

Subject to compliance by the RTA with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2002A Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein for a more complete discussion. Interest on the Series 2002A Bonds is not exempt from present Illinois income taxes.

\$160,000,000
REGIONAL TRANSPORTATION AUTHORITY
Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois
General Obligation Bonds, Series 2002A

The General Obligation Bonds, Series 2002A (the "Series 2002A Bonds"), will be issued by the Regional Transportation Authority (the "RTA") only as fully registered bonds without coupons 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 of the Series 2002A Bonds. Individual purchases will be made in global book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical bonds representing their interest in the Series 2002A Bonds. Principal of and interest (payable July 1, 2002, and semiannually thereafter on January 1 and July 1 of each year) on the Series 2002A Bonds are payable by Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (the "Trustee"), to DTC, which will remit such principal and interest to DTC Participants, who in turn will be responsible for remitting such payments to the Beneficial Owners of the Series 2002A Bonds, as described herein. The Series 2002A Bonds are not subject to optional or mandatory redemption prior to maturity.

The Series 2002A Bonds are being issued by the RTA to pay costs of construction, acquisition, repair and replacement of certain public transportation facilities and to pay Costs of Issuance of the Series 2002A Bonds. The Series 2002A Bonds are general obligations of the RTA to which its full faith and credit is pledged. The General Ordinance authorizing the Series 2002A Bonds provides for the assignment and direct payment to the Trustee of the Sales Tax Revenues and Public Transportation Fund Revenues to secure payment of principal of and interest on the Series 2002A Bonds and parity obligations. The Series 2002A Bonds are also secured by the Series 2002A Debt Service Reserve Account. **The RTA does not have the power to levy *ad valorem* property taxes.**

The scheduled payment of principal of and interest on the Series 2002A Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2002A Bonds by



Maturities, Amounts, Interest Rates and Yields

Due July 1	Amount	Interest Rate	Yield	Due July 1	Amount	Interest Rate	Yield
2003	\$2,240,000	5.00%	2.30%	2018	\$4,860,000	6.00%	5.08%
2004	2,325,000	5.00%	3.05%	2019	5,140,000	6.00%	5.12%
2005	2,430,000	5.00%	3.55%	2020	5,440,000	6.00%	5.14%
2006	2,555,000	5.00%	3.85%	2021	5,755,000	6.00%	5.16%
2007	2,690,000	5.00%	4.15%	2022	6,085,000	6.00%	5.18%
2008	2,835,000	5.00%	4.30%	2023	6,440,000	6.00%	5.20%
2009	2,985,000	5.00%	4.43%	2024	6,815,000	6.00%	5.22%
2010	3,150,000	5.00%	4.52%	2025	7,205,000	6.00%	5.23%
2011	3,315,000	5.50%	4.60%	2026	7,625,000	6.00%	5.24%
2012	3,495,000	5.75%	4.70%	2027	8,065,000	6.00%	5.25%
2013	3,690,000	5.75%	4.75%	2028	8,530,000	6.00%	5.25%
2014	3,900,000	5.75%	4.84%	2029	9,025,000	6.00%	5.26%
2015	4,120,000	5.75%	4.93%	2030	9,550,000	6.00%	5.27%
2016	4,350,000	5.75%	4.99%	2031	10,100,000	6.00%	5.28%
2017	4,600,000	5.75%	5.04%	2032	10,685,000	6.00%	5.28%

The Series 2002A Bonds are being offered when, as and if issued by the RTA and accepted by the Underwriter and subject to the approving legal opinion of Chapman and Cutler, Chicago, Illinois, Bond Counsel. The Series 2002A Bonds will be available for delivery to DTC upon payment therefor on or about April 18, 2002.

MERRILL LYNCH & CO.

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No dealer, broker, salesperson, or other person has been authorized by the RTA or the Underwriter to give any information or make any representations other than those contained in this Official Statement in connection with the offering of the Series 2002A Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2002A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the RTA and from other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. 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 any implication that there has been no change in the affairs of the RTA or the Service Boards since the date hereof.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Series 2002A Bonds at a level above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

THE SERIES 2002A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE OR THE 2002A SERIES ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2002A BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2002A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2002A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE RTA AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$160,000,000

REGIONAL TRANSPORTATION AUTHORITY

Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois
General Obligation Bonds, Series 2002A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to set forth certain information in connection with the issuance and sale by the Regional Transportation Authority (the "RTA" or the "Authority"), a unit of local government existing under the Constitution and statutes of the State of Illinois (the "State") of its General Obligation Bonds, Series 2002A (the "Series 2002A Bonds"), in the principal amount of \$160,000,000. The Series 2002A Bonds are issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the RTA (the "Board") on August 8, 1985, as supplemented and amended (the "General Ordinance"), and the Series Ordinance adopted by the Board on February 28, 2002 (the "2002A Series Ordinance").

The Series 2002A Bonds are general obligations of the RTA, whose full faith and credit has been pledged to the payment of the principal of and interest on the Series 2002A Bonds. The Series 2002A Bonds are secured by a first lien on and security interest in all lawfully available Revenues (as hereinafter defined) and all other lawfully available funds received or held by the RTA. The RTA has the power to impose and cause to be collected, and has duly imposed, certain sales taxes (collectively, the "RTA Sales Tax"), as discussed below in the section captioned "THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues." The RTA Sales Tax is collected by the State on behalf of the RTA and, together with portions of certain sales taxes imposed by the State and all Public Transportation Fund Revenues (as hereinafter defined), is paid by the State to Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (the "Trustee"), for deposit in the Debt Service Fund (as hereinafter defined) established to provide for payment of principal of and interest on the Series 2002A Bonds and other Authority Obligations (as hereinafter defined). The Series 2002A Bonds are also secured by the Series 2002A Debt Service Reserve Account (as hereinafter defined).

The RTA does not have the power to levy *ad valorem* property taxes.

The Series 2002A Bonds are being issued on a parity with the Authority's Outstanding Bonds, and Additional Authority Obligations which may be issued in the future. See "SECURITY FOR THE SERIES 2002A BONDS—AUTHORITY OBLIGATIONS—Additional Authority Obligations."

Certain factors that may affect an investment decision concerning the Series 2002A Bonds are described throughout this Official Statement, including descriptions of the RTA's financial results and projections and the security for the Series 2002A Bonds. Persons considering a purchase of the Series 2002A Bonds should read this Official Statement in its entirety.

Certain capitalized terms used in this Official Statement are defined in Appendix D—"Summary of Certain Provisions of the General Ordinance and the 2002A Series Ordinance."

THE SERIES 2002A BONDS

AUTHORITY

The Series 2002A Bonds are being issued pursuant to the Regional Transportation Authority Act of the State of Illinois, as amended (the "*Act*"), the Local Government Debt Reform Act of the State of Illinois, as amended, the General Ordinance and the 2002A Series Ordinance.

PURPOSE

The proceeds of the Series 2002A Bonds will be used to pay costs of construction, acquisition, repair and replacement of certain public transportation facilities (the "*Project*") and to pay Costs of Issuance of the Series 2002A Bonds. See "**USE OF SERIES 2002A BOND PROCEEDS**" and "**RTA CAPITAL PROGRAM – PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002A BOND PROCEEDS**".

CAPITAL ASSETS FUND

The General Ordinance establishes the Capital Assets Fund. All proceeds received upon the issuance of the Series 2002A Bonds (other than accrued interest and amounts to be used to pay Costs of Issuance of the Series 2002A Bonds) will be deposited in a separate account in the Capital Assets Fund designated as the Series 2002A Bonds Capital Assets Account (the "*2002A Capital Assets Account*") established pursuant to the 2002A Series Ordinance. All funds in the 2002A Capital Assets Account will be held by the Trustee and (i) paid out on the order of an Authorized Officer (which shall include the Executive Director or the Chief Financial Officer of the Authority) for the purposes of paying or reimbursing costs of the Project, or (ii) transferred on the order of an Authorized Officer to the Debt Service Fund for the payment of the principal of and interest on Authority Obligations.

MATURITIES AND INTEREST RATES

The Series 2002A Bonds will be dated as of March 15, 2002, will mature on the dates and in the amounts set forth on the cover page hereof, and will bear interest payable commencing on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each year at the rates set forth on the cover page hereof. The Series 2002A Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof.

REGISTRATION

The Series 2002A Bonds will be issued only as fully registered Bonds without coupons and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). See Appendix E—“Certain Provisions Relating to Global Book-Entry Only System.”

The Series 2002A Bonds are not subject to optional or mandatory redemption.

USE OF THE SERIES 2002A BOND PROCEEDS

The proceeds of the Series 2002A Bonds will provide funds for the Project and will be applied approximately as follows:

Deposit to 2002A Capital Assets Account	\$172,962,830.95
Deposit to 2002A Bonds Account	853,502.60
Costs of Issuance ¹	<u>1,397,000.00</u>
TOTAL	\$175,213,333.55

¹ Includes premiums for the Municipal Bond Insurance Policy and the Reserve Fund Credit Instrument.

See “**RTA CAPITAL PROGRAM—PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002A BOND PROCEEDS.**”

SECURITY FOR THE SERIES 2002A BONDS

SECURITY AND SOURCES OF PAYMENT

The Series 2002A Bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged.

The Series 2002A Bonds, together with the Outstanding Bonds and any other notes or bonds that may be issued on a parity therewith (collectively, the “*Authority Obligations*”), are payable from all lawfully available Revenues (as defined below) and all other lawfully available funds received or held by the Authority. The Series 2002A Bonds and other Authority Obligations are not payable from Additional State Assistance or Additional Financial Assistance (each as hereinafter defined and referred to herein collectively as “*State Assistance*”), amounts in the Authority’s self-insurance fund or amounts required to be held or used with respect to Separate Ordinance Obligations (as hereinafter defined). See “**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES.**”

The RTA does not have the power to levy *ad valorem* property taxes.

The Series 2002A Bonds and other Authority Obligations are secured by an assignment of and lien on Sales Tax Revenues and Public Transportation Fund Revenues (each as hereinafter defined). Sales Tax Revenues are collected by the State of Illinois Department of Revenue and paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues.**" Subject to appropriation by the Illinois General Assembly, Public Transportation Fund Revenues are paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Public Transportation Fund Revenues.**" The Series 2002A Bonds are also secured by the Series 2002A Debt Service Reserve Account. See "**SECURITY FOR THE SERIES 2002A BONDS—DEBT SERVICE RESERVE FUND.**"

"Revenues" means all Sales Tax Revenues, all Public Transportation Fund Revenues, all amounts received from other taxes as are or shall be imposed by the Authority, all other receipts, revenues or funds granted, paid, appropriated or otherwise disbursed to the Authority from the State or any department or agency of the State or any unit of local government or the federal government or from any other source, for the purpose of carrying out the Authority's responsibilities, purposes and powers, all revenues and receipts derived from the Authority's operations (including interest and other investment income) and any other revenues or receipts of the Authority. Revenues, however, shall not include State Assistance, amounts in or payments to the Authority from the Service Boards for deposit in the Authority's joint self-insurance fund, or any Secured Government Payments or receipts from any *ad valorem* real property taxes levied by or on behalf of the Authority, to the extent such Secured Government Payments or tax receipts have been assigned or pledged by the Authority to a trustee for the purpose of paying principal, redemption price or purchase price of or interest on Separate Ordinance Obligations, or for the purpose of reimbursing a provider of a Credit Support Instrument or Reserve Fund Credit Instrument or reinstating coverage under such an instrument in respect of Separate Ordinance Obligations for payment made under such an instrument, or investment earnings on amounts held by such a trustee to pay debt service on or to secure Separate Ordinance Obligations. See "**SECURITY FOR THE SERIES 2002A BONDS—AUTHORITY OBLIGATIONS.**"

"Sales Tax Revenues" means all tax receipts received by or on behalf of the Authority from the RTA Sales Tax or any taxes imposed (including by the State) in lieu of those taxes. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues.**"

"Public Transportation Fund Revenues" means the amounts paid to or on behalf of the Authority from the Public Transportation Fund in the Treasury of the State, but shall not include State Assistance. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Public Transportation Fund Revenues.**"

DEBT SERVICE FUND

The General Ordinance creates a Debt Service Fund to be maintained by the Trustee and used to pay debt service on the Series 2002A Bonds and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of

obligations. The 2002A Series Ordinance establishes the Series 2002A Bonds Account (the “*2002A Bonds Account*”).

The 2002A Series Ordinance establishes a monthly deposit requirement for the Series 2002A Bonds in the 2002A Bonds Account. The General Ordinance provides that each month, any amounts in the Debt Service Fund in excess of the required deposits therein (other than in any Rebate Accounts created thereunder) are required to be transferred to the Debt Service Reserve Fund until the amount in each Account in the Debt Service Reserve Fund equals the Reserve Requirement (as hereinafter defined) for such Account, are then used to make required deposits to the Rebate Accounts, and are then paid by the Trustee to the RTA or upon the RTA’s direction.

If the required deposits to the Debt Service Fund are not made in any month, the RTA immediately shall deposit with the Trustee from all moneys on hand or available to the RTA from which Authority Obligations are payable, as described above, an amount sufficient to make up the deficiency.

DEBT SERVICE RESERVE FUND

The General Ordinance establishes a Debt Service Reserve Fund to be maintained by the Trustee as additional security for Bonds issued under the General Ordinance. The Authority may create separate accounts in the Debt Service Reserve Fund relating to particular series of Bonds. A Series 2002A Bonds Debt Service Reserve Fund Account is established by the 2002A Series Ordinance for the purpose of securing the Series 2002A Bonds (the “*Series 2002A Debt Service Reserve Account*”). Thirteen other Debt Service Reserve Fund Accounts (securing the Series 1990A Bonds, the Series 1991A Bonds, the Series 1992A Bonds, the Series 1993A&B Bonds, the Series 1993C Bonds, the Series 1994A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds and the Series 2001B Bonds, respectively) have been created in the Debt Service Reserve Fund and future Series Ordinances may create additional accounts in the Debt Service Reserve Fund to secure future series of Bonds. Holders of Bonds of a particular series have no claim against any Debt Service Reserve Fund Account securing another series of Outstanding Bonds.

In connection with the issuance of any series of Bonds, the General Ordinance requires an amount, if any, to be deposited in the Debt Service Reserve Fund Account securing such series of Bonds so that the value of such Account at least equals the Reserve Requirement for such Account calculated immediately after the delivery of such series of Bonds. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit in such Account is less than the Reserve Requirement for such Account, all amounts in the Debt Service Fund in excess of the amounts required to be on deposit in the Debt Service Fund. See “**SECURITY FOR THE SERIES 2002A BONDS—DEBT SERVICE FUND.**” If in any month, after the required deposits to the Debt Service Fund (other than to any Rebate Accounts) have been made, and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have been made (as described in the preceding sentence), the value of any Account in the Debt Service Reserve Fund is less than the

Reserve Requirement for such Account, the RTA is required immediately to deposit with the Trustee any and all other money which it has on hand and is lawfully available to make up the deficiency. Transfers or deposits to the Debt Service Reserve Fund shall be made proportionately to the respective Accounts therein on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit.

All amounts on deposit in the Series 2002A Debt Service Reserve Account shall be held in trust for the sole benefit of the Holders of the Series 2002A Bonds, and shall be transferred by the Trustee to the Debt Service Fund to the credit of the 2002A Bonds Account at the times and in the amounts as required in order to pay principal of the Series 2002A Bonds, at maturity or on Sinking Fund Installment dates, and to pay interest on the Series 2002A Bonds, as it falls due, if there are not sufficient amounts in the 2002A Bonds Account for that purpose.

All or any part of the Reserve Requirement for any Debt Service Reserve Account may be met by the deposit with the Trustee of a Reserve Fund Credit Instrument. See Appendix D—"Summary of Certain Provisions of the General Ordinance and the 2002A Series Ordinance—Debt Service Reserve Fund."

Reserve Fund Credit Instruments provided by Ambac Assurance Corporation ("*AMBAC*"), Financial Guaranty Insurance Company ("*Financial Guaranty*" or "*FGIC*"), MBIA Insurance Corporation ("*MBIA*") or Financial Security Assurance Inc. ("*FSA*") (each a "*Credit Provider*") are held in all of the Debt Service Reserve Accounts. The Reserve Requirements for the Series 1990A and Series 1991A Debt Service Reserve Accounts are funded in part by cash deposits in the amount of \$56,151 and \$17,568, respectively. Each Reserve Fund Credit Instrument was fully qualified for deposit in the Debt Service Reserve Fund on the date of such deposit and remains so qualified based upon the credit rating of each Credit Provider. The Authority makes no representation as to the current financial condition of any Credit Provider. Set forth in the following table is the Credit Instrument Coverage amount for each Debt Service Reserve Account satisfied by a Reserve Fund Credit Instrument.

DEBT SERVICE RESERVE FUND CREDIT INSTRUMENTS

ACCOUNT	CREDIT INSTRUMENT COVERAGE	CREDIT PROVIDER
Series 1990A	\$ 8,156,338	AMBAC
Series 1991A	7,830,099	FGIC
Series 1992A&B	18,205,744	AMBAC
Series 1993A&B	8,266,885	FGIC
Series 1993C	2,326,500	AMBAC
Series 1994A&B	20,934,198	AMBAC
Series 1994C&D	16,307,673	FGIC
Series 1996	15,123,500	MBIA
Series 1997	9,838,500	FGIC
Series 1999	29,872,500	FSA
Series 2000A	19,920,033	MBIA
Series 2001A	7,228,281	FGIC
Series 2001B	3,771,500	FGIC
Series 2002A	11,566,188	MBIA

RESERVE FUND CREDIT INSTRUMENT

Upon the issuance of the Series 2002A Bonds, MBIA Insurance Corporation (“*MBIA*”) will issue a surety bond (the “*Surety Bond*”) for deposit in the Series 2002A Debt Service Reserve Account. The Surety Bond will provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the Series 2002A Bonds Account to pay the principal of and interest on the Series 2002A Bonds, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2002A Bonds, or the available amount of the Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to the Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Series 2002A Bonds as specified in the Demand for Payment presented by the Trustee to MBIA, MBIA will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Surety Bond is the initial face amount of the Surety Bond less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by the Authority. The Authority and MBIA have entered into a Financial Guaranty Agreement (the “*Agreement*”). Pursuant to the Agreement the Authority is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Trustee under the Surety Bond. Such reimbursement constitutes a Subordinate Obligation under the General Ordinance.

Under the terms of the Agreement, the Trustee is required to reimburse MBIA, with interest, until the face amount of the Surety Bond is reinstated before any deposit is made to the Authority’s general fund. The Surety Bond will be held by the Trustee in the Series 2002A Debt Service Reserve Account and is provided as an alternative to the Authority depositing funds equal to the Reserve Requirement for outstanding Series 2002A Bonds. The Surety Bond will be issued in the face amount equal to the Credit Instrument Coverage shown in the table above (the “*Surety Bond Coverage*”), will be non-cancellable and the premium therefor will be fully paid by the Authority at the time of delivery of the Series 2002A Bonds.

If and to the extent that cash has also been deposited in the Series 2002A Debt Service Reserve Account, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing under the Surety Bond, and repayment of any amounts due MBIA under the Agreement shall be made prior to replenishment of any such cash amounts in the Series 2002A Debt Service Reserve Account. If, in addition to the Surety Bond, any other reserve fund substitute instrument (“*Additional Reserve Policy*”) is provided with respect to the Series 2002A Debt Service Reserve Account, drawings under the Surety Bond and any such Additional Reserve Policy, and repayment of costs and reimbursement of amounts due under the Additional Reserve Policy, shall be made on a pro rata basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Series 2002A Debt Service Reserve Account and prior to replenishment of any such cash draws, respectively.

For information concerning MBIA, see “**MUNICIPAL BOND INSURANCE POLICY.**”

REBATE ACCOUNT

The General Ordinance establishes in the Debt Service Fund a separate Rebate Account with respect to each series of Authority Obligations issued after November 1, 1986. The General Ordinance requires that there be deposited in the Debt Service Fund to the credit of the Rebate Accounts, after there are no deficiencies in any of the other Accounts in the Debt Service Fund or the Debt Service Reserve Fund, the amounts as shall be required to be held available for rebate to the United States of America with respect to each series of Authority Obligations. The amount so to be held available will be determined from time to time by the RTA.

AUTHORITY OBLIGATIONS

Prior to January 1, 2000, the RTA was authorized under the Act (i) to issue \$500 million of bonds for public transportation projects ("*SCIP Bonds*") approved by the Governor of the State as part of the RTA's Strategic Capital Improvement Program ("*SCIP Program*"), (ii) to issue and have outstanding from time to time \$500 million of notes and bonds for public transportation projects not part of the SCIP Program (the "*non-SCIP Bonds*") and (iii) to issue and have outstanding from time to time \$100 million of working cash notes.

Effective January 1, 2000, the Act was amended to authorize the RTA (i) to issue an additional \$260,000,000 of SCIP Bonds in each year for the period of 2000 through 2004 and (ii) to issue and have outstanding from time to time an additional \$300,000,000 of non-SCIP Bonds. Pursuant to this authorization, the Authority issued \$260,000,000 of SCIP Bonds in June, 2000 and \$100,000,000 of SCIP Bonds in March, 2001. The Series 2002A Bonds constitute a portion of the SCIP Bonds that can be issued for project purposes pursuant to this authorization. The Authority may issue additional SCIP Bonds and/or non-SCIP Bonds prior to the end of the year 2002.

The following table sets forth the aggregate statutory authorization of Authority Obligations for public transportation projects permitted as of the dates shown.

RTA BOND AUTHORIZATION [in millions]

	Prior to 1/1/99	1/1/00	1/1/01	1/1/02	1/1/03	1/1/04
Non-SCIP Bonds ¹	\$ 500	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
SCIP Bonds ²	500	760	1,020	1,280	1,540	1,800
Working Cash Notes ¹	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total	\$1,100	\$1,660	\$1,920	\$2,180	\$2,440	\$2,700

¹ Authorized to be issued and outstanding.

² Authorized to be issued.

The Authority is authorized to issue non-SCIP Bonds to refund non-SCIP Bonds within the limits on the principal amount of outstanding non-SCIP Bonds described above.

Effective July 1, 1999, the Act was amended to authorize the Authority to issue bonds or notes in such amounts as may be necessary to provide for the refunding of SCIP Bonds. However, no such refunding obligation may mature later than the final maturity of the refunded SCIP Bonds and the debt service in any year for such refunding obligations may not exceed the debt service requirements for the SCIP Bonds refunded in that year.

Upon the issuance of the Series 2002A Bonds, the Authority will have \$983,335,000 of SCIP Bonds (including the Series 2002A Bonds) Outstanding and will have \$452,605,000 of non-SCIP Bonds Outstanding. No Working Cash Notes are outstanding.

Under the Act, Authority Obligations, which include the Series 2002A Bonds, are superior to and have priority over all other obligations of the Authority, except Separate Ordinance Obligations that have a prior claim to Secured Government Payments (as hereinafter defined) or *ad valorem* property tax receipts to the extent provided for under the Act and the authorizing ordinances establishing the Separate Ordinance Obligations.

Additional Authority Obligations. The RTA may issue Additional Authority Obligations from time to time for any lawful purpose, which Additional Authority Obligations shall be on a parity with the Outstanding Bonds and the Series 2002A Bonds. Continued funding of the RTA's Capital Program at recent levels will require the issuance of Additional Authority Obligations. See "RTA CAPITAL PROGRAM – GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM."

Generally, Additional Authority Obligations may be issued only if (i) there is no default in payment of Outstanding Authority Obligations or in making deposits to the Debt Service Fund, (ii) upon the issuance of Additional Authority Obligations which are Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account, and (iii) the "Revenues test" is met.

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Fund Policies deposited into the respective Debt Service Reserve Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1993A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds and the Series 2002A Bonds.

For purposes of the "Revenues test," "Sales Tax Revenues" shall be an amount equal to one-half of the sales tax revenues for the most recently completed 24 months for which the RTA has financial statements available, shall be calculated consistent with generally accepted accounting principles and shall be evidenced either by an accountants' certificate or (for months for which audited financial statements are not available) by a certificate of an Authorized Officer of the RTA.

In addition, the RTA may, without meeting these tests, but only to the extent permitted by the Act, issue refunding Authority Obligations to avoid a default in payment of Authority Obligations or if the refunding results in deposit requirements in each Fiscal Year while any previously Outstanding Authority Obligations remain Outstanding not in excess of those prevailing before the refunding.

Separate Ordinance Obligations. The General Ordinance provides that nothing contained therein prohibits the RTA from issuing Separate Ordinance Obligations, which may (but need not) be general obligations of the Authority, and from assigning, pledging, and granting a first lien on and first security interest in Secured Government Payments or *ad valorem* real property tax receipts, or both, as well as amounts in a debt service fund and a debt service reserve fund for such Obligations, for the payment thereof, and for reimbursing a provider of a Credit Support Instrument or Reserve Fund Credit Instrument for such Obligations and for reinstating coverage under such an instrument, but only to the extent that such Secured Government Payments and tax receipts have not been specifically and explicitly pledged to Authority Obligations. However, the Act would need to be amended before Separate Ordinance Obligations which are secured by *ad valorem* real property tax receipts could lawfully be issued.

Other Financing Alternatives. The RTA also has the power to acquire real or personal property by lease, sublease or installment or conditional purchase contract payable in annual installments during a period not exceeding forty years. In connection with the acquisition of public transportation equipment (including, but not limited to, rolling stock, vehicles, locomotives, buses or rapid transit equipment), the RTA is authorized to execute equipment trust certificates, equipment leases, conditional purchase agreements and other security agreements in the form customarily used to effect such acquisitions. These obligations do not constitute bonds or notes within the meaning of the Act, are not Additional Authority Obligations and are payable only after all required deposits and credits have been made to the various accounts in the Debt Service Fund for Authority Obligations.

The Act also authorizes the Authority to enter into rate protection contracts to reduce the risk of loss to the Authority or protect, preserve or enhance the value of its assets. The Authority may also enter into those contracts to provide compensation for losses resulting from changes in interest rates. The Authority entered into an interest rate swap agreement with UBS AG in November, 2001 in which the Authority pays UBS AG a variable rate and UBS AG pays the Authority a fixed rate per annum with respect to a notional amount that is related to certain outstanding Authority Obligations. The initial notional amount was \$112,250,000 and declines as the Authority Obligations mature. The Authority's obligations under the agreement are payable from its general fund, but are subordinate to the obligations of the Authority under the General Ordinance. The Authority may enter into other

interest rate swap agreements in the future. The Authority's obligations under any rate protection contract do not constitute bonds or notes within the meaning of the Act.

Debt Service Reserve Fund Policy Agreements. In connection with the issuance of the Series 1990A Bonds, the Series 1991A Bonds, the Series 1992A&B Bonds, the Series 1993A&B Bonds, the Series 1993C Bonds, the Series 1994A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds and the Series 2002A Bonds, the Authority acquired a Reserve Fund Credit Instrument to satisfy the Reserve Requirement for each such series of Bonds. In the event of a payment under any of the Reserve Fund Credit Instruments, the Authority is obligated to reimburse the policy issuer for such payment, together with interest thereon until paid. The Authority's obligation to pay such interest is subordinate to the Authority's obligation to pay Authority Obligations and to replenish the Debt Service Reserve Fund.

AGREEMENTS OF THE STATE

In the Act, the State pledges to and agrees with the Holders of the Authority Obligations (including the Series 2002A Bonds) that the State will not limit or alter the rights and powers vested in the RTA by the Act so as to impair the terms of any contract made by the RTA with such Holders, or in any way to impair the rights and remedies of such Holders, until the Authority Obligations (including the Series 2002A Bonds), together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the Holders thereof, are fully met and discharged. In addition, in the Act the State pledges to and agrees with the Holders of the Authority Obligations (including the Series 2002A Bonds) that the State will not limit or alter the basis on which State funds are to be paid to the RTA, as provided in the Act, or the use of such funds, so as to impair the terms of any such contract.

ANNUAL DEBT SERVICE

The annual debt service (representing payments to the Bondholders, rather than payments by the RTA to the Debt Service Fund) for the Outstanding Bonds and the Series 2002A Bonds for each calendar year is set forth below:

YEAR	SERIES 2002A BONDS		OUTSTANDING BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL AND INTEREST ⁽¹⁾	TOTAL DEBT SERVICE
2002	\$ -0-	\$2,741,554	\$103,912,724	\$106,654,278
2003	2,240,000	9,310,938	103,802,119	115,353,057
2004	2,325,000	9,198,938	103,795,239	115,319,177
2005	2,430,000	9,082,688	103,827,944	115,340,632
2006	2,555,000	8,961,188	103,677,675	115,193,863
2007	2,690,000	8,833,438	103,673,139	115,196,577
2008	2,835,000	8,698,938	103,640,073	115,174,011
2009	2,985,000	8,557,188	103,660,166	115,202,354
2010	3,150,000	8,407,938	103,678,746	115,236,684
2011	3,315,000	8,250,438	103,661,628	115,227,066
2012	3,495,000	8,068,113	103,646,233	115,209,346
2013	3,690,000	7,867,150	103,626,730	115,183,880
2014	3,900,000	7,654,975	103,583,694	115,138,669
2015	4,120,000	7,430,725	103,494,250	115,044,975
2016	4,350,000	7,193,825	103,290,115	114,833,940
2017	4,600,000	6,943,700	103,245,761	114,789,461
2018	4,860,000	6,679,200	103,330,241	114,869,441
2019	5,140,000	6,387,600	103,304,383	114,831,983
2020	5,440,000	6,079,200	103,325,098	114,844,298
2021	5,755,000	5,752,800	95,145,065	106,652,865
2022	6,085,000	5,407,500	87,311,878	98,804,378
2023	6,440,000	5,042,400	69,578,136	81,060,536
2024	6,815,000	4,656,000	61,984,635	73,455,635
2025	7,205,000	4,247,100	41,602,430	53,054,530
2026	7,625,000	3,814,800	26,767,550	38,207,350
2027	8,065,000	3,357,300	26,712,300	38,134,600
2028	8,530,000	2,873,400	26,666,750	38,070,150
2029	9,025,000	2,361,600	26,615,475	38,002,075
2030	9,550,000	1,820,100	26,558,700	37,928,800
2031	10,100,000	1,247,100	7,001,300	18,348,400
2032	<u>10,685,000</u>	<u>641,100</u>	<u>---</u>	<u>11,326,100</u>
	\$160,000,000	\$187,568,929	\$2,464,120,177	\$2,811,689,106

⁽¹⁾ Prior to issuance of the Series 2002A Bonds.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows projected debt service coverage by projected available Sales Tax Revenues and by projected Available Revenues. Available Revenues consists of the total of Sales Tax Revenues and Public Transportation Fund Revenues. The Authority makes no representation by the inclusion of the following table that the Available Revenues for debt service coverage will be the amounts shown on the following table. Over the term of the Bonds, Available Revenues will be impacted by a number of economic and other factors, some of which are described in Appendix A. Changes in such factors in any year or over the term of the Bonds could result in a material change in Available Revenues.

The RTA's projections of Sales Tax Revenues and Public Transportation Fund Revenues for calendar year 2002 are based upon the RTA's projection of estimated revenues to be available and not the estimated revenue projections of the Illinois Bureau of the Budget (the "BoB") submitted to the RTA by the BoB in October, 2001. The RTA's projection of estimated Available Revenues for calendar year 2002 reflects a more conservative estimate than that of the BoB. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues,**" —"**Public Transportation Fund Revenues**" and —"**2002 BUDGET AND 2003-04 FINANCIAL PLAN.**" The RTA's projections of Sales Tax Revenues and Public Transportation Fund Revenues for years 2003 and 2004 are based on its estimate for year 2002, to which is applied an estimated growth rate of 4.0% utilized by the RTA to forecast Sales Tax Revenues. Should year 2002 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could affect the projections for years 2003 and 2004. Projections after year 2004 were computed using the compound annual growth rate of Sales Tax Revenues between the years 1980 through 2000 of 4.685% per year. See Appendix A—"RTA HISTORICAL AND PROJECTED SALES TAX REVENUES."

DEBT SERVICE COVERAGE
(Dollars in Thousands)

CALENDAR YEAR	TOTAL DEBT SERVICE	PROJECTED SALES TAX REVENUES	TIMES COVERAGE BY SALES TAX REVENUES	PROJECTED AVAILABLE REVENUES	TIMES COVERAGE BY PROJECTED AVAILABLE REVENUES
2002	\$106,654	\$676,344	6.3	\$845,430	7.9
2003	115,353	703,392	6.1	879,240	7.6
2004	115,319	731,538	6.3	914,423	7.9
2005	115,341	765,811	6.6	957,264	8.3
2006	115,194	801,689	7.0	1,002,111	8.7
2007	115,197	839,248	7.3	1,049,060	9.1
2008	115,174	878,567	7.6	1,098,209	9.5
2009	115,202	919,728	8.0	1,149,660	10.0
2010	115,237	962,817	8.4	1,203,521	10.4
2011	115,227	1,007,925	8.7	1,259,906	10.9
2012	115,209	1,055,146	9.2	1,318,933	11.4
2013	115,184	1,104,580	9.6	1,380,725	12.0
2014	115,139	1,156,330	10.0	1,445,413	12.6
2015	115,045	1,210,504	10.5	1,513,130	13.2
2016	114,834	1,267,216	11.0	1,584,020	13.8
2017	114,789	1,326,585	11.6	1,658,231	14.4
2018	114,869	1,388,736	12.1	1,735,920	15.1
2019	114,832	1,453,798	12.7	1,817,248	15.8
2020	114,844	1,521,908	13.3	1,902,385	16.6
2021	106,653	1,593,209	14.9	1,991,511	18.7
2022	98,804	1,667,851	16.9	2,084,814	21.1
2023	81,061	1,745,990	21.5	2,182,488	26.9
2024	73,456	1,827,790	24.9	2,284,738	31.1
2025	53,055	1,913,422	36.1	2,391,778	45.1
2026	38,207	2,003,066	52.4	2,503,833	65.5
2027	38,135	2,096,910	55.0	2,621,138	68.7
2028	38,070	2,195,150	57.7	2,743,938	72.1
2029	38,002	2,297,993	60.5	2,872,491	75.6
2030	37,929	2,405,654	63.4	3,007,068	79.3
2031	18,348	2,518,359	137.3	3,147,949	171.6
2032	11,326	2,636,344	232.8	3,295,430	291.0

MUNICIPAL BOND INSURANCE POLICY

The following information has been issued by MBIA for use in this Official Statement. Reference is made to Appendix H for a specimen of MBIA's Municipal Bond Insurance Policy.

Concurrently with the issuance of the Series 2002A Bonds, MBIA will issue its Municipal Bond Insurance Policy (the "*Policy*"). The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2002A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2002A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "*Preference*").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2002A Bond. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2002A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Series 2002A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other trustee for the Series 2002A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2002A Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2002A Bonds or presentment of such other proof of ownership of the Series 2000A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2002A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2002A Bonds in any legal proceeding related to payment of insured amounts on the Series 2002A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or

the Trustee payment of the insured amounts due on such Series 2002A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "*Company*"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA 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 the policy and MBIA set forth under this heading. Additionally, MBIA makes no representation regarding the Series 2002A Bonds or the advisability of investing in the Series 2002A Bonds.

The Municipal Bond Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2002A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or superseded such

statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2000; (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and (3) The report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Amonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2001, MBIA had admitted assets of \$8.4 billion (unaudited), total liabilities of \$6.0 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting procedures prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa".

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA".

Fitch, Inc. rates the financial strength of MBIA "AAA".

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2002A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2002A Bonds. MBIA does not guaranty the market price of the Series 2002A Bonds nor does it guaranty that the ratings on the Series 2002A Bonds will not be revised or withdrawn.

THE REGIONAL TRANSPORTATION AUTHORITY

GOVERNANCE

The Illinois Constitution recognizes that public transportation is an essential public purpose for which public funds may be expended. To implement that public policy, the State has provided for extensive investment in public transportation infrastructure and significant involvement in the provision of public transportation services for the 8.0 million residents of the six-county northeastern Illinois region (the "*Region*"). For example, replacement costs for the assets used in public transportation service approximate \$24 billion. Over 2,400 buses are deployed on over 360 routes and more than 2,300 rail cars and locomotives operate on 19 rail lines. In 2001, approximately 576 million riders made use of the System (as hereinafter defined). Public transportation is vital to the economic well-being of the Region.

To finance, oversee and operate public transportation in the Region, the State has created four entities by law: the RTA, the Chicago Transit Authority (the "*CTA*"), the Commuter Rail Division ("*Metra*") and the Suburban Bus Division ("*Pace*"; each a "*Service Board*" and collectively, the "*Service Boards*"). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State. By law, the RTA is responsible for planning, coordinating, financing and providing public transportation services in the Region. The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. The RTA provides financial assistance to, and is responsible for fiscal oversight of, the Service Boards. The CTA provides bus and rail service in Chicago and those suburbs close to Chicago. Metra provides commuter rail service between the Chicago Central Business District and 168 Chicago and suburban locations. Pace provides bus service throughout the suburbs and to the City of Chicago. The public transportation services operated by the Service Boards, as coordinated by the RTA to the extent provided in the Act, are referred to herein as the "*System*."

The Act designates the RTA as the primary public body in the Region to secure funds for public transportation. The RTA is authorized to impose taxes in the Region and to issue debt to provide funding for public transportation facilities. The RTA is also responsible for the allocation of certain federal, state and local funds to finance both the operating and capital needs of public transportation in the Region.

Central to its planning, funding and oversight responsibilities, the Act requires the RTA to prepare and adopt each year an annual operating budget and two-year financial plan for the System balancing the anticipated revenues from all sources with anticipated expenditures. See "**THE REGIONAL TRANSPORTATION AUTHORITY—2002 BUDGET AND 2003-04 FINANCIAL PLAN**". Further, the RTA and its Service Boards are required by the Act to maintain a "system generated revenue recovery ratio" of 50% (the "*System Generated Revenue Recovery Ratio*"), i.e. at least 50% of the System's operating costs must be recovered through 1) revenues generated by the System, including fare box receipts, 2) revenues from certain other sources, such as investment income and concessions, and 3) reduced fare reimbursements by the State. It is the RTA's responsibility to

ensure that this ratio is maintained through the review and approval of each Service Board's budget and System Generated Revenue Recovery Ratio. On an on-going basis, the RTA monitors the budgetary and operational performance of the Service Boards to ensure compliance with their budgets and the System Generated Revenue Recovery Ratio. See "THE REGIONAL TRANSPORTATION AUTHORITY— FINANCIAL CONTROLS OVER SERVICE BOARDS."

The Act also requires the RTA to prepare and adopt each year a 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 that Program.

ORGANIZATION AND MANAGEMENT

The governing body of the RTA is its Board of Directors consisting of thirteen persons. Four directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. The fifth City of Chicago representative on the Board is the Chairman of the CTA. Four directors are appointed by the commissioners of the Cook County Board elected from districts a majority of the electors of which reside outside the City of Chicago. One director is appointed by the Chairman of the DuPage County Board, with the advice and consent of the DuPage County Board, and two directors are appointed by the joint determination of the Chairmen of the County Boards of Kane, Lake, McHenry and Will Counties. The thirteenth member, who is the Chairman of the Board of the RTA, is appointed by the other twelve directors by a three-fourths vote. The Chairman and each director serves for a five-year term and until his or her successor has been appointed and qualified. The constitutionality of the appointment powers exercised by the suburban Cook County Commissioners has been challenged in litigation currently pending against the RTA, Metra and Pace. See "LITIGATION."

The RTA maintains a staff of approximately 75 transportation professionals.

Thomas J. McCracken, Jr. became Chairman of the Regional Transportation Authority Board of Directors in 1993. Mr. McCracken currently practices law at the Chicago firm of McCracken & Walsh. From 1983 to 1992, Mr. McCracken served in the Illinois General Assembly as State Representative, then as State Senator from November 1992 until his appointment as Chairman at the RTA. Mr. McCracken received a Bachelor of Arts degree in Political Science from Marquette University, and is a graduate of Loyola University School of Law.

Richard J. Bacigalupo has served as Executive Director of the RTA since 1996. From 1988 until his appointment as Executive Director, Mr. Bacigalupo served as General Counsel of the RTA. From 1979 to 1988, Mr. Bacigalupo was employed at the Urban Mass Transportation Administration. Previously, Mr. Bacigalupo was employed at Rhyne and Rhyne in Washington, D.C. He graduated from Marquette University and received a J.D. from The National Law Center at George Washington University. Mr. Bacigalupo is licensed to practice law in the State of Illinois and the District of Columbia.

Joseph G. Costello has served as Chief Financial Officer of the RTA since 1995. Prior to that he was a Financial Controller for a multinational transport and logistics company. Previously, Mr. Costello held various financial management positions with two multinational manufacturing concerns after serving as an auditor with Price Waterhouse. Mr. Costello received a B.S. degree in accounting from the University of Illinois, an M.B.A. from the University of Chicago, and a C.P.A. Certificate from the State of Illinois.

John DeLaurentiis has served as Deputy Executive Director of Planning since 1996. From 1985 to 1996, Mr. DeLaurentiis was employed by the Illinois Department of Transportation serving as a statewide transit grant program Section Chief. Previously, Mr. DeLaurentiis served as a project manager for a Chicago area housing development firm and in various capacities with the City of Chicago's Department of Housing in the Office of Research and Development. Mr. DeLaurentiis received a B.A. degree from the University of Illinois and an MPA from Governor's State University.

Paula Thibeault has served as General Counsel of the RTA since 1996. Previously, she served the RTA in a variety of capacities. Ms. Thibeault has owned and operated her own consulting business in Washington, D.C. She graduated from the University of Dayton and received a J.D. from The National Law Center at George Washington University. Ms. Thibeault is licensed to practice law in the State of Illinois and the District of Columbia.

Allan Sharkey has served as the RTA's Treasurer since August 2000, after joining the RTA in May 2000 as Treasury Manager. Previously, Mr. Sharkey served as Chief Financial Officer for a market research and consulting firm and held various management positions in finance and accounting with the FDIC and major corporations. Mr. Sharkey received a B.S. degree in business administration from Indiana University and a C.P.A. Certificate from the State of Illinois.

RIDERSHIP TRENDS

System ridership for the year 2001 was 571.0 million, which is a 0.5% increase over the year 2000. System ridership for the calendar year 2000 was 567.9 million, which was 1.7% higher than calendar year 1999.

YEARLY RIDERSHIP UNLINKED PASSENGER TRIPS (IN MILLIONS)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CTA										
Bus	373.3	328.1	327.3	307.3	303.3	289.2	291.7	300.2	303.3	303.1
Rail	<u>120.6</u>	<u>118.5</u>	<u>120.9</u>	<u>119.3</u>	<u>124.0</u>	<u>130.0</u>	<u>132.4</u>	<u>141.7</u>	<u>147.2</u>	<u>151.7</u>
Total CTA	493.9	446.6	448.2	426.6	427.3	419.2	424.1	441.9	450.5	454.8
METRA	70.2	69.9	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2
PACE	<u>39.3</u>	<u>38.3</u>	<u>38.6</u>	<u>37.2</u>	<u>37.5</u>	<u>37.9</u>	<u>39.3</u>	<u>40.2</u>	<u>38.6</u>	<u>37.0</u>
SYSTEM TOTAL	603.4	554.8	558.8	534.2	535.4	529.4	537.9	558.7	567.9	571.0
PERCENT CHANGE	(5.6%)	(8.1%)	0.7%	(4.4%)	0.2%	(1.1%)	1.6%	3.9%	1.7%	0.5%

RTA FINANCES

Revenues. The RTA has the following principal sources of revenues: (i) Sales Tax Revenues, including Replacement Revenues; (ii) Public Transportation Fund Revenues; (iii) State Assistance; and (iv) Miscellaneous Revenues (including State reimbursements for certain reduced fare programs) all as described below. Sales Tax Revenues and Public Transportation Fund Revenues are pledged under the General Ordinance and paid directly to the Trustee as security for Authority Obligations, including the Series 2002A Bonds; other funds, such as State Assistance, are not available for payments on Authority Obligations, including the Series 2002A Bonds.

Sales Tax Revenues. Proceeds of the RTA Sales Tax are pledged as security for the Series 2002A Bonds and other Authority Obligations and are assigned by the RTA and paid directly by the State to the Trustee for payment of debt service on Authority Obligations, including the Series 2002A Bonds. The RTA Sales Tax currently imposed by the RTA consists of the following: (i) in Cook County, a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a "*Food and Drug Tax*"); (ii) a tax of 0.75% in Cook County, and 0.25% in counties within Northeastern Illinois other than Cook County, of the gross receipts from all other taxable retail sales (a "*General Sales Tax*"); and (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than in Cook County, of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a "*Use Tax*"). The Food and Drug Tax and the General Sales Tax are also imposed on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a "*Service Occupation Tax*").

The RTA Sales Tax, net of applicable retailers' discount, is collected by the Illinois Department of Revenue (the "*Department of Revenue*") and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury in the RTA tax fund created under the Act (the "*RTA Tax Fund*"). Moneys in the RTA Tax Fund are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller directly to the Trustee for any necessary payments of debt service on the Series 2002A Bonds or other Authority Obligations, before being paid to the RTA. See "**SECURITY FOR THE SERIES 2002A BONDS—SECURITY AND SOURCES OF PAYMENT.**"

Since 1990, in order to compensate local governments, including the RTA, for any revenues lost by legislative simplification of the rate structures and tax base for sales taxes imposed by the State and local governments, including the RTA, the State provided for additional annual payments to local governments from receipts collected under the State Retailers Occupation Tax, State Service Occupation Tax and State Use Taxes (collectively, the "*State Sales Tax*"). As a result, specified percentages from State Sales Tax receipts (the "*Replacement Revenues*") are paid monthly into the RTA Occupation and Use Tax Replacement Fund and RTA Tax Fund to offset RTA revenue loss resulting from that restructuring. Approximately 12% of the Replacement Revenues are subject to

annual appropriation by the Illinois General Assembly. The balance of Replacement Revenues is not subject to annual appropriation. Replacement Revenues in the RTA Occupation and Use Tax Replacement Fund are paid monthly by the State Treasurer to or on behalf of the RTA, subject to such annual appropriation. Replacement Revenues in the RTA Tax Fund are not subject to annual appropriation and are paid monthly by the State Treasurer to or on behalf of the RTA.

The Replacement Revenues are pledged as security for the Series 2002A Bonds and other Authority Obligations. Under the General Ordinance, the Replacement Revenues are assigned by the RTA and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Series 2002A Bonds.

For a discussion of the RTA's projection of Sales Tax Revenues, see Appendix A—"RTA Historical and Projected Sales Tax Revenues."

The RTA is also authorized by the Act to impose certain other taxes which it currently does not impose, including, but not limited to: (i) a tax on the gross receipts from automobile rentals at a rate not to exceed 1% in Cook County and 0.25% in the Counties of DuPage, Kane, Lake, McHenry and Will; (ii) a tax on the sale of motor fuel at a rate not to exceed 5% of the gross receipts of such sales; and (iii) a tax on the privilege of parking motor vehicles at off-street parking facilities. The tax on motor fuel and the tax on the use of off-street parking facilities cannot by law be imposed concurrently with the RTA Sales Taxes currently imposed by the RTA.

Public Transportation Fund Revenues. The Public Transportation Fund Revenues are pledged as security for the Series 2002A Bonds and other Authority Obligations and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Series 2002A Bonds. Subject to annual appropriation by the Illinois General Assembly, each month the State Comptroller orders and the State Treasurer transfers from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 25% of the net revenues realized from the RTA Sales Tax and 25% of the net Replacement Revenues. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues.**"

Public Transportation Fund Revenues may not be paid to the RTA until the RTA has certified to the Governor, the State Comptroller and the Mayor of the City of Chicago that it has adopted for that Fiscal Year a budget and financial plan meeting the requirements of the Act. In each year since the RTA has been statutorily required to do so, it has certified that its budget has met the requirements of the Act.

In addition, the RTA is required to determine, within six months following the end of each calendar year, whether the System's aggregate System Generated Revenue Recovery Ratio equals at least 50%. To the extent that this coverage test is not met, the RTA is required to refund the amount of the deficiency in such coverage to the State, and the Public Transportation Fund Revenues paid by the RTA to a Service Board not meeting its System Generated Revenue Recovery Ratio are reduced in proportion to the amount of the Service Board's deficiency. Since the enactment of the

System Generated Revenue Recovery Ratio requirement, the System has met the coverage tests required by law.

State Assistance. The Act provides supplemental State funding in the forms of additional state assistance (“*Additional State Assistance*”) and additional financial assistance (“*Additional Financial Assistance*”) to the RTA in connection with its issuance of SCIP Bonds (collectively, “*State Assistance*”). State Assistance received by the RTA may not be pledged as security for payment of debt service on Authority Obligations, including the Series 2002A Bonds. Under the Act, the RTA may not assign its right to receive State Assistance payments or direct their payment to the Trustee or any other entity for payment of debt service on Authority Obligations, including the Series 2002A Bonds. State Assistance is paid directly to the RTA and may be spent at its discretion for its corporate purposes.

The amount of State Assistance available to the RTA in any year is limited by the Act to the lesser of statutorily specified ceilings or amounts derived from application of a formula, both described in the following paragraphs.

With respect to the SCIP Bonds issued prior to calendar year 2000, the statutory ceiling for State Assistance is \$55 million. However, the formula described below effectively limits State Assistance with respect to those SCIP Bonds to \$40 million. With respect to the \$1.3 billion in SCIP Bonds authorized to be issued after January 1, 2000, the statutory ceiling for State Assistance is an additional \$16 million in State fiscal year 2001, \$35 million in State fiscal year 2002, \$54 million in State fiscal year 2003, \$73 million in State fiscal year 2004, \$93 million in State fiscal year 2005 and \$100 million in each State fiscal year thereafter.

To obtain State Assistance payments, the RTA must certify to the State (i) the amount required during that State fiscal year to pay debt service on outstanding SCIP Bonds and on SCIP Bonds to be issued during that State fiscal year; (ii) any debt service savings during the preceding State fiscal year from the issuance of refunding or advance refunding SCIP Bonds; and (iii) the amount of interest earned by the RTA during the previous State fiscal year on the proceeds of SCIP Bonds, other than refunding or advance refunding SCIP Bonds. Subject to appropriation, State Assistance is paid monthly to the RTA so that by the end of the State fiscal year the lesser of the statutorily specified ceilings or an amount equal to the sum of clauses (i) and (ii), minus clause (iii), as certified by the RTA, has been paid to the RTA.

The RTA has filed its certification with respect to State fiscal year 2002 and the State has made the necessary appropriations with respect to payment of State Assistance for that fiscal year. The RTA intends to continue to file the required certifications for each State fiscal year in order to obtain State Assistance payments in the amounts available under the Act. Although the amount of State Assistance the RTA may receive is measured in part by the debt service on the RTA’s SCIP Bonds, State Assistance is not pledged for payment of or as security for the SCIP Bonds.

Miscellaneous Revenues. Miscellaneous Revenues include (i) revenues from certain other sources, such as investment income and revenues from concessions and advertisements, and (ii) additional operating assistance from the State to the RTA for distribution to the Service Boards representing partial reimbursements to the Service Boards for discounts provided to students, elderly

and disabled riders mandated by law (*"Reduced Fare Reimbursements"*). The proceeds of Reduced Fare Reimbursements are not pledged as security for and are not available for payment of debt service on Authority Obligations, including the Series 2002A Bonds.

Expenditures. The RTA has four principal objects of expenditure: (i) operating grants to the Service Boards, (ii) capital grants to the Service Boards, (iii) administrative and regional expenses of the RTA, and (iv) debt service.

Operating Grants to Service Boards. Under the Act and the General Ordinance, the State pays all Sales Tax Revenues directly to the Trustee as security for debt service on Authority Obligations, including the Series 2002A Bonds. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the RTA for its corporate purposes, including distribution to the Service Boards. See **"SECURITY FOR THE SERIES 2002A BONDS—DEBT SERVICE FUND."** Of the Sales Tax Revenues, the RTA withholds 15%, to be deposited into the RTA's general fund and to be used at the RTA's discretion. The RTA is required to pay to the Service Boards the remainder of the Sales Tax Revenues as follows: (i) an amount equal to 85% of the total proceeds collected within the City of Chicago is allocated and paid to the CTA; (ii) an amount equal to 85% of the total proceeds collected in suburban Cook County is allocated and paid 30% to the CTA, 55% to Metra and 15% to Pace; and (iii) an amount equal to 85% of the total proceeds collected in the five counties in Northeastern Illinois other than Cook County is allocated and paid 70% to Metra and 30% to Pace.

Under the Act and the General Ordinance, the State pays all Public Transportation Fund Revenues to the Trustee as security for debt service on Authority Obligations, including the Series 2002A Bonds. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the RTA for its corporate purposes, including distribution to the Service Boards. See **"SECURITY FOR THE SERIES 2002A BONDS—DEBT SERVICE FUND."** The amounts provided to the Service Boards from Public Transportation Fund Revenues, as well as from State Assistance, investment income and other revenues, are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that (i) the RTA has adopted a balanced budget pursuant to the Act; and (ii) the Service Board which is to receive these funds is in compliance with the budget requirements imposed upon the Service Boards pursuant to the Act. See **"THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES."**

The Act requires that no moneys be released by the RTA to the CTA in any Fiscal Year, except for the proceeds of taxes imposed by the RTA and distributed by formula, unless ". . . a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least \$5,000,000 for public transportation." The City of Chicago and Cook County also must continue to provide services to the CTA at the same level and on the same basis as services were provided as of the effective date of the Act or as otherwise approved by the RTA Board. Funds received from this local assistance are not available for the payment of debt service on Authority Obligations, including the Series 2002A Bonds.

Capital Grants. By constraining operating costs, the RTA and the Service Boards have been able to provide additional funding for Service Board capital projects. A portion of these funds originates from the amount of sales tax allocated to Metra by statute. The remainder of these funds originates from RTA revenues, which the RTA at its discretion provides to the Service Boards through capital grants. These amounts are separate from the proceeds of bonds issued by the RTA.

Administration and Regional Expenses. Administration costs reflect expenditures for the RTA staff and offices. The regional (also referred to as non-administration) expenses relate to functions undertaken by the RTA for the Service Boards, such as the Travel Information Center and the recertification of individuals for Reduced Fare ridership cards, which provide service to the Region, transit technology and coordination initiatives.

Debt Service. The total annual debt service payments on Outstanding Authority Obligations is set forth in the table entitled “**SECURITY FOR THE SERIES 2002A BONDS—ANNUAL DEBT SERVICE**” above.

FINANCIAL CONTROLS OVER SERVICE BOARDS

The Act vests responsibility for financial oversight in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. The RTA’s financial oversight responsibility is implemented principally through the budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. That process is followed by quarterly reviews of budget performance. The Act sets criteria by which proposed budgets and financial plans are to be reviewed and requires that the System Generated Revenue Recovery Ratio equal or exceed 50%.

The Act confers upon the RTA Board powers to prescribe regulations requiring that the Service Boards submit to the RTA such information as the RTA may require. On a quarterly basis, the Service Boards must report their financial condition and results of operations to the RTA. The RTA Board, by the affirmative vote of nine of its Directors, determines that the results are substantially in accordance with the adopted budget and certifies such to the Governor, the Mayor of the City of Chicago and the Auditor General of the State. If a Service Board is found not to be substantially in compliance with its budget, the RTA may direct that Service Board to submit a revised budget meeting the mandated criteria. If a Service Board’s budget does not meet the criteria, the RTA may not release any funds, other than such Service Board’s share of Sales Tax Revenues, to the Service Board. See “**THE REGIONAL TRANSPORTATION AUTHORITY- 2002 BUDGET AND 2003-04 FINANCIAL PLAN.**”

The RTA Board has statutory authority to establish by rule or regulation financial, budgetary or fiscal requirements for the System. The RTA Board has established certain principles to guide the RTA/Service Board fiscal relationship. The primary principle established by the Board is that if a Service Board performs better than budget in a given Fiscal Year, either as a result of higher than budgeted revenues or lower than budgeted expenses, the RTA will not reduce such Service Board’s

budgeted funding. Thus, the results of good performance flow through to the Service Board in the form of positive budget surpluses. These funds may be directed by a Service Board in a subsequent Fiscal Year to address high priority needs, either for operating or capital purposes, upon the approval of the RTA.

HISTORICAL FINANCIAL RESULTS

Table I contains Statements of Revenues and Expenditures for the RTA (including funding for the Service Boards) for the years 1997 to 2001. The financial information is presented on a funding basis and differs in certain respects from the presentation of the financial statements contained in Appendix B as explained in the footnotes to the Table. For the financial results of the individual Service Boards, see Appendix C—"Service Board Historical Financial Results and 2002 Budgets and 2003-04 Financial Plans." Not all of the amounts shown under the heading "REVENUES" in the Table constitute security for the Authority Obligations, including the Series 2002A Bonds. See "**SECURITY FOR THE SERIES 2002A BONDS.**"

As shown in Table I, for the period 1997 through 2000, RTA revenues grew an estimated \$125 million, an annual compound growth rate of 5.0%. Sales Taxes and Public Transportation Fund Revenues grew at an annual compound growth rate of approximately 5.4% from 1997 through 2000, while federal operating assistance declined to zero over the same period. The increase in sales tax reflected the robust economy of the Region during such period, and related increased consumer spending. The Public Transportation Fund amount equals 25% of the sales tax total and so increases or decreases with the sales tax. Increased State Assistance, which reimburses the RTA for debt service on SCIP Bonds reflects an increasing level of debt service, due to the increasing amounts of the outstanding SCIP Bonds. The decrease in federal operating assistance reflects the federal policy decision to curtail and then discontinue this assistance.

From 1997 through 2000, RTA operating expenditures grew an estimated \$71 million, an annual compound growth rate of 3.6%. Overall, revenues grew faster than expenditures, reflecting the need for the System to recover at least 50% of its operating costs through revenues and the RTA's policy of maintaining a 5% fund balance and providing "pay-as-you-go" capital assistance to the Service Boards.

Sales tax growth for 2001 was more modest than in past years as a result of a weakened economy. Revenues for 2001 are estimated to be \$912 million (as shown in Table I), which is approximately \$6 million more than revenues for 2000. Operating expenditures are expected to be \$750 million in 2001, an increase of \$35 million over operating expenditures for 2000. Operating grants to the Service Boards increased to support the revenue and ridership growth of the System. Regional expenses increased to support initiatives such as the certification of riders under the Americans with Disabilities Act and the operation of the Travel Information Center to provide trip itinerary information.

TABLE I*
RTA STATEMENTS OF REVENUES AND EXPENDITURES
(INCLUDING FUNDING FOR THE SERVICE BOARDS)
1997-2001 FINANCIAL INFORMATION
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 PRELIMINARY
REVENUES					
Sales Tax	\$555,496	\$576,704	\$613,514	\$650,284	\$653,522
Public Transportation Fund (PTF)	139,093	144,846	153,343	162,247	165,000
Federal Operating Assistance	21,591	6,746	-0-	-0-	-0-
State Assistance	37,953	39,435	39,446	41,839	43,662
State Reduced Fare Reimbursements	19,243	19,837	19,386	38,759	40,000
Investment Income and Other ⁽¹⁾	<u>7,320</u>	<u>7,260</u>	<u>8,436</u>	<u>12,125</u>	<u>9,375</u>
TOTAL REVENUES ⁽²⁾	<u>\$780,696</u>	<u>\$794,828</u>	<u>\$834,125</u>	<u>\$905,254</u>	<u>\$911,559</u>
DEBT SERVICE ⁽³⁾	\$ 77,729	\$ 73,428	\$ 73,819	\$87,632	\$83,793
OPERATING EXPENDITURES					
Operating Grants ⁽⁴⁾	\$612,184	\$620,002	\$638,328	\$ 659,754	\$691,030
Administration and Regional Expenses ⁽⁵⁾	12,638	15,783	15,788	16,806	18,954
State Reduced Fare Reimbursements to Service Boards	<u>19,243</u>	<u>19,837</u>	<u>19,386</u>	<u>38,759</u>	<u>40,000</u>
TOTAL OPERATING EXPENDITURES ⁽⁶⁾	<u>\$644,065</u>	<u>\$655,622</u>	<u>\$673,502</u>	<u>\$ 715,319</u>	<u>\$749,984</u>
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	<u>\$58,902</u>	<u>\$65,778</u>	<u>\$86,804</u>	<u>\$102,303</u>	<u>\$77,782</u>
SYSTEM GENERATED REVENUE RECOVERY RATIO ⁽⁷⁾	53.2%	58.1%	53.4%	53.8%	53.6%

* Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2000; figures presented for Fiscal Year 2001 have not been audited and, therefore, the Footnotes that follow relate to the year 2000 only.

