

NEW ISSUE-BOOK ENTRY ONLY
TAXABLE NOTES

RATINGS: SEE "RATINGS" HEREIN

Interest on the Notes is not excludable from gross income for federal income tax purposes. Noteholders should consult their tax advisors with respect to the inclusion of interest on the Notes in gross income for federal income tax purposes. The Notes are not exempt from present Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion of the foregoing.



\$150,000,000
REGIONAL TRANSPORTATION AUTHORITY
COOK, DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES, ILLINOIS
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2016C (TAXABLE)

Dated: Date of Delivery

Due: May 4, 2018

The General Obligation Working Cash Notes, Series 2016C (Taxable) (the "Notes"), will be issued by the Regional Transportation Authority (the "Authority") only as fully registered notes 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 for the Notes. 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 notes representing their interest in the Notes.

Principal of and interest (payable October 1, 2016, and semiannually thereafter on April 1 and October 1 of each year and at maturity) on the Notes are payable by Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee for the Notes (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 Notes, as described herein.

The Notes are not subject to optional or mandatory redemption prior to maturity.

The proceeds of the Notes will be used by the Authority to manage the cash flow needs of the Authority and the Service Boards (as defined herein) and to pay costs of issuance of the Notes.

The Notes are general obligations of the Authority to which its full faith and credit is pledged. The General Ordinance 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 Notes and the other obligations issued or to be issued thereunder. **The Authority does not have the power to levy *ad valorem* property taxes.**

The Notes are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal, or modification of the offer without notice, to the approval of legality of the Notes by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel, and to certain other conditions. A.C. Advisory, Inc., Chicago, Illinois is serving as financial advisor to the Authority. It is expected that the Notes will be available for delivery through DTC on or about May 4, 2016.

The date of this Official Statement is April 26, 2016

\$150,000,000
GENERAL OBLIGATION WORKING CASH NOTES,
SERIES 2016C (TAXABLE)

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIP NUMBER

DUE	AMOUNT	INTEREST RATE	PRICE	CUSIP NUMBER*
May 4, 2018	\$150,000,000	1.25%	100%	7599112M1

* CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers are provided for convenience of reference only. Authority makes no representation with respect to such numbers and undertakes no responsibility for their accuracy now or at any time in the future.

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REGARDING THE USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the Authority 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 Notes, 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 Notes 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 Authority 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 Authority or the Service Boards since the date hereof.

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

This Official Statement should be considered in its entirety and no one factor should be considered less important than any other by reason of its position in this Official Statement. Where statutes, resolutions, reports or other documents are referred to herein, reference should be made to such statutes, resolutions, reports or other documents for more complete information regarding matters to which reference is made.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the Authority's beliefs as well as assumptions made by and information currently available to the Authority. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE OR THE 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 NOTES IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE NOTES 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 NOTES 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 AUTHORITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES 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.

For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission, this document constitutes an official statement of the Authority with respect to the Notes that has been deemed “final” by the Authority as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “*FORWARD-LOOKING STATEMENTS*.” ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “*ESTIMATE*”, “*PROJECT*”, “*ANTICIPATE*”, “*EXPECT*”, “*INTEND*”, “*BELIEVE*” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

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OFFICIAL STATEMENT

\$150,000,000

REGIONAL TRANSPORTATION AUTHORITY

**COOK, DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES, ILLINOIS
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2016C (TAXABLE)**

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page and the Appendices, is to set forth certain information in connection with the issuance and sale by the Regional Transportation Authority (the “*Authority*” or the “*Authority*”), a unit of local government existing under the Constitution and statutes of the State of Illinois (the “*State*”) of its \$150,000,000 General Obligation Working Cash Notes, Series 2016C (Taxable) (the “*Notes*”). The Notes are issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the Authority (the “*Board*”) on August 8, 1985, as supplemented and amended (the “*General Ordinance*”), and the Series Ordinance adopted by the Board on April 21, 2016 (the “*Series Ordinance*”).

The Authority was created by law enacted in 1973 and approved at a referendum held in Cook, DuPage, Kane, Lake, McHenry and Will Counties (the “*Region*”). Originally, the Authority was authorized both to operate service and to provide public subsidies to local government entities, principally the Chicago Transit Authority (the “*CTA*”) and private bus and rail carriers serving the Region. In 1983, the Act was amended to create three separate operating entities: the CTA, the Commuter Rail Division (“*Metra*”) and the Suburban Bus Division (“*Pace*” and together, with the CTA and Metra, each a “*Service Board*” and collectively, the “*Service Boards*”) to operate public transportation in the Region. The Authority was charged with allocating public funds as subsidies for the Service Boards and overseeing their financial performance and regional transit planning issues. Guiding the Authority’s oversight responsibility is a Board of Directors who approves an annual budget and two-year financial plan. The Board consists of 15 members and a chairman appointed from the six-county region. The Authority Board is also required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the Authority and executed by the CTA, Metra and Pace. The Authority is the third largest public transportation system in the US, providing more than two million rides per work day.

The Notes are general obligations of the Authority, whose full faith and credit has been pledged to the payment of the principal of and interest on the Notes. The Notes 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 Authority. See “SECURITY FOR THE NOTES” herein. The Authority has the power to impose and cause to be collected, and has duly imposed, certain sales taxes (collectively, the “*Authority Sales Tax*”), as discussed below in the section captioned “THE REGIONAL TRANSPORTATION AUTHORITY–AUTHORITY FINANCES–Sales Tax Revenues.” The Authority Sales Tax is collected by the State on behalf of the Authority 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 Notes and other Authority Obligations (as hereinafter defined).

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

The Notes 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 NOTES–INDEBTEDNESS OF THE AUTHORITY–Additional Authority Obligations.”

Certain factors that may affect an investment decision concerning the Notes are described throughout this Official Statement, including descriptions of the Authority’s financial results and projected financial results and the security for the Notes. Persons considering a purchase of the Notes should read this Official Statement in its entirety.

Certain capitalized terms used in this Official Statement are defined in APPENDIX E– “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES ORDINANCE.”

THE NOTES

AUTHORITY

The Notes are being issued pursuant to the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615 (the “Act”), the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the “Debt Reform Act”), the General Ordinance and the Series Ordinance.

PURPOSE

The proceeds of the Notes will be used by the Authority to manage the cash flow needs of the Authority and the Service Boards (as defined herein) and to pay costs of issuance of the Notes. See “PLAN OF FINANCE.”

GENERAL

The Notes are issuable as fully registered notes each in the denomination of \$5,000 or any integral multiple thereof. The Notes will be dated the date of delivery and will bear interest at the rates and mature on the dates and in the amounts specified by the successful bidder. Interest shall be payable semi-annually on each April 1 and October 1 commencing on October 1, 2016, and at maturity. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. The record date for each payment of interest on the Notes shall be the fifteenth day of the month next preceding the interest payment date. Neither the Authority nor the Trustee shall be obligated to make any exchange or transfer of the Notes during the period from any record date to the next interest payment date on the Notes.

WORKING CASH FUND

The General Ordinance establishes the Working Cash Fund of the Authority. All proceeds received upon the issuance of the Notes (other than amounts deposited in the Debt Service Fund) will be deposited in a separate account in the Working Cash Fund designated as the Series 2016C Notes Working Cash Account (the “*2016C Working Cash Account*”) established pursuant to the Series Ordinance. All funds in the 2016C Working Cash Account will be held by the Trustee and (i) paid out on the order of an Authorized Officer (which shall include the Acting Executive Director and Chief Financial Officer of the Authority) for the purposes of paying Operating Expenses to cover the anticipated cash flow deficits of the Authority and the Service Boards; or (ii) transferred on the order of an Authorized Officer (which shall include the Executive Director and Chief Financial Officer of the Authority) to the Debt Service Fund for the payment of the principal of and interest on the Notes and other Outstanding Authority Obligations.

REGISTRATION

The Notes will be issued only as fully registered notes 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 F—“CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM.”

REDEMPTION

The Notes are not subject to optional or mandatory redemption prior to maturity.

PLAN OF FINANCE

Since 2008, the Authority has issued working cash notes to manage the cash flow needs of the Authority and the Service Boards and to refinance certain of its outstanding working cash notes from time to time. Such working cash notes are issued pursuant to the Act, which provides the Authority with on-going authority to issue up to \$100,000,000 in working cash notes, and with short-term authority to issue up to an additional \$300,000,000 in working cash notes. Initially, the Authority issued such working cash notes in conjunction with the implementation of the revenue increases authorized by the Amendatory Legislation (as hereinafter defined). More recently, the Authority has issued working cash notes to provide liquidity during the delays of the State in making payments of Public Transportation Fund Revenues and other State funds to the Authority.

Currently, the Authority has outstanding one series of working cash notes consisting of the Series 2014 Notes (as hereinafter defined). In May 2014, due to continued delays in payments from the State, the Authority issued \$225,000,000 of its General Obligation Working Cash Notes, Series 2014A1 (Taxable) (the “*Series 2014 Notes*”) to manage the cash flow needs of the Authority and the Service Boards and to provide additional funds to pay debt service on additional outstanding working cash notes. \$112,500,000 of the Series 2014 Notes matured on April 1, 2016 and the remaining \$112,500,000 of the Series 2014 Notes matures on May 6, 2016. The Authority agreed to deposit \$112,500,000 in April, 2016 in order to provide funds for the

payment of the remaining Series 2014 Notes at maturity. The Authority anticipates that such deposit will be funded with Revenues and proceeds of the Subordinate Notes (as hereinafter defined) but the Authority reserves the right to apply a portion of the proceeds of the Notes to such deposit in its sole discretion.

In January 2016, the Authority issued its \$150,000,000 maximum aggregate principal amount General Obligation Subordinate Working Cash Notes, Series 2016A (Taxable) (“Subordinate Notes”) as a direct placement with Wells Fargo Bank, National Association to manage the cash flow needs of the Authority and the Service Boards, including, as necessary, the payment of debt service on the Series 2014 Notes. The Subordinate Notes are draw down notes and contain a revolving feature allowing for repayment and reborrowing on an ongoing basis. As of the date hereof, the Authority has \$91,250,000 of Subordinate Notes outstanding of which \$61,250,000 is intended to be repaid with proceeds of the Notes or other available moneys of the Authority on June 1, 2016. The documentation for the Subordinate Notes contains additional covenants of the Authority including, but not limited to, an additional incurrence test which applies to the incurrence of subordinate indebtedness and includes subordinate indebtedness in the calculation; such covenants run only to the holder of the Subordinate Notes and may be waived or amended at any time without the consent of the holders of any other Authority Obligations, including the Notes. The Subordinate Notes are subordinate to any and all Outstanding Authority Obligations issued under the General Ordinance, including the Notes.

The authority of the Authority under the Act to issue an additional \$300,000,000 in working cash notes expires on July 1, 2018, subsequent to the final maturity of the Notes. The Authority may elect to refund the Notes with a future issuance of commercial paper or working cash notes or may provide for payment of principal and interest on the Notes from lawfully available Revenues. If so required, the Authority will reduce amounts otherwise to be paid to the Service Boards to which proceeds from the 2016C Working Cash Account have been disbursed in an amount necessary to repay principal and interest on the Notes. The proceeds from the Notes will not be available to fund capital projects of the Service Boards. See “THE NOTES—WORKING CASH FUND.”

At the time of sale and delivery of the Notes, the Authority will agree to make a deposit into the Series 2016C Notes Account of the Debt Service Fund with the Trustee to provide for the payment of principal on Notes at maturity at least 20 days prior thereto. See APPENDIX E—”ESTABLISHMENT OF ACCOUNTS IN DEBT SERVICE FUND.”

ESTIMATED SOURCES AND USES

The estimated sources and uses of funds resulting from the Notes are shown below:

SOURCES:

Principal Amount	\$150,000,000
Total Sources	<u>\$150,000,000</u>

USES:

Deposit to 2016C Working Cash Account	\$ 149,475,000
Underwriter's Discount*	<u>525,000</u>
Total Uses	<u>\$150,000,000</u>

* Other issuance costs will be paid from other lawfully available funds of the Authority.

SECURITY FOR THE NOTES

SECURITY AND SOURCES OF PAYMENT

The Notes are general obligations of the Authority to which the full faith and credit of the Authority is pledged.

The Notes, 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 Notes 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—AUTHORITY FINANCES."

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

The Notes 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 (the "*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—AUTHORITY 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—AUTHORITY FINANCES—Public Transportation Fund Revenues."

“*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 NOTES–INDEBTEDNESS OF THE AUTHORITY.”

“*Sales Tax Revenues*” means all tax receipts received by or on behalf of the Authority from the Authority Sales Tax or any taxes imposed (including by the State) in lieu of those taxes. See “THE REGIONAL TRANSPORTATION AUTHORITY–AUTHORITY 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–AUTHORITY 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 Notes and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of obligations. If the required deposits to the Debt Service Fund are not made in any month, the Authority immediately shall deposit with the Trustee from all moneys on hand or available to the Authority from which Authority Obligations are payable an amount sufficient to make up the deficiency. The Series Ordinance establishes the Series 2016C Notes Account (the “*2016C Notes Account*”) and a monthly deposit requirement for the Notes in the 2016C Notes Account as further described in APPENDIX E hereto.

INDEBTEDNESS OF THE AUTHORITY

The Authority is authorized under the Act (i) to issue up to \$1.8 billion of bonds to finance public transportation projects (“*SCIP Bonds*”) which have been approved to receive Additional State Assistance (ASA) and Additional Financial Assistance (AFA) by the Governor of the State as part of the Authority’s Strategic Capital Improvement Program (“*SCIP Program*”)

(See “STATE ASSISTANCE”), of which authorization \$9,650,000 remains available with no expiration, (ii) to issue and have outstanding from time to time \$800 million of notes and bonds for public transportation projects not part of the SCIP Program (the “*non-SCIP Bonds*”) for which the Authority is responsible for paying all of the debt service on with no financial assistance from the State and (iii) to issue and have outstanding from time to time up to \$100 million of short term working cash notes that are permitted to be issued in anticipation of tax receipts or other Authority revenue in order to provide money for the Authority or the Service Boards to cover anticipated cash flow deficits. This \$100 million has been extended several times in the past few years to \$400 million to allow the Authority to borrow money to cover the delay in state payments due to the Authority. Each time this borrowing limit has been extended to \$400 million, it has only been extended for two years at a time (currently until July 1, 2018).

As of April 1, 2016, the Authority has \$1,252,705,000 of SCIP Bonds Outstanding and \$751,510,000 of non SCIP Bonds Outstanding. Currently, the Authority has no SCIP Bonds Outstanding or non-SCIP Bonds Outstanding that bear interest at a variable rate, other than the Series 2005B Bonds. The Authority has issued its Series 2014 Notes in the aggregate principal amount of \$225,000,000, \$112,500,000 of which matured on April 1, 2016 and \$112,500,00 of which mature on May 6, 2016.

The table below sets forth a list of the Outstanding Authority Obligations and the Principal Amount Outstanding as of April 1, 2016:

OUTSTANDING AUTHORITY OBLIGATIONS

Obligations	Outstanding Principal Amount	Type
Series 1990A	\$33,395,000	non-SCIP
Series 1991A	37,660,000	non-SCIP
Series 1994A	17,300,000	SCIP
Series 1994B	7,095,000	non-SCIP
Series 1994C	15,160,000	SCIP
Series 1994D	24,250,000	non-SCIP
Series 1997	37,140,000	non-SCIP
Series 1999	188,715,000	SCIP
Series 2000A	186,030,000	SCIP
Series 2001A	72,245,000	SCIP
Series 2001B	25,080,000	SCIP
Series 2002A	120,270,000	SCIP
Series 2003A	202,955,000	SCIP
Series 2003B	117,005,000	non-SCIP
Series 2004A	208,535,000	SCIP
Series 2005B	90,825,000	non-SCIP
Series 2006A	216,415,000	SCIP
Series 2010A	39,935,000	non-SCIP
Series 2010B (BABs)	112,925,000	non-SCIP
Series 2011A	58,035,000	non-SCIP
Series 2014A	97,775,000	non-SCIP
Series 2014A1	112,500,000	working cash notes
Series 2016A	95,470,000	non-SCIP
Total	\$2,116,715,000	

In June 2009 the Authority remarketed \$132,770,000 of its outstanding Series 2005B Bonds as Extendible Reset Securities (“ERS”) which are currently outstanding in the principal amount of \$103,160,000. The ERS bear interest at a variable rate, currently reset monthly. Each month the holder may decide not to retain the ERS, in which case it will be remarketed. The ERS are not secured by any credit or liquidity support. If there is a failure to remarket the ERS the holder is required to hold the ERS at a premium for up to 9 months, after which the Authority will be obligated to purchase the ERS (the “ERS Mandatory Purchase Date”). In such an event, not later than 90 days prior to the occurrence of the ERS Mandatory Purchase Date, the Authority has agreed to either issue obligations to refund the ERS that are subject to mandatory tender for purchase, provide a liquidity facility under which sufficient funds may be drawn in connection with such mandatory tender for purchase, or effect a mode change or period change in such manner as to provide sufficient remarketing proceeds to provide for payment of the purchase price of the applicable ERS upon such mandatory tender for purchase.

Under the Act, Authority Obligations, which include the Notes, 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. Under the General Ordinance, the Authority may issue Additional Authority Obligations from time to time for any lawful purpose, which Additional Authority Obligations shall be on a parity with Outstanding Bonds and the Notes. Continued funding of the Authority's capital program at recent levels will require the issuance of Additional Authority Obligations.

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 created pursuant to the General Ordinance for the benefit of such Bonds (the "*Debt Service Reserve Fund*") is not less than the Reserve Requirement (as such term is defined in the General Ordinance) for such Account, and (iii) the "Revenues test" is met. Pursuant to the General Ordinance, there is no Reserve Requirement for the Notes.

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 1990A Bonds, the Series 1991A Bonds, the Series 1994A&B Bonds, the Series 1994C&D Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2002A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005B Bonds, the Series 2006A Bonds, and the Series 2011A Bonds.

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 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 ("*Reserve Fund Credit Instrument*").

DEBT SERVICE RESERVE ACCOUNTS ARE NOT REQUIRED FOR THE NOTES BY THE GENERAL ORDINANCE. THERE ARE NO DEBT SERVICE RESERVE ACCOUNTS FOR THE NOTES AND NONE OF THE RESERVE FUND CREDIT INSTRUMENTS MAY BE USED TO PAY THE DEBT SERVICE ON THE NOTES.

Reserve Fund Credit Instruments provided by Ambac Assurance Corporation ("*AMBAC*"), Financial Guaranty Insurance Company ("*Financial Guaranty*" or "*FGIC*"), MBIA Insurance Corporation ("*MBIA*"), Financial Security Assurance Inc. ("*FSA*") or Assured Guaranty Corp. ("*Assured Guaranty*") (each a "*Credit Provider*") are held in the Debt Service Reserve Accounts as listed in the below Debt Service Reserve Fund Credit Instruments table. The Reserve Fund Credit Instruments provided by FGIC and MBIA were subsequently reinsured by National Public Finance Guarantee Corporation ("*National*"). FSA was subsequently acquired by Assured Guaranty and renamed Assured Guaranty Municipal Corp ("*AGM*"). 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 \$56,181 and \$17,569. As of November 30, 2015, amounts on deposit for the Reserve Requirements for the Series 2010A, Series 2010B and Series 2014A Debt Service Reserve Accounts had a book value of \$4,760,312, \$8,645,899 and \$6,388,248, respectively. Each Reserve Fund Credit Instrument was fully qualified for deposit in the Debt Service Reserve Fund on the date of such deposit.

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 accountants’ certificate (or for months for which audited financial statements are not available by a certificate of an Authorized Officer of the Authority). See “THE REGIONAL TRANSPORTATION AUTHORITY – AUTHORITY FINANCES – Sales Tax Revenues.”

The Authority 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.

While the Authority is not currently pursuing any such transactions, the Authority monitors prevailing market conditions in order to determine when and if any opportunities exist to obtain debt service savings through the refunding of Outstanding Bonds. The foregoing notwithstanding, the Authority is under no obligation to refund any Bonds to obtain debt service savings and, in the event such a refunding were to occur, there can be no assurances given relating to the impact thereof on the Authority’s operations or financial condition.

Subordinate Obligations. In addition, the Authority may, without meeting these tests, but only to the extent permitted by the Act, issue subordinate obligations. On January 12, 2016, the Authority issued its \$150,000,000 maximum aggregate principal amount General Obligation Subordinate Working Cash Notes, Series 2016A (Taxable) (“Subordinate Notes”) as a direct placement with Wells Fargo Bank, National Association. The Subordinate Notes are draw down notes and contain a revolving feature allowing for repayment and reborrowing on an ongoing basis. As of the date hereof, the Authority has \$91,250,000 of Subordinate Notes outstanding of which \$61,250,000 is anticipated to be repaid with proceeds of the Notes or other available moneys of the Authority on June 1, 2016.

Separate Ordinance Obligations. The General Ordinance provides that nothing contained therein prohibits 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 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.

Rate Protection Contracts. Both the Act and the Bond Authorization Act, 30 Illinois Compiled Statutes 305 (the “*Bond Authorization Act*”), authorize the Authority to enter into rate protection contracts. The Act authorizes the Authority to enter into such contracts to reduce the risk of loss to the Authority, to protect, preserve or enhance the value of its assets or to provide compensation for losses resulting from changes in interest rates. The Bond Authorization Act authorizes the Authority to enter into such contracts for the benefit of providing (i) an interest rate, cash flow or other basis different from that provided in such bonds for the payment of interest, or (ii) with respect to a future delivery of bonds, one or more of a guaranteed interest rate, interest rate basis, cash flow basis, or purchase price.

In connection with its use of rate protection contracts, the Authority has adopted an interest rate risk management policy. Pursuant to its interest rate risk management policy, the aggregate notional amount of rate protection contracts resulting in variable interest rate exposure may not exceed 20% of the Authority’s aggregate outstanding indebtedness. The policy also requires the Authority to enter into rate protection contracts with counterparties that have sufficient technical expertise and a credit rating equal to or better than the Authority’s credit rating. The following are descriptions of the Authority’s rate protection contracts currently in effect, each of which, as applicable, complies with the Authority’s interest rate risk management policy.

The Authority entered into a rate protection contract with UBS AG (“*UBS*”) in November 2001 in which the Authority pays UBS a variable rate equal to SIFMA and UBS pays the Authority a fixed rate per annum with respect to a notional amount which relates to Authority Obligations consisting of all or a portion of its Series 1990A Bonds, Series 1994B Bonds, and Series 1994D Bonds. The initial notional amount was \$112,250,000 and declines as the applicable Authority Obligations mature. This rate protection contract is scheduled to terminate on June 1, 2020.

In December 2002, the Authority entered into a rate protection option contract with Bear Stearns Financial Products, Inc. (“*Bear Stearns*”) in order to lock in expected savings associated with the future current refunding of all or a portion of its Series 1996 Bonds. The option was exercised by Bear Stearns on June 1, 2005. Effective May 26, 2009, JPMorgan Chase Bank (“*JPMorgan*”) merged with Bear Stearns. As a result of that merger, JPMorgan succeeded to the counterparty position held by Bear Stearns. Under the agreement the Authority pays a fixed rate and JPMorgan pays the Authority a variable rate equal to 70.0% of the one month LIBOR index with respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount was \$148,110,000 which will decline pursuant to the amortization schedule set forth in the swap agreement in relation to the Series 2005B Bonds. The interest rate swap is scheduled to terminate on June 1, 2025.

In August 2003, the Authority entered into a rate protection contract with UBS and a rate protection contract with Merrill Lynch Capital Services, Inc. (“*Merrill Lynch*”), in which the Authority pays UBS and Merrill Lynch a variable rate equal to SIFMA and UBS and Merrill Lynch pay the Authority a variable rate equal to 78.25% of the one month LIBOR index with

respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount of each of these rate protection contracts was \$197,214,000 and declines as the applicable Authority Obligations mature. These two rate protection contracts are scheduled to terminate on June 1, 2024.

In March 2005, the Authority entered into a rate protection contract with JPMorgan in which the Authority pays JPMorgan a variable rate equal to the SIFMA Index and JPMorgan pays the Authority a variable rate equal to 79.0% of the one month LIBOR index with respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount of this rate protection contract was \$52,000,000 and declines as the applicable Authority Obligations mature. This rate protection contract is scheduled to terminate on July 1, 2023.

In June 2007, the Authority entered into a rate protection contract with Goldman Sachs (“*Goldman*”) and a rate protection contract with Bear Stearns in which the Authority pays Goldman and Bear Stearns a variable rate equal to SIFMA and receives a fixed rate. The initial notional amounts were \$156,000,000 (Goldman) and \$104,000,000 (Bear Stearns). Effective May 26, 2009, JPMorgan succeeded to the counterparty position held by Bear Stearns. Notional values for both transactions decline as the applicable Authority obligations mature. The two counterparties have the option to terminate their contracts at semiannual intervals beginning July 1, 2016. If the early termination options are not exercised, these rate protection contracts are scheduled to terminate July 1, 2030.

The Authority’s obligations under the aforesaid agreements, if any, are payable from its general fund, but are subordinate to the Notes and other Outstanding Authority Obligations. The Authority may enter into other rate protection contracts in the future. The Authority’s obligations under any rate protection contract do not constitute bonds or notes within the meaning of the Act.

The Authority enters into rate protection contracts in order to achieve the level of fixed and floating rate debt it considers appropriate, based upon prevailing market conditions. In the event such market conditions undergo a change that is materially adverse to the Authority’s position, there is a risk that the Authority will be required to pay higher effective interest costs, pledge collateral, or make a payment to terminate the contract.

Other Financing Alternatives. The Authority 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 Authority 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.

Debt Service Reserve Fund Policy Agreements. For each series of Outstanding Authority Obligations the Authority may acquire, a Reserve Fund Credit Instrument to satisfy the Reserve Requirement for 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. **THERE IS NO DEBT SERVICE RESERVE FUND REQUIREMENT FOR WORKING CASH NOTES, WHICH INCLUDES THE NOTES, AND NONE OF THE RESERVE FUND CREDIT INSTRUMENTS MAY BE USED TO PAY DEBT SERVICE ON THE NOTES.**

AGREEMENTS OF THE STATE

In the Act, the State pledges to and agrees with the Holders of the Authority Obligations (including the Notes) that the State will not limit or alter the rights and powers vested in the Authority by the Act so as to impair the terms of any contract made by the Authority with such Holders, or in any way to impair the rights and remedies of such Holders, until the Authority Obligations (including the Notes), 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 Notes) that the State will not limit or alter the basis on which State funds are to be paid to the Authority, as provided in the Act, or the use of such funds, so as to impair the terms of any such contract.

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ANNUAL DEBT SERVICE

The annual debt service (representing payments to the Bondholders, rather than payments by the Authority to the Debt Service Fund) for the Outstanding Bonds for each calendar year is set forth below as of April 1, 2016, assuming the issuance of the Notes but excluding the Series 2014 Notes:

CALENDAR YEAR	THE NOTES		OUTSTANDING BONDS ⁽¹⁾	TOTAL DEBT SERVICE
	PRINCIPAL	INTEREST		
2016		\$765,625	\$215,055,664	\$215,821,289
2017		1,875,000	217,039,653	218,914,653
2018	\$150,000,000	1,109,375	217,151,889	368,261,264
2019			217,139,106	217,139,106
2020			201,563,004	201,563,004
2021			193,695,949	193,695,949
2022			193,417,579	193,417,579
2023			171,250,979	171,250,979
2024			170,272,670	170,272,670
2025			150,279,420	150,279,420
2026			135,670,664	135,670,664
2027			135,589,141	135,589,141
2028			135,509,319	135,509,319
2029			122,556,156	122,556,156
2030			110,598,144	110,598,144
2031			96,801,275	96,801,275
2032			84,089,106	84,089,106
2033			71,384,944	71,384,944
2034			66,684,950	66,684,950
2035			36,648,075	36,648,075
2036			12,094,800	12,094,800
2037			12,089,325	12,089,325
2038			12,090,050	12,090,050
2039			12,092,650	12,092,650
2040			12,091,325	12,091,325
2041			12,095,150	12,095,150
2042			12,093,175	12,093,175
2043			12,094,475	12,094,475
2044			12,088,125	12,088,125
2045			5,711,600	5,711,600
2046			5,712,000	5,712,000
TOTAL ⁽²⁾	<u>\$150,000,000</u>	<u>\$3,750,000</u>	<u>\$3,062,650,362</u>	<u>\$3,216,400,362</u>

(1) Aggregate debt service. Assumes an interest cost on the Series 2005B Bonds of 2.50%. Excludes debt service on the Series 2014 Notes as they will be effectively rolled over.

(2) Totals may not be exact due to rounding.

ESTIMATED DEBT SERVICE COVERAGE

The Authority's 2016 Budget is based upon estimates of projected Sales Tax Revenues and projected Public Transportation Fund Revenues. These two projections taken together constitute the projected revenues available in any year for the payment of debt service on the Authority Obligations, including the Notes. See "THE REGIONAL TRANSPORTATION AUTHORITY—Authority FINANCES—Sales Tax Revenues," "—Public Transportation Fund Revenues" and "—2016 BUDGET AND 2017-18 FINANCIAL PLAN." Should 2016 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could also affect the projections for calendar years 2017 and beyond. The Authority's projections for calendar years 2019 and beyond assume an annual compound growth rate of 3.0%. See APPENDIX A – "AUTHORITY HISTORICAL AND PROJECTED SALES TAX REVENUES."

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The following table shows projected debt service coverage by projected available Sales Tax Revenues and by projected Available Revenues. The Authority makes no representation by the inclusion of the following table that the actual Available Revenues for debt service coverage will be equal to the projected amounts shown. Over the term of the Notes, 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 Notes could result in a material change in the amounts of actual Available Revenues.

Debt Service Coverage
(dollars in thousands)

Bond Year (April 30)	Total Debt Service(1)(2)	Projected Sales Tax Revenues	Times Coverage By Sales Tax Revenues(1)	Projected Available Revenues(3)	Times Coverage By Projected Available Revenues(1)
2016	\$210,950	\$1,194,748	5.66x	\$1,572,238	7.45x
2017	215,850	1,238,954	5.74x	1,630,661	7.55x
2018	217,954	1,283,556	5.89x	1,689,365	7.75x
2019	366,277	1,322,063	3.61x	1,740,046	4.75x
2020	216,039	1,361,725	6.30x	1,792,247	8.30x
2021	200,333	1,402,576	7.00x	1,846,015	9.21x
2022	192,397	1,444,654	7.51x	1,901,395	9.88x
2023	191,855	1,487,993	7.76x	1,958,437	10.21x
2024	169,709	1,532,633	9.03x	2,017,190	11.89x
2025	168,466	1,578,612	9.37x	2,077,706	12.33x
2026	148,418	1,625,970	10.96x	2,140,037	14.42x
2027	133,759	1,674,749	12.52x	2,204,238	16.48x
2028	133,564	1,724,992	12.92x	2,270,365	17.00x
2029	133,363	1,776,742	13.32x	2,338,476	17.53x
2030	120,623	1,830,044	15.17x	2,408,631	19.97x
2031	108,826	1,884,945	17.32x	2,480,890	22.80x
2032	95,422	1,941,494	20.35x	2,555,316	26.78x
2033	82,971	1,999,738	24.10x	2,631,976	31.72x
2034	70,571	2,059,731	29.19x	2,710,935	38.41x
2035	65,835	2,121,523	32.22x	2,792,263	42.41x
2036	36,042	2,185,168	60.63x	2,876,031	79.80x
2037	12,095	2,250,723	186.09x	2,962,312	244.92x
2038	12,089	2,318,245	191.76x	3,051,181	252.39x
2039	12,090	2,387,792	197.50x	3,142,717	259.94x
2040	12,093	2,459,426	203.38x	3,236,998	267.68x
2041	12,091	2,533,209	209.51x	3,334,108	275.74x
2042	12,095	2,609,205	215.72x	3,434,131	283.93x
2043	12,093	2,687,481	222.23x	3,537,155	292.49x
2044	12,094	2,768,106	228.87x	3,643,270	301.23x
2045	12,088	2,851,149	235.86x	3,752,568	310.43x
2046	5,712	2,936,683	514.16x	3,865,145	676.72x
2047	5,712	3,024,784	529.55x	3,981,099	696.97x

- (1) Assumes an interest rate of 2.50% on the Series 2005B Bonds.
(2) Excludes debt service on the Authority's Series 2014 Notes as they will be effectively rolled over.
(3) Sales Tax and Public Transportation Funds related to Sales Tax and RETT.

THE REGIONAL TRANSPORTATION AUTHORITY

GENERAL POWERS

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 enacted legislation creating government entities to operate and fund public transportation and providing funding from State resources for the operating and capital needs of public transportation. Those services are available for the 8.4 million residents of the Region. Public transportation is vital to the economic well-being of the Region.

In 2008 the State of Illinois General Assembly (the “*Legislature*”) enacted and the Governor approved legislation (the “*Amendatory Legislation*”) that changed the composition of the boards of directors of the Authority and Service Boards, increased the financial and capital planning responsibilities of the Authority, strengthened financial oversight by the Authority, authorized increases in local taxes to fund public transportation in the Region, and increased its subsidies of public transportation throughout the State. See “–ORGANIZATION AND MANAGEMENT,” “–AUTHORITY FINANCES,” and “–FINANCIAL CONTROLS OVER SERVICE BOARDS.”

The Authority is a unit of local government, body politic, political subdivision and municipal corporation of the State. By law, the Authority is responsible for planning, coordinating and funding public transportation services in the Region. Under the Act, it is charged with adopting plans to implement the policies of the State with respect to public transportation, setting goals and standards for service provided by the Service Boards, developing performance measures to inform the public whether public transportation services meet those goals and standards, allocating operating and capital funds to support public transportation in the Region, providing financial oversight of the Service Boards, and coordinating service and investment in facilities to achieve integration of public transportation throughout the Region. The exercise of these responsibilities is evidenced in three public documents adopted by the Board from time to time: a Strategic Plan, a Five-Year Capital Program and an Annual Budget and Two-Year Financial Plan.

The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. 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 236 Chicago and suburban locations. Pace provides bus service throughout the suburbs and to the City of Chicago. Since 2007 Pace has also provided ADA paratransit service throughout the Region. The public transportation services operated by the Service Boards, as coordinated by the Authority to the extent provided in the Act, are referred to herein as the “*System*.”

The Act requires the Authority to adopt and regularly update a Strategic Plan that identifies goals and objectives with respect to increasing usage of transit services, coordinating the provision of and investment in those services by the Service Boards, coordinating fare policy to promote transfers among transit modes, achieving a state of good repair of System assets, providing improved access to the services by transit-dependent persons, preserving the financial

viability of the System, limiting road congestion, and in general advancing the policy of the State to provide adequate, efficient and coordinated public transportation in the Region. The Authority has adopted a Strategic Plan as required, and has and will continue to adopt enhancements and updates to this plan.

Central to the Authority's funding and oversight responsibilities, the Act requires the Authority 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—2016 Budget and 2017-18 Financial Plan." Further, the Authority and the 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. A separate revenue recovery ratio of 10% has been established by the Act for ADA paratransit services. It is the Authority's responsibility to ensure that these ratios are maintained through the review and approval of each Service Board's budgets and ratios. On an on-going basis, the Authority monitors the budgetary and operational performance of the Service Boards to ensure compliance with their budgets and the ratios. See "THE REGIONAL TRANSPORTATION AUTHORITY—FINANCIAL CONTROLS OVER SERVICE BOARDS."

The Act designates the Authority as the primary public body in the Region to secure funds for public transportation. The Authority is authorized to impose taxes in the Region and to issue debt to provide funding for public transportation facilities. The Authority 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. The Act also requires the Authority to prepare and adopt each year a Five-Year Capital Program. The Service Boards are prohibited from undertaking any capital project unless the project has been incorporated in that Program.

The Service Boards have from time to time been granted statutory authority to issue debt for various purposes. Any pledge of Revenues by a Service Board as security for obligations issued by such Service Board would be on a subordinate basis to the security for the Notes.

ORGANIZATION AND MANAGEMENT

A 16-person Board governs the Authority. As described in more detail in the following paragraphs, the Amendatory Legislation allocates appointment authority equally among elected officials from three areas – the City of Chicago, suburban Cook County, and the Counties of DuPage, Kane, Lake, McHenry and Will (the "*Collar Counties*"), and requires the appointment of a Chairman with votes from each of these areas:

Five directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. Each of these directors must reside in the City of Chicago. None of these directors may be the Chairman or director of the CTA.

Four directors are appointed by the commissioners of the Cook County Board of Commissioners elected from districts a majority of the electors of which reside outside the City of Chicago. A fifth director is appointed by the President of the Cook County Board with the advice and consent of the Cook County Board. Each of the Cook County appointees must reside in suburban Cook County.

Five Directors are appointed by the Chairmen of the Collar Counties; one each by the Chairmen of DuPage, Kane, Lake and McHenry Counties and the County Executive of Will County, each with the advice and consent of the respective County Board. Each Collar County appointee must reside in the county of the appointing authority.

The sixteenth member, who is the Chairman of the Board of the Authority, is elected by the other 15 directors and must receive no fewer than 11 votes, two of which must come from directors from each of the City of Chicago, suburban Cook County and the Collar Counties.

The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

The Authority maintains a staff of approximately 115 non-bargaining unit transportation professionals.

Kirk Dillard has served as the Chairman of the Board of Directors since June of 2014. Prior to his role as Chairman, Senator Dillard served as the senator for the 24th District of the Illinois State Senate for nearly 20 years, sponsoring the Secretary of State's Railroad Safety Initiatives, and serving on the Transportation Committee and a myriad of other committees, including as Co-Chairperson of the Judiciary Committee and Chairman of the High Technology Task Force. Prior to serving as senator, Chairman Dillard served with distinction as Chief of Staff to former Governor Jim Edgar and as Legislative Director to former Governor James Thompson. He is currently a partner at Locke Lord LLP and has been recognized in Crain's Chicago Business' "Who's Who in Chicago Business". Chairman Dillard has a B.A. from Western Illinois University, a J.D. from the DePaul University College of Law and served as a Public Policy Mentor for the University of Chicago.

Leanne Redden has served as Executive Director since March 2014. Prior to her role as Executive Director, Ms. Redden was Senior Deputy Director of Planning and Regional Programs for the Authority since 2005 and, prior to that, served as Chief of Planning at the Illinois State Toll Highway Authority and Director of Transportation for the Village of Schaumburg. Ms. Redden received her Master's Degree in Urban and Regional Planning from the University of Illinois Urbana Champaign and a Bachelor's Degree from the University of New South Wales, Australia.

Bea Reyna-Hickey has served as the Chief Financial Officer/Senior Deputy Executive Director, Finance, Innovation and Technology since September 2012. Bea is responsible for the regional operating budget, asset management, treasury, accounting, information technology, capital project management oversight, and safety operations of the Authority. Prior to joining the Authority, Ms. Reyna-Hickey had more than 25 years overseeing various City of Chicago

departments. In 2000, she was appointed the City of Chicago's Department of Revenue Director after serving as the Director of Revenue and Administration at the Department of Aviation (DOA) and Director of Personnel at the Department of Housing. Ms. Reyna-Hickey earned her Master of Science and Bachelor of Arts degrees in Public Service Administration from DePaul University.

William Lachman has served as the Treasurer since March 2016. Since joining the Authority in March 2003 as a Principal Analyst in Financial Planning & Analysis, Mr. Lachman has served as a Treasury Analyst, Manager of Funding, Investments & Pensions, and Division Manager of Budget, Financial Analysis & Pension Management. Mr. Lachman earned an MBA in Finance from the Kellogg School of Management at Northwestern University and Master's and Bachelor's degrees in Operations Research and Industrial Engineering from Cornell University.

Allan Sharkey has served as Treasury Advisor since March 2016. Previously, Mr. Sharkey served as the Treasurer of the Authority for nearly 16 years, 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 2015 was 635 million, a 0.2% decrease from 2014. Metra and Pace ridership declined in 2015, while CTA ridership increased by 0.3%. As required by the Amendatory Legislation, the Service Boards in 2008 began to provide free fixed route transportation service to persons 65 years and older and to persons with disabilities who fall within statutory income limits. Those riders are included in the 2008-2015 data. In September 2011, free fixed route transportation service for persons 65 years and older was also restricted to persons who fall within statutory income limits.

YEARLY RIDERSHIP UNLINKED PASSENGER TRIPS (In Millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CTA Bus	304.8	293.6	296.0	305.5	299.6	309.3	328.2	318.7	306.0	310.4	314.4	300.1	276.1	274.3
CTA Rail (1)	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6	210.9	221.6	231.2	229.1	238.1	241.7
Total CTA	485.2	474.7	474.7	492.3	494.8	499.6	526.3	521.3	516.9	532.0	545.6	529.2	514.2	516.0
Metra	75.5	74.0	73.8	76.1	79.9	83.3	86.8	82.3	81.4	82.7	81.3	82.3	83.4	81.6
Pace	34.8	33.7	34.1	36.9	38.0	36.6	37.8	32.3	32.3	33.7	35.4	35.9	34.8	33.1
Regional ADA Paratransit (2)						2.6	2.7	2.8	2.8	3.4	3.8	4.0	4.1	4.2
System Total	595.5	582.4	582.6	605.3	612.7	622.1	653.6	638.7	633.4	651.8	666.0	651.4	636.5	634.9
Percent Change	(0.8%)	(2.2%)	0.0%	3.9%	1.2%	1.5%	5.1%	(2.3%)	(0.8%)	2.9%	2.2%	(2.2%)	(2.3%)	(0.2%)

(1) CTA rail ridership includes cross-platform transfers.

(2) Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

AUTHORITY FINANCES

Revenues. The Authority has the following principal sources of revenues: (i) Sales Tax Revenues; (ii) Replacement Revenues; (iii) Public Transportation Fund Revenues; (iv) State Assistance; and (v) Miscellaneous Revenues, all as described below. Sales Tax Revenues, Replacement 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 Notes. Under the General Ordinance, the Replacement Revenues are also assigned by the Authority and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Notes. Other Authority funds, such as State Assistance, are not available for payments on Authority Obligations, including the Notes.

Sales Tax Revenues. Proceeds of the Authority Sales Tax are pledged as security for the Notes and other Authority Obligations and are assigned by the Authority and paid directly by the State to the Trustee for payment of debt service on Authority Obligations, including the Notes. Before enactment of the Amendatory Legislation in 2008, the Authority Sales Tax was imposed at the following rates: (i) in Cook County, a tax of 1.00%, and 0.25% in the Collar Counties, 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 the Collar Counties, of the gross receipts from all other taxable retail sales (a “*General Sales Tax*”); (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in the Collar Counties, of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a “*Use Tax*”); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a “*Service Occupation Tax*”). (The proceeds of the Authority Sales Tax at these rates are referred to as the “*Original Sales Tax Proceeds*”).

As authorized by the Amendatory Legislation, on April 1, 2008, the Authority increased the rates of the Authority Sales Tax to the following levels: (i) a Food and Drug Tax of 1.25% in Cook County and 0.75% in the Collar Counties; (ii) a General Sales Tax of 1.0% in Cook County and 0.75% in the Collar Counties; (iii) a Use Tax of 1.0% in Cook County and 0.75% in the Collar Counties; and (iv) a Service Occupation Tax in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax. The Collar Counties retain one-third (0.25%) of the 0.75% Authority Sales Tax.

The Authority Sales Tax, net of applicable retailers’ discount, is collected by the Department of Revenue and paid to the Treasurer of the State to be held in trust for the Authority outside the State Treasury in the Authority Tax Fund created under the Act (the “*Authority Tax Fund*”). Except as provided in this paragraph, Authority Sales Tax proceeds in the Authority 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 Notes or other Authority Obligations, before being paid to the Authority. See “SECURITY FOR THE NOTES—SECURITY AND SOURCES OF PAYMENT.” One-third of the Authority Sales Tax collected in the Collar Counties is not available for payment of debt service on Notes nor is it security

therefor. It is paid directly by the State to the Collar Counties based on the point of collection and is used by those counties to fund operating and capital costs of public safety and transportation services or facilities. (The proceeds of the Authority Sales Tax, less the amounts distributed to the Collar Counties as described in the previous sentence, less the Original Sales Tax Proceeds, are referred to as the “*Increased Sales Tax Proceeds.*”)

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

In order to compensate local governments, including the Authority, for any revenues lost by a 1990 legislative simplification of the rate structures and tax base for sales taxes imposed by the State and local governments, including the Authority, 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 Authority Occupation and Use Tax Replacement Fund and Authority Tax Fund held by the State Treasurer to offset Authority revenue loss resulting from that restructuring. Replacement Revenues are paid monthly by the State Treasurer to or on behalf of the Authority. The State has pledged that it will not limit or alter the basis on which State funds are paid to the Authority in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See “SECURITY FOR THE NOTES—AGREEMENTS OF THE STATE” above.

For a discussion of the Authority’s projection of Sales Tax Revenues and Replacement Revenues, see APPENDIX A—“Authority HISTORICAL AND PROJECTED SALES TAX REVENUES.”

The Authority 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 Collar Counties; (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 Authority Sales Taxes currently imposed by the Authority.

Public Transportation Fund Revenues. The Public Transportation Fund Revenues are pledged as security for the Notes 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 Notes. 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 30% of the net revenues realized from the Authority Sales Tax, but not including the portion of the Authority Sales Tax paid directly to the Collar Counties, 30% of the net Replacement Revenues and 30% of the net revenues realized by the CTA as financial assistance from the City of Chicago from the proceeds of the Chicago Real Estate Transfer Tax imposed by the City (these amounts are collectively referred to as “*Public Transportation Fund Revenues.*”)

The Amendatory Legislation provides that the provisions directing the distributions of Public Transportation Fund Revenues to the Authority constitute an irrevocable and continuing appropriation of those revenues. However, by law Public Transportation Fund Revenues may not be paid to the Authority until the Authority 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 Authority has been statutorily required to do so, it has certified that its budget has met the requirements of the Act. In recent years the State has been delayed in making transfers of Public Transportation Fund Revenues to the Authority. As of April 8, 2016, the last Public Transportation Fund payment received from the State was in April 8, 2016. Such receipt, totaling \$29.1 million, represented payments due through September of 2015. However, payments due since October of 2015 are still outstanding. The amount of Public Transportation Fund Revenues in arrears and owing to the Authority as of April 8, 2016 is \$178.9 million. See “THE REGIONAL TRANSPORTATION AUTHORITY—2016 BUDGET AND 2017-18 FINANCIAL PLAN” for a discussion of how the Authority has accounted for this in its 2016 Budget. The State has pledged that it will not limit or alter the basis on which State funds are paid to the Authority in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See “SECURITY FOR THE NOTES—AGREEMENTS OF THE STATE” above.

As an additional condition to receipt of Public Transportation Fund Revenues, the Authority 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 Authority is required to refund the amount of the deficiency in such coverage to the State, and the Public Transportation Fund Revenues paid by the Authority 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 Authority in connection with its issuance of SCIP Bonds (collectively, “*State Assistance*”). State Assistance received by the Authority may not be pledged as security for payment of debt service on Authority Obligations, including the Notes. Under the Act, the Authority 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 Authority Obligations, including the Notes. State Assistance is paid directly to the Authority and may be spent at its discretion for its corporate purposes.

The amount of State Assistance available to the Authority 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 annual 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 annual statutory ceiling for State Assistance after 2000 is \$100 million.

To obtain State Assistance payments, the Authority 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 Authority 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 Authority 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 Authority, has been paid to the Authority.

The Authority has filed its certification with respect to State fiscal year 2016. As of April 8, 2016, the last State Assistance payments received from the State were in November of 2015. Such receipts, totaling \$37.6 million, represented payments due through June 30, 2015. The amount in arrears and owing to the Authority as of April 8, 2016 is \$108.5 million. The Authority 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 Authority may receive is measured in part by the debt service on the Authority's SCIP Bonds, State Assistance is not pledged for payment of or as security for any Authority Obligations, including any 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 Authority for distribution to the Service Boards representing partial reimbursements to the Service Boards for discounts provided to students, elderly and riders with disabilities 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 Notes.

Chicago Real Estate Transfer Tax. In 2008, pursuant to the Amendatory Legislation, the City of Chicago increased its real estate transfer tax by a rate of \$1.50 per \$500 of value for the purpose of providing financial assistance to the CTA. The proceeds of this tax are paid by the City directly to the CTA and are not pledged as security for and are not available for payment of debt service on Authority Obligations, including the Notes.

Operating Grants to Service Boards for General Services. Under the Act and the General Ordinance, the State pays all Sales Tax Revenues and Public Transportation Fund Revenues directly to the Trustee as security for debt service on Authority Obligations, including the Notes. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the Authority for its corporate purposes, including distribution to the Service Boards. See "SECURITY FOR THE NOTES—DEBT SERVICE FUND."

After requiring that the Authority first provide for the payment of its obligations with respect to the Notes and other Authority Obligations from the Sales Tax Revenues and other

revenues available for that purpose, the Act allocates Authority revenue to the Service Boards and for various statutory purposes. The Amendatory Legislation preserved the allocation of the Original Sales Tax Proceeds, specifically, the following: the Authority withholds 15% of (i) 80% of the Authority Sales Taxes collected in Cook County at the rate of 1.25%, (ii) 75% of the Authority Sales Taxes collected in Cook County at a rate of 1%, (iii) 50% of the receipts of the Authority Sales Taxes collected in the Collar Counties, and (iv) the Replacement Revenues. Those withheld amounts are deposited into the Authority's general fund and used at the Authority's discretion. After withholding 15% of the above described amounts, the Authority is required to pay the amounts remaining as follows: (i) the balance remaining from proceeds collected within the City of Chicago is allocated and paid to the CTA; (ii) the balance remaining from proceeds collected in suburban Cook County is allocated and paid 30% to the CTA, 55% to Metra and 15% to Pace; and (iii) the balance remaining from proceeds collected in the Collar Counties is allocated and paid 70% to Metra and 30% to Pace.

That portion of the Public Transportation Fund Revenues measured by the Original Sales Tax Proceeds and the Replacement Tax Revenues, as well as State Assistance, investment income and other revenues are allocated at the discretion of the Authority Board in connection with the review and approval of the annual and revised budgets of each Service Board.

The Amendatory Legislation fully allocates the Increased Sales Tax Proceeds to the Service Boards or for specific programs as follows: (i) 20% of the taxes collected in Cook County at the rate of 1.25%, (ii) 25% of the taxes collected in Cook County at the rate of 1%, and (iii) 50% of the taxes collected in the Collar Counties, together with that portion of the Public Transportation Fund Revenues measured by 5% of the Original Sales Tax Proceeds and the Replacement Tax Revenues, 30% of the Increased Sales Tax Proceeds and 5% of the Chicago Real Estate Transfer Tax are allocated as follows: after depositing \$100 million in the ADA Paratransit Fund, \$20 million in the Suburban Community Mobility Fund and \$10 million in the Innovation, Coordination and Enhancement Fund, the balance of the moneys from the Increased Sales Tax Proceeds are allocated 48% to the CTA, 39% to Metra and 13% to Pace. The Authority must pay all of the Public Transportation Fund Revenues measured by 25% of the Chicago Real Estate Transfer Tax to the CTA. The fixed dollar amounts are required by the Amendatory Legislation to be deposited in the named funds in 2008 and increase or decrease in subsequent years based on the growth or decline in Authority Sales Tax Revenues in the previous year. Legislation in 2011 set the 2012 ADA Paratransit Fund deposit at \$115 million in 2012 and for each year thereafter to an amount equal to the final budgeted funding for ADA paratransit services for the current year.

The amounts of such funds allocated to the Service Boards are payable as soon as may be practicable upon their receipt, *provided* that (i) the Authority 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.

The Act requires that no moneys be released by the Authority to the CTA in any Fiscal Year, except for the proceeds of taxes imposed by the Authority 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 Authority Board. Funds received from this local assistance are not available for the payment of debt service on Authority Obligations, including the Notes.

Operating Grants to Pace for ADA Paratransit Service. In 2005 legislation was enacted that reorganized the responsibility for provision of transportation services to individuals with disabilities unable to use fixed route service and eligible for services under the Americans With Disabilities Act (“*ADA Paratransit Service*”). The Authority is responsible for funding, review and oversight of that service and Pace is responsible for providing that service throughout the Region. The Act established a separate revenue recovery ratio for such services which now is fixed at 10%. The Act contemplates that ADA Paratransit Service is to be funded with amounts set aside in the ADA Paratransit Fund.

Capital Grants. From its revenues, the Authority makes discretionary capital grants to the Service Boards. These amounts are separate from the proceeds of bonds issued by the Authority.

Administration and Regional Expenses. Administration costs reflect expenditures for the Authority staff and offices. The regional (also referred to as non-administration) expenses relate to functions undertaken by the Authority for the Service Boards, such as a Travel Information Center and the certification 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 and the Notes is set forth in the table entitled “SECURITY FOR THE NOTES—ANNUAL DEBT SERVICE” above.

AUTHORITY PENSION PLAN

General

The Authority contributes to the Regional Transportation Authority Pension Plan (the “*Pension Plan*”), which the Authority has established and maintains pursuant to the Act. The Pension Plan provides retirement and disability benefits for the employees of the Authority and for the employees of Metra and Pace not otherwise covered by a union pension plan. The Pension Plan is a cost-sharing, multi-employer, defined benefit public employee retirement plan. “Multi-employer” refers to the fact that multiple employers, namely the Authority, Metra, and Pace, contribute to the Pension Plan and share in the costs of the Pension Plan. “Defined benefit” refers to the fact that the Pension Plan pays a periodic benefit to retired employees in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined pursuant to a formula on the basis of each employee’s service credits and salary. The benefit is reduced as applicable in cases of prior service with an eligible employer or early retirement as provided for in the Pension Plan. In addition, the Pension Plan provides that vested participants who have reached the age of 65 and were hired prior to December 31, 2010, may take a lump-sum benefit (the “*Lump Sum Benefit*”) instead of receiving the defined benefit annuity described above.

Responsibilities for establishing, administering, and amending the Pension Plan are divided among a Board of Trustees of the Pension Plan, a plan administrator, a retirement committee, and the Board of Directors of the Authority (collectively, the “*Plan Administrators*”).

As of January 1, 2015, the Pension Plan had a total membership of 2,199, consisting of 1,095 active employees, 627 retirees and beneficiaries currently receiving benefits, and 477 non-active employees.

Actuarial Calculations, Assumptions and Methods

The Authority’s contributions to the Pension Plan are determined on an actuarial basis, which is based on the outcome of an actuarial valuation (the “*Actuarial Valuation*”). The primary purpose of the Actuarial Valuation is to determine the “*Annually Required Contribution*,” which is the contribution necessary for the current year to satisfy the current and future obligations to pay benefits to eligible members of the Pension Plan. The Annually Required Contribution is equal to the value of benefits earned during the current period, referred to as the “*Normal Cost*,” plus an amortization of the UAAL (as hereinafter defined) over a rolling thirty-year period. To determine the Annually Required Contribution, the Pension Plan’s actuary (the “*Actuary*”) calculates the following: (i) the “*Actuarial Value of Assets*” or “*AVA*,” which is the value of the assets of the Pension Plan at the time of the Actuarial Valuation, (ii) the “*Actuarial Accrued Liability*” or “*AAL*,” which is the portion of the actuarial present value of pension benefits owed by the Pension Plan that is not allocated to future years by the actuarial cost method, as described below, (iii) the “*Unfunded Actuarial Accrued Liability*” or “*UAAL*,” which is the dollar amount by which the Actuarial Accrued Liability exceeds the Actuarial Value of Assets, and (iv) the “*Funded Ratio*,” which is the ratio of the AVA to the AAL, generally expressed as a percentage.

To make these calculations, the Actuary uses various assumptions regarding future events affecting pension assets and liabilities. Specifically, the Actuary uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated salary and interest rates) and decrement assumptions (including employee turnover, mortality and retirement rates) to provide a basis for calculating the AAL and the Annually Required Contribution. Certain of the specific actuarial assumptions employed by the Actuary in the Actuarial Valuations for each of the past three years is set forth in Note 10 to the audited financial statements of the Authority for the period ended December 31, 2014, attached hereto as APPENDIX B.

In addition, the Actuary uses certain actuarial methods to calculate the AAL and the AVA. For purposes of calculating the AAL, the Actuary employs an actuarial cost method, which allocates the total present value of future pension benefits to the current period and prior periods. For the Actuarial Valuations completed as of January 1 of the years 2011 through 2013, the Actuary used the projected unit credit actuarial cost method, under which the projected benefits earned by each individual are allocated to each valuation year. For the Actuarial Valuation completed as of January 1, 2014, the Actuary used the entry age normal actuarial cost method.

Finally, the Actuary employs the “*Asset Smoothing Method*” to calculate the AVA. This method smoothes investment gains and losses over a period of years, which is five years in the case of the Pension Plan. The Asset Smoothing Method delays the immediate effect of market fluctuations on the AVA, the UAAL and the Funded Ratio that occur as a result of market volatility. However, because the Asset Smoothing Method delays recognