, any moneys remaining in the Series 1986 Payment Fund shall be returned to CTA and thereafter the holder of any Series 1986 Note shall look only to CTA for payment and the Trustee shall have no responsibility with respect to such payment or such moneys.

SECTION 8. Security Interests in Collateral: The Series 1986 Notes shall be general obligations of CTA and CTA pledges its full faith and credit to the payment, when due, of principal of and interest on the Series 1986 Notes. To secure further all Series 1986 Notes issued and outstanding under this ordinance, the payment of the principal of and interest on the Series 1986 Notes, the rights of the Noteholders, and the performance and observance of all of the covenants contained in the Series 1986 Notes and this ordinance, and for and in consideration of the purchase and acceptance of Series 1986 Notes by the holders thereof, from time to time, and of the acceptance by the Trustee of the obligations hereby created, and intending to be legally bound hereby, CTA does hereby grant to the Trustee a security interest in the Collateral for the period during which the Series 1986 Notes are outstanding, in trust nevertheless, for the equal and ratable benefit and security of all Noteholders without preference, priority or distinction as to lien or otherwise of any one Series 1986 Note over any other Series 1986 Note. To secure the obligation of CTA to the Bank under the Series 1986 Reimbursement Agreement, CTA does hereby grant to the Trustee, for the benefit of the Bank, a security interest, junior and subordinate in all respects to the security interest granted to the Trustee for the benefit of the Noteholders pursuant to this Section, in the Collateral, until all of CTA's obligations under the Series 1986 Reimbursement Agreement are satisfied and discharged and the Series 1986 Letter of Credit has been surrendered to the Bank. Upon a disbursement by the Bank to the Trustee under the Series 1986 Letter of Credit to pay interest on or principal of and interest on the Series 1986 Notes and deposit of the proceeds thereof in the Letter of Credit Series 1986 Account, the Bank shall be subrogated to all rights theretofore possessed by the Noteholders in respect of which such interest or principal and interest shall have been paid with funds provided by the Bank. The Bank may exercise all of the subrogation rights under this ordinance in respect of any Series 1986 Note without the necessity of possessing any of such Series 1986 Notes or producing the same in any trial

or other proceeding related to the enforcement of such subrogation rights. The subrogation rights granted to the Bank under this ordinance are not intended to be exclusive of any other remedy or remedies available to the Bank, and such subrogation rights shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity or by statute. This ordinance shall constitute a security agreement under and in accordance with the provisions of the Illinois Uniform Commercial Code.

SECTION 9. Series 1986 Note Payment Fund:

(a) There is hereby established a fund to be held by the Trustee and designated the "Chicago Transit Authority Revenue Anticipation Notes, Series 1986, Series 1986 Note Payment Fund", which shall consist of two separate, segregated accounts which are hereby established and designated the "CTA Series 1986 Account" and the "Letter of Credit Series 1986 Account". All moneys in the Series 1986 Note Payment Fund shall be held in trust and applied only as hereinafter provided and, pending such application, shall be subject to a security interest in favor of the Trustee for the benefit of the Noteholders and a junior and subordinate security interest in favor of the Trustee for the benefit of the Bank. Except as provided in Section 7(b) hereof, in the final paragraph of Section 9(b) hereof and in the final paragraph of Section 20(a) hereof, CTA shall have no equitable or beneficial interest in any of the moneys or Investment Securities on deposit in the Series 1986 Note Payment Fund, including those on deposit in the Letter of Credit Series 1986 Account. The Trustee shall maintain the Letter of Credit Series 1986 Account as a segregated account into which shall be deposited only amounts drawn by the Trustee under the Series 1986 Letter of Credit. The Series 1986 Letter of Credit proceeds on deposit in the Letter of Credit Series 1986 Account shall not be commingled with any other moneys.

(b) The Trustee shall deposit in the CTA Series 1986 Account that portion of the proceeds of the sale of the Series 1986 Notes which represents accrued interest thereon. On or before the last Business Day of November, 1986 and May 1987, CTA shall deposit, or cause to be deposited, in the CTA Series 1986 Account an amount equal to one-half of the interest coming due on the Series 1986 Notes on the next following Payment Date. On or before the last Business Day of December, 1986 and June 1987, CTA shall deposit, or cause to be deposited, in the CTA Series 1986 Account the balance of the amount of the interest coming due on the Series 1986 Notes on the next following

Payment Date, with the CTA to receive credit for any earnings on amounts previously deposited in the CTA Series 1986 Account. On or before the last Business Day of April May and June 1987, CTA shall deposit, or cause to be deposited, in the CTA Series 1986 Account on each such date the amount of \$10,000,000, \$15,000,000, and \$15,000,000, respectively. Promptly following each date on which funds are required to be deposited in the CTA Series 1986 Account pursuant to this paragraph, the Trustee shall notify the Bank in writing of the amount of funds on deposit in the CTA Series 1986 Account at the close of business on such date.

In making any deposit pursuant to this Section 9, in lieu of or in combination with moneys, CTA may deposit Investment Securities with a fair market value which, in the sole determination of the Trustee, equals or exceeds the equivalent money amounts which would be required to be deposited; provided, however, that the amount deemed to be deposited on account of such Investment Securities shall not exceed the amount payable, including interest, while such Investment Securities are on deposit with the Trustee, at or prior to maturity of such Investment Securities; provided further, that such Investment Securities shall mature on or before the Payment Date with respect to which such deposit is made.

Prior to 4:30 P.M., Chicago, Illinois, time, one Business Day before each Payment Date, the Trustee shall make a demand for payment from the Bank under the Series 1986 Letter of Credit in an amount necessary to pay the amount of interest or principal and interest coming due on the Series 1986 Notes on the next following Payment Date and deposit as promptly as possible after receipt of payment from the Bank, such amount in the Letter of Credit Series 1986 Account.

On each Payment Date, the Trustee shall pay interest or principal and interest then due on the Series 1986 Notes from moneys on deposit in the Letter of Credit Series 1986 Account and if the moneys on deposit in the Letter of Credit Series 1986 Account shall be insufficient for such purpose, then from moneys in the CTA Series 1986 Account, to the extent available.

In the event that, on any Payment Date, the amounts in the Series 1986 Note Payment Fund are insufficient to pay the interest or principal and interest then due on the Series 1986 Notes, moneys on deposit in the Series 1986 Note Payment Fund shall be applied first to the payment of interest on the Series 1986 Notes and then to the payment of principal thereon.

As promptly as possible following payment by the Trustee on any Payment Date of all interest or principal and interest then due on the Series 1986 Notes from moneys withdrawn from the Letter of Credit Series 1986 Account, the Trustee shall, on such Payment Date by the Bank's close of business, reimburse the Bank for the amount of the disbursement made by the Bank under the Series 1986 Letter of Credit, together with any interest accruing thereon, from moneys on deposit in the CTA Series 1986 Account to the extent available. To the extent that sufficient amounts are available in the CTA Series 1986 Account to reimburse the Bank, the Trustee shall notify the Bank prior to 2:00 P.M. Chicago, Illinois, time, that it has made arrangements to reimburse the Bank on such Payment Date by the Bank's close of business. To the extent that any amounts are available in the CTA Series 1986 Account after reimbursement in full of the Bank following payment of interest on the Notes on the January 10, 1987 Payment Date, such balance shall be paid to CTA by the Trustee. In the event that CTA fails to make a deposit into the Series 1986 Note Payment Fund at the time and in the manner required by this ordinance, the Trustee will so notify the Bank and CTA.

Upon payment, or making provision in accordance with Section 20 hereof for payment, in full of the principal of and interest on the Series 1986 Notes, any moneys held by the Trustee in the Series 1986 Note Payment Fund and not required for payment of the principal of and interest on the Series 1986 Notes shall be applied first, to any unpaid amount owing the Bank under the Series 1986 Reimbursement Agreement; second, to any fees, charges and expenses then owing the Trustee and Paying Agents; and third, any balance of such moneys shall be paid to CTA.

SECTION 10. Investment Securities: Moneys on deposit in the CTA Series 1986 Account shall, as nearly as may be practicable, be continuously invested or reinvested by the Trustee in Investment Securities. All Investment Securities shall mature, or shall be subject to redemption at no less than par at the option of the Trustee, not later than the respective dates when the moneys on deposit in the CTA Series 1986 Account will be required for the purposes intended. The Trustee shall, in accordance with the provisions of this ordinance and upon the request of CTA (to be later confirmed in writing by CTA), invest such moneys in Investment Securities as are designated by an Authorized Officer. Unless otherwise generally directed by an Authorized Officer, moneys in the CTA Series 1986 Account with respect to which the Trustee has not received investment

instructions from CTA shall remain uninvested until such instructions are received.

Investment Securities purchased as an investment of any moneys on deposit in the CTA Series 1986 Account shall be deemed at all times to be a part of the CTA Series 1986 Account. Any interest or other income derived from the investment or deposit of moneys on deposit in the CTA Series 1986 Account shall be held for the credit of the CTA Series 1986 Account, to be applied to the purposes thereof. The Trustee shall furnish to CTA and the Bank information with respect to the status of the CTA Series 1986 Account at the beginning of each month and at such other time as CTA or the Bank may request.

Moneys in the Letter of Credit Series 1986 Account shall remain uninvested.

SECTION 11. Defaults and Remedies: Each of the following events shall constitute an Event of Default with respect to the Series 1986 Notes:

(a) if any payment of interest or of principal and interest on the Series 1986 Notes is not paid as and when due and payable;

(b) if the Trustee shall receive notice given by the Bank that an "Event of Default", as defined under the Series 1986 Reimbursement Agreement, has occurred and is continuing thereunder; and

(c) if, following a disbursement by the Bank under the Series 1986 Letter of Credit, the Bank notifies the Trustee on the seventh day following such disbursement that an automatic reinstatement of the amount available under the Series 1986 Letter of Credit will not occur.

Upon the occurrence of an Event of Default described in clause (a) above, the Trustee, with the concurrence of the Bank and without limitation, may (i) declare the principal of and interest on the Series 1986 Notes to be immediately due and payable; and (ii) exercise all other remedies provided to it under this ordinance; and upon the occurrence of an Event of Default described in clause (b) or clause (c) above, the Trustee shall declare the principal of and interest on the Series 1986 Notes to be immediately due and payable. Upon the occurrence of an Event of Default, the CTA and the Trustee shall

take all action, including any action or legal proceeding, deemed necessary or appropriate by the Trustee, the Bank, or the holders of the Series 1986 Notes representing at least twenty-five percent (25%) of the aggregate principal amount of the Series 1986 Notes outstanding, as requested by such holders in writing, to secure the full and timely payment of all amounts due in accordance with Section 9(b) hereof, and to enforce the rights of the Noteholders and the Bank under this ordinance and under the Series 1986 Reimbursement Agreement, as their interest may appear.

Upon any acceleration of the Series 1986 Notes pursuant to this Section 11, the Trustee shall give immediate notice thereof to each Noteholder at the address of such Noteholder appearing on the registration books maintained by the Trustee for the benefit of the CTA (which notice shall include a statement that upon deposit with the Trustee of an amount sufficient to pay principal of and interest on the Series 1986 Notes, interest thereon shall cease to accrue), and shall immediately make a demand for payment under the Series 1986 Letter of Credit in an amount sufficient to pay principal of and interest then due on the Series 1986 Notes. Upon such notice and deposit with the Trustee of an amount sufficient to pay principal of and interest on the Series 1986 Notes, interest thereon shall cease to accrue.

SECTION 12. Sale of Series 1986 Notes: The CTA Board hereby determines that the negotiated sale of the Series 1986 Notes to the Purchasers on the terms and conditions set forth in the Series 1986 Note Purchase Agreement is in the public interest and the best interests of CTA. The CTA Board hereby approves the form of Series 1986 Note Purchase Agreement in substantially the form presented at this meeting, and the Chairman, or his designee, or (in the absence of the Chairman and any designee), the Executive Director or the Chief Administrative Officer, and each of them, acting alone, is hereby authorized to execute the Series 1986 Note Purchase Agreement with such modifications, additions and deletions as the officer of the CTA executing the Series 1986 Note Purchase Agreement, with the advice and approval of counsel to CTA, deems appropriate and approves the sale to the Purchasers of the Series 1986 Notes at the price specified, and upon the conditions set forth in the Series 1986 Note Purchase Agreement.

SECTION 13. Series 1986 Reimbursement Agreement: The CTA Board hereby approves the form of Series 1986 Reimbursement Agreement in substantially the form presented at this meeting and

the obtaining of the issuance of the Series 1986 Letter of Credit for its account pursuant thereto, and the Chairman, or his designee, or (in the absence of the Chairman and any designee) the Executive Director or the Chief Administrative Officer, and each of them acting alone, is hereby authorized to execute the Series 1986 Reimbursement Agreement with such modifications, additions and deletions as the officer of CTA executing the Series 1986 Reimbursement Agreement, with the advice and approval of counsel to CTA, deems appropriate.

SECTION 14. Series 1986 Office Statement: The CTA Board hereby approves the form and content of the Series 1986 Official Statement in substantially the form of the Preliminary Official Statement, dated June 23, 1986, presented at this meeting with such modifications, additions and deletions as the Chairman or his designees and the Deputy Executive Director Finance, with the advice and approval of counsel to CTA, deem appropriate. The Chairman and Deputy Executive Director, Finance, are hereby authorized to execute and deliver the Series 1986 Official Statement to the Purchasers.

The CTA Board hereby ratifies and approves the publication and distribution of the Preliminary Official Statement, dated June 23, 1986, in the form presented to this meeting and the Series 1986 Official Statement, as each of such documents may appear or may have appeared in final form.

SECTION 15. Authorizations: The Authorized Officers, and each of them acting alone, are hereby authorized and directed to do all acts and things required or contemplated by the provisions of this ordinance, the Series 1986 Notes and the Series 1986 Reimbursement Agreement or otherwise necessary or desirable for the prompt and full performance of all terms, covenants, provisions and agreements contained in this ordinance, the Series 1986 Notes and the Series 1986 Reimbursement Agreement. Further, the Authorized Officers, and each of them acting alone, are hereby authorized to execute an amendment to the Series 1985 Reimbursement Agreement to provide for the release of the allocated tax revenues under the Series 1986 ordinance upon defeasance of the Series 1985 Notes. Further, the Authorized Officers, and each of them acting alone, are hereby authorized and directed to make such further covenants, estimates, representations, or assurances as may be necessary to the end that the interest on the Notes is and remains exempt from federal income taxation.

SECTION 16. Invalidity: If any term or provision of this ordinance, the Series 1986 Notes or the Series 1986 Reimbursement Agreement, or the application thereof for any reason or circumstances, shall to any extent be held invalid or unenforceable, the remaining provisions or the application of such terms or provisions to persons in situations other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision hereof and thereof shall be valid and enforced to the fullest extent permitted.

SECTION 17. Illinois Law Applicable: The law of the State of Illinois shall govern this ordinance and the Series 1986 Notes.

SECTION 18. No amendments to Ordinance Adverse to Noteholders or Bank: This ordinance has been adopted to provide for and induce the sale of the Series 1986 Notes and the issuance by the Bank of the Series 1986 Letter of Credit, and may not be repealed, amended or modified while any Series 1986 Notes or obligations of CTA under the Series 1986 Reimbursement Agreement are outstanding, except for such amendments which (a) in the opinion of the Trustee and nationally recognized bond counsel shall not adversely affect the interests of the Noteholders or the Bank and either (i) are required by existing or future laws, or (ii) are necessary to clarify any ambiguity, inconsistency of defective provisions contained herein, and (b) have been approved in writing by the Bank, unless the Series 1986 Notes have been defeased pursuant to Section 20 hereof, in which case such approval by the Bank shall not be required.

SECTION 19. Appointment of Trustee:

(a) CTA hereby appoints American National Bank and Trust Company of Chicago, its successors and assigns, as the Trustee hereunder to act for it and on its behalf and in its name, for the specific purpose of receiving any payments pursuant to the provisions of this ordinance, endorsing CTA's name on any instrument evidencing or authorizing the receipt, delivery, negotiation or transfer of such payments, and transferring such payments as required by the terms hereof. CTA hereby releases the Trustee from any and all liability which may arise by reason of the Trustee transferring such payments in accordance with the provisions of this ordinance, and does hereby ratify and confirm all that the Trustee shall do or cause to be done by virtue of the foregoing. CTA

hereby agrees that it will execute and deliver any further documents, including a power of attorney, and will take any actions necessary or desirable to further evidence the foregoing grant of power to the Trustee for the benefit of the Noteholders and the Bank.

(b) Upon written acceptance hereof, the Trustee (i) accepts and agrees to fulfill the trusts and obligations imposed upon it by this ordinance until all Series 1986 Notes have been paid in full and are no longer outstanding and until all obligations of CTA to the Bank under the Series 1986 Reimbursement Agreement have been paid or satisfied and (ii) agrees and acknowledges that, in the event that it does not comply with the terms of this ordinance, CTA, Noteholders representing at least twenty-five percent (25%) of the aggregate principal amount of the Series 1986 Notes outstanding, or the Bank has the right to compel such compliance by an action in equity. With the written consent of the Bank, the Trustee may be removed at any time by an instrument in writing, appointing a Successor Trustee, executed by or on behalf of either CTA or holders of a majority in aggregate principal amount of the Series 1986 Notes then outstanding. In the event of the Trustee's earlier resignation, removal or inability to serve, CTA agrees to promptly designate as a successor to the Trustee a bank or trust company within the State which is duly authorized to exercise corporate trust powers and has combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) and which is satisfactory to the Bank. Upon the successor trustee's written acceptance of such position and of the terms and conditions of this ordinance, the successor trustee shall become the Trustee hereunder.

(c) The Trustee shall not be required to spend or risk its own funds or otherwise incur individual financial liability in the performance of its duties hereunder, shall not be required to take any remedial action until it shall be indemnified to its reasonable satisfaction against all costs, shall have no obligations except its obligations hereunder, and shall only be liable for its own gross negligence or willful misconduct. Notwithstanding anything herein to the contrary, the Trustee shall, if necessary, expend or risk its own funds in connection with making a demand for payment under the Series 1986 Letter of Credit or in connection with the declaration of acceleration of the principal and interest due on the Series 1986 Notes for a default specified in Section 11 (c) hereof, provided that the Trustee shall have a claim against CTA for any costs and

expenses incurred in connection with such act and CTA shall indemnify and hold the Trustee harmless for any such costs and expenses.

(d) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Whenever the Trustee shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, but in its discretion the Trustee may instead accept other evidence of such fact or matter. Notwithstanding any provision in this ordinance, the Trustee's determination of the fair market value of any Investment Securities deposited in the Series 1986 Note Payment Fund shall be binding upon the CTA and the Noteholders and the Trustee shall be not be liable with respect to any such determination made in good faith.

(e) CTA shall pay to the Trustee from time to time reasonable compensation for all services, and shall reimburse its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in the performance of its duties. CTA shall indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties and which are not due to its negligence or default.

(f) Upon the expiration of the Series 1986 Letter of Credit issued pursuant to the Series 1986 Reimbursement Agreement, or upon the Trustee's resignation, removal or inability to serve, or upon a material change to or amendment of the ordinance, the Series 1986 Reimbursement Agreement or the Series 1986 Official Statement, the Trustee shall so notify the CTA and each rating agency rating the Notes. Such notice, if directed to Moody's Investors Service, Inc., shall be mailed by first class mail to:

Moody's Investors Service, Inc.
Municipal Department
- Structured Finance Group
99 Church Street
New York, New York 10007

and if directed to Standard & Poor's Corporation, shall be mailed by first class mail to:

Standard & Poor's Corporation
25 Broadway
New York, New York 10004

(g) Upon payment in full of principal of and interest on the Series 1986 Notes from funds drawn under the Series 1986 Letter of Credit or defeasance of the Series 1986 Notes and compliance with the conditions set forth in Section 20(c) hereof, the Trustee shall promptly surrender the Series 1986 Letter of Credit to the Bank.

SECTION 20. Defeasance:

(a) If CTA shall pay or cause to be paid or there shall otherwise be paid to the Noteholders of all Series 1986 Notes the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in this ordinance, then the pledge and assignment of and lien on any revenues and receipts and other moneys and securities pledged under this ordinance, including without limitation the security interest in the Allocated Tax Revenues with respect to the Series 1986 Notes, and all covenants, agreements and other obligations of CTA to the holders of Series 1986 Notes then outstanding, shall thereupon cease, terminate and become void and be discharged and satisfied with respect to the Series 1986 Notes; provided, however, that nothing herein shall terminate any security interest in any fund or account established with the Trustee to secure the obligations of CTA to the Noteholders or the Bank or modify any directions to the Trustee with respect to the disbursement of the moneys on deposit therein until the disbursement of moneys on deposit therein has been made pursuant to the provisions of this ordinance. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by CTA to be prepared and filed and filed with CTA and, upon request of CTA, shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall apply all moneys or securities held by it pursuant to this ordinance which are not required for the payment of interest or principal on the Series 1986 Notes not theretofore surrendered for such payment first, to any unpaid amounts owing the Bank in connection with the Series 1986 Notes; second, to any fees, charges and expenses then owing the Trustee and Paying Agents; and third, any balance of such moneys shall be paid to CTA.

(b) Series 1986 Notes or interest installments for the payment of which moneys shall have been set aside and held in trust by the Trustee (through deposit by CTA of funds for such payment or otherwise) at the maturity thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section. Any outstanding Series 1986 Notes shall prior to the maturity thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section if (i) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government 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 which at the same time, shall be sufficient to pay when due the principal and interest due and to become due on such Series 1986 Notes on and prior to the maturity date thereof and (ii) a firm of certified public accountants satisfactory to the Trustee issues a verification report stating that deposits made pursuant to the immediately preceding clause (i) equal or exceed the amount needed to pay the interest and principal due and to become due on the Series 1986 Notes on and prior to the maturity date thereof. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 1986 Notes or the reimbursement of the Bank on a subordinate basis as provided in Section 8 hereof for draws made by the Trustee under the Letter of Credit issued by the Bank to secure the Series 1986 Notes; provided that any moneys received from such principal or interest payments on such Government Obligations deposited with the Trustee, (i) to the extent such moneys will not be required at any time, shall be paid over to CTA as received by the Trustee, free and clear of any trust, lien, pledge or security interest securing the Series 1986 Notes or otherwise existing under the ordinance; and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations described above maturing at times and in amounts sufficient to pay when due the principal and interest to become due on the Series 1986 Notes on and prior to the maturity date thereof, and interest earned from such reinvestments shall be paid over to CTA as received by the Trustee, free and clear of any trust, lien, pledge or security interest.

(c) Notwithstanding any provision herein, the Trustee shall not cause the letter of credit issued by the bank with respect to the Series 1986 Notes to be surrendered as the result of the defeasance of the Series 1986 Notes. The Trustee shall cause the Series 1986 Letter of Credit to be surrendered as the result of the defeasance of the Series 1986 Notes only upon the direction of the Authorized Officer which direction shall be given only in the event such defeasance is accomplished in one, or any combination, of the following manners:

(i) with moneys drawn under the Series 1986 Letter of Credit and deposited in the Series 1986 Letter of Credit Account;

(ii) with Government Obligations or moneys which have been on deposit in a separate account with the Trustee for the benefit of the holders of the Series 1986 Notes for a period of at least 123 days during which time no Event of Bankruptcy has occurred; or

(iii) with moneys derived from proceeds (or the investment income therefrom) from the sale of obligations issued for the sole purpose of retiring the Series 1986 Notes, which proceeds were deposited in a separate account with the Trustee for the benefit of the holders of the Series 1986 Notes;

provided that in the case of any defeasance involving clauses (ii) or (iii) above, CTA, the Bank and the Trustee shall have received an opinion from a nationally recognized firm of attorneys experienced in matters of bankruptcy to the effect that the payment of principal of and interest on the Series 1986 Notes with such Government Obligations or moneys would not constitute a voidable preference under Section 547 of the Bankruptcy Code.

SECTION 21. Filing of Ordinance: A certified copy of this Ordinance shall be filed at or prior to the issuance of the Series 1986 Notes with the RTA, the Comptroller of the State and the State Department of Revenue.

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SECTION 22. This ordinance shall be in full force
and effect from and after its passage.

APPROVED:

PASSED:


Chairman


Secretary

June 25, 1986

June 25, 1986