Table I Footnotes for 2000
(Dollars in Thousands)

1. Excludes investment income totaling \$17,983 from the following funds: Debt Service \$13,449, Capital Projects \$3,709 and Joint Self Insurance/Pension \$825. Also excluded were leasehold revenue of \$4,262, interest revenue from leasing transactions of \$121,227, and other public funding of \$698. Other combining adjustments for sales tax interest (\$1,297) and investment income (\$114), totaled (\$1,411). Total revenue exclusions were \$142,759.
2. The following schedule reconciles the RTA's 2000 Table I revenue with the total revenue of \$1,748,536 identified on page 38 of the Pro Forma Combining Financial Report (copy attached).

Adjustments from the Pro Forma Combining Financial Report

Revenue Exclusions	
Debt Service Fund	\$13,449
Capital Projects Fund	3,709
Joint Self-Insurance/Pension Fund	<u>825</u>
Total Investment Income	17,983
Leasehold Revenue	4,262
Interest Revenue from Leasing Transactions	121,227
Other Public Funding	698
Other Combining Adjustments	<u>(1,411)</u>
Total Revenue Exclusions	142,759
Total Service Board Revenues	<u>700,523</u>
Total Pro Forma Combining Adjustments	843,282
Total Table I Revenues	905,254
Total Pro Forma Combining Revenue	<u>\$1,748,536</u>

3. These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders. In 2001, the RTA transferred a greater amount of interest earnings from its construction funds to the Debt Service Accounts. This reduced the amount required to be paid from the General Fund.
4. Expenditures of the RTA, transferred from the RTA to the Service Boards and used by these entities to fund their operating deficit. Expenditures in 2000 include: operating grants of \$658,457 and sales tax interest of \$1,297 that total \$659,754. These expenditures are shown on the Pro Forma Combining Financial Report, page 38.
5. Excludes Regional expenses from the Joint Self Insurance/Pension fund totaling \$7,439. Regional and administration expenses on the Pro Forma Combining Financial Report, page 38, are \$24,245.
6. The following schedule reconciles the RTA's 2000 Table I operating expenditures with the total expenditures of \$2,020,401 identified on page 38 of the Pro Forma Combining Financial Report. Amounts transferred from the RTA to the Service Boards are not expenditures of the RTA and the Service Boards as combined entities (and are eliminated in combining) and therefore are not included.

Adjustments from the Pro Forma Combining Financial Report

Elimination of RTA expense transfers (note #4)	\$ (659,754)
Elimination of State Reduced Fare Reimbursements	(38,759)
Regional Expenses (note #5)	7,439
Debt Service	82,337
Interest Expense from Leasing Transactions	117,930
Capital Outlay	667
Total Service Board Operating Expense & Depreciation	<u>1,795,222</u>
Total Pro Forma Combining Adjustments	1,305,082
Total Table I Expenses	<u>715,319</u>
Total Pro Forma Combining Expenses	\$2,020,401

7. The RTA Act defines a system generated revenue recovery ratio, representing the portion of costs covered by revenues. The ratio must equal at least 50% region-wide. The Pro Forma Combining Financial Report presents the calculation of this ratio on page 37 of Appendix B.

2002 BUDGET AND 2003-04 FINANCIAL PLAN

In determining the amounts to be available during the period of the annual budget and two-year financial plan, the RTA starts with an estimate of Sales Tax Revenues for the next calendar year provided by BoB in July of each year. In October 2001, the BoB submitted to the RTA a revised estimate of Sales Tax Revenues expected to be available to the RTA for calendar year 2002.

Following receipt of the RTA estimates of funding available, each Service Board develops a proposed annual budget and two-year financial plan. After holding public hearings on its proposed annual budget and two-year financial plan, each Service Board is required to submit its proposed budget and two-year financial plan to the RTA on or before November 15. The Act requires that such annual budget and two-year financial plan project or assume revenues from the RTA in amounts no greater than those set forth in the September estimates provided by the RTA. In accordance with the RTA Act, the RTA reviews and approves the proposed annual budget and two-year financial plan of each Service Board.

By December 31 of each year, the RTA is required to adopt, after holding a public hearing, an annual RTA budget and appropriation ordinance for the following year and a two-year financial plan. This annual budget for the RTA includes direct expenditures for the RTA and funding of each Service Board's operating deficit. This annual budget must evidence a System Generated Revenue Recovery Ratio of no less than 50%.

On September 14, 2001, the RTA established the 2002 System Generated Revenue Recovery Ratios for each of the Service Boards, as well as the amount of operating grants that each Service Board could expect to receive from the RTA during each of the next three years. Subsequent to establishing these amounts, many economists revised downward their general economic outlook for 2002. The Sales Tax Revenue and Public Transportation Fund Revenue amounts shown in the RTA's budget and financial plan for 2002 through 2004 reflect these lower expectations rather than the BoB estimates that had been provided to the RTA in October, 2001. The RTA, however, maintained its operating funding amounts at the levels established on September 14, 2001 to support existing budget and financial plans of the Service Boards. The RTA will draw from funds otherwise used for "pay-as-you-go" capital investment to maintain this support to the Service Boards. In the event the actual amount of Sales Tax Revenues received for years 2003 and 2004 proves to be less than the amounts assumed by the RTA in the preparation of its current budget and financial plan, the RTA has indicated it will reduce the amount of proposed increases in operating grants to the Service Boards for such years.

Each Service Board presented its 2002 budget and 2003-04 financial plan to the RTA for approval under the Act. On December 28, 2001, the proposed budget submitted by Pace was rejected by the RTA and, as provided in the Act, the RTA adopted a revised budget on behalf of Pace. See "LITIGATION". At that same meeting, the RTA approved the annual budget and 2003-04 financial plan of CTA and Metra and adopted the RTA's 2002 budget and 2003-04 financial plan. Table II, which follows, presents the adopted 2002 budget and 2003-04 financial plan of the RTA on the same basis as Table I.

The 2002 budgets of each Service Board are balanced and achieve the statutorily required System Generated Revenue Recovery Ratio of no less than 50%. See Appendix C for individual Service Board historical operating financial results for 1997 through 2001 and the Service Boards' 2002 budgets and 2003-2004 financial plans.

TABLE II
RTA 2002 BUDGET AND 2003-04
FINANCIAL PLAN
(Dollars in Thousands)

	2002 BUDGET	2003 PLAN	2004 PLAN
REVENUES			
Sales Tax	\$676,344	\$703,392	\$731,538
Public Transportation Fund (PTF)	169,086	175,848	182,885
State Assistance	57,499	80,871	98,184
State Reduced Fare Reimbursements ¹	36,000	36,000	36,000
Investment Income and Other	<u>13,741</u>	<u>12,423</u>	<u>12,783</u>
TOTAL REVENUES	<u>\$952,670</u>	<u>\$1,008,534</u>	<u>\$1,061,390</u>
DEBT SERVICE ²	\$121,233	\$124,470	\$148,598
OPERATING EXPENDITURES			
Operating Grants	\$725,958	\$759,901	\$785,287
Administration and Regional Expenses ³	25,027	26,198	27,076
State Reduced Fare Reimbursements to Service Boards ¹	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
TOTAL OPERATING EXPENDITURES	\$786,985	\$822,099	\$848,363
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	<u>\$44,452</u>	<u>\$61,965</u>	<u>\$64,429</u>
SYSTEM GENERATED REVENUE RECOVERY RATIO	52.8%	52.6%	52.6%

¹Represents a \$4 million reduction in Reduced Fare Reimbursements from the amount of Reduced Fare Reimbursements provided by the State in calendar year 2001. This reduction in the amount of operating assistance provided by the State is due to State budget constraints.

²These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders. The increase in debt service shown for Fiscal Years 2003 and 2004 reflects the expected issuance of additional RTA bonds.

³Includes operating expenditures of the RTA for transit technology, traffic flow, signaling and other coordination initiatives for the System.

RTA CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM

The System provides 571 million trips annually. This has the beneficial impact of reducing road congestion, and so improving the flow of goods and services as well as air quality. In addition, the System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with a replacement value of approximately \$24 billion. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order, as well as to respond to changing markets. The RTA five-year capital program embodies the detail of this investment, updated and adopted annually by the RTA Board, as required by the Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of funding at the federal as well as state levels has risen reflecting the increasing recognition of the importance of public transportation. The Illinois General Assembly amended the Act in 1999 to increase the RTA borrowing authority and amounts of state funding for the SCIP Program. See **"SECURITY FOR THE SERIES 2002A BONDS—AUTHORITY OBLIGATIONS."**

In recent years the RTA and the Service Boards have also been able to direct funds to capital investment by successfully constraining operating costs.

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program covers years 2002 through 2006. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by track and structure repair and System expansion. System expansion includes plans by the CTA and Metra to extend or reconstruct certain existing lines to increase ridership and to modernize and enlarge passenger facilities such as station platforms to assure passenger comfort and safety.

Capital programs for the CTA during this period total \$2.9 billion, including the following major projects:

- Purchase and rehabilitate rail rolling stock
- Purchase and rehabilitate bus rolling stock
- Reconstruct Douglas Branch of the Blue Line
- Reconstruct Dan Ryan Branch of the Red Line
- Expand capacity on the Brown Line
- Reconstruct and expand stations and facilities
- Replace and upgrade power distribution and signal equipment
- Rehabilitate track and structure (bridges)

Capital programs for Metra during this period total \$1.8 billion, including the following major projects:

- Purchase and rehabilitate rail rolling stock
- Expand capacity on the North Central Service rail line
- Extend Southwest Service rail line
- Extend Union Pacific West rail line
- Rehabilitate track and structure (bridges)

Capital programs for Pace during this period total \$227.6 million, including the following major projects:

- Purchase and rehabilitate bus rolling stock
- Purchase paratransit vehicle and van rolling stock
- Construct and improve garages

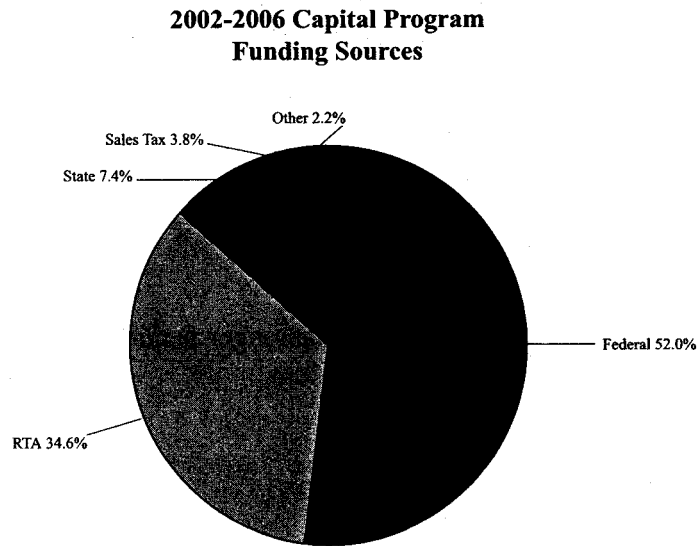
The RTA expects to finance this Capital Program of approximately \$5 billion through a combination of federal and state grants to the Service Boards, the proceeds from the sale of Authority Obligations, including the Series 2002A Bonds and Sales Tax Revenues. Federal law authorizes the Federal Transit Administration ("FTA") to enter into "full funding grant agreements" with respect to the System expansion projects proposed by the CTA and Metra in this Capital Program. In January, 2001 and November, 2001, respectively, the CTA and Metra entered into full funding grant agreements with the FTA. Such grant agreements have been secured to provide funds totaling \$639.2 million to reconstruct the Douglas Branch of the CTA Blue Line, extend the Metra Southwest Service and Union Pacific rail lines and expand the capacity of the Metra North Central Service rail line. If requested by the Service Boards, within the constraints of the Capital Program, the RTA is prepared to consider assisting the cash flow needs associated with the construction of those projects through the issuance of Authority Obligations or use of other financing alternatives. See "SECURITY FOR THE SERIES 2002A BONDS— AUTHORITY OBLIGATIONS— Other Financing Alternatives."

**2002-2006 Capital Program (\$000,000)
by Asset Category***

ASSET CATEGORY	CTA	Metra	Pace	TOTAL
Rolling Stock	\$855	\$547	\$160	\$1,564
System Expansions	577	357	0	933
Track & Structure	463	419	0	882
Support Facilities & Equipment	402	140	66	608
Passenger Facilities	152	180	4	337
Electric & Communications	187	138	13	338
All Other	<u>166</u>	<u>20</u>	<u>9</u>	<u>195</u>
Total	\$2,803	\$1,802	\$252	\$4,857

* Columns may not add due to rounding.

The chart below illustrates the anticipated funding sources for the RTA 2002-2006 Capital Program.



PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002A BOND PROCEEDS

The information set forth below briefly describes the SCIP Projects which each Service Board intends to finance through use of the Series 2002A Bond proceeds. These SCIP Projects represent only a portion of the projects detailed in the RTA's current five year capital program. The SCIP Projects will have been approved by the Governor prior to issuance of the Series 2002A Bonds.

The CTA expects to fund a portion of the following projects with proceeds of the Series 2002A Bonds:

- Reconstruct rail track, signal and support structures
- Rehabilitate rail rolling stock
- Purchase and rehabilitate bus rolling stock
- Upgrade rail stations and facilities
- Purchase and upgrade safety and support equipment
- Replace and upgrade operating, communication and financial systems
- Acquire land for bus garages

Metra expects to fund a portion of the following projects with proceeds of the Series 2002A Bonds:

- Purchase and rehabilitate rail rolling stock
- Expand capacity on the North Central Service rail line
- Extend and expand capacity on the Southwest Service rail line
- Rehabilitate track and structure (bridges)

Pace expects to fund a portion of the following projects with proceeds of the Series 2002A Bonds:

- Purchase bus system rolling stock
- Construct and improve garages and passenger facilities
- Purchase support systems and equipment

LITIGATION

The RTA is a party to a number of lawsuits and proceedings arising out of its operations or the operations of the Service Boards. However, the RTA does not believe that the outcome of such litigation will have a material adverse effect on the ability of the RTA to pay debt service on outstanding Authority Obligations, including the Series 2002A Bonds. At the time of delivery of the Series 2002A Bonds, the RTA will furnish a certificate, in form and substance satisfactory to Bond Counsel, to that effect.

Stroger Litigation. In February, 2000, John Stroger, President of the Cook County Board of Commissioners, and Bernard Scavella, a voter residing in Mr. Stroger's Cook County district, filed a complaint in state court against the RTA, Metra and Pace, entitled *Stroger and Scavella v. RTA, Metra and Pace*, Circuit Court of Cook County, Illinois, 00 CH 03291. The complaint asserts that the provisions in the Act governing the appointment of certain members of the Board of Directors of the RTA, Metra and Pace by the suburban Cook County Commissioners, rather than the President of the Cook County Board, violate the Illinois Constitution. Four of the thirteen member RTA Board, three of the seven member Metra Board and six of the twelve member Pace Board are appointed by the suburban Cook County Commissioners under the challenged provisions. Specifically, the plaintiffs allege the appointment procedures violate constitutional provisions with respect to the separation of the executive and legislative powers, effect a change in the form of the government of Cook County without a referendum and deprive plaintiff Scavella of representation in violation of the equal protection clause. Plaintiffs seek a declaration that the appointment powers vested by the Act in the suburban Cook County Commissioners are unconstitutional and seek injunctive relief enjoining further appointments by those Commissioners to the RTA, Metra and Pace Boards.

On July 12, 2000, the Circuit Court ruled against the plaintiffs and granted defendants' motion to dismiss the complaint. The plaintiffs appealed. On August 24, 2001, the Illinois Appellate Court reversed the Circuit Court's decision and remanded the case to the Circuit Court for hearings on the complaint. Defendants filed a petition for leave to appeal the Appellate Court's decision with the Illinois Supreme Court which granted the petition on December 5, 2001.

RTA, Metra and Pace intend to continue to vigorously defend against this litigation which challenges appointment procedures which have been present in part in the Act since 1973. However, because of the uncertainties associated with all litigation, no assurances can be given with respect to the outcome of this case.

Pace Litigation. On January 11, 2002, Pace filed a two count complaint for declaratory judgment and damages against the RTA in the Circuit Court of McHenry County, Illinois entitled *PACE v. The Regional Transportation Authority*. In Count I of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(a) of the Act by disproportionately and prejudicially increasing Pace's farebox recovery ratio for the years 1996 through 2002, and seeks recovery of damages in the amount of \$99,755,000. In Count II of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(b)(2) of the Act by refusing to approve Pace's 2002 budget as submitted by Pace (See "THE REGIONAL TRANSPORTATION AUTHORITY – 2002 BUDGET AND 2003-04 FINANCIAL PLAN") and seeks damages in the amount of \$38,800,000. The RTA intends to defend against this litigation vigorously. It has been advised by its counsel that it has substantial defenses to the claims made in the complaint. However, because of the uncertainties associated with all litigation, no assurances can be given with respect to the outcome of this case or its financial impact on the RTA.

At the time of issuance of the Series 2002A Bonds, Mayer, Brown, Rowe & Maw, counsel to the RTA, will deliver an opinion that there is no litigation pending that seeks to restrain or enjoin the issuance, sale and delivery of the Series 2002A Bonds or that materially affects the validity of the Series 2002A Bonds or the validity of the security for the Series 2002A Bonds.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2002A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters.

The Authority has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2002A Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2002A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2002A Bonds. The Authority has also covenanted that it will not take any action, omit to take any action or permit the taking or omission of any action within its control

(including, without limitation, making or permitting any use of the proceeds of the Series 2002A Bonds) if taking, permitting or omitting to take such action would cause any of the Series 2002A Bonds to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Series 2002A Bonds to be included in the gross income of the recipients thereof for federal income tax purposes and that, to the extent possible under Illinois law, it will comply with whatever federal tax law is adopted in the future which applies to the Series 2002A Bonds and affects the tax-exempt status of the Series 2002A Bonds.

Subject to the Authority's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2002A Bonds is not includible in the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2002A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guaranty of a result. In rendering its opinion, Bond Counsel will rely upon certifications of the RTA with respect to certain material facts solely within the RTA's knowledge.

The Internal Revenue Code of 1986, as amended (the "*Code*"), includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2002A Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earning and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2002A Bonds.

Ownership of the Series 2002A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2002A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Series 2002A Bond is purchased at any time for a price that is less than the Series 2002A Bond's stated redemption price at maturity, the purchaser will be treated as having purchased such 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 2002A 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 2002A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2002A Bonds.

There are or may be pending in the Congress of the United States legislative proposals including some that carry retroactive effective dates, that, if enacted, could adversely affect the market value of the Series 2002A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2002A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "*Service*") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2002A Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Series 2002A Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. A copy of the Undertaking is attached as Appendix G.

The Authority is in compliance with each and every undertaking previously entered into by it pursuant to the Rule.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2002A Bonds are subject to the approving legal opinion of Chapman and Cutler, Chicago, Illinois, as Bond

Counsel (the “*Bond Counsel*”), who has been retained by, and acts as, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is attached as Appendix F. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Series 2002A Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler has, at the request of the Authority, reviewed the statements in this Official Statement appearing under the headings “THE SERIES 2002A BONDS,” “SECURITY FOR THE SERIES 2002A BONDS” (other than under the subheadings “ANNUAL DEBT SERVICE” and “ESTIMATED DEBT SERVICE COVERAGE”) and “TAX EXEMPTION” and in “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2002A SERIES ORDINANCE”, and is of the opinion that insofar as they purport to describe or summarize certain provisions of the Series 2002A Bonds (apart from the information relating to DTC and its book-entry only system), the General Ordinance, the 2002A Series Ordinance and Bond Counsel’s opinions concerning certain federal tax matters relating to the Series 2002A Bonds, said statements are accurate summaries of such provisions in all material respects.

RATINGS

Fitch, Inc., Standard & Poor’s and Moody’s Investors Service, Inc. have assigned their insured ratings of “AAA,” “AAA” and “Aaa,” respectively, to the Series 2002A Bonds. The insured ratings are based on the Municipal Bond Insurance Policy issued by MBIA. Fitch, Inc., Standard & Poor’s and Moody’s Investors Service have assigned their underlying municipal bond ratings of “AA”, “AA” and Aa2”, respectively to the Series 2002A Bonds.

An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The RTA furnished to the rating agencies certain information and materials regarding itself and the Series 2002A Bonds. Generally, the rating agencies base their ratings on certain studies and assumptions. There is no assurance that the ratings will continue to be in effect for any given period of time, or that such ratings will not be lowered or withdrawn by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward change in or withdrawal of such ratings could adversely affect the market price of the Series 2002A Bonds.

FINANCIAL ADVISOR

Public Sector Group, Inc. has served as financial advisor (the “*Financial Advisor*”) to the RTA in connection with the issuance and sale of the Series 2002A Bonds. The Financial Advisor is not obligated to undertake any independent verification of, or assume any responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Merrill Lynch & Co. (the "*Underwriter*") has agreed to purchase the Series 2002A Bonds from the RTA at an aggregate price of \$174,359,830.95, (representing the \$160,000,000 aggregate principal amount of the Series 2002A Bonds, less Underwriter's discount in the amount of \$185,600.00, plus original issue premium of \$14,545,430.95), plus accrued interest on the Series 2002A Bonds. The public offering price may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2002A Bonds to dealers and others (including unit investment trusts and other affiliated portfolios of certain underwriters) at a price lower than such initial public offering price.

MISCELLANEOUS

The references, excerpts and summaries of documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2002A Bonds, the security for the Series 2002A Bonds and the rights and obligations of the Holders thereof.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of its date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, is set forth as such and not as a representation of fact; no representation is made that any of the estimates will be realized. 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 any implication that there has been no change in the affairs of the RTA since the date hereof.

Further information regarding the RTA is available upon request to the Regional Transportation Authority, 181 West Madison, Suite 1900, Chicago, Illinois, 60602; Attention: Executive Director.

The execution and delivery of this Official Statement by the Chairman of the RTA has been duly authorized by the Board of the RTA.

REGIONAL TRANSPORTATION AUTHORITY

By: /s/ Thomas J. McCracken, Jr.

Chairman

The execution and delivery of this Official Statement by the Chairman of the RTA has been duly authorized by the Board of the RTA.

REGIONAL TRANSPORTATION AUTHORITY

By: 
Chairman

APPENDIX A

RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

SALES TAX REVENUES

Actual Revenues. As shown in Table A-I, Sales Tax Revenues grew from \$260 million to over \$650 million between 1980 to 2000. For most of the past two decades, revenues have grown more rapidly in the suburban areas of the Region, attesting to the more rapid population growth and generally higher income levels in these areas. However, the City of Chicago has shown revitalized sales tax growth in the last few years. While Table A-I shows the absolute value of Sales Tax Revenues for the last twenty years, Table A-II shows the percentage change on a year-to-year basis. There was only one year between 1980 through 2000 in which Sales Tax Revenues did not show growth. For the last twenty years, Sales Tax Revenues have grown at a compound annual growth rate of almost 4.7%.

Projected Revenues. The RTA forecast for projected Sales Tax Revenues on which the 2002 Budget and the 2003-04 Financial Plan is based is shown in Table A-III.

The methodology used by the RTA for projecting Sales Tax Revenues is explained below. See "METHODOLOGY FOR SALES TAX REVENUES FORECAST." As shown in Table A-III, Sales Tax Revenues are expected to increase steadily from \$654 million in 2001 to approximately \$732 million in 2004. The year-to-year percentage change in Sales Tax Revenues for years 2001-2004 is shown in Table A-IV. From 2001-2004, Sales Tax Revenues are expected to grow at an average annual compound growth rate of 3.8%. Sales Tax Revenues are projected to increase by 3.5% from 2001 to 2002. See "THE REGIONAL TRANSPORTATION AUTHORITY—2002 BUDGET AND 2003-04 FINANCIAL PLAN." However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material.

The projection of sales tax for the Region uses forecasts of population growth, total personal income, wages, and salaries for the Chicago metropolitan area. In addition, sales tax projections reflect estimated consumption expenditures for durable goods, nondurable goods, and services. See, "FACTORS AFFECTING SALES TAX REVENUES" below. The RTA uses these factors for projections from 2001 through 2004. A significant change in any one of these factors may have a material impact on these projections.

METHODOLOGY FOR SALES TAX REVENUES FORECAST

Actual sales tax results indicate that \$654 million in Sales Tax Revenue was generated in 2001, which is slightly ahead (0.5%) of Sales Tax Revenues for 2000.

The RTA calculated estimated Sales Tax Revenues and published its proposed 2002 budget in October, 2001. For that calculation, the RTA used the percentage growth figure associated with the estimate that the BoB provided to the RTA in October, 2001. Using the RTA's 2001 estimate

of sales tax receipts calculated as of October, 2001, of \$648 million, and the BoB's year-to-year percentage growth of 4.4% yields a 2002 estimate of \$676 million in Sales Tax Revenues.

For calendar years 2003 and 2004, annual sales tax growth is projected by the RTA to be approximately 4.0%. This assumption is based on projected retail sales growth for the region. For calendar years 2005 and beyond the RTA based its projection of annual sales tax growth on the historical annual compound growth rate of almost 4.7%.

Caution should be exercised in examining these forecasts; they are conditioned upon general economic conditions in the United States, Illinois and the City of Chicago upon which they are based. The RTA makes no representation that any forecast or projected sales tax growth set forth herein will be realized by the RTA. Such forecast or projected information will be impacted by a number of economic and other factors, some of which are described below. Changes in such factors in any year or over the term of the Series 2002A Bonds could be material and could result in a material change in the Sales Tax Revenues.

TABLE A-I
SALES TAX REVENUES
ACTUAL - 1980-2000
(In Thousands of Dollars)

Year	Total	Year	Total
1980	\$260,265	1991	\$425,173
1981	276,253	1992	445,891
1982	281,602	1993	462,393
1983	298,158	1994	497,698
1984	328,377	1995	513,301
1985	342,441	1996	532,304
1986	368,579	1997	555,496
1987	386,439	1998	576,704
1988	418,752	1999	613,514
1989	429,988	2000	650,284
1990	441,110		

TABLE A-II
SALES TAX GROWTH RATES (%)
ACTUAL - 1980-2000

Year	Total	Year	Total
1980	N/A	1991	(4.275)%
1981	6.143%	1992	4.885
1982	1.936	1993	3.701
1983	5.879	1994	7.635
1984	10.135	1995	3.135
1985	4.283	1996	3.702
1986	7.633	1997	4.357
1987	4.846	1998	3.818
1988	8.362	1999	6.383
1989	2.683	2000	5.993
1990	3.284		

TABLE A-III
SALES TAX REVENUES
ACTUAL AND PROJECTED - 2001-2004
(In Thousands of Dollars)

Year	Total
2001	\$653,522
2002	676,344
2003	703,392
2004	731,538

TABLE A-IV
SALES TAX GROWTH RATES (%)
ACTUAL AND PROJECTED - 2001-2004

Year	Total
2001	0.498 %
2002	3.492
2003	3.999
2004	4.001
2005 and beyond	4.685

FACTORS AFFECTING SALES TAX REVENUES

The following categories of information represent some of the factors that may affect the actual amount of Sales Tax Revenues realized by the RTA. A significant change from historical results in any one of these factors may have a material impact on the RTA forecast of Sales Tax Revenues.

Demographic Trends. The population of the Region has increased steadily over the past decade. Between 1990 and 2000, the United States Census Bureau estimates that the Region grew from 7.3 million residents to 8.1 million residents, an increase of 11.2% as shown in Table A-V.

TABLE A-V
POPULATION TREND BY COUNTY
(in thousands)

<u>COUNTY</u>	<u>1990</u>	<u>% OF</u> <u>TOTAL</u>	<u>2000</u>	<u>% OF</u> <u>TOTAL</u>	<u>%</u> <u>CHANGE</u>
Cook	5,104	70.1	5,377	66.5	5.3
DuPage	786	10.8	904	11.2	15.0
Kane	320	4.4	404	5.0	26.2
Lake	520	7.2	644	7.9	23.8
McHenry	185	2.6	260	3.2	40.5
Will	<u>359</u>	<u>4.9</u>	<u>502</u>	<u>6.2</u>	<u>39.8</u>
Total	7,274	100.0%	8,091	100.0%	11.2%

Source: United States Census Bureau

Employment. Employment totals for 1980, 1990, 1995, and 1999 by County are presented in Table A-VI. The 14.0% employment growth in the Region shown between 1990 and 1999 outpaced the 11.2 % population growth recorded by the United States Census Bureau over the past decade. However, the Region's employment situation has worsened during 2001. The Illinois unemployment rate ended calendar year 2000 at 4.7%. In March of 2001, the Illinois unemployment rate exceeded 5% for the first time in 50 months and it has stayed above 5% since then. The gap between the Illinois and U.S. unemployment rates has also worsened.

TABLE A-VI
EMPLOYMENT TRENDS BY COUNTY
(in thousands)

Area	1980	% OF TOTAL	1990	% OF TOTAL	1995	% OF TOTAL	1999	% OF TOTAL
Cook	2,913	78.6	3,135	72.5	3,157	69.0	3,303	66.9
DuPage	289	7.8	509	11.8	621	13.6	704	14.3
Kane	134	3.6	175	4.0	197	4.3	222	4.5
Lake	211	5.7	299	6.9	350	7.6	407	8.3
McHenry	57	1.5	84	1.9	102	2.2	115	2.3
Will	<u>102</u>	<u>2.8</u>	<u>125</u>	<u>2.9</u>	<u>152</u>	<u>3.3</u>	<u>180</u>	<u>3.7</u>
Total	3,706	100.0 %	4,327	100.0 %	4,579	100.0 %	4,931	100.0 %

Source: U.S. Department of Commerce-Bureau of Economic Analysis

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five "collar" counties is almost 33% of the Region's total. Cook County now makes up about 67% of the total, compared to 1980, when Cook County made up 79% of the Region's work force. Employment levels were at 3.7 million for the Region in 1980, 4.3 million in 1990, and are now at 4.9 million. This is steady growth of approximately 0.6 million additional workers per decade.

The employment distribution trend in the Region by economic sectors is illustrated in Table A-VII. The most dynamic growth has taken place in the service sector, with the biggest loss in the manufacturing sector.

TABLE A-VII
EMPLOYMENT DISTRIBUTION BY INDUSTRY
(in thousands)

Industry	1980 TOTAL		1990 TOTAL		1995 TOTAL		1999 TOTAL	
Services	862	23.3	1,273	29.4	1,470	32.1	1,694	34.4
Retail	573	15.5	666	15.4	710	15.5	715	14.5
Manufacturing	812	21.9	667	15.4	654	14.3	639	13.0
Government	477	12.9	501	11.6	517	11.3	529	10.7
Finance, Insurance, & Real Estate	334	9.0	437	10.1	445	9.7	492	10.0
Wholesale	268	7.2	297	6.9	282	6.2	290	5.9
Transportation and Public Utilities	205	5.5	246	5.7	258	5.6	285	5.8
Construction	144	3.9	204	4.7	201	4.4	234	4.8
Other	<u>31</u>	<u>0.8</u>	<u>36</u>	<u>0.8</u>	<u>42</u>	<u>0.9</u>	<u>43</u>	<u>0.9</u>
Total	3,706	100.0 %	4,327	100.0 %	4,579	100.0 %	4,921	100.0 %

Source: U.S. Department of Commerce-Bureau of Economic Analysis

Income. The Region experienced steady growth in wages and salaries throughout the late 1990s. The income levels of residents of the Region are relatively higher than the nation as a whole. Within the six counties of the Region, per capita income is highest in DuPage and Lake Counties, as illustrated in Table A-VIII.

TABLE A-VIII
REGION PER CAPITA INCOME

Area	1980	1990	1995	1999
Cook	\$11,884	\$22,186	\$27,480	\$33,398
DuPage	13,985	28,067	35,742	44,793
Kane	11,410	21,196	24,524	28,024
Lake	13,432	29,054	36,666	45,341
McHenry	11,558	21,966	25,925	32,090
Will	10,564	18,963	22,896	26,843

Source: U.S. Department of Commerce-Bureau of Economic Analysis

APPENDIX B

PRO FORMA COMBINING FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2000

REGIONAL TRANSPORTATION AUTHORITY
AND SERVICE BOARDS

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McGLADREY & PULLEN, LLP

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying pro forma combining balance sheet of the Regional Transportation Authority and Service Boards as of December 31, 2000, and the pro forma combining statement of revenues and expenditures, the pro forma combining statement of changes in public investment and fund balance and the pro forma combining statement of cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying pro forma financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

We have audited the general purpose financial statements of the Regional Transportation Authority, the planning, funding and oversight agency for regional transit operations, as of December 31, 2000, and have issued our report thereon dated April 30, 2001. Those financial statements are the responsibility of the management of the Regional Transportation Authority. Our responsibility is to express an opinion on those financial statements based on our audit. We did not audit the financial statements of the Regional Transportation Authority Pension Plan, which represent 28% and 100%, respectively, of the assets and revenues of the RTA's Fiduciary Fund Type. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Regional Transportation Authority Pension Plan, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Regional Transportation Authority as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2001 on our consideration of the Regional Transportation Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As to the financial statements of the Service Boards, which include the Chicago Transit Authority (CTA), the Northeast Illinois Railroad Corporation (Metra) and the Suburban Bus Division (Pace), we were furnished with the reports of other auditors with respect to their audits for 2000. The auditors' reports on the Service Boards were unqualified.

Our audit of the Regional Transportation Authority was made for the purpose of forming an opinion on the general purpose financial statements of the Regional Transportation Authority taken as a whole. The accompanying pro forma combining region-wide statement of revenues and expenditures and pro forma combining region-wide statement of revenues and expenditures - budget and actual are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Regional Transportation Authority and, accordingly, we express no opinion on such region-wide financial information.

The accompanying statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements of the Regional Transportation Authority and, accordingly, we express no opinion on such statistical data.

McBladrey & Pullen, LLP

Chicago, Illinois
April 30, 2001

PRO FORMA COMBINING FINANCIAL STATEMENTS

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Balance Sheet

December 31, 2000

(in thousands)

Assets	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance
					Debit	Credit	
Current Assets							
Cash and Investments							
Restricted - cash and cash equivalents	\$ 27,278	31,080	-	5,901	-	-	64,259
Unrestricted - cash and cash equivalents	-	171,919	28,919	5,756	-	-	206,594
Restricted - investments	399,411	10,520	4,324	-	-	-	414,255
Unrestricted - investments	137,439	-	121,116	-	-	-	258,555
Receivables							
Due from other funds	21,582	-	-	-	-	-	21,582
Intergovernmental receivables							
Federal operating assistance	-	-	-	-	-	-	-
Sales tax	174,856	-	-	-	-	-	174,856
Interest on sales tax	218	-	-	-	-	-	218
Reduced fare reimbursement	18,917	-	-	-	-	-	18,917
State assistance (ASA/AFA)	679	-	-	-	-	-	679
IDOT and other grants	967	-	-	-	-	-	967
Due from Service Board	1,480	-	-	-	-	1,480	-
JSIF claims and other advances	1,882	-	-	-	-	1,882	-
Advances to Service Boards	44,129	-	-	-	-	44,129	-
Grant projects	-	26,417	29,334	4,255	-	27,158	32,848
Financial assistance - RTA	-	83,060	42,207	20,460	-	145,727	-
Other carriers	-	-	527	25	-	-	552
Other receivables	8	9,980	11,787	4,999	-	2,555	24,219
Interest on investments	2,413	-	-	-	-	-	2,413
Materials and supplies	-	63,461	9,986	3,580	-	-	77,027
Prepaid items	7,386	5,084	1,692	732	-	-	14,894
Total Current Assets	838,645	401,521	249,892	45,708	-	222,931	1,312,835
Fixed Assets							
Plant, property and equipment	6,394	4,492,376	2,835,075	352,863	-	-	7,686,708
Capital projects in progress	-	-	6,173	9,494	-	-	15,667
Less: Accumulated depreciation	-	(2,085,884)	(1,292,085)	(225,474)	-	-	(3,603,443)
Total Fixed Assets	6,394	2,406,492	1,549,163	136,883	-	-	4,098,932
Other Assets							
Investment relating to employee benefit plan	81,967	-	-	-	-	-	81,967
Amount due under sale/leaseback	-	1,387,973	264,631	-	-	-	1,652,604
Other	-	28,428	-	-	-	-	28,428
Amount available in debt service fund	39,109	-	-	-	-	-	39,109
Amount to be provided for retirement of general long-term debt	1,156,671	-	-	-	-	-	1,156,671
Total Other Assets	1,277,747	1,416,401	264,631	-	-	-	2,958,779
Total Assets	\$ 2,122,786	4,224,414	2,063,686	182,591	-	222,931	8,370,546

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Balance Sheet

(in thousands)

Liabilities, Public Investment and Fund Equity	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance
					Debit	Credit	
Current Liabilities							
Vouchers payable	\$ 246	67,695	52,518	8,419	-	-	128,878
Due to other funds	21,582	-	-	-	-	-	21,582
Intergovernmental payables							
Operating assistance	2,107	-	-	-	2,107	-	-
Reduced fare reimbursement	18,917	-	-	-	18,917	-	-
Capital assistance	4,528	-	-	-	4,528	-	-
Sales tax	148,628	-	-	-	148,628	-	-
Interest on sales tax	186	-	-	-	186	-	-
Advances from State	51,916	-	-	-	44,129	-	7,787
Other current liabilities							
Accrued other expenses	5,394	111,854	27,974	4,500	2,671	-	147,051
Deferred operating assistance	-	23,102	-	-	-	-	23,102
Deferred revenue	-	20,602	6,040	-	-	-	26,642
Advances, deposits and other	-	5,344	-	-	-	-	5,344
Financial assistance to other carriers	-	-	1,942	39	-	-	1,981
Supplemental retirement plan	-	1,800	-	-	-	-	1,800
Capital lease obligation	-	112,184	-	-	-	-	112,184
Claims liability	-	89,154	-	5,636	-	-	94,790
Current obligation to RTA	-	-	-	1,765	1,765	-	-
Total Current Liabilities	253,504	431,735	88,474	20,359	222,931	-	571,141
Long-Term Liabilities							
General obligation bonds payable	1,195,780	-	-	-	-	-	1,195,780
Claims liability	1,000	76,498	51,192	1,917	-	-	130,607
Supplemental retirement plan	-	36,140	-	-	-	-	36,140
Amounts payable under leasing transactions	-	1,263,997	264,631	-	-	-	1,528,628
Deferred revenue - leasing transactions	-	67,071	-	-	-	-	67,071
Accrued pension cost	-	353,742	-	-	-	-	353,742
Other long-term liabilities	-	3,110	-	5,692	-	-	8,802
Total Long-Term Liabilities	1,196,780	1,800,558	315,823	7,609	-	-	3,320,770
Total Liabilities	1,450,284	2,232,293	404,297	27,968	222,931	-	3,891,911
Public Investment and Fund Equity							
Contributed capital	71,500	2,419,490	1,544,577	141,020	801,433	801,433	4,176,587
Investment in general fixed assets	6,394	-	-	-	-	-	6,394
Retained earnings (deficit)	(20,796)	(427,369)	114,812	13,603	-	-	(319,750)
Fund balance							
Reserved for 1987 and prior capital	23	-	-	-	-	-	23
Reserved for 1988 thru 2000 capital	46,870	-	-	-	-	-	46,870
Reserved for employee retirement	81,901	-	-	-	-	-	81,901
Reserved for debt service	39,109	-	-	-	-	-	39,109
Reserved for capital projects	24,154	-	-	-	-	-	24,154
Reserved for bond capital projects	348,724	-	-	-	-	-	348,724
Prepaid items	979	-	-	-	-	-	979
Unreserved, designated for							
Service Boards capital	15,318	-	-	-	-	-	15,318
RTA Capital Projects	6,248	-	-	-	-	-	6,248
JSIF contribution	3,000	-	-	-	-	-	3,000
Unreserved, undesignated	49,078	-	-	-	-	-	49,078
Total Public Investment and Fund Equity	672,502	1,992,121	1,659,389	154,623	801,433	801,433	4,478,635
Total Liabilities, Public Investment and Fund Equity	\$ 2,122,786	4,224,414	2,063,686	182,591	1,024,364	801,433	8,370,546

See accompanying notes to pro forma combining financial statements.
See accompanying compilation report of McGladrey & Pullen, LLP.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Statement of Revenues and Expenditures

Year Ended December 31, 2000

(In thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance
					Debit	Credit	
Revenues							
Service Boards revenues	\$ -	453,487	138,012	48,163	38,759	-	600,903
RTA financial assistance	-	397,860	222,894	71,772	692,526	-	-
Other public funding	-	-	-	698	-	-	698
Sales tax	650,284	-	-	-	-	-	650,284
Interest on sales tax	1,526	-	-	-	1,297	-	229
Public Transportation Fund (PTF)	162,247	-	-	-	-	-	162,247
State assistance (ASA/AFA)	41,839	-	-	-	-	-	41,839
State reduced fare reimbursement	38,759	-	-	-	-	-	38,759
Investment income	26,353	-	-	-	114	-	26,239
Other grants and reimbursements	2,229	-	-	-	-	-	2,229
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	104,948	16,279	-	-	-	121,227
Total Revenues	923,237	960,557	377,185	120,633	732,696	-	1,648,916
Expenditures							
Operating expenses	-	844,614	317,331	121,156	-	114	1,282,987
Depreciation	-	260,641	124,418	27,556	-	-	412,615
Operating grants to Service Boards	658,457	-	-	-	-	658,457	-
Capital grants to Service Boards	102,806	-	-	-	-	102,806	-
State reduced fare reimbursement to Service Boards	38,759	-	-	-	-	38,759	-
Interest on sales tax to Service Boards	1,297	-	-	-	-	1,297	-
Administration	4,933	-	-	-	-	-	4,933
Regional expenses	19,312	-	-	-	-	-	19,312
Debt service	82,337	-	-	-	-	-	82,337
Capital outlay	667	-	-	-	-	-	667
Interest expense from leasing transactions	-	101,651	16,279	-	-	-	117,930
Total Expenditures	908,568	1,206,906	458,028	148,712	-	801,433	1,920,781
Net revenues (expenditures) before depreciation exclusion, retirement of debt and capital farebox financing	14,669	(246,349)	(80,843)	(28,079)	732,696	801,433	(271,865)
Bond proceeds (gross)	276,347	-	-	-	-	-	276,347
Operating transfers out	(113,183)	-	-	-	-	-	(113,183)
Operating transfers in - Debt Service Fund	87,632	-	-	-	-	-	87,632
Operating transfers in - Capital Projects Fund	2,551	-	-	-	-	-	2,551
JSIF contribution	23,000	-	-	-	-	-	23,000
Capital farebox financing	-	-	9,099	-	-	-	9,099
Net Revenues (Expenditures)	\$ 291,016	(246,349)	(71,744)	(28,079)	732,696	801,433	13,581

See accompanying notes to pro forma combining financial statements.
See accompanying compilation report of McGladrey & Pullen, LLP.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Statement of Changes in Public Investment and Fund Balance

Year Ended December 31, 2000

(In thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance
					Debit	Credit	
Balance at December 31, 1999	\$ 380,778	1,967,978	1,604,935	152,248	-	-	4,105,939
Net revenues (expenditures)	291,016	(246,349)	(71,744)	(28,079)	732,696	801,433	13,581
Adjustment to fund balance	-	(2,799)	-	-	68,737	-	(71,536)
Net additions of general fixed assets	708	-	-	-	-	-	708
Contributed capital assets							
Federal Transit Administration	-	176,514	90,344	22,736	-	-	289,594
Illinois Department of Transportation	-	36,312	31,306	2,639	-	-	70,257
Regional Transportation Authority	-	60,465	4,488	5,079	-	-	70,032
Service Boards	-	-	60	-	-	-	60
Balance at December 31, 2000	\$ 672,502	1,992,121	1,659,389	154,623	801,433	801,433	4,478,635

See accompanying notes to pro forma combining financial statements.

See accompanying compilation report of McGladrey & Pullen, LLP.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Statement of Cash Flows

Year Ended December 31, 2000

(in thousands)

	RTA Joint Self-Insurance Fund	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Pro Forma Combined Balance
Cash Flows From Operating Activities					
Operating loss	\$ (4,298)	(651,769)	(303,737)	(102,488)	(1,062,292)
Reconciling adjustments					
Depreciation	-	260,641	124,418	27,556	412,615
Provision for claims	-	(26,875)	(2,305)	(5,581)	(34,761)
Investment income	-	(18,870)	-	-	(18,870)
Gain on loss portfolio transfer	-	-	-	1,939	1,939
Loss on sale of property and equipment	-	417	-	-	417
Decrease (increase) in assets					
Receivables	915	(1,539)	665	(844)	(803)
Materials and supplies	-	3,660	1,255	18	4,933
Prepaid items and other assets	(3,751)	(23,506)	4,196	132	(22,929)
Increase (decrease) in liabilities					
Vouchers payable	-	11,829	3,911	142	15,882
Other liabilities	-	1,110	(616)	(237)	257
Other accrued expenses	-	61,316	3,879	66	65,261
Deferred revenues	-	4,699	1,112	-	5,811
Net Cash Used in Operating Activities	(7,134)	(378,887)	(167,222)	(79,297)	(632,540)
Cash Flows From Noncapital Financing Activities					
Financial assistance - operating	-	402,860	222,894	72,495	698,249
Increase in accounts receivable financial assistance - RTA	-	-	(2,536)	-	(2,536)
Decrease in obligation to RTA	-	-	-	(886)	(886)
Sales tax advance	-	-	-	314	314
Net Cash Provided by Noncapital Financing Activities	-	402,860	220,358	71,923	695,141
Cash Flows From Capital and Related Financing Activities					
Capital contribution from General Fund	23,000	-	-	-	23,000
Financial assistance - grant projects	-	258,790	126,138	28,909	413,837
Capital farebox financing	-	-	9,099	-	9,099
Decrease in receivable - grant projects	-	-	(8,465)	-	(8,465)
Proceeds from the sale of property and equipment	-	25	-	-	25
Payment for capital acquisition	-	(262,039)	(181,318)	(29,680)	(473,037)
Net Cash Provided by (Used in) Capital and Related Financing Activities	23,000	(3,224)	(54,546)	(771)	(35,541)
Cash Flows from Investing Activities					
Investment income	2,500	18,870	-	-	21,370
Purchase of long-term marketable securities	(5,887)	(10,520)	-	-	(16,407)
Sales of long-term marketable securities	6,496	7,720	(56,460)	-	(42,244)
Net Cash Provided by (Used in) Investing Activities	3,109	16,070	(56,460)	-	(37,281)
Net increase (decrease) in cash and temporary investments	18,975	36,819	(57,870)	(8,145)	(10,221)
Cash and cash equivalents at beginning of year	8,303	166,180	86,789	19,802	281,074
Cash and cash equivalents at end of year	\$ 27,278	202,999	28,919	11,657	270,853

See accompanying notes to pro forma combining financial statements.

See accompanying compilation report of McGladrey & Pullen, LLP.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

December 31, 2000

See Accountant's Compilation Report

(1) Organizational Structure

RTA

The Regional Transportation Authority (RTA) was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region (Region). The operating responsibilities of the RTA are set forth in the RTA Act (Act). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. At that time, the RTA made grants to the Chicago Transit Authority (CTA), which provided the bus and rapid transit service in Chicago and some adjacent Cook County suburbs. However, in 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding and oversight entity. The reorganization placed all operating responsibilities in the CTA and two operating divisions of the RTA: the Commuter Rail Division (Metra) and the Suburban Bus Division (Pace), each having its own independent board. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA system as a whole achieves annually a "system-generated revenue recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to supervise the budgets and financial performance of the CTA, Metra and Pace.

CTA

The 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 passenger transportation system within the City of Chicago.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

Metra

The Northeast Illinois Regional Commuter Railroad Corporation, a public corporation acting under the service name of Metra, was established in 1980 to serve as the RTA's commuter rail division. Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, fare levels and service and facilities planning for its operations. Metra is directly responsible for the operation and management of the commuter services formerly provided by Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service and Metra South West Service commuter rail lines. Metra also has responsibility for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application and administration activities.

Deficit funding operations arise from purchase of service agreements with the participating Chicago commuter rail carriers including: Union Pacific Railroad, Burlington Northern, Santa Fe Railway Company and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined), or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be "in-kind assistance." The title to the roadway and structure assets of these carriers, other than capital improvements funded by Federal, State and local grants and by Metra-generated funds, is vested with the carriers and, accordingly, such assets are not reflected in these financial statements.

Pace

Independent operations of Pace commenced July 1, 1984. The Pace Board of Directors is empowered to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

Pace determines the level, nature and kind of public transportation services that should be provided in the suburban region.

Reporting Periods

The RTA, CTA, Metra and Pace all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2000 year-end.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

(2) Reporting Entity

The RTA and each of the Service Boards have adopted the provisions of the Governmental Accounting Standards Board's Statement No. 14 (Statement No. 14), "The Financial Reporting Entity."

In the judgment of the management of each of the entities and with the concurrence of their auditors, analysis and application of Statement No. 14 criteria indicate that, while the RTA does exercise some fiscal oversight, the CTA, Metra and Pace are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards.

In arriving at this conclusion, the following factors were considered:

- The CTA, Metra and Pace maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters including: ownership of assets, relations with Federal and State transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The CTA, Metra and Pace are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the CTA, Metra and Pace are excluded, except for the Chairman of the CTA Board of Directors who is also an RTA Board member, from serving on more than one entity's board of directors, including that of the RTA.
- The RTA Board is required by Illinois statutes to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios.

Accordingly, financial statements for the CTA, Metra and Pace are not included or combined with the RTA's financial statements. They are combined, however, in this Pro Forma Combining Annual Financial Report. The Pro Forma Combining Annual Financial Report is a statutorily required report and is not presented in accordance with governmental accounting and financial reporting standards.

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(3) Summary of Significant Accounting Policies

The accounting policies of the RTA, CTA, Metra and Pace conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

Fund Accounting

The RTA maintains its records using a governmental fund accounting model consisting of a General Fund, Debt Service Funds, Capital Projects Funds, a Proprietary Fund (Enterprise), an Agency Fund and a Pension Trust Fund. All Governmental Funds and the Pension Trust and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund is accounted for on the accrual method of accounting. Fixed asset transactions are accounted for in the General Fixed Assets Account Group. Long-term liabilities are accounted for in the General Long-Term Debt Account Group. For the purpose of these pro forma statements, all RTA funds and account groups have been combined. Due to the combination, the RTA Combined Funds columns do not present financial position and results of operations in conformity with generally accepted accounting principles.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these pro forma combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Investments

All investments of the RTA, CTA, Metra and Pace are recorded at fair value except short-term investments which are reported at cost or amortized cost, which reasonably approximates fair value.

Fixed Assets

All fixed assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in fixed assets. In calculating depreciation, each of the Service Boards uses the straight-line method. The estimated useful lives vary depending on the type of fixed asset. These useful lives range from one to forty years.

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Materials and Supplies

Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method to determine the cost base. Pace uses the first-in, first-out method to determine cost.

Compensated Absences

All four entities have recorded a liability for vested vacation time in the year the time was earned. These entities account for compensated absences under GASB Statement No. 16, "Accounting for Compensated Absences," whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability.

Revenues

The RTA and Service Boards have five principal sources of revenue and other financial sources: (1) farebox revenue; (2) retailers' occupation taxes, service occupation taxes and use taxes (collectively, Sales Taxes); (3) funds appropriated to the RTA by statute through the State's Public Transportation Fund established under the RTA Act; (4) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the RTA Act; and (5) investment income and other miscellaneous revenue.

Farebox Revenue

A major source of revenue to the Service Boards is fares collected from riders. Each Service Board has its own fare structure and method for collection of fares. Farebox revenue is recognized when fares paid are initially valid for transportation services.

Sales Tax

The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois (other than Cook County) a tax of 0.25% of the gross receipts from all taxable retail sales [together with (i) (b), a General Sales Tax]; and (iii) a tax of 0.75% on the use in Cook County and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer

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outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax). The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred [with respect to the taxes in (i) and (ii), a Service Occupation Tax].

The RTA Sales Tax is collected by the Illinois Department of Revenue and paid to the Treasurer of the State of Illinois to be held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are payable monthly directly to the RTA, without appropriation, by the State Treasury on the order of the State Comptroller.

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales Tax, State Use Tax and State Service Occupation Tax portions of the RTA Sales Tax were imposed at a rate of 1% in Cook County. Effective January 1, 1990, as a result of legislation (the Sales Tax Reform Act) aimed at simplifying the base and rate structure of taxes imposed by the State and its local governments, including the RTA, the State General Sales Tax, State Use Tax, State Service Occupation Tax and State Service Use Tax were increased from 5% to 6.25% and any corresponding portions of the RTA Sales Tax in Cook County were reduced from 1% to 0.75%. In order to avoid a revenue loss to the RTA because of the reduction in this portion of the RTA Sales Tax, the Sales Tax Reform Act directed that portions of the receipts from the State General Sales Tax, State Use Tax, State Service Occupation Tax and State Service Use Tax be paid to the RTA annually.

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the CMTD Fund). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the Replacement Fund). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside of the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the

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Reform Fund). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

The RTA Act provides that the RTA withhold 15% of the tax revenues generated and that these revenues are deposited into the RTA's General Fund. The RTA is required to pass on to the Service Boards, pursuant to statutory formula, an amount equal to the remainder of such tax revenues. The remaining 85% of sales tax is allocated to the Service Boards as follows:

Service Board	Collected within Chicago	Collected within Cook County Outside Chicago	Collected in DuPage, Kane, Lake, McHenry and Will Counties
CTA	100%	30	-
Metra	-	55	70
Pace	-	15	30

The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

Public Transportation Fund (PTF)

In accordance with the RTA Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund" an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the Public Transportation Fund through its 2001 fiscal year which will end June 30, 2001.

None of the revenues from the Public Transportation Fund are payable to the RTA unless and until it certifies to the Governor, State Comptroller and Mayor of the City of Chicago that the RTA has adopted a budget and financial plan as called for by the Act.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's Public Transportation Fund are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive

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such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement

In the State's fiscal year 2001, which ends June 30, 2001, the Illinois General Assembly has appropriated funds for a program under which the Illinois Department of Transportation (IDOT) is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for actual revenue losses attributable to reduced fares for students, people with disabilities and the elderly. For the State fiscal years ended June 30, 2000 and June 30, 2001, the grants were in the amount of \$40 million for each year. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance

The State has authorized Additional State Assistance (ASA) which is supplemental financing for the RTA's Strategic Capital Improvement Program (SCIP I). The Additional State Assistance available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service saving from the issuance of refunding or advance refunding SCIP bond, less interest earned on the remaining bond proceeds, or (ii) \$55 million per year. The RTA received \$38 million of Additional State Assistance in 2000.

Beginning State Fiscal Year 2001, the State has also authorized Additional Financial Assistance (AFA) to pay for debt service requirements for SCIP II bonds. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP II bonds less interest earned on those bond proceeds, or (ii) \$16 million in SFY 2001. The RTA received \$4 million of Additional Financial Assistance for part of SFY 2001.

In accordance with the RTA Act, earnings on the SCIP I and SCIP II bond proceeds in the Capital Projects Fund are credited to the Debt Service Fund.

Cash Flows

For purposes of the pro forma combining statement of cash flows, the RTA and the Service Boards consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the "Cash and Investments" line items on the accompanying pro forma balance sheet.

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Combining Adjustments

Inter-agency receivables, payables, revenues, expenses and expenditures have been eliminated in the Combining Adjustments column; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these pro forma combining financial statements, such differences are recorded as combining adjustments to fund balance.

Pro Forma Combined Balances

The columns presenting the combined balances for the RTA and Service Boards are statutorily required and do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

(4) Budget and Budgetary Accounting

Section 4.01(a) of the RTA Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The RTA's budget is comprehensive and includes the activities in its General Fund and Agency (Sales Tax) Fund.

The annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles except for capital grants and expenditures, which are budgeted for on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the General Fund. Budgets for RTA capital expenditures and discretionary capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. All appropriations lapse at year-end. There was no budget amendment to the 2000 budget. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. Additional budget detail is used by management for monitoring purposes. It is the policy of the RTA to fund the budgets

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of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards maintain all financial records and prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

1. The first source of funds to be credited against the budgeted funding amount is from FTA operating assistance grants;
2. The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
3. The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and
4. The fourth source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The Service Boards' capital expenditure and reduced fare reimbursements, the payment of PTF funds, and the 15% tax revenues and other discretionary funds of the RTA are made under the terms and conditions of grant agreements governing such expenditures.

(5) Leases

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals.

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (the headlease) and simultaneously subleased the railcars back (the sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes. At closing, the railcars had a fair market value of approximately \$296.9 million and a book value of \$262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately \$274 million. Metra transferred approximately \$177.4 million and \$52.9 million of the prepayment proceeds to third parties, in accordance with the terms of debt and equity payment undertaking agreements,

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respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. Both the debt and equity payment undertakers are finance companies with AAA and Aaa ratings from Moody's and Standard & Poor's, respectively. Their performance under the agreement is guaranteed by their parent company, which carries the same ratings. In connection with the transaction, Metra recognized \$43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet. The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum payments due:	
2001	\$ 1,476,322
2002	3,442,863
2003	17,193,268
Thereafter	565,405,023
<hr/>	
Total future minimum payments	587,517,476
<hr/>	
Less: Imputed Interest	(322,886,572)
<hr/>	
Present value of minimum lease payments	\$ 264,630,904

During 1998, the CTA entered into a lease/leaseback agreement (the 1998 Agreement) with a third party pertaining to a rail line (green line), with a book value of \$375.9 million at December 31, 2000. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (the 1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1998 Lease). Under the 1998 Lease, the CTA is required to make the payments of \$23,016,047 for 2001 through 2002, \$27,113,279 for 2003, \$35,191,135 for 2004, and \$23,862,750 for 2005. At December 31, 2000, the total payments due under the agreement are recorded as capital lease obligations of approximately \$303.1 million.

During 1997, the CTA entered into four lease/leaseback agreements (the 1997 Agreements) with a third party pertaining to certain of its facilities having a book value of \$64.6 million at December 31, 2000. The 1997 Agreements, which provide certain

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cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (the Leases).

During 1997, the CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due by the CTA and may take possession of the facilities upon a default by the CTA under the Lease. Under the Leases, the CTA is required to make annual rental payments of \$12.8 million for 2001, and of \$10.4 million, \$15.4 million and \$12.1 million during the years 2002, 2003 and 2004, respectively. No other lease payments are required until the end of the lease. One of the Leases also requires a payment at the end of the initial term (in the year 2024) of \$129.5 million, which is due on the same day as the only remaining payment due from the Equity Trust of \$111.5 million. The additional three Leases require a payment at the end of the initial terms (in the year 2025) of \$458.1 million, which is due on the same day as the only remaining payment due from the Equity Trust of \$395.4 million. The present value of the future payments to be made by CTA under the Leases (net of the payment due from the Equity Trust in 2022 and 2023) of approximately \$61.9 million is reflected in the accompanying December 31, 2000 balance sheet as capital lease obligations.

In connection with the 1997 Agreements, the CTA also received proceeds of \$11.9 million. The FTA has approved the Authority's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining 26 and 27-year lives of the leases.

During 1996, the CTA entered into similar lease/leaseback agreements (the 1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of \$69.6 million at December 31, 2000. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the 1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease).

Under the 1996 Lease, the CTA is required to make annual rental payments of \$12.6 million during the years 2001 through 2002 and a \$7.8 million payment in the year 2004. No payment is required for 2003. The 1996 Lease also requires a payment at the end of the initial term (in the year 2024) of \$653.5 million, which is due on the

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same day as the only remaining payment due from the 1996 Equity Trust of \$550.8 million. The present value of the future payments to be made by CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately \$48.3 million is reflected in the accompanying December 31, 2000 balance sheet as capital lease obligations.

In connection with the 1996 Agreements, the CTA also received proceeds of \$10.9 million and agreed to make approximately \$80 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining 27-year life of the leases.

During 1995, the CTA entered into sale/leaseback agreements (the 1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling \$487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. At December 31, 2000, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling \$962.9 million. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

(6) Commitments and Contingencies

Each of the entities has various commitments that have arisen in the normal course of operations. None is expected to have a material adverse impact on its financial position as presented.

Each of the entities has also established liabilities for potential legal judgments to satisfy claims against the entity.

The RTA has also established a Loss Financing Plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

(7) Cash and Investments

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et. seq. Each of the four entities also has established its own

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investment policy which is in line with the State statute, or, in some cases, more restrictive.

The RTA and Service Boards have on hand at December 31, 2000, \$944 million of cash and investments. Of that amount, \$478 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims and capital projects.

(8) Loans and Advances to Service Boards

At December 31, 2000, the RTA, through the Joint Self-Insurance Fund, had outstanding cash advances due from the Service Boards for liability claims paid. The advances are due as follows:

	Pace
2001	\$ 1,000,000
2002	765,592
	<u>\$ 1,765,592</u>

The advances accrued interest at 6.36% during 2000. Accrued interest due from Pace amounted to \$114,282 at December 31, 2000.

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(9) Changes in General Long-Term Debt - General Obligation Bonds Payable

Changes during the year in bonds payable were as follows:

General Obligation	December 31, 1999	New Issues	Retirements	December 31, 2000
1990A	\$ 62,710,000	-	1,915,000	60,795,000
1991A	59,740,000	-	1,940,000	57,800,000
1992A* and 1992B	78,905,000	-	3,820,000	75,085,000
1993A* and 1993B	46,960,000	-	2,130,000	44,830,000
1993C Refunding	22,335,000	-	180,000	22,155,000
1994A* and 1994B	53,725,000	-	4,470,000	49,255,000
1994C* and 1994D	87,755,000	-	2,485,000	85,270,000
1996 Refunding	149,760,000	-	540,000	149,220,000
1997 Refunding	97,895,000	-	260,000	97,635,000
1999 Refunding*	298,725,000	-	4,990,000	293,735,000
2000A*	-	260,000,000	-	260,000,000
Total	\$ 958,510,000	260,000,000	22,730,000	1,195,780,000

*Strategic Capital Improvement Program (SCIP) Bonds

Advance Refundings

On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued \$23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 2000, \$20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued \$151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 2000, \$60,300,000 of outstanding general obligation bonds (1994B

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Series) and \$75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued \$98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 2000, \$4,230,000 of outstanding general obligation bonds (1990A Series), \$29,265,000 of outstanding general obligation bonds (1991A Series), \$18,170,000 of outstanding general obligation bonds (1992B Series) and \$47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A and 1994C Series general obligation bond issues. The RTA issued \$298,725,000 of general obligation refunding bonds (1999 Series). Proceeds from the issuance amounted to \$305,599,490 which includes a premium of \$6,658,942. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. At December 31, 2000, \$113,895,000 of outstanding general obligation bonds (1992A Series), \$9,720,000 of outstanding general obligation bonds (1993A), \$142,615,000 of outstanding general obligation bonds (1994A) and \$21,955,000 of outstanding general obligation bonds (1994C) are considered defeased.

Debt Service Requirements

The "debt service requirements" set forth in the following tables represent payments due the trustee, as required by the respective bond agreements. The "principal maturity" columns represent payments due bondholders from the trustee.

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1990 General Obligation Bonds

In May, 1990, the RTA issued \$100 million in General Obligation Bonds, Series 1990A, to establish a Capital Projects Fund to provide the source of paying costs of the Capital Program for the CTA, Metra and Pace.

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

Debt service requirements on the Series 1990A Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ -	4,377,239	4,377,239	-
2002	-	4,377,240	4,377,240	-
2003	-	4,377,240	4,377,240	-
2004	-	4,377,240	4,377,240	-
2005	-	4,377,240	4,377,240	-
Thereafter	60,795,000	46,786,680	107,581,680	60,795,000
Total	\$ 60,795,000	68,672,879	129,467,879	60,795,000

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1991 General Obligation Bonds

In November, 1991, the RTA issued \$100 million in General Obligation Bonds, Series 1991A, to replenish the Capital Projects Fund and to provide the source for paying costs of the Capital Program for the CTA, Metra and Pace.

The Series 1991A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 4.85% to 6.55% on May 1, 1992 and semiannually thereafter on November 1 and May 1 in each remaining year.

Debt service requirements on the 1991A Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 2,055,000	3,859,243	5,914,243	2,055,000
2002	-	3,734,915	3,734,915	-
2003	-	3,734,915	3,734,915	-
2004	-	3,734,914	3,734,914	-
2005	-	3,734,916	3,734,916	-
Thereafter	55,745,000	44,936,897	100,681,897	55,745,000
Total	\$ 57,800,000	63,735,800	121,535,800	57,800,000

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1992 General Obligation Bonds

In June, 1992, the RTA issued \$188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued \$30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 4,200,909	5,405,249	9,606,158	4,045,000
2002	4,455,455	5,159,539	9,614,994	4,290,000
2003	4,731,364	4,894,495	9,625,859	4,550,000
2004	5,080,000	4,608,334	9,688,334	4,835,000
2005	5,531,818	4,208,481	9,740,299	5,220,000
Thereafter	48,511,363	12,928,383	61,439,746	52,145,000
Total	\$ 72,510,909	37,204,481	109,715,390	75,085,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1993 General Obligation Bonds

In June, 1993, the RTA issued \$55 million in General Obligation Bonds, Series 1993A, to pay the cost of repurchasing and reconstructing railcars for Metra. The RTA also issued \$55 million in General Obligation Bonds, Series 1993B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1993A and 1993B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.21% to 5.85% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993A and 1993B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 2,316,364	2,476,859	4,793,223	2,240,000
2002	2,436,364	2,359,843	4,796,207	2,360,000
2003	2,569,091	2,234,323	4,803,414	2,480,000
2004	1,399,091	2,134,138	3,533,229	1,310,000
2005	1,481,818	2,061,145	3,542,963	1,380,000
Thereafter	33,201,817	23,876,305	57,078,122	35,060,000
Total	\$ 43,404,545	35,142,613	78,547,158	44,830,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1993 General Obligation Refunding Bonds

In June, 1993, the RTA issued \$23.265 million in General Obligation Bonds, Series 1993C, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds maturing November 1 in the years 2003-2005 and 2009 in the aggregate amount of \$20.35 million.

The Series 1993C Refunding Bonds mature on June 1 over a sixteen-year period and interest is payable at rates ranging from 2.75% to 5.70% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993C Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 196,364	1,210,458	1,406,822	190,000
2002	1,736,818	1,200,538	2,937,356	200,000
2003	2,723,182	1,114,870	3,838,052	2,615,000
2004	2,874,091	971,915	3,846,006	2,785,000
2005	3,026,819	818,103	3,844,922	2,925,000
Thereafter	11,476,815	1,497,390	12,974,205	13,440,000
Total	\$ 22,034,089	6,813,274	28,847,363	22,155,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1994 General Obligation Bonds

In May, 1994, the RTA issued \$195 million in General Obligation Bonds, Series 1994A, to pay the costs of purchasing and reconstructing railcars for Metra. Proceeds of Series 1994A Bonds may also be used to purchase new paratransit vehicles for Pace and for rehabilitation of railcars for the CTA. The RTA also issued \$80 million in General Obligation Bonds, Series 1994B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 1994A and 1994B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 3.75% to 8.00% on December 1, 1994 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994A and 1994B Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 4,705,000	3,472,010	8,177,010	4,705,000
2002	4,955,000	3,208,713	8,163,713	4,955,000
2003	5,230,000	2,863,250	8,093,250	5,230,000
2004	5,645,000	2,428,250	8,073,250	5,645,000
2005	4,325,000	2,077,025	6,402,025	4,325,000
Thereafter	24,395,000	21,505,399	45,900,399	24,395,000
Total	\$ 49,255,000	35,554,647	84,809,647	49,255,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

In December, 1994, the RTA issued \$62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the CTA, Metra and Pace required by the Americans with Disabilities Act, and for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued \$129.965 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

The 1994C and 1994D Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 7.75% on June 1, 1995 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1994C and 1994D Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 2,635,000	6,437,062	9,072,062	2,635,000
2002	2,800,000	6,272,612	9,072,612	2,800,000
2003	3,000,000	6,070,962	9,070,962	3,000,000
2004	3,240,000	5,829,162	9,069,162	3,240,000
2005	3,505,000	5,567,794	9,072,794	3,505,000
Thereafter	70,090,000	49,815,063	119,905,063	70,090,000
Total	\$ 85,270,000	79,992,655	165,262,655	85,270,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1996 General Obligation Refunding Bonds

In January, 1996, the RTA issued \$151.235 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2009, 2012, 2015 and 2024, in the aggregate amount of \$60.3 million and Series 1994D Bonds, maturing June 1 in the years 2009-2014 and 2025, in the aggregate amount of \$75.605 million.

The Series 1996 Refunding Bonds mature on June 1 over a twenty-two-year period and interest is payable at rates ranging from 5.125% to 5.50% on June 1, 1996 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1996 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 570,000	8,142,063	8,712,063	570,000
2002	595,000	8,112,209	8,707,209	595,000
2003	625,000	8,080,947	8,705,947	625,000
2004	660,000	8,048,019	8,708,019	660,000
2005	2,470,000	7,967,813	10,437,813	2,470,000
Thereafter	144,300,000	99,192,283	243,492,283	144,300,000
Total	\$ 149,220,000	139,543,334	288,763,334	149,220,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1997 General Obligation Refunding Bonds

On September 18, 1997, the RTA issued \$98.385 million in refunding bonds to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2022, in the aggregate amount of \$4.23 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of \$29.265 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$18.17 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of \$47.465 million.

The Series 1997 Refunding Bonds mature on June 1 over a twenty-six-year period and interest is payable at rates ranging from 4.00% to 6.00% on December 1, 1997 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1997 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 2,360,000	5,405,275	7,765,275	2,360,000
2002	4,705,000	5,238,975	9,943,975	4,705,000
2003	2,545,000	5,057,725	7,602,725	2,545,000
2004	3,980,000	4,894,600	8,874,600	3,980,000
2005	4,190,000	4,690,350	8,880,350	4,190,000
Thereafter	79,855,000	42,721,677	122,576,677	79,855,000
Total	\$ 97,635,000	68,008,602	165,643,602	97,635,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

1999 General Obligation Refunding Bonds

On August 24, 1999, the RTA issued \$298.725 million in refunding bonds to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$113.895 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of \$9.72 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of \$142.615 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of \$21.955 million.

The Series 1999 Refunding Bonds mature on June 1 over a twenty-five-year period and interest is payable at rates ranging from 5.00% to 6.00% on December 1, 1999 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1999 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ 570,000	16,728,762	17,298,762	570,000
2002	595,000	16,699,637	17,294,637	595,000
2003	615,000	16,669,387	17,284,387	615,000
2004	645,000	16,637,887	17,282,887	645,000
2005	670,000	16,605,012	17,275,012	670,000
Thereafter	290,640,000	200,169,269	490,809,269	290,640,000
Total	\$ 293,735,000	283,509,954	577,244,954	293,735,000

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

2000 General Obligation Bonds

In June, 2000, the RTA issued \$260 million in General Obligation Bonds, Series 2000A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

The Series 2000A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.75% to 6.25% on January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2000A Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2001	\$ -	16,798,687	16,798,687	-
2002	3,630,000	16,300,613	19,930,613	3,630,000
2003	3,825,000	16,091,888	19,916,888	3,825,000
2004	4,030,000	15,871,950	19,901,950	4,030,000
2005	4,245,000	15,640,225	19,885,225	4,245,000
Thereafter	244,270,000	249,465,218	493,735,218	244,270,000
Total	\$ 260,000,000	330,168,581	590,168,581	260,000,000

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch IBCA, Inc., and "Aaa" from Moody's Investors Service, Inc., based on the RTA having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA" and "A1," respectively, without such insurance. These high ratings reflect a positive outlook by the rating agencies based on their assessment of the essentiality of the RTA system, its financial position and performance, and public funding support.

All the bonds are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

The bonds are secured by an assignment of a lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State of Illinois. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the receipts. If all payments have been made, the funds are made available to the RTA for regular use.

Under the Act, the CTA, Metra and Pace farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, \$39,109,163 is available to service principal and interest payments of the RTA's long-term debt as of December 31, 2000.

(10) Pension

All eligible employees of the four entities are covered under a pension plan. RTA employees, as well as nonunion employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, noncontributory, defined benefit cost sharing plan. The union employees of Metra and Pace are covered under various other plans as are required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and nonunion employees and Chicago Transit Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes a retirement plan for Board Members and the Supplemental Retirement Plan for officers, executives, supervisory and professional employees, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Board members.

In 1995, the CTA adopted the Governmental Accounting Standards Board's Statement No. 27 (Statement No. 27), "Accounting for Pensions by State and Local Governmental Employers." Statement No. 27 requires that the accrued pension liability at the transition (adoption) date be calculated as the cumulative difference, including interest, between an employer's required contributions in accordance with the pension plan's actuarially required contribution funding requirements and the actual contributions made by the employer for all fiscal years beginning after December 15, 1986 and through the date of transition.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

In 1997, the RTA, Metra and Pace elected to implement the provisions of Statement No. 27 along with Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." There was no significant impact as a result of implementing these new standards.

(11) Region-Wide Financial Information

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the Northeastern Illinois region. Accordingly, this region-wide information follows in the pro forma combining region-wide statement of revenues and expenditures and the pro forma combining region-wide statement of revenues and expenditures - budget and actual.

The primary financial statements of RTA and the Service Boards used to prepare the pro forma combining statement of revenues and expenditures do not include the aggregate of system-generated revenues and costs. The pro forma combining region-wide statement of revenues and expenditures includes the aggregate of all system revenues and costs.

For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain allowable adjustments as enumerated in the Act. Costs funded by Federal capital grants are recorded as capital items and included in fixed assets, and are excluded from the recovery ratio calculation as required by the Act.

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation. This concept is described as the "system-generated revenues recovery ratio."

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Notes to Pro Forma Combining Financial Statements

See Accountant's Compilation Report

For 2000, the region-wide system-generated revenues recovery ratio is calculated from the Pro Forma Combining Region-Wide Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) schedule as follows (in thousands):

System-generated revenues		
CTA*	\$	457,749
Metra**		246,152
Pace		48,742
RTA		10,828
Total System-Generated Revenues	\$	763,471
System-generated expenses		
CTA*	\$	846,530
Metra**		411,180
Pace		121,735
RTA		39,807
Total System-Generated Expenses	\$	1,419,252

The region-wide system-generated revenues recovery ratio for 2000 equals 53.79%.

*The recovery ratio for the CTA included leasehold revenues of \$4,262 and excluded CTA expenses for security costs of \$4,817.

**With respect to Metra, \$9,099 of capital farebox financing was included in revenues. Metra's \$2,252 cost for lease of transportation facilities and \$2,940 for funded depreciation were deducted from expenses. These are allowable adjustments for the recovery ratio computation.

(12) Subsequent Events

On February 6, 2001, the RTA issued General Obligation Refunding Bonds, Series 2001B in the amount of \$37.715 million to refund in advance of their maturity certain of the RTA's Outstanding General Obligation Bonds, Series 1993A. On March 28, 2001, the RTA also issued General Obligation Bonds, Series 2001A in the amount of \$100 million to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the CTA, Metra and Pace.

SUPPLEMENTARY REGION-WIDE FINANCIAL INFORMATION
(UNAUDITED)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Region-Wide Statement of Revenues and Expenditures

Year Ended December 31, 2000

(In thousands)

	RTA Combined Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance
					Debit	Credit	
Revenues							
Service Boards revenues	\$ -	453,487	237,053	48,742	38,759	-	700,523
RTA financial assistance	-	397,860	222,894	71,772	692,526	-	-
Other public funding	-	-	-	698	-	-	698
Sales tax	650,284	-	-	-	-	-	650,284
Interest on sales tax	1,526	-	-	-	1,297	-	229
Public Transportation Fund (PTF)	162,247	-	-	-	-	-	162,247
State assistance (ASA/AFA)	41,839	-	-	-	-	-	41,839
State reduced fare reimbursement	38,759	-	-	-	-	-	38,759
Investment income	26,353	-	-	-	114	-	26,239
Other grants and reimbursements	2,229	-	-	-	-	-	2,229
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	104,948	16,279	-	-	-	121,227
Total Revenues	923,237	960,557	476,226	121,212	732,696	-	1,748,536
Expenditures							
Operating expenses	-	844,614	416,372	121,735	-	114	1,382,607
Depreciation	-	260,641	124,418	27,556	-	-	412,615
Operating grants to Service Boards	658,457	-	-	-	-	658,457	-
Capital grants to Service Boards	102,806	-	-	-	-	102,806	-
State reduced fare reimbursement to Service Boards	38,759	-	-	-	-	38,759	-
Sales tax interest to Service Boards	1,297	-	-	-	-	1,297	-
Administration	4,933	-	-	-	-	-	4,933
Regional expenses	19,312	-	-	-	-	-	19,312
Debt service	82,337	-	-	-	-	-	82,337
Capital outlay	667	-	-	-	-	-	667
Interest expense from leasing transactions	-	101,651	16,279	-	-	-	117,930
Total Expenditures	908,568	1,206,906	557,069	149,291	-	801,433	2,020,401
Net revenues (expenditures) before depreciation exclusion, retirement of debt and capital farebox financing	14,669	(246,349)	(80,843)	(28,079)	732,696	801,433	(271,865)
Bond proceeds (gross)	276,347	-	-	-	-	-	276,347
Operating transfers out	(113,183)	-	-	-	-	-	(113,183)
Operating transfers in - Debt Service	87,632	-	-	-	-	-	87,632
Operating transfers in - Capital Projects Fund	2,551	-	-	-	-	-	2,551
JSIF contribution	23,000	-	-	-	-	-	23,000
Capital farebox financing	-	-	9,099	-	-	-	9,099
Net Revenues (Expenditures)	\$ 291,016	(246,349)	(71,744)	(28,079)	732,696	801,433	13,581

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

Pro Forma Combining Region-Wide Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

Year Ended December 31, 2000
(in thousands)

	RTA General & Agency Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments		Pro Forma Combined Balance	Pro Forma Region-Wide Budget
					Debit	Credit		
Revenues								
RTA financial assistance	\$ -	397,860	222,894	71,772	692,526	-	-	-
Other public funding	-	-	-	698	-	-	698	475
Sub Total	-	397,860	222,894	72,470	692,526	-	698	475
Sales tax	650,284	-	-	-	-	-	650,284	629,000
Public Transportation Fund (PTF)	162,247	-	-	-	-	-	162,247	157,879
State assistance (ASA/AFA)	41,839	-	-	-	-	-	41,839	44,500
State reduced fare reimbursement	38,759	-	-	-	38,759	-	-	-
Interest on sales tax	1,526	-	-	-	1,297	-	229	200
Investment income	8,370	-	-	-	-	-	8,370	5,000
Other grants and reimbursements	2,229	-	-	-	-	-	2,229	3,432
Service Boards revenues	-	453,487	237,053	48,742	114	-	739,168	709,856
Add:								
Leasehold revenue	-	4,262	-	-	-	-	4,262	-
Capital farebox financing	-	-	9,099	-	-	-	9,099	9,025
Sub Total	905,254	457,749	246,152	48,742	40,170	-	1,617,727	1,558,892
Total Revenues	905,254	855,609	469,046	121,212	732,696	-	1,618,425	1,559,367
Expenditures								
Operating grants to Service Boards	658,457	-	-	-	-	658,457	-	-
Capital grants to Service Boards	26,157	-	-	-	-	-	26,157	26,157
Sales tax for Service Board capital	38,747	-	38,747	-	-	38,747	38,747	33,127
State reduced fare reimbursement	38,759	-	-	-	-	38,759	-	-
Sales tax interest to Service Boards	1,297	-	-	-	-	1,297	-	-
Administration	4,933	-	-	-	-	-	4,933	5,010
Regional expenses	11,874	-	-	-	-	-	11,874	12,767
JSIF contribution	23,000	-	-	-	-	-	23,000	20,000
Operating transfers	87,632	-	-	-	-	-	87,632	84,600
Capital outlay	7,237	-	-	-	-	-	7,237	7,237
Operating expenses	-	851,347	416,372	121,735	-	114	1,389,340	1,367,621
Less:								
Security costs	-	(4,817)	-	-	-	-	(4,817)	-
Lease of transportation facility	-	-	(2,252)	-	-	-	(2,252)	-
Funded depreciation	-	-	(2,940)	-	-	-	(2,940)	-
Total Expenditures	898,093	846,530	449,927	121,735	-	737,374	1,578,911	1,556,519
Excess (deficiency) of revenues over expenditures	7,161	9,079	19,119	(523)	732,696	737,374	39,514	2,848

Note 1 - This schedule presents actual results compared to budget. The budgetary basis reflects GAAP reporting excluding depreciation, unfunded pension, provision for injury and damage claims, and certain other items, as directed by the RTA Act.

Note 2 - RTA policy directs funds not required for operations to be used for capital programs.

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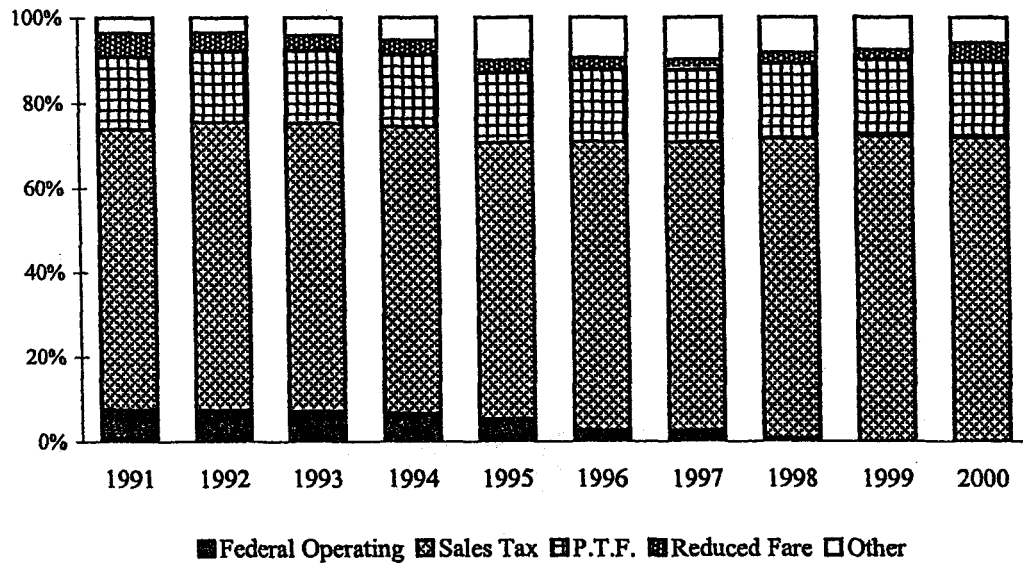
STATISTICAL SECTION
(UNAUDITED)

The information on the following tables is unaudited – see accompanying independent auditors' report.

The revenues and expenditures presented on the following tables include the activity in all the RTA's funds (General Debt Service, Capital Projects, Enterprise, Trust and Agency). Additions to and disbursements from the Agency (Sales Tax) Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables.

RTA REVENUE BY SOURCE (ALL FUNDS)

1991-2000



Last Ten Years

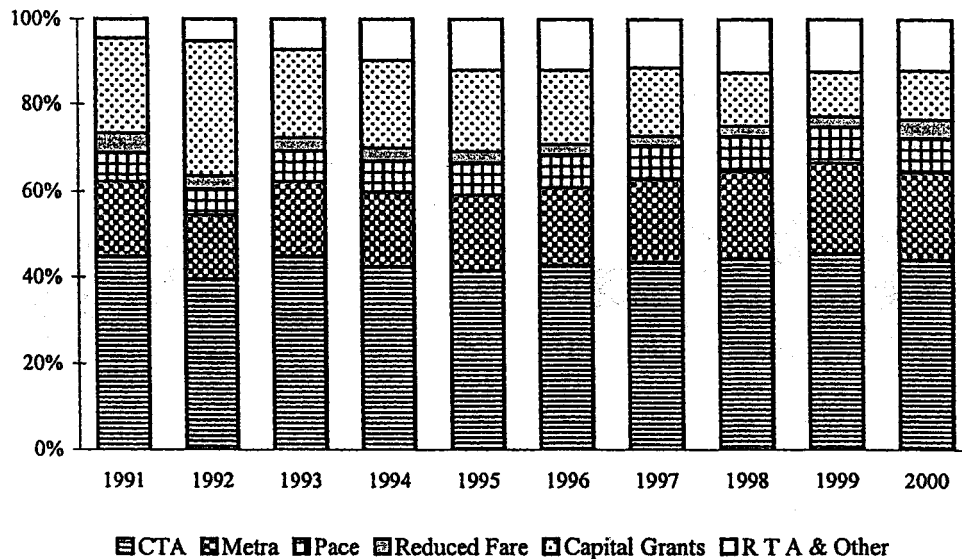
(In Thousands)

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/91	\$49,019	\$425,173	\$109,195	\$35,267	\$22,583	\$641,237
Percentage of Total	7.64%	66.31%	17.03%	5.50%	3.52%	100%
12 Months Ended 12/31/92	49,141	445,891	109,843	27,924	22,587	655,386
Percentage of Total	7.50%	68.03%	16.76%	4.26%	3.45%	100%
12 Months Ended 12/31/93	49,421	462,393	115,771	23,410	28,332	679,327
Percentage of Total	7.27%	68.07%	17.04%	3.45%	4.17%	100%
12 Months Ended 12/31/94	49,475	497,698	124,002	24,861	38,997	735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,632	849,875
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%

This schedule includes all governmental funds, the Agency Fund budgetary basis, Enterprise Fund and Pension Trust Fund.

DISTRIBUTION OF EXPENDITURES (ALL FUNDS)

1991-2000



Last Ten Years

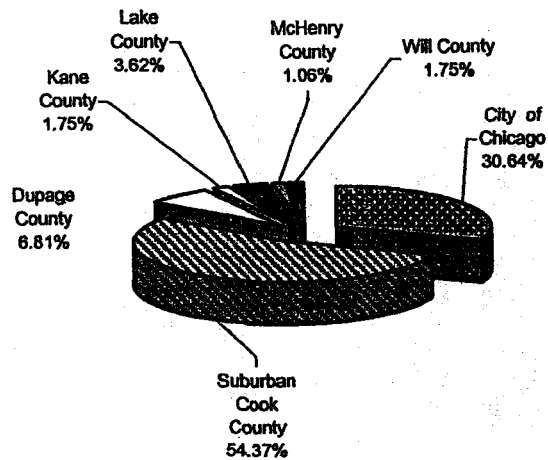
(In Thousands)

	Operating Grants				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/91	\$357,121	\$138,088	\$53,041	\$548,250	\$35,267	\$175,746	\$35,250	\$794,513
Percentage of Total	44.95%	17.38%	6.68%	69.01%	4.44%	22.12%	4.43%	100%
12 Months Ended 12/31/92	355,149	132,951	54,074	542,174	27,924	279,291	45,827	895,216
Percentage of Total	39.67%	14.85%	6.04%	60.56%	3.12%	31.20%	5.12%	100%
12 Months Ended 12/31/93	367,599	142,248	58,697	568,544	23,409	167,170	58,482	817,605
Percentage of Total	44.96%	17.40%	7.18%	69.54%	2.86%	20.45%	7.15%	100%
12 Months Ended 12/31/94	365,200	148,638	62,129	575,967	24,861	174,128	82,658	857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,443	842,818
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%

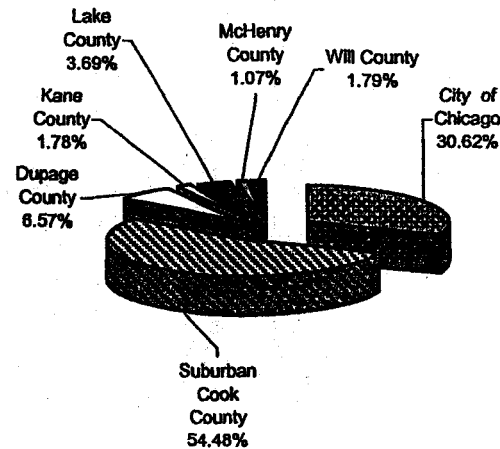
This schedule includes all governmental funds, the Agency Fund budgetary basis, Enterprise Fund and Pension Trust Fund.

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

1999



2000

RETAILERS' OCCUPATION AND USE TAX (SALES TAX)
REVENUES BY COUNTY/CITY OF CHICAGO

Last Ten Years

(In Thousands)

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/91	\$142,034	\$232,487	\$23,277	\$6,332	\$12,151	\$3,312	\$5,580	\$425,173
Percentage of Total	33.41%	54.68%	5.47%	1.49%	2.86%	0.78%	1.31%	100%
12 Months Ended 12/31/92	145,541	244,671	26,015	6,717	13,289	3,631	6,027	445,891
Percentage of Total	32.64%	54.87%	5.83%	1.51%	2.98%	0.81%	1.35%	100%
12 Months Ended 12/31/93	148,334	253,591	28,060	7,278	14,341	4,026	6,763	462,393
Percentage of Total	32.08%	54.84%	6.07%	1.57%	3.10%	0.87%	1.46%	100%
12 Months Ended 12/31/94	157,802	273,398	30,568	8,006	15,819	4,541	7,564	497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.66%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%

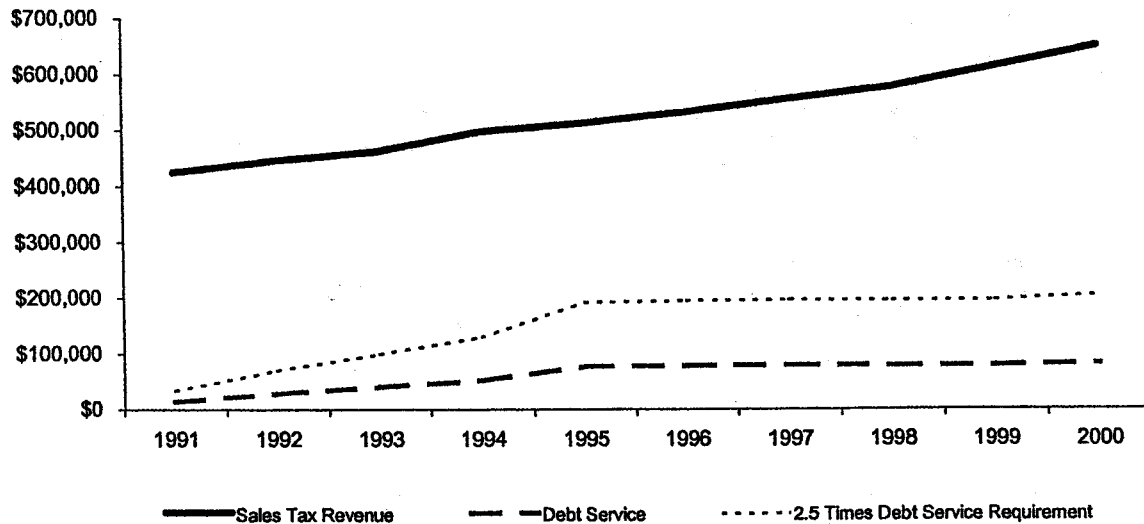
LEGAL DEBT CAPACITY

2000

Legal Debt Margin:	Balance Outstanding at December 31, 2000	Maximum Issued	
Debt Limitation per Act for General Obligations			\$1,560,000,000
Debt applicable to limitation :			
RTA Bonds:			
1990A General Obligation Bonds	\$60,795,000		
1991A General Obligation Bonds	57,800,000		
1992B General Obligation Bonds	10,335,000		
1993B General Obligation Bonds	3,540,000		
1993C General Obligation Bonds	22,155,000		
1994B General Obligation Bonds	13,065,000		
1994D General Obligation Bonds	48,090,000		
1996 General Obligation Bonds	149,220,000		
1997 General Obligation Bonds	97,635,000		
Total RTA Bonds Applicable to Limitation	<u>\$462,635,000</u>		(462,635,000)
SCIP I Bonds:			
1992A General Obligation Bonds	\$64,750,000	\$188,000,000	
1993A General Obligation Bonds	41,290,000	55,000,000	
1994A General Obligation Bonds	36,190,000	195,000,000	
1994C General Obligation Bonds	37,180,000	62,000,000	
1999 General Obligation Bonds	293,735,000	-0-	
Total SCIP I Bonds Applicable to Limitation		<u>\$500,000,000</u>	(500,000,000)
SCIP II Bonds:			
2000 General Obligation Bonds	<u>\$260,000,000</u>	<u>\$260,000,000</u>	
Total SCIP II Bonds Applicable to Limitation		<u>\$260,000,000</u>	(260,000,000)
Total SCIP I & II Bonds Outstanding	<u>\$733,145,000</u>		
Total Bonds Outstanding	<u>\$1,195,780,000</u>		
Debt Margin for General Obligations			\$337,365,000
Debt Limitation per Act for Working Cash Notes			<u>100,000,000</u>
Total Legal Debt Margin			<u>\$437,365,000</u>

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1991 - 2000
(In Thousands)



Revenue Test: Sales tax must be 2.5 times greater than debt service requirement.

Last Ten Years

(In Thousands)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sales Tax Revenue	\$ 425,173	\$445,891	\$462,393	\$ 497,698	\$513,301	\$ 532,304	\$555,496	\$576,704	\$ 613,514	\$650,284
Debt Service Requirement	13,540	27,917	39,909	51,978	76,550	77,639	78,359	77,883	77,866	81,676
2.5 Times Debt Service Requirement	33,850	69,793	99,773	129,945	191,375	194,098	195,898	194,708	194,665	204,190

Note :

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying general purpose financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

PERCENTAGE OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

*Last Ten Years**(In Thousands)*

Year	Debt Service Requirements			Total Expenditures	Percentage of Debt Service to Total Expenditures
	Principal	Interest	Total		
1991	\$4,915	\$8,625	\$13,540	\$794,513	1.70%
1992	5,185	22,732	27,917	895,216	3.12%
1993	6,896	33,013	39,909	817,605	4.88%
1994	7,350	44,628	51,978	857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	64,526	77,639	870,254	8.92%
1997	13,898	64,461	78,359	864,168	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,818	9.24%
2000	22,949	58,727	81,676	908,568	8.99%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

Sections 5309, 5307 and Title 1 including CMAQ and STP (formerly Sections 3, 9 and 23, respectively)

(In Millions)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1991	\$174.79	\$101.10	\$67.53	\$6.16
1992	161.14	90.77	57.14	13.23
1993	175.43	99.75	63.98	11.70
1994	237.20	141.92	77.33	17.95
1995	228.97	127.83	82.80	18.34
1996	233.97	131.92	84.48	17.57
1997	228.42	127.56	80.28	20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
Total	\$2,329.11	\$1,303.66	\$846.09	\$179.36

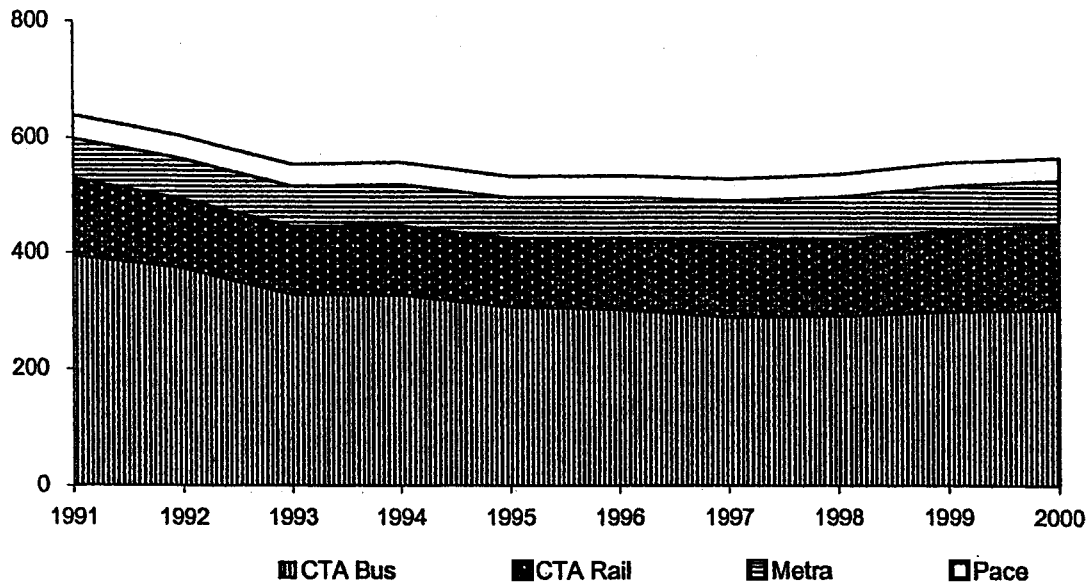
SERVICE DIVISION OPERATING CHARACTERISTICS

2000

<u>Chicago Transit Authority</u>	<u>Metra Commuter Rail Division</u>	<u>Pace Suburban Bus Division</u>
<u>Rapid Transit</u>		<u>Fixed Route</u>
<ul style="list-style-type: none"> • 7 rail routes • 142 stations served • 1,192 rapid transit cars • 12.3 million riders per month 	<ul style="list-style-type: none"> • 546 route miles • 1,189 miles of track • 240 stations • 130 locomotives • 781 passenger cars • 223 electric cars • 705 weekday trains operated • 96.0% on-time performance • 6.6 million riders per month (excluding 79% South Shore) 	<ul style="list-style-type: none"> • 162 regular routes • 61 feeder routes • 7 subscription routes • 192 communities served • 591 vehicles in use during peak periods • 3.1 million riders per month
<u>Motor Bus</u>		<u>Paratransit</u>
<ul style="list-style-type: none"> • 12,200 bus stops • 129 bus routes • 1,878 buses • 25.3 million riders per month 		<ul style="list-style-type: none"> • 52 local services • 354 Pace owned lift-equipped buses in service • 210 communities served • 132 thousand riders per month
<u>Paratransit</u>		<u>Other</u>
<ul style="list-style-type: none"> • 100 thousand riders per month 		<ul style="list-style-type: none"> • 321 vanpools in operation • 107 thousand riders per month

SYSTEM RIDERSHIP

1991-2000
(In Millions)



UNLINKED PASSENGER TRIPS

Last Ten Years

(In Millions)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Service Consumed:										
CTA - Bus	394.1	373.3	328.1	327.3	307.3	303.3	288.8	291.7	300.2	303.3
CTA - Rail	135.3	120.6	118.5	120.9	119.3	124.0	130.0	132.4	141.7	147.2
Total CTA	529.4	493.9	446.6	448.2	426.6	427.3	418.8	424.1	441.9	450.5
Metra	69.0	70.0	69.9	72.0	70.4	70.6	72.3	74.5	76.6	78.8
Pace	40.5	39.3	38.3	38.6	37.2	37.5	37.9	39.3	40.2	38.6
System Total	638.9	603.2	554.8	558.8	534.2	535.4	529.0	537.9	558.7	567.9
Percent Change		(5.6%)	(8.0%)	0.7%	(4.4%)	0.2%	(1.2%)	1.7%	3.9%	1.6%

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency, which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2000.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
CTA					
Art's Transportation Co.	\$ 210	\$ 4,252	\$ (4,042)	\$ 4,042	\$ -
Cook-DuPage Transportation Co.	627	12,713	(12,086)	12,086	-
SCR Transportation	360	7,289	(6,929)	6,929	-
Simtran Medical Transportation	4	81	(77)	77	-
Taxi Access Program	196	1,311	(1,115)	1,115	-
Total CTA	\$ 1,397	\$ 25,646	\$ (24,249)	\$ 24,249	\$ -
Metra					
Union Pacific	\$ 60,453	\$ 124,752	\$ (64,299)	\$ 64,299	\$ -
Burlington Northern/Santa Fe	35,345	46,460	(11,115)	11,115	-
Northern Indiana Commuter Transportation District (NICTD)	3,242	6,750	(3,508)	3,508	-
Total Metra	\$ 99,040	\$ 177,962	\$ (78,922)	\$ 78,922	\$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	\$ 611	\$ 2,000	\$ (1,389)	\$ 1,389	\$ -
Fixed Route - Private Contract Carriers	2,526	8,153	(5,627)	5,627	-
Total Fixed Route Service	3,137	10,153	(7,016)	7,016	-
Private Contract Carriers					
DAR Services	419	4,493	(4,074)	2,805	1,269
DAR and Stable	778	8,470	(7,692)	7,692	-
Total Private Contract Carriers	1,197	12,963	(11,766)	10,497	1,269
Paratransit - Municipal Carriers	628	5,576	(4,948)	1,508	3,438
Total Pace	\$ 4,962	\$ 28,692	\$ (23,730)	\$ 19,021	\$ 4,707

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES*(In Thousands)*

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services					
Fixed Route - Public Funded Carriers					
City of Highland Park	\$ 351	\$ 895	\$ (544)	\$ 544	\$ -
Village of Melrose Park	10	104	(94)	94	-
Village of Niles	250	1,001	(751)	751	-
Total	\$ 611	\$ 2,000	\$ (1,389)	\$ 1,389	\$ -
Private Contract Carriers - Fixed Route					
Colonial Coach Lines	\$ 314	\$ 1,367	\$ (1,053)	\$ 1,053	-
Keeshin Transportation	680	1,823	(1,143)	1,143	-
Laidlaw Transit	1,100	3,118	(2,018)	2,018	-
Mid America Coach Lines	54	365	(311)	311	-
Pauline Transportation	46	376	(330)	330	-
Robinson Coach Company	-	-	-	-	-
Ryder Student Transportation	292	1,006	(714)	714	-
Vancom - Illinois	-	-	-	-	-
Village of Schaumburg	40	98	(58)	58	-
Subscription Bus Billings	-	0	(0)	0	-
Total	\$ 2,526	\$ 8,153	\$ (5,627)	\$ 5,627	\$ -
Private Contract Carriers - Dial-a-Ride Services					
Addison	\$ 5	\$ 54	(49)	\$ 13	\$ 36
Barrington	1	51	(50)	28	22
Bloomington Township	26	298	(272)	204	68
Central Lake	10	114	(104)	78	26
Central Will	59	562	(503)	367	136
Downers Grove	3	183	(180)	120	60
Dupage County Non-ADA	14	85	(71)	71	-
Dupage Township	13	159	(146)	109	37
Elk Grove	26	271	(245)	76	169
Freemont Township	1	7	(6)	-	6
Hampshire Township	2	14	(12)	8	4
Hanover Township	3	15	(12)	-	12
Hometown	2	18	(16)	6	10
Leyden Township	23	242	(219)	66	152
McHenry Township	137	1,250	(1,113)	952	161
Milton Township	9	141	(132)	40	92
Naperville/Lake	25	296	(271)	214	57
Northeast Lake-Warren	12	225	(213)	151	62
Northeast Lake-Zion	4	53	(49)	37	12
Northwest Lake	21	232	(211)	172	39
N. Suburban Cook Non-ADA	3	16	(13)	12	-
Robbins	1	8	(7)	-	7
South Cook	8	37	(29)	29	-

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Private Contract Carries - Dial - a - Ride Services, continued					
Southwest Lake-Cuba	-	2	(2)	1	1
Southwest Lake-Wauconda	3	16	(13)	10	3
Southwest Will	1	21	(20)	14	7
Village of Bloomingdale	1	14	(13)	-	13
Wayne Township	6	109	(103)	27	77
Total	\$ 419	\$ 4,493	\$ (4,074)	\$ 2,805	\$ 1,269
Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	\$ 32	\$ 407	\$ (375)	\$ 375	\$ -
Elgin	-	1	(1)	1	-
Kane County	39	516	(477)	477	-
North Suburban	175	2,103	(1,928)	1,928	-
Northeastern/Central Lake	79	836	(757)	757	-
South Cook	314	3,198	(2,884)	2,884	-
Southwest/Central Will	14	209	(195)	195	-
West Cook	125	1,200	(1,075)	1,075	-
Total	\$ 778	\$ 8,470	\$ (7,692)	\$ 7,692	\$ -
Paratransit - Municipal Carriers					
Aurora	\$ 21	\$ 297	\$ (276)	\$ 74	\$ 202
Batavia	4	50	(46)	15	31
Bellwood	42	376	(334)	76	258
Bensenville	35	292	(257)	66	191
Berwyn/Cicero	17	155	(138)	36	102
Bloom	22	267	(245)	84	161
Crestwood	7	69	(61)	27	34
Dundee	12	91	(80)	28	52
Ela	20	146	(126)	60	66
Elgin	17	79	(61)	46	15
Forest Park	9	102	(93)	30	63
Fox Lake	6	17	(11)	7	4
Frankfort	15	154	(139)	32	107
Harvard	15	91	(76)	35	41
Lemont	4	48	(44)	13	31
Lyons	15	177	(162)	56	106
Norridge	19	72	(53)	27	26
Oak Park	30	242	(212)	75	137

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES*(In Thousands)*

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
<i>Pace</i>					
<u>Detail of Services, continued</u>					
<u>Paratransit - Municipal Carriers, continued</u>					
Orland Park	29	252	(223)	63	160
Palatine	9	120	(112)	29	83
Palos Hills	11	78	(66)	26	40
Park Forest	25	192	(166)	76	90
Peotone	17	206	(189)	57	132
Rich Township	63	506	(443)	49	394
Schaumburg	58	582	(524)	152	372
St. Charles	13	114	(101)	22	79
Stickney	16	197	(181)	60	121
Tinley Park	5	57	(52)	19	33
Vernon	5	104	(99)	21	78
Woodstock	58	298	(240)	113	127
Worth Township	9	145	(136)	34	102
Total	\$ 628	\$ 5,576	\$ (4,948)	\$ 1,508	\$ 3,438

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APPENDIX C

SERVICE BOARD HISTORICAL FINANCIAL RESULTS AND 2002 BUDGETS AND 2003-04 FINANCIAL PLANS

The following tables, C-I through C-VI, are referred to earlier in this Official Statement. See "THE REGIONAL TRANSPORTATION AUTHORITY—HISTORICAL FINANCIAL RESULTS" and "2002 BUDGET AND 2003-04 FINANCIAL PLAN."

TABLE C-I
CTA
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 UNAUDITED
REVENUES:					
Passenger Revenue	\$360,253	\$363,528	\$365,952	\$368,884	\$373,811
Reduced Fare Reimbursement	17,042	17,400	16,840	32,111	32,463
Other Revenue	<u>30,140</u>	<u>57,469</u>	<u>37,757</u>	<u>52,492</u>	<u>58,632</u>
TOTAL REVENUES	<u>\$407,435</u>	<u>\$438,397</u>	<u>\$420,549</u>	<u>\$453,487</u>	<u>\$464,906</u>
EXPENSES:					
Labor	\$573,663	\$569,009	\$583,052	\$ 616,306	\$629,619
Material	50,873	73,342	73,424	68,813	64,879
Fuel	15,104	11,095	12,481	23,305	23,326
Power	23,587	20,807	16,570	21,022	21,835
Insurance & Claims	32,100	42,000	31,000	30,000	44,000
Other	<u>85,635</u>	<u>91,732</u>	<u>88,428</u>	<u>91,901</u>	<u>100,252</u>
TOTAL OPERATING EXPENSES	<u>\$780,962</u>	<u>\$807,985</u>	<u>\$804,955</u>	<u>\$851,347</u>	<u>\$883,911</u>
OPERATING DEFICIT	\$373,527	\$369,588	\$384,406	\$397,860	\$419,005

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2000 and unaudited financial statements received from the CTA for Fiscal Year 2001.

TABLE C-II
CTA 2002 BUDGET AND 2003-2004 FINANCIAL PLAN
(Dollars in Thousands)

	2002	2003	2004
	BUDGET	PLAN	PLAN
REVENUES:			
Passenger Revenue	\$388,889	\$391,185	\$395,000
Reduced Fare Reimbursement	32,300	32,300	32,300
Other Revenue	<u>51,967</u>	<u>62,480</u>	<u>85,280</u>
TOTAL REVENUES	<u>\$473,156</u>	<u>\$485,965</u>	<u>\$512,580</u>
EXPENSES:			
Labor	\$667,596	\$687,000	\$724,000
Material	66,949	69,656	71,397
Fuel	23,000	23,000	23,000
Power	22,700	23,500	23,500
Insurance & Claims	23,000	23,000	30,000
Other	<u>111,543</u>	<u>113,297</u>	<u>116,943</u>
TOTAL EXPENSES	<u>\$914,788</u>	<u>\$939,453</u>	<u>\$988,840</u>
OPERATING DEFICIT	<u>\$441,632</u>	<u>\$453,488</u>	<u>\$476,260</u>
Recovery Ratio % ⁽¹⁾	52.0%	52.0%	52.1%

⁽¹⁾ The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital. Expenses exclude certain items as provided by the RTA Act.

TABLE C-III
METRA
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997	1998	1999	2000	2001
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	UNAUDITED
REVENUES:					
Passenger Revenue	\$166,782	\$172,232	\$177,320	\$182,821	\$183,296
Reduced Fare Reimbursement	1,128	1,366	1,534	2,775	2,929
Other Revenue	43,736				
	<u> </u>	<u>42,360</u>	<u>45,237</u>	<u>51,457</u>	<u>53,765</u>
TOTAL REVENUES	<u>\$211,646</u>	<u>\$215,958</u>	<u>\$224,091</u>	<u>\$237,053</u>	<u>\$239,990</u>
EXPENSES:					
Operations	\$127,999	\$130,459	\$142,550	\$147,865	\$160,146
Fuel/Power	20,364	16,909	19,391	27,671	27,398
Maintenance	149,399	155,457	166,810	169,552	179,956
Administration	57,107	32,995	33,816	37,896	34,133
Insurance & Claims/Other	<u>38,842</u>	<u>42,812</u>	<u>34,765</u>	<u>33,388</u>	<u>28,940</u>
TOTAL EXPENSES	<u>\$393,711</u>	<u>\$378,632</u>	<u>\$397,332</u>	<u>\$416,372</u>	<u>\$430,573</u>
OPERATING DEFICIT	\$182,065	\$162,674	\$173,241	\$179,319	\$190,583

⁽¹⁾Figures for fiscal years 1999 - 2001 have been restated to reflect Metra's utilization of a new reporting structure.

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2000 and unaudited financial statements received from Metra for Fiscal Year 2001.

Table C-IV
METRA 2002 BUDGET AND 2003-2004 FINANCIAL PLAN
(Dollars in Thousands)

	2002	2003	2004
	BUDGET	PLAN	PLAN
REVENUES:			
Passenger Revenue	\$192,633	\$201,668	\$205,701
Reduced Fare Reimbursement	2,920	2,920	2,920
Other Revenue	<u>50,194</u>	<u>50,747</u>	<u>56,641</u>
TOTAL REVENUES	<u>\$245,747</u>	<u>\$255,335</u>	<u>\$265,262</u>
EXPENSES:			
Operations	\$162,315	\$169,448	\$177,058
Fuel/Power	28,688	29,469	30,272
Maintenance	187,852	196,224	203,846
Administration	36,089	37,603	39,194
Insurance & Claims/Other	<u>34,677</u>	<u>35,957</u>	<u>37,290</u>
TOTAL EXPENSES	<u>\$449,621</u>	<u>\$468,701</u>	<u>\$487,660</u>
OPERATING DEFICIT	<u>\$203,874</u>	<u>\$213,366</u>	<u>\$222,398</u>
Recovery Ratio % ⁽¹⁾	55.3%	55.1%	55.0%

⁽¹⁾ The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act. By policy, the revenue figure for Metra excludes the 5% Capital Farebox Financing Program restricted by ordinance for capital. Expenses exclude certain items as provided by the RTA Act.

Table C-V
PACE
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ESTIMATE
REVENUES:					
Passenger Revenue	\$35,177	\$36,762	\$36,421	\$37,416	\$40,827
Reduced Fare Reimbursement	1,866	1,952	1,646	3,709	3,655
Other Revenue	<u>3,746</u>	<u>3,793</u>	<u>4,069</u>	<u>7,617</u>	<u>7,154</u>
TOTAL REVENUES	<u>\$40,789</u>	<u>\$42,507</u>	<u>\$42,136</u>	<u>\$48,742</u>	<u>\$51,636</u>
EXPENSES:					
Operations	\$66,034	\$68,083	\$70,750	\$74,688	\$79,132
Fuel	3,219	2,439	3,097	4,939	4,943
Maintenance	16,814	16,706	17,276	18,637	18,633
Administration	18,049	18,546	18,681	19,254	19,386
Insurance/Other	<u>4,565</u>	<u>4,934</u>	<u>3,765</u>	<u>4,217</u>	<u>5,094</u>
TOTAL EXPENSES	<u>\$108,681</u>	<u>\$110,708</u>	<u>\$113,569</u>	<u>\$121,735</u>	<u>\$127,188</u>
OPERATING DEFICIT	<u>\$67,892</u>	<u>\$68,201</u>	<u>\$71,433</u>	<u>\$72,993</u>	<u>\$75,552</u>

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2000 and unaudited financial statements received from Pace for Fiscal Year 2001.

PACE 2002 BUDGET AND 2003-2004 FINANCIAL PLAN
(Dollars in Thousands)

	2002 <u>BUDGET</u>	2003 <u>PLAN</u>	2004 <u>PLAN</u>
REVENUES:			
Passenger Revenue	\$41,327	\$42,135	\$43,184
Reduced Fare Reimbursement	3,840	3,840	3,840
Other Revenue	<u>7,663</u>	<u>9,265</u>	<u>9,883</u>
TOTAL REVENUES	<u>\$52,830</u>	<u>\$55,240</u>	<u>\$56,907</u>
EXPENSES:			
Labor/Fringes	\$75,720	\$78,444	\$81,070
Parts/Supplies	3,029	3,735	3,839
Other	7,790	8,791	9,010
Private Contract	7,920	8,118	8,321
Dial A Ride	11,156	11,435	11,721
ADA Paratransit	10,153	10,407	10,667
Vanpool	2,361	2,644	2,979
CMAQ, JARC, Shuttle	1,719	1,721	1,768
Insurance	5,452	5,589	5,728
Fuel	4,032	4,484	4,372
Service Standard Savings	0	(1,664)	(2,005)
ADvAntage Program	970	2,600	2,950
Utilities	<u>1,762</u>	<u>1,797</u>	<u>1,833</u>
TOTAL EXPENSES	<u>\$132,064</u>	<u>\$138,101</u>	<u>\$142,253</u>
OPERATING DEFICIT	<u>\$79,234</u>	<u>\$82,861</u>	<u>\$85,346</u>
Recovery Ratio % ⁽¹⁾	40.0%	40.0%	40.0%

* The budget and financial plan set forth above is the revised budget and financial plan adopted by the RTA. See "THE REGIONAL TRANSPORTATION AUTHORITY – 2002 BUDGET AND 2003-04 FINANCIAL PLAN" and "LITIGATION."

⁽¹⁾The recovery ratios for 2002, 2003, and 2004 represent those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2002A SERIES ORDINANCE

The following is a summary of certain provisions of the General Ordinance and the 2002A Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the 2002A Series Ordinance and accordingly is qualified by reference to the General Ordinance and the 2002A Series Ordinance and is subject to the full text of the General Ordinance and the 2002A Series Ordinance. Capitalized terms not defined in this summary or in the Official Statement have the respective meanings set forth in the General Ordinance or the 2002A Series Ordinance.

GENERAL DEFINITIONS

The following are definitions of certain terms used in the General Ordinance and the 2002A Series Ordinance.

"Accountant" shall mean an independent certified public accountant or a firm of independent certified public accountants selected or approved by the Authority.

"Act" shall mean the Regional Transportation Authority Act, as supplemented and amended (70 ILCS 3615/1.01 *et seq.*).

"Additional Authority Obligations" shall mean any Authority Obligations issued after the time of issuing the initial Series of Authority Obligations.

"Additional State Assistance" shall have the meaning set forth in the Act. See **"THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—State Assistance"** in this Official Statement.

"Annual Debt Service Requirements" shall mean, for any twelve-month period ending on an April 30 and with respect to any Series of Authority Obligations, the amount required during that period to be deposited in the account of the Debt Service Fund in respect of principal and interest for that Series of Authority Obligations. With respect to Authority Obligations which bear interest at variable rates, the deposits shall be calculated in respect of interest as if the Authority Obligations would bear interest at the maximum rate which those Obligations may bear pursuant to law or the applicable authorizing Series Ordinance, or if there is no such maximum rate at a rate equal to 20% per year. With respect to Authority Obligations for which there is a purchase, unscheduled mandatory redemption or similar unscheduled requirement which is provided to be paid by use of a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or pursuant to Sinking Fund Installments) and not pursuant to the purchase, redemption or similar unscheduled requirements provided so to be paid through the Credit Support Instrument.

"Authority Obligations" shall mean the Bonds and Notes.

"Authorized Officer," in respect of any act or duty, shall mean the Chairman, the Treasurer, and in addition any director, officer or employee of the Authority authorized by the bylaws or a resolution of the Authority to perform that particular act or duty. With respect to any investment of funds, Authorized Officer also includes any investment advisor appointed by resolution of the Authority.

"Bond" or *"Bonds"* shall mean any of the Authority's General Obligation Bonds which are issued pursuant to the Act, the General Ordinance and a Series Ordinance.

"Bond Anticipation Notes" shall mean any of the Authority's General Obligation Bond Anticipation Notes issued in anticipation of Bonds, which notes are issued pursuant to the Act, the General Ordinance and a Series Ordinance.

"Capital Asset Purposes" shall mean any or all of the following purposes as provided in the Act: to pay costs to the Authority or a Service Board of constructing or acquiring any public transportation facilities (including funds and rights relating to those facilities, as provided in Section 2.05 of the Act); to repay advances to the Authority or a Service Board made for those purposes; to pay other expenses of the Authority or a Service Board incident to or incurred in connection with such construction or acquisition; to provide funds for any transportation agency to pay principal of or interest or redemption premium on any bonds or notes by such transportation agency to construct or acquire any public transportation facilities or to provide funds to purchase such bonds or notes; and to provide funds for any transportation agency to construct or acquire public transportation facilities, to repay advances made for such purposes, and to pay other expenses to or incurred in connection with such construction or acquisition.

"Capital Assets Fund" shall mean the Capital Assets Fund established in the General Ordinance. See **"THE SERIES 2002A BONDS-CAPITAL ASSETS FUND"** in this Official Statement.

"Chairman" shall mean the Chairman of the Board of Directors of the Authority.

"Compound Accreted Value" shall mean, with respect to a Bond issued at an original issue discount in excess of 2%, the principal amount of the Bond at maturity less the unaccrued original issue discount. The amount of the discount shall be accrued on a constant interest rate basis (that is actuarially on a geometric progression) from the date of issuance of the initially issued Bonds of that Series until the date specified in the applicable Series Ordinance as that date on which those Bonds shall have achieved a compound accreted value equal to their full principal amount (either at the final maturity date of the Bond or earlier, as the case may be).

"Costs of Issuance" shall mean all fees and costs incurred by the Authority relating to the issuance of Authority Obligations including, without limitation, printing costs, administrative costs, Trustee's initial fees and charges, paying agent's initial fees, legal fees, rating costs, accounting fees

and financial advisory fees, the cost of any bond insurance premium to insure any Authority Obligations and any amounts to be paid to obtain a Credit Support Instrument or Reserve Fund Credit Instrument.

"Credit Support Instrument" shall mean a letter of credit, line of credit, insurance policy, guaranty, surety bond or other obligation issued by a Qualified Provider which guarantees or otherwise ensures the ability of the Authority or the Trustee to pay the principal, Redemption Price of or interest on or Purchase Price of, any Authority Obligations or by which the institution shall be obligated to purchase Authority Obligations from the Holders of the Authority Obligations.

"Debt Service Fund" shall mean the Debt Service Fund established in the General Ordinance. See **"SECURITY FOR THE SERIES 2002A BONDS-DEBT SERVICE FUND"** in this Official Statement.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the General Ordinance. See **"SECURITY FOR THE SERIES 2002A BONDS-DEBT SERVICE RESERVE FUND"** in this Official Statement

"Events of Default" shall mean the occurrence of an event specified in Sections 1101 and 1102 of the General Ordinance which shall give the Trustee the power to take steps to protect, enhance or enforce rights granted in the General Ordinance, a Series Ordinance or an Authority Obligation. See **"DEFAULT PROVISIONS; REMEDIES OF HOLDERS"** in this Appendix D.

"Fiscal Year" shall mean, except for the first Fiscal Year, the period of twelve calendar months ending with December 31 of any year, or such other period as may by the Authority be established from time to time.

"Government Obligations" shall mean the obligations referred to in clauses (a) and (g) of the definition of Investment Obligations; provided that the obligations referred to in clause (g) shall be accompanied by (i) an opinion of a firm of nationally recognized independent certified public accountants to the effect that the escrow is sufficient to pay the obligations when due and (ii) the approving opinion of bond counsel delivered at the time of the issuance of such obligations.

"Holder" when used with respect to any Authority Obligations shall mean the registered owner of Authority Obligations. *"Bondholder"* shall mean a holder of a Bond; *"Noteholder"* shall mean a holder of a Note.

"Investment Obligations" shall mean any of the following obligations which at the time of investment of any amounts in any Fund or Account established pursuant to the General Ordinance are legal investments under the laws of the State of Illinois for that Fund or Account:

- (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations described in (b) below to the extent unconditionally guaranteed by the United States of America; or any

other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a) as long as the receipt, certificate or other evidence of an ownership interest represents a direct interest in future principal and interest payments on obligations unconditionally guaranteed by the United States of America and such obligations are held by a custodian in safekeeping on behalf of the holders of the receipt, certificate or other evidence of an ownership interest therein;

(b) obligations of the Export-Import Bank of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Finance Bank, the Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration, the Federal Farm Bank and the Federal Home Loan Mortgage Association, including obligations of any other agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which obligations of such agency or corporation have been approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations; or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (b), which receipt, certificate or other evidence of an ownership interest shall be first approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations;

(c) direct and general obligations of the State of Illinois;

(d) direct and general obligations of any state, other than Illinois, which obligations are rated in either of the two highest rating categories by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations;

(e) repurchase agreements for obligations described in clauses (a) and (b) of this definition, provided that the entity which agrees to repurchase such obligations from the Authority must be a Qualified Financial Institution or a government bond dealer reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, in any case with capital and surplus aggregating at least \$50,000,000, and provided that the agreement provides for the Authority to be secured by such obligations (by delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent in that capacity were the holder of the underlying obligations) with a market value at least equal to the repurchase amount;

(f) negotiable or non-negotiable time deposits evidenced by certificates of deposit, or investment agreements, or similar banking arrangements, issued or made by banks, savings

and loan associations, trust companies or national banking associations (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, provided that such time deposits, investment agreements, or similar banking arrangements in any such bank, savings and loan association, trust company or national banking association either (i) are continuously secured by obligations described in subparagraphs (a), (b), (c) or (d) of this definition (by physical delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent were in that capacity the physical holder of the underlying obligations), and provided that such obligations at all times have a market value at least equal to the maturity value of the deposits so secured, including accrued interest or (ii) are continuously and fully insured by the Federal Deposit Insurance Corporation;

(g) (i) obligations of States or political subdivisions of States (within the meaning of the United States Internal Revenue Code, as amended) which are fully secured and defeased as to principal and interest by an irrevocable escrow of direct obligations of the United States of America and rated in the highest rating category by S&P if S&P at the time maintains a rating of any of the Authority Obligations and (ii) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (i) of this clause (g), which receipt, certificate or other evidence of an ownership interest shall be first approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations;

(h) investment agreements with Qualified Financial Institutions;

(i) obligations of the International Bank for Reconstruction and Development (the World Bank);

(j) corporate securities, including commercial paper and fixed income obligations, which are rated in the highest rating category by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations; and

(k) any other investment permitted by Illinois law rated investment grade by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations; provided that no investment of funds in the Debt Service Fund shall be made pursuant to the fifth paragraph of 30 ILCS 235/2(e) (formerly Ill. Rev. Stat. ch. 85, par. 902), as in effect on May 18, 1990;

provided, however, that the investments described in subparagraphs (e) and (f) above constitute permitted Investment Obligations only for certain accounts in the Capital Assets Fund.

"Moody's" shall mean Moody's Investors Service, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

"Notes" shall mean Bond Anticipation Notes or Working Cash Notes, or any other general obligation notes as may be authorized to be issued by the Authority pursuant to the Act.

"Operating Expenses" shall mean day to day operating expenses of the Authority or of a Service Board consisting of wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rentals, 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, office supplies, postage, dues, subscriptions, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies (as defined in the Act).

"Outstanding" shall mean, when used with reference to Authority Obligations, all such obligations which have been issued, including the Series 1990A Bonds, Series 1991A Bonds, Series 1992A&B Bonds, Series 1993A&B Bonds, Series 1993C Bonds, Series 1994A&B Bonds, Series 1994C&D Bonds, Series 1996 Bonds, Series 1997 Bonds, Series 1999 Bonds, Series 2000A Bonds, Series 2001A Bonds, Series 2001B Bonds and Series 2002A Bonds, except (a) Authority Obligations which have been paid or redeemed in full both as to principal and interest or (b) Authority Obligations provision for the payment or redemption of which has been made pursuant to the General Ordinance, as described under **"-DEFEASANCE"** in this Appendix D.

"Public Transportation Fund Revenues" shall have the meaning set forth under **"SECURITY FOR THE SERIES 2002A BONDS—SECURITY AND SOURCES OF PAYMENT"** in this Official Statement.

"Purchase Price" shall mean the price at which a Holder of an Authority Obligation shall have the right pursuant to a Series Ordinance to have the Obligation purchased from the Holder by the Authority or the Trustee.

"Qualified Financial Institution" shall mean a bank, trust company, national banking association, insurance company or other financial services company whose long-term debt obligations or whose claims paying abilities are rated in any of the three highest rating categories (without reference to subcategories) by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations. For purposes hereof, the term "financial services company" shall include any investment banking firm or any affiliate or division thereof which may be legally authorized to enter into the transactions described in the General Ordinance pertaining, applicable or limited to a Qualified Financial Institution.

"Qualified Provider" shall mean a bank (including without limitation, a national banking association or a foreign bank authorized to do business in the United States), insurance company or other institution, which bank, company or institution provides letters of credit, lines of credit, insurance policies, guaranties, surety bonds or other similar obligations for municipal bonds, which obligation of the institution is rated in one of the top three full rating categories by Moody's and S&P.

"Rebate Account" or *"Rebate Accounts"* shall mean the account or accounts of that name with respect to the various Series of Authority Obligations established pursuant to the General Ordinance.

"Redemption Price" shall mean, with respect to any Authority Obligation (or portion of any Authority Obligation) the price on any redemption date, exclusive of accrued and unpaid interest, at which the Authority Obligation (or a portion of it) may or must be redeemed pursuant to the General Ordinance and the Series Ordinance pursuant to which the Authority Obligation was issued.

"Reserve Fund Credit Instrument" shall mean a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or bond, has been assigned a credit rating which is within one of the two highest ratings accorded insurers by both Moody's and S&P. In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories from both Moody's and S&P. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Debt Service Reserve Fund may be used and shall be irrevocable during its term.

"Reserve Fund Credit Instrument Coverage" shall mean, with respect to any Reserve Fund Credit Instrument, at any date of determination, the amount available to pay principal, Redemption Price or Purchase Price of and interest on the Bonds secured by such Reserve Fund Credit Instrument.

"Reserve Requirement" with respect to each Account in the Debt Service Reserve Fund shall mean as of any date of calculation the lesser of (i) 10% of the original principal amount of the Series of Bonds (less any original issue discount) secured by such Account; and (ii) the maximum amount of the Annual Debt Service Requirements for the Outstanding Bonds secured by such Account for that or any future twelve-month period ending April 30.

"Revenues" shall have the meaning set forth under **"SECURITY FOR THE SERIES 2002A BONDS—SECURITY AND SOURCES OF PAYMENT"** in this Official Statement.

"S&P" shall mean Standard & Poor's, a division of the McGraw-Hill Companies, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

"Sales Tax Revenues" shall have the meaning set forth under "SECURITY FOR THE SERIES 2002A BONDS—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"Secured Government Payments" shall mean payments made to the Authority, or to a trustee for holders of bonds or notes of the Authority, from the State of Illinois or from the Federal government (or any agency of the State of Illinois or the Federal government), pursuant to a contract between the Authority or a Service Board and the State of Illinois or the Federal government (or any agency of the State of Illinois or the Federal government), as described in the next two sentences of this definition. Such a contract shall provide for the payments from the State of Illinois or the Federal government (or any agency of the State of Illinois or the Federal government) to be on account of either: (i) public transportation service provided by or financed by the Authority or a Service Board, or (ii) public transportation facilities purchased or acquired by the Authority or a Service Board. Such a contract shall allow payments under it to be assigned or pledged to a trustee for holders of bonds or notes of the Authority. Secured Government Payments shall not mean any Public Transportation Fund Revenues, any taxes by or on behalf of the Authority collected by the Illinois Department of Revenue or any State Assistance.

"Separate Ordinance Obligations" shall mean any bonds or notes of the Authority, whether or not issued under Section 4.04 of the Act, as amended from time to time, the authorizing ordinance for which bonds or notes states that they are not issued pursuant to the General Ordinance, and which bonds or notes are secured by a pledge or assignment of Secured Government Payments or *ad valorem* property tax receipts.

"Series 1990A Bonds," "Series 1991A Bonds," "Series 1992A Bonds," "Series 1992B Bonds" (the Series 1992A Bonds and the Series 1992B Bonds being collectively referred to as the "Series 1992A&B Bonds"), "Series 1993A Bonds," "Series 1993B Bonds" (the Series 1993A Bonds and the Series 1993B Bonds being collectively referred to as the "Series 1993A&B Bonds"), "Series 1993C Bonds," "Series 1994A Bonds," "Series 1994B Bonds" (the Series 1994A Bonds and the Series 1994B Bonds being collectively referred to as the "Series 1994A&B Bonds"), "Series 1994C Bonds," "Series 1994D Bonds" (the Series 1994C Bonds and the Series 1994D Bonds being collectively referred to as the "Series 1994C&D Bonds"), "Series 1996 Bonds," "Series 1997 Bonds," "Series 1999 Bonds," "Series 2000A Bonds," "Series 2001A Bonds," "Series 2001B Bonds" and "Series 2002A Bonds" shall mean, as applicable, the General Obligation Bonds and General Obligation Refunding Bonds bearing such respective series designations heretofore issued and outstanding under the General Ordinance, all issued under Section 4.04 of the Act.

"Series Ordinance" shall mean an ordinance of the Authority authorizing the issuance of a series of Bonds or Notes in accordance with the terms and provisions of the General Ordinance.

"Service Board" shall mean the Chicago Transit Authority, the Commuter Rail Division of the Authority or the Suburban Bus Division of the Authority.

"Sinking Fund Installments" shall mean, with respect to any date, the principal amount of Term Bonds of any Series which are required to be redeemed by the Authority on that date pursuant to and in the amounts provided by the Series Ordinance for that Series, or which are required to be paid at maturity and not required previously to be redeemed.

"Subordinate Obligation" shall mean any obligation of the Authority for borrowed money, other than Authority Obligations, including without limitation, installment purchase contracts, equipment trust certificates or reimbursement agreements, which obligations are by their terms payable from Trusteed Money, or other receipts, revenues and funds which are pledged to the Trustee for Authority Obligations under the General Ordinance, and which are available to the Authority only after all required deposits and credits have been made to the various Accounts in the Debt Service Fund for Authority Obligations.

"Supplemental Ordinance" shall mean an ordinance supplemental to the General Ordinance adopted by the Authority in accordance with the conditions described under **"MODIFICATION OF GENERAL ORDINANCE"** in this Appendix D.

"Trusteed Money" shall mean the Sales Tax Revenues, Public Transportation Fund Revenues and any other money or funds which may be assigned by the Authority for direct payment to the Trustee. It also means all amounts held by the Trustee in the Debt Service Fund and the Debt Service Reserve Fund pursuant to the General Ordinance, a Series Ordinance or a Supplemental Ordinance.

"Working Cash Notes" shall mean any of the Authority's general obligation Working Cash Notes issued pursuant to the Act, the General Ordinance and a Series Ordinance.

ORDINANCES CONSTITUTE CONTRACT

In consideration of the purchase and acceptance of any Authority Obligations issued under the General Ordinance by their Holders from time to time, the General Ordinance shall constitute a contract between the Authority and the Holders of the Authority Obligations. The pledges, grants, assignments, covenants, liens and security interests provided for and set forth in the General Ordinance to be performed by the Authority shall be for the benefit, protection and security of the Holders of any and all of the Authority Obligations. Each Series Ordinance shall constitute a contract between the Authority and the Holders of the Authority Obligations of that Series.

CUSTODY AND APPLICATION OF BOND AND NOTE PROCEEDS

The General Ordinance authorizes the issuance of the Bonds, Bond Anticipation Notes and Working Cash Notes of the Authority.

Capital Assets Fund. The General Ordinance establishes a Capital Assets Fund as a separate and distinct fund to be used as provided in the General Ordinance and in any Series Ordinances authorizing the issuance of Bonds or Notes other than Working Cash Notes. All proceeds of any Series of Authority Obligations which are designated by the Series Ordinance authorizing the issuance of that Series of Authority Obligations to be used for Capital Asset Purposes may be deposited in the Capital Assets Fund. The Authority may, in the Series Ordinance authorizing any such Series of Authority Obligations, provide for the creation of separate and distinct accounts within the Capital Assets Fund, to be used as provided in the applicable Series Ordinance. All moneys deposited in the Capital Assets Fund shall be held by either the Trustee or the Authority as shall be directed by the Series Ordinance and shall be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Capital Assets Fund shall be deposited in the Capital Assets Fund (to the credit of the Accounts within the Capital Assets Fund, if any, on the basis of their contribution to the cost of the relevant investment).

Working Cash Fund. The General Ordinance establishes a Working Cash Fund as a separate and distinct fund to be used as provided in the General Ordinance and the Series Ordinances authorizing the issuance of Working Cash Notes, to pay Costs of Issuance and Operating Expenses to cover anticipated cash flow deficits. All proceeds of any Series of Working Cash Notes, which are designated by the Series Ordinance authorizing the issuance of that Series of Notes to be used for Costs of Issuance or Operating Expenses may be deposited in the Working Cash Fund. A Series Ordinance may provide for separate and distinct Accounts in the Working Cash Fund, to be used as provided in the Series Ordinance. All moneys deposited in the Working Cash Fund shall be held by the Trustee or the Authority as shall be directed in the Series Ordinance and shall be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Working Cash Fund shall be deposited as received in the Working Cash Fund (to the credit of the accounts within the Working Cash Fund, if any, on the basis of their contribution to the cost of the relevant investment), and may be applied by the Authority in the manner as provided in the Series Ordinance.

If a Series Ordinance provides for money deposited in any Account in the Capital Assets Fund or the Working Cash Fund to be held by the Trustee, those amounts, and interest and other investment income on those amounts, shall be disbursed as provided in that Series Ordinance. No Series Ordinance so providing such deposits to be held by the Trustee shall be effective without the consent of the Trustee as to that deposit and method of disbursement.

Additional Funds. The Authority may, in the Series Ordinance authorizing the issuance of any Series of Authority Obligations, establish additional Funds to be held, invested and disbursed by the Trustee as provided in the Series Ordinance.

NATURE AND SOURCE OF PAYMENT OF AUTHORITY OBLIGATIONS

The General Ordinance provides that all Authority Obligations shall be general obligations of the Authority to which shall be pledged the full faith and credit of the Authority. All Authority

Obligations shall be superior to and have priority over any other obligations of the Authority, except Separate Ordinance Obligations to the extent that under the Act and their authorizing ordinances they have a prior claim to Secured Government Payments or *ad valorem* property tax receipts.

Authority Obligations shall be payable as to principal, Redemption Price, Purchase Price and interest from all Revenues and from all Funds received or held by the Authority, including, without limitation, amounts in the appropriate accounts of the Debt Service Fund and Debt Service Reserve Fund with respect to a Series of Authority Obligations, or otherwise on hand at the Authority, which are in any event legally available to be so applied. Authority Obligations shall not be payable from State Assistance, amounts in the Authority's joint self-insurance fund or from amounts required by ordinances authorizing Separate Ordinance Obligations to be on deposit in any debt service fund or debt service reserve fund for such Separate Ordinance Obligations or from amounts payable upon any credit support instrument or reserve fund credit instrument in respect of Separate Ordinance Obligations.

EQUALITY OF AUTHORITY OBLIGATIONS

All Authority Obligations authorized pursuant to the General Ordinance shall rank equally as to security, regardless of the time or times of their issue, and shall be entitled to no priority one over another between Authority Obligations within the same maturity, with respect to any funds pledged as security for or available for the payment of the Authority Obligations, other than as expressly provided in the General Ordinance. Nothing shall prohibit the Authority from providing Credit Support Instruments solely for certain Authority Obligations and not others. As provided by the General Ordinance, the Debt Service Reserve Fund shall be available for the payment of principal, Redemption Price and Purchase Price of and interest only on Bonds.

ASSIGNMENT OF TRUSTEED MONEY

The Authority has irrevocably assigned the Trusteed Money to the Trustee, for the benefit of the Holders from time to time of the Authority Obligations, to be held, invested and used as provided in the General Ordinance. The State Treasurer, the State Department of Revenue and the State Comptroller are authorized and directed to pay and cause to be paid directly to the Trustee and not to the Authority all Trusteed Money coming into the hands of any of them or into the Treasury of the State. The Chairman or the Secretary of the Authority is authorized and directed to cause a certified copy of the General Ordinance and of each Series Ordinance to be filed with the State Treasurer, the Comptroller and the State Department of Revenue. Upon receipt thereof, the State Treasurer, the State Department of Revenue and the Comptroller shall subsequently, notwithstanding any other provisions of the Act, provide for the Trusteed Money held or received by any of them or in the Treasury of the State of Illinois to be paid directly to the Trustee instead of the Authority. After such notice, the assignment shall be valid and binding from the date of the General Ordinance without any physical delivery or further act, and shall be valid and binding as against and prior to the claims of all other parties having claims of any kind against the Authority or any other person irrespective of whether the other parties have notice of the assignment. When the assignment shall

be discharged in accordance with the General Ordinance with respect to all of the Authority Obligations, the Trustee shall promptly deliver to the State Treasurer, the Comptroller and the State Department of Revenue written notice of that fact and subsequently all Trusteed Money shall again be paid to the Authority the same as before the assignment.

While any of the Authority Obligations are Outstanding, the Authority shall pay to the Trustee for deposit in the Debt Service Fund all Trusteed Money received by the Authority (other than amounts withdrawn from the Debt Service Fund in accordance with the General Ordinance).

PLEDGE EFFECTED BY THE GENERAL ORDINANCE

For the benefit of the Holders from time to time of the Authority Obligations, the Authority pledges and grants to the Trustee a first lien on and first security interest in all Trusteed Money, all Revenues and all of its funds on hand from which Authority Obligations are payable as provided in the General Ordinance (which Revenues and funds lawfully may be so used) for payment in full of the principal, Redemption Price and Purchase Price of and interest on Authority Obligations, as such amounts become due and payable. Amounts required to be deposited in any Account, other than a Rebate Account, of the Debt Service Fund secure and shall be used for only the Authority Obligations with respect to which the Account is established. The pledge, lien and security interest with respect to any Authority Obligation shall be valid and binding from the time that Authority Obligation is issued, without any physical delivery or further act, and shall be valid and binding as against and prior to the claims of all other parties having claims of any kind against the Authority or any other person irrespective of whether such other parties have notice of such pledge, lien and security interest. In furtherance of this pledge, lien and security interest, in the event any Authority Obligation shall not be paid when due as to principal, Redemption Price, Purchase Price or interest, the Trustee may require any such Revenues and funds on hand, excluding the joint self-insurance fund referred to in the definition of "Revenues," to be paid directly to the Trustee for such application.

This pledge and grant of lien and security interest is subject to the right of the Authority to apply any amounts which it has on hand and which are not required by the terms of the General Ordinance and the Series Ordinances to remain on deposit or to be deposited in the Debt Service Fund and the Debt Service Reserve Fund for its other legal purposes.

ESTABLISHMENT OF DEBT SERVICE FUND

The General Ordinance establishes the Debt Service Fund as a separate and distinct fund, to be maintained by the Trustee in trust for the Holders from time to time of the Authority Obligations, and shall be invested and used, all as provided by the General Ordinance. This trust shall be irrevocable so long as any of the Authority Obligations are outstanding. All receipts of Trusteed Money shall be deposited by the Trustee in the Debt Service Fund, or, as hereinafter described, in the Debt Service Reserve Fund. Other Revenues and funds of the Authority shall be deposited in the Debt Service Fund and the Debt Service Reserve Fund as required by the General Ordinance and any Series Ordinance.

ESTABLISHMENT OF ACCOUNTS IN DEBT SERVICE FUND

The General Ordinance provides that the Authority shall, in each Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Fund relating to particular Series of Authority Obligations. The creation of separate Accounts in the Debt Service Fund shall not create any preference of one Series of Authority Obligations over any other Series, except that amounts required to be deposited in any Account of the Debt Service Fund secure and shall be used for only the Authority Obligations with respect to which the Account is established. The deposits to be made to the various Accounts of the Debt Service Fund shall be made each month proportionately on the basis of the amounts required to be deposited in each Account. The investments and deposits of any of the Accounts of the Debt Service Fund may be commingled, except with respect to Rebate Accounts, as provided in the General Ordinance.

In each Series Ordinance establishing an Account in the Debt Service Fund, the Authority shall provide a monthly deposit requirement with respect to such Account (other than the Rebate Account). The monthly deposit requirement may be expressed in absolute dollar terms or as a formula, but shall provide for the deposit of amounts sufficient to pay the principal, Redemption Price and Purchase Price of, and interest on the Authority Obligations of the relevant Series as those amounts come due. With respect to Authority Obligations for which a purchase or redemption requirement is provided to be paid through a Credit Support Instrument the Series Ordinance need not set forth specific deposit requirements in respect of those amounts, but the Authority shall make, in any event, deposits in the Debt Service Fund sufficient to meet all obligations of the Authority with respect to those requirements.

The monthly deposit requirements with respect to each Series of Authority Obligations shall not be less than the following amounts:

(a) The amount in respect of interest shall not be less than the product of the interest coming due on the next interest payment date on that Series and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding interest payment date on that Series or, in respect of interest on the first interest payment date, from the date of delivery of the Series to that next interest payment date, until the full amount of that interest on the next interest payment date has been provided so to be deposited. The deposit requirements in respect of interest may be reduced (including to zero) to the extent that amounts specified in a Series Ordinance are deposited in the Debt Service Fund to the credit of the Account in that Fund. With respect to Authority Obligations which will bear interest at variable rates, the monthly deposit requirements in respect of interest shall be calculated as provided in the Series Ordinance for such Obligations.

(b) The amount in respect of principal, except for the first principal payment date for a Series, shall not be less than the product of the principal coming due (whether at maturity or pursuant to Sinking Fund Installments) on the next such principal payment date and a fraction, the numerator of which is one and the denominator of which is the number of

months less one from the preceding principal payment date to the next principal payment date until the full amount of that principal on the next principal payment date has been provided so to be deposited. The amount in respect of principal on the first principal payment date shall be the amounts specified in the Series Ordinance for that Series, which shall be sufficient so that the full amount of that principal shall have been provided to have been deposited (based on dates for deposit of Sales Tax Revenues as anticipated by the Board) not less than 20 days prior to that principal payment date.

(c) With respect to Authority Obligations for which there is a purchase, mandatory redemption or similar requirement which is provided to be paid through a Credit Support Instrument, the required deposits described in paragraph (b) above in respect of principal shall be based on scheduled principal payments (at maturity or pursuant to Sinking Fund Installments) and not based on purchase, redemption or similar requirements provided so to be paid through such an instrument.

The 2002A Series Ordinance establishes a monthly deposit requirement for the Series 2002A Bonds in the Series 2002A Bonds Account of the Debt Service Fund. For each month prior to July 1, 2002, the monthly deposit requirement for interest is the product of the interest coming due on July 1, 2002 (minus the amount of accrued interest deposited in the Series 2002A Bonds Account in the Debt Service Fund upon the issuance and delivery of the Series 2002A Bonds), and a fraction, the numerator of which is one and the denominator of which is the number of full calendar months less one from the date of delivery of the Series 2002A Bonds to the July 1, 2002 interest payment date, until the full amount of the interest payment is on hand. Thereafter, the monthly deposit requirement for interest is equal to one-fifth of the interest coming due on the next interest payment date until the amount of that interest payment requirement is on hand. For each month prior to the first principal payment date on the Series 2002A Bonds, the Authority shall deposit into the Series 2002A Bonds Account of the Debt Service Fund an amount equal to the amount of principal coming due on the first principal payment date for the Series 2002A Bonds multiplied by a fraction, the numerator of which shall be one and the denominator of which shall equal the number of full calendar months between the date of delivery of the Series 2002A Bonds and the first principal payment date for the Series 2002A Bonds, minus one, until the full amount of the principal payment for the Series 2002A Bonds is on hand. For each month beginning twelve months preceding any principal payment (other than the first principal payment) or mandatory redemption date on the Series 2002A Bonds, the Authority shall deposit into the Series 2002A Bonds Account of the Debt Service Fund an amount equal to one-eleventh of the principal coming due on the next principal payment or mandatory redemption date until the full amount of the principal payment or mandatory redemption amount is on hand.

There shall be deposited in the Debt Service Fund to the credit of the Rebate Accounts, after there are no deficiencies in any of the other Accounts in the Debt Service Fund or the Debt Service Reserve Fund, the amounts as shall be required to be held available for rebate to the United States of America with respect to each Series of Authority Obligations. The amount so to be held available

shall be determined from time to time by the Authority pursuant to the Series Ordinances, as certified by an Authorized Officer to the Trustee.

In any period in which there is any deficiency in any Account in the Debt Service Fund, the amount of the deficiency shall be added to and be a part of the monthly deposit requirement for such Account for that and all succeeding periods until there no longer remains any such deficiency.

In any month after all of the required deposits and credits to all Accounts in the Debt Service Fund have been made (other than Rebate Accounts) and there is no deficiency in any of the Accounts (other than Rebate Accounts), the Trustee shall pay from the Debt Service Fund proportionately to the Accounts in the Debt Service Reserve Fund any remaining amounts in the Debt Service Fund until the value of each Account in the Debt Service Reserve Fund, calculated as provided in the General Ordinance, shall equal the Reserve Requirement for such Account, and then shall credit to the Rebate Accounts proportionately until there are no deficiencies in any such Accounts, and then shall pay any remaining amounts in the Debt Service Fund after all of the required deposits and credits to all accounts in the Debt Service Fund (including the Rebate Accounts) have been made and there are no deficiencies in any such Accounts, to the Authority, or upon the Authority's direction.

If for any reason in any month the required deposits and credits are not made to the Debt Service Fund and all Accounts in it and to the Debt Service Reserve Fund and all Accounts in it, then the Authority shall immediately deposit with the Trustee any and all other money and funds which it has on hand or available to it, from which Authority Obligations are payable as provided in the General Ordinance, to make up such deficiency which lawfully may be so used. The Trustee shall deposit in and credit such funds first to the Debt Service Fund Accounts other than the Rebate Accounts, proportionately on the basis of the amount of the deficiency in each such Account, then to the Debt Service Reserve Fund Accounts proportionately on the basis of the amount of the deficiency in each such Account, and then proportionately to the Rebate Accounts. The Authority shall not use any such other moneys or funds for any other purpose until such deficiency is made up.

If for any reason in any month the required deposits and credits are not made to the Debt Service Fund and all Accounts in it and to the Debt Service Reserve Fund and all Accounts in it by the last date in the month in which the Sales Tax Revenues are normally received by the Trustee, and in any event by the 25th day of the month, then the Trustee shall so notify the Authority and, whether or not it receives that notice, the Authority shall make all required deposits as provided in the preceding paragraph.

USE AND WITHDRAWAL OF MONEY FROM THE ACCOUNTS IN THE DEBT SERVICE FUND

From the amounts deposited in or credited to the Accounts in the Debt Service Fund, the Trustee shall pay first out of the Account (other than the Rebate Account) and then out of the Rebate Account, in each case pertaining to each Series of Authority Obligations to the Paying Agents for that Series of Authority Obligations, on the business day preceding each interest payment date or principal

payment date (whether at maturity or pursuant to Sinking Fund Installments) or mandatory redemption date or date of required purchase, not being made by a Credit Support Instrument, an amount equal to the principal, Redemption Price, Purchase Price and interest on the Series of Authority Obligations coming due on the following business day. In lieu of making such payments to a Paying Agent on the business day prior to the day that a payment with respect to Authority Obligations is due, the Trustee at the direction of the Treasurer or other Authorized Officer, and with the approval of the Paying Agent, may on that prior business day deposit Investment Obligations maturing on the day of payment sufficient for that payment.

The Trustee shall use, upon the written direction of the Treasurer or other Authorized Officer of the Authority, amounts in any Account, other than a Rebate Account, to purchase Authority Obligations of the Series to which such Account pertains at a price not in excess of the principal amount (or Compound Accreted Value with respect to Authority Obligations sold at a discount in excess of 2%) plus accrued interest to the date of purchase; *provided, however*, that amounts in an Account may be so used only if after any purchase there shall remain on deposit in such Account an amount equal to the amount which would have been required to have been deposited had the purchased Authority Obligations never been Outstanding. The principal amount of the Authority Obligations so purchased shall be applied against the Sinking Fund Installments for the Series of Authority Obligations purchased as provided in the Series Ordinance authorizing the issuance of that Series.

Amounts in Rebate Accounts shall be used at the direction of an Authorized Officer to make rebate payments to the United States of America. Amounts in a Rebate Account in excess of the amounts which the Authority shall determine is needed for making rebates, shall no longer be required to be deposited into that Rebate Account and shall be used first to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund and then shall be paid to the Authority.

In each month, the Trustee, upon required deposits to the Debt Service Fund and the Debt Service Reserve Fund having been made, shall immediately pay to the Authority amounts in the Debt Service Fund in excess of the then required deposits and credits in all Accounts in the Debt Service Fund.

DEBT SERVICE RESERVE FUND

The General Ordinance establishes the Debt Service Reserve Fund, to be maintained by the Trustee. The Authority may, in any Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Reserve Fund relating to particular Series of Bonds. The creation of separate Accounts in the Debt Service Reserve Fund for particular Series of Bonds shall not create any preference of one Series of Bonds over any other Series, except that amounts required to be deposited in any Account of the Debt Service Reserve Fund shall secure and shall be used only for the Bonds with respect to which the Account is established. Transfers or deposits to be made to the various Accounts shall be made proportionately on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit. The investments and deposits of any of the various Accounts in the Debt Service Reserve Fund may be commingled with any other Accounts in the Debt Service Reserve Fund, but may not be commingled with other funds or accounts of the Authority.

In connection with the issuance of any Bonds, the General Ordinance requires an amount, if any, to be deposited in the respective Debt Service Reserve Fund Account so that the value of the Debt Service Reserve Fund Account at least equals the Reserve Requirement on all Bonds outstanding immediately after the delivery of such Series of Bonds and secured by such Account. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit is less than the Reserve Requirement for such Account, all amounts in the Debt Service Fund in excess of the amounts required to be on deposit in the Debt Service Fund. If in any month after the required deposits to the Accounts (other than the Rebate Accounts) in the Debt Service Fund have been made and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have been made (as described in the preceding sentence) and the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the Authority is required immediately to deposit with the Trustee any and all other money which it has on hand or available to it to make up the deficiency which lawfully may be so used.

Amounts in the respective Debt Service Reserve Fund Account shall be transferred by the Trustee to the credit of the respective Debt Service Fund Account at the times and in the amounts as required in order to pay principal of the Bonds secured by such Debt Service Reserve Fund Account at maturity or on Sinking Fund Installment or purchase dates and to pay interest on such Bonds as it falls due, if there are not sufficient amounts in the Debt Service Fund Account for that purpose.

On May 1 of each year, and also on each date that any refunding Bonds are issued under the General Ordinance or that any Reserve Fund Credit Instrument is deposited with the Trustee, or as soon after those dates as feasible, the Trustee shall pay to and deposit in the Debt Service Fund proportionately to the credit of the various Accounts with respect to the various Series of Bonds all amounts in any Debt Service Reserve Fund Account to the extent the value of the Debt Service Reserve Fund Account is in excess of the Reserve Requirement for such Account.

Whenever the Trustee determines that the total amount in the Debt Service Reserve Fund, together with all amounts in the Debt Service Fund (other than in Rebate Accounts), will be sufficient to pay or to redeem or to provide for the payment or redemption of all the Outstanding Bonds, the Trustee shall pay to and deposit in the Debt Service Fund to the credit of the various accounts with respect to the various Series of Bonds (other than the Rebate Accounts) such remaining amounts in the Debt Service Reserve Fund.

All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A Reserve Fund Credit Instrument shall, for purposes of determining the value of a Debt Service Reserve Fund Account, be valued at the Reserve Fund Credit Instrument Coverage for that Reserve Fund Credit Instrument, except as provided in the next two sentences. If a Reserve Fund Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Bond secured by the Debt Service Reserve Fund Account, then the Reserve Fund Credit Instrument Coverage of that Instrument shall be reduced by the amount provided in the next sentence. The amount of the reduction shall be the amount, if any, by which the value of the Debt Service Reserve Fund Account, not counting the value of the Reserve Fund Credit Instrument Coverage of that Instrument, is less than the Reserve Requirement for such Account after the first date that the Reserve Fund Credit Instrument is so to terminate (or is subject to termination); *provided, however*, if the Series Ordinance with respect to such Bonds requires deposits to be made in the Debt Service Reserve Fund Account equal in each year, starting not less than three years prior to the termination date, to not less than one-third of the original Reserve Fund Credit Instrument Coverage of the Instrument, until such deposits shall equal the amount of that original Coverage, then the reduction shall be only by that amount from time to time that deposits have so been required to have been made in the Debt Service Reserve Fund Account; and *provided further*, if by the terms of the Reserve Fund Credit Instrument and the terms of the related Series Ordinance, the Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Debt Service Reserve Fund Account all or part of its Coverage then the reduction shall be only by that amount as the Trustee shall not have the right and duty so to draw.

Any amounts in a Debt Service Reserve Fund Account which are not required to be transferred to the corresponding Debt Service Fund Account in order to pay principal of or interest on the Bonds secured by such Debt Service Reserve Fund Account may, from time to time, be used to pay costs of acquiring a Reserve Fund Credit Instrument or to make payments due under a reimbursement agreement or to reinstate coverage with respect to a Reserve Fund Credit Instrument, but only if, after such payment, the value of each Account in the Debt Service Reserve Fund shall not be less than the Reserve Requirement for such Account. The Authority may provide for the pledge and assignment and grant of a lien on or any security interest in the amounts on deposit in the Debt Service Reserve Fund Account to any provider of a Reserve Fund Credit Instrument deposited in such Account to secure the Authority's obligation to make payments under a related reimbursement agreement; *provided, however*, that any such lien or security interest shall be junior in priority to the claim of the Trustee for the benefit of the Holders of the Bonds secured by such Account.

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

The General Ordinance provides that all moneys held under the General Ordinance by the Trustee shall be continuously and fully secured for the benefit of the Authority and the Holders of the Authority Obligations, as their respective interests may appear, by Investment Obligations of a market value at least equal at all times to the amount of the deposit so held by the Trustee. However, it shall not be necessary for the Trustee to give security for any amount of moneys as is insured by federal deposit insurance, for the Trustee to give security for any moneys which shall be represented by Investment Obligations purchased under the provisions of the General Ordinance as an investment of such moneys, or for any Paying Agent to give security for the deposit of any moneys held by it in trust for the Holders of Authority Obligations.

The General Ordinance provides that, upon direction of an Authorized Officer, moneys in the Funds and Accounts established by the General Ordinance shall be invested by the Trustee in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide, as nearly as practicable, with the times at which moneys in the Funds and Accounts will be required for the purposes provided in the General Ordinance.

The Trustee shall maintain all amounts in each Fund established by the General Ordinance in investments and moneys which are separate and distinct from those of any other Fund. The Trustee shall maintain all amounts in each Rebate Account in investments and deposits which are separate and distinct from those of any other Fund or Account.

Moneys in the Debt Service Reserve Fund shall be invested by the Trustee upon direction of an Authorized Officer, in Investment Obligations the maximum maturity of which shall not be more than ten (10) years from the date of such investment; *provided, however*, that at least 25% of the moneys in each Account of the Debt Service Reserve Fund shall from time to time be invested in Investment Obligations the average maturity of which shall not be more than two (2) years from the date of any investment. A Reserve Fund Credit Instrument shall be treated as an investment in an Investment Obligation of a maturity equal to the number of days of advance notice which must be given in order to obtain payments on it.

All interest and other investment earnings on amounts in the Debt Service Fund or any Account in it or in the Debt Service Reserve Fund or any Account therein shall be deposited in and credited to the Fund and the Account in which it was earned and shall be used in the same manner as other amounts in that Fund and that Account.

In computing the value of any Fund or Account held by the Trustee under the provisions of the General Ordinance, obligations purchased as an investment of moneys in such Fund or Account shall be valued at the cost or market price of such obligations, whichever is lower, exclusive of accrued interest, except that with respect to the Debt Service Reserve Fund, obligations shall be valued at par or, if purchased at less than par, at their cost to the Authority.

NO INCONSISTENT SECURITY INTERESTS

The Authority covenants that it will not secure any obligation other than Authority Obligations with a pledge of, nor shall it create or suffer to exist a lien on or security interest in, nor shall it assign, any Trusteed Money, any Revenues or any other of its funds on hand from which Authority Obligations are payable in such a way that the claims for those other obligations on the Trusteed Money or such other Revenues or funds will be senior to or on a parity with the claims of the Holders of the Authority Obligations, but only in such a manner as would cause such claims for such other obligations to be junior and subordinate to the claims of the Holders of Authority Obligations to such amounts.

ADDITIONAL AUTHORITY OBLIGATIONS

Under the provisions of the General Ordinance the Authority covenants with the Holders from time to time of all Authority Obligations that it will not issue any Additional Authority Obligations except as described below.

1. Any Additional Authority Obligations must be issued under Section 4.04 of the Act, as it may be amended from time to time, or a successor to that Section.
2. The Authority may issue at any time Additional Authority Obligations for any lawful purpose allowed by the Act if there is no default in payment of Authority Obligations or in making all required deposits to the Debt Service Fund, if upon the issuance of the Additional Authority Obligations which are Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account and if the "Revenues test" is met.

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues shall equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed 1.0 times the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Policies deposited into the respective Debt Service Reserve Fund Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1993A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001B Bonds, the Series 2001A Bonds and the Series 2002A Bonds.

For purposes of the "Revenues test," "Sales Tax Revenues" shall be an amount equal to one-half of the sales tax revenues for the most recently completed 24 months for which the Authority has financial statements available, shall be calculated consistent with generally accepted accounting principles and shall be evidenced either by an Accountant's Certificate or (for months for which audited financial statements are not available) by a certificate of an Authorized Officer of the Authority.

3. Notwithstanding paragraphs (2) and (4), the Authority may issue Additional Authority Obligations to pay, purchase, redeem or refund Authority Obligations if there will be in the judgment of the Authority no money available to make payments of interest on or principal of those Authority Obligations (at maturity or on Sinking Fund Installment dates or pursuant to other mandatory redemption or purchase obligations) as such amounts come due.

4. In addition to Additional Authority Obligations that may be issued pursuant to paragraphs (2) and (3) above, the Authority may issue Additional Authority Obligations to pay, purchase, redeem or refund any Authority Obligations if the total amount of the required deposits in the Debt Service Fund with respect to all Authority Obligations after the issuance of the Additional Authority Obligations will be not in excess of the required deposits in the Fund for all Authority Obligations Outstanding prior to the issuance of those Additional Authority Obligations in each Fiscal Year in which any of those Authority Obligations Outstanding prior to the issuance are to remain Outstanding.

The General Ordinance provides that nothing therein shall prohibit the Authority from issuing Separate Ordinance Obligations which may (but need not) be general obligations of the Authority, and from assigning, pledging, and granting a first lien on and first security interest in Secured Government Payments or *ad valorem* real property tax receipts, or both, as well as amounts in a debt service fund and a debt service reserve fund for such Obligations, for the payment of principal, redemption price, purchase price of and interest on such Separate Ordinance Obligations, and for reimbursing a provider of a credit support instrument or reserve fund credit instrument for such Obligations and for reinstating coverage under such an instrument but only to the extent that such Secured Government Payments and receipts have not been specifically and explicitly pledged by a Series Ordinance to Authority Obligations.

MAINTENANCE OF EXISTENCE

The Authority covenants that it shall not take any action to cause itself to be terminated or dissolved. It will take all necessary actions to maintain its existence under the Act.

IMPOSITION OF TAXES

The Authority covenants that it shall impose and continue to impose taxes, as provided in Section 4.03 of the Act and, in addition, further taxes as subsequently authorized by law, sufficient to make the required deposits in and credits to the various Accounts in the Debt Service Fund and to pay the principal of and all interest on and to meet other debt service requirements of the Authority Obligations as they become due, and shall take any steps necessary for the collection and receipt of those taxes.

OBTAINING FUNDS

The Authority will take all necessary steps to obtain and to apply as provided in the General Ordinance in a timely fashion all amounts which it is entitled to receive as are required in order to pay the principal, Redemption Price, Purchase Price and interest on all Authority Obligations.

BUDGETS AND ANNUAL APPROPRIATION ORDINANCES

The Authority will adopt, in the manner provided by the Act, budgets and annual appropriation ordinances in conformity with the Act which shall make all needed provisions in them for the payment of principal, Redemption Price, Purchase Price and interest on all Authority Obligations.

FINANCIAL STATEMENTS

The Authority will keep proper books and accounts relating to, among other things, the amount of its revenues and expenses, in conformity to the Act, and shall cause an audit of its annual financial statements to be prepared by an independent firm of certified public accountants within 120 days of the end of each Fiscal Year. The Authority shall furnish a copy of those financial statements, together with that audit report, to the Trustee and to any other Holder of the Authority Obligations who shall request a copy.

DEFAULT PROVISIONS; REMEDIES OF HOLDERS

Proceedings Brought by Trustee. The General Ordinance provides that if default shall be made by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Ordinance, any Series Ordinance or in the Authority Obligations, or upon the filing by or on behalf of the Authority of a petition for the bankruptcy of the Authority, or some other similar proceedings such as for receivership of the Authority or a substantial part of its assets shall have been undertaken, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Authority Obligations Outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of those Authority Obligations under the General Ordinance by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the General Ordinance, or in aid of the execution of any power granted in the General Ordinance or any Series Ordinance or any remedy granted under the Act or for a writ of mandamus, 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 General Ordinance.

All rights of action under the General Ordinance or any Series Ordinance may be enforced by the Trustee without the possession or protection of any of the Authority Obligations on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of a majority in principal amount of the Authority Obligations at the time Outstanding may direct the time, method and place of conducting any proceeding for 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 would involve the Trustee in personal liability or be unjustly prejudicial to the Holders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the General Ordinance or any Series Ordinance, the Trustee shall be entitled to exercise any and all rights and powers conferred in the General Ordinance 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 to, but unless requested in writing by the Holders of a majority in principal amount of the Authority Obligations then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the General Ordinance or any Series Ordinance by any acts which may be unlawful or in violation of the General Ordinance or any Series Ordinance, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Holders of the Authority Obligations, including, without limitation, steps with regard to any Credit Support Instrument.

For purposes of these paragraphs describing remedies, the principal amount of any Authority Obligations issued at an original issue discount of more than 2% of its face amount shall be its Compound Accreted Value.

Anything in the General Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, MBIA shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series 2002A Bonds or the Trustee for the benefit of the Holders of the Series 2002A Bonds under the General Ordinance.

MODIFICATION OF GENERAL ORDINANCE

The General Ordinance includes provisions by which the Authority may, by Supplemental Ordinance, modify the General Ordinance or any Series Ordinance without the consent of the Holders of Authority Obligations in order to further secure or provide for payment of Authority Obligations, to impose further limitation on issuance of Authority Obligations and incurring of obligations by the Authority, to surrender rights of the Authority under the General Ordinance, to take any action for the collection and application of moneys sufficient to pay principal and interest on the Authority Obligations as they fall due, to confirm as further assurance any covenant, assignment, lien, or security interest in the General Ordinance, to take further action necessary or desirable for the collection and application of moneys sufficient to pay the Authority Obligations and with the consent of the Trustee, to correct ambiguities, defects or inconsistent provisions in the General Ordinance or any Series Ordinance.

Other than these modifications, the General Ordinance may not be amended except with the consent of the Holders of 66-2/3% in principal amount of all the Bonds then Outstanding (other than Bonds of a Series which is unaffected by such modification or amendment) and the consent of the Holders of 66-2/3% in principal amount of all the Notes then Outstanding (other than Notes of a Series which is unaffected by such modification or amendment) by written instrument. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Authority to pay the principal of, redemption or Purchase Price, if any, of or interest on any Authority Obligation at the time and place and at the rate and in the currency provided in such Authority Obligation without the express consent of the Holder of such Authority Obligation, nor permit the preference or priority of any Authority Obligation over any other Authority Obligation, nor reduce the percentages of Bonds and Notes required for the written consent to an amendment or modification, nor modify any of the rights or obligations of the Trustee or any Paying Agent at the time acting pursuant to the General Ordinance, without the written assent of such Agent. For purposes of this paragraph, the principal amount any Authority Obligation issued at an original issue discount of more than 2% of its face amount shall be its Compound Accreted Value.

Any amendment or supplement to the General Ordinance or the 2002A Series Ordinance requiring the consent of the holders of the Series 2002A Bonds shall be subject to the prior written consent of MBIA, which consent shall not be unreasonably withheld, while MBIA's insurance policy securing the Series 2002A Bonds or the Surety Bond is in effect.

RESIGNATION OR REMOVAL OF TRUSTEE OR PAYING AGENTS; SUCCESSOR TRUSTEES; SUCCESSOR PAYING AGENTS

The Trustee may at any time, except during such time as the Authority shall have failed to pay (and shall continue to fail to pay) principal on any Authority Obligations at maturity or on Sinking Fund Installment dates or to pay interest on any Authority Obligation as it comes due or to make any required deposits into the Debt Service Fund, resign and be discharged of the duties and obligations under the General Ordinance by giving not less than sixty (60) days' written notice to the Authority and publishing notice of the resignation, specifying the date when such resignation shall take effect, once in a daily newspaper of general circulation in the City of Chicago. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of the successor.

The Trustee shall be removed by the Authority if at any time the Authority is so requested by an instrument or concurrent instruments in writing filed with the Trustee and the Authority, and signed by the Holders of a majority in principal amount of the Authority Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Authority Obligations held by or for the account of the Authority. The Authority may remove the Trustee at any time, except during such time as the Authority shall have failed to pay (and shall continue to fail to pay) principal of any Authority Obligation (at maturity or on Sinking Fund Installment dates) or to pay interest on any Authorized Obligation as it comes due or to make any required deposits into the Debt Service Fund, for such cause as shall be determined by the Authority by filing with the Trustee an instrument of removal signed by an Authorized Officer of the Authority.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the Authority shall then by resolution appoint a successor Trustee. The Authority shall publish notice of any such appointment made by it in a daily newspaper of general circulation in the City of Chicago, such publication in each case to be made within twenty (20) days after such appointment. If appointment of a successor Trustee shall not be made within forty-five (45) days after the Trustee shall have given to the Authority written notice, or after a vacancy in the office of the Trustee shall have otherwise occurred, the Trustee or any Holder of the Authority Obligations may apply to any court of competent jurisdiction to appoint a successor Trustee. That court may thereupon, after such notice, if any, as such court may deem proper, prescribe and appoint a successor Trustee. Any Trustee appointed in succession to the Trustee shall be a bank or trust company organized under the laws of the State of Illinois or a national banking association doing business and having its principal office in Cook, DuPage, Kane, Lake, McHenry or Will Counties, Illinois, shall have significant prior experience as a trustee under bond resolutions or indentures of trust, shall have a capital and surplus aggregating at least Twenty Million Dollars (\$20,000,000), and shall be willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Ordinance. No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of the Trustee.

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the General Ordinance by giving at least sixty (60) days' written notice to the Authority and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least Twenty Million Dollars (\$20,000,000), and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Ordinance. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor then appointed, to the Trustee until such successor is appointed. The Authority shall notify the Trustee and the Holders of the Authority Obligations, in the manner provided for notification of redemption, as to the appointment of a successor Paying Agent.

MAINTENANCE OF BOND INSURANCE, CREDIT SUPPORT INSTRUMENTS AND RESERVE FUND CREDIT INSTRUMENTS

The Authority shall enforce or cause to be enforced, as provided under the General Ordinance, the provisions of each policy of bond insurance insuring the payment of principal of and interest on the Authority Obligations, each Credit Support Instrument and each Reserve Fund Credit Instrument. The Authority shall, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that they shall remain in full force and effect during their term or as provided in a Series Ordinance. The Authority shall not consent, agree

to or permit any rescission of or amendment to or otherwise take any action under or in connection with such bond insurance policy, Credit Support Instrument or Reserve Fund Credit Instrument which would in any manner materially impair or materially adversely affect the rights of the Authority or the Trustee under such bond insurance policies, Credit Support Instrument or Reserve Fund Credit Instrument or the rights or security of the Holders of the Authority Obligations.

DEFEASANCE

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Authority Obligations then Outstanding, the principal and interest and Redemption Price, if any, to become due on the Authority Obligations, at the times and in the manner stipulated in the Authority Obligations, the General Ordinance and the Series Ordinances, then and in that event the covenants, agreements and other obligations of the Authority to the Holders of the Authority Obligations, shall be discharged and satisfied.

Authority Obligations for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise), whether at or prior to the maturity or redemption date of such Authority Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Authority Obligations of any Series shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if there shall have been deposited with such Trustee or Paying Agents either moneys in an amount which shall be sufficient, or Government Obligations the principal of and interest on which when due will provide moneys which, when added to the moneys, if any, deposited with such Trustee or Paying Agents at the same time, shall be sufficient (as evidenced by an Accountant's Certificate) to pay the principal of those Authority Obligations at maturity, or on Sinking Fund Installment dates for Term Bonds, or Redemption Price, if applicable, and interest due and to become due on those Authority Obligations on and prior to the redemption date or maturity date (or Sinking Fund Installment dates for Term Bonds) thereof, as the case may be, and in case any of the Authority Obligations are to be redeemed on any date prior to their maturity, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give any required notice of redemption on that date of such Authority Obligations as provided in the General Ordinance. Neither Government Obligations nor moneys deposited with the Trustee as described in these paragraphs concerning defeasance nor principal or interest payments of 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 or Redemption Price, if applicable, and interest on those Authority Obligations; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in principal amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on those Authority Obligations on and prior to such redemption date or maturity date of the Authority Obligations, as the case may be. With respect to Authority Obligations for which there are purchase or similar obligations of the Authority or redemption provisions other than pursuant to Sinking Fund Installments or at the option of the

Authority, the Series Ordinance shall prescribe the extent to which and the manner in which this paragraph shall be applicable to those obligations.

Under the General Ordinance, any moneys held by the Trustee or Paying Agents in trust for the payment and discharge of any of the Authority Obligations which remain unclaimed for six years after the date of deposit of such moneys if deposited with the Trustee or Paying Agents after the date when the Authority Obligations become due and payable shall, at the written request of the Authority, be repaid by the Trustee or Paying Agents to the Authority (after notice thereof having been published twice, commencing at least 30 days prior to such repayment as provided in the General Ordinance), as its absolute property and free from trust, and the Trustee or Paying Agents shall thereupon be released and discharged with respect to such amounts and the Holders shall look only to the Authority for the payment of such Authority Obligations.

In the event that principal or interest due on the Outstanding Obligations shall be paid by any Qualified Provider pursuant to any Credit Support Instrument securing the Outstanding Obligations, the Outstanding Obligations shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and all covenants, agreements and other obligations of the Authority to the Holders of the Outstanding Obligations shall continue to exist and shall run to the benefit of the Qualified Provider, and the Qualified Provider shall be subrogated to the rights of such Holders.

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APPENDIX E

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from DTC and the RTA takes no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2002A Bond certificate will be issued for each maturity of the Series 2002A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002A 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 2002A 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 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002A 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 2002A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2002A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002A 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.

Redemption notices, if any, shall be sent to DTC. If less than all of the Series 2002A 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 Series 2002A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the RTA 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 2002A 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 2002A 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 RTA or the Trustee on 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 nor its nominee, the Trustee, or the RTA, 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 RTA 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.

DTC may discontinue providing its services as depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the RTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2002A Bond certificates are required to be printed and delivered.

The RTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2002A Bond certificates will be printed and delivered.

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APPENDIX F
FORM OF OPINION OF BOND COUNSEL

We hereby certify that we have examined a certified copy of the proceedings of the Board of Directors (the "*Board*") of the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the "*Authority*"), in connection with the issuance by the Authority of its fully registered General Obligation Bonds, Series 2002A (the "*Bonds*"), in the aggregate principal amount of \$160,000,000, dated March 15, 2002, in denominations of \$5,000 each and any integral multiple thereof, and due on July 1 of the years, in the amounts and bearing interest at the rates per annum as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2003	\$2,240,000	5.00%
2004	2,325,000	5.00%
2005	2,430,000	5.00%
2006	2,555,000	5.00%
2007	2,690,000	5.00%
2008	2,835,000	5.00%
2009	2,985,000	5.00%
2010	3,150,000	5.00%
2011	3,315,000	5.50%
2012	3,495,000	5.75%
2013	3,690,000	5.75%
2014	3,900,000	5.75%
2015	4,120,000	5.75%
2016	4,350,000	5.75%
2017	4,600,000	5.75%
2018	4,860,000	6.00%
2019	5,140,000	6.00%
2020	5,440,000	6.00%
2021	5,755,000	6.00%
2022	6,085,000	6.00%
2023	6,440,000	6.00%
2024	6,815,000	6.00%
2025	7,205,000	6.00%
2026	7,625,000	6.00%
2027	8,065,000	6.00%
2028	8,530,000	6.00%
2029	9,025,000	6.00%
2030	9,550,000	6.00%
2031	10,100,000	6.00%
2032	10,685,000	6.00%

The Bonds are issued pursuant to a Bond and Note General Ordinance, adopted by the Board on August 8, 1985, as supplemented and amended (the "*General Ordinance*"), and a Series

Ordinance providing specifically for the issuance of the Bonds, adopted by the Board on February 28, 2002 (the "2002A Series Ordinance").

From such examination, we are of the opinion that such proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the Authority and said issue is payable from all Revenues (as defined in the General Ordinance) and from all funds received or held by the Authority, including, without limitation, amounts in the appropriate accounts of the Debt Service Fund and the Debt Service Reserve Fund (each as defined in the General Ordinance), which may by law be utilized for such payment, all except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the Authority's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Authority covenants could cause 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 result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts solely within the Authority's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX G
FORM OF
CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION(b)(5) OF RULE15c2-12

This Continuing Disclosure Undertaking (the "*Agreement*") is executed and delivered by the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the "*Issuer*"), in connection with the issuance of \$160,000,000 General Obligation Bonds, Series 2002A (the "*Bonds*") by the Issuer. The Bonds are being issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the Issuer (the "*Board*") on August 8, 1985, as supplemented and amended (the "*General Ordinance*"), and the Series Ordinance adopted by the Board on February 28, 2002 (the "*2002A Series Ordinance*"). In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer covenants and agrees as follows.

1. **PURPOSE OF THIS AGREEMENT.** This Agreement is executed and delivered by the Issuer as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. **DEFINITIONS.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the providing of disclosure concerning Annual Financial Information and the providing of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the Issuer prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Material Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means the providing of a notice of a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
Fax: (212) 771-7391 (Primary Market Information)
E-Mail: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

SID means the public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID.

Undertaking means the obligations of the Issuer pursuant to Sections 4 and 5.

3. CUSIP NUMBERS/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in *Exhibit III* hereto. The Final Official Statement relating to the Bonds is dated March 26, 2002 (the "*Final Official Statement*").

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. The Issuer hereby covenants that it will provide its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to each NRMSIR and to the SID, if any. The Issuer is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified in *Exhibit I*.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will provide a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

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

5. MATERIAL EVENTS DISCLOSURE. The Issuer hereby covenants that it will provide in a timely manner Material Events Disclosure to each NRMSIR or the MSRB and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the General Ordinance or the 2002A Series Ordinance.

6. DUTY TO UPDATE NRMSIRs/SID. The Issuer shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to each NRMSIR or to the MSRB and to the

SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due hereunder.

In the event of a failure of the Issuer 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 Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the General Ordinance or a default under the 2002A Series Ordinance, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted;

(b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Issuer (such as the Trustee or nationally recognized bond counsel), or by an approving vote of Bondholders pursuant to the terms of the General Ordinance at the time of the amendment.

9. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the General Ordinance or the 2002A Series Ordinance. The Issuer shall give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this Section is applicable.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer from providing any other information, using the means of providing such information set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

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

12. RECORDKEEPING. The Issuer shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The Issuer shall not transfer its obligations under the General Ordinance or the 2002A Series Ordinance unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Illinois.

REGIONAL TRANSPORTATION AUTHORITY, COOK,
DUPAGE, KANE, LAKE, MCHENRY AND WILL
COUNTIES, ILLINOIS

By:

Its:

Address:

Chairman

181 West Madison Street
Suite 1900
Chicago, Illinois 60602

Date: April 18, 2002

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

I. Annual Financial Information means the historical information included in Tables A-I and A-II in Appendix A, the information included in Appendix B and Appendix C and information of the type set forth in the Official Statement under the following headings:

Yearly Ridership Unlinked Passenger Trips
RTA Statements of Revenues and Expenditures
(Including Funding for the Service Boards) 1997-2001 Financial Information
RTA 2002 Budget and 2003-04 Financial Plan
Annual Debt Service
Estimated Debt Service Coverage

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The Issuer shall clearly identify each such item of information included by reference. Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, so that such entities receive the information within 210 days after the end of each fiscal year of the Issuer. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

II. Audited Financial Statements.

Within 210 days after the end of each fiscal year, the Issuer will provide to each NRMSIR and to the SID, if any, its Audited Financial Statements prepared in accordance with generally accepted accounting principles. If audited financial statements are not available, unaudited financial statements will be provided.

III. If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will provide a notice of such change as required by Section 4.

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

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

EXHIBIT III
CUSIP NUMBERS

Series 2002A Bonds

<u>Year of Maturity</u>	<u>CUSIP Number</u>
2003	759911SP6
2004	759911SQ4
2005	759911SR2
2006	759911SS0
2007	759911ST8
2008	759911SU5
2009	759911SV3
2010	759911SW1
2011	759911SX9
2012	759911SY7
2013	759911SZ4
2014	759911TA8
2015	759911TB6
2016	759911TC4
2017	759911TD2
2018	759911TE0
2019	759911TF7
2020	759911TG5
2021	759911TH3
2022	759911TJ9
2023	759911TK6
2024	759911TL4
2025	759911TM2
2026	759911TN0
2027	759911TP5
2028	759911TQ3
2029	759911TR1
2030	759911TS9
2031	759911TT7
2032	759911TU4

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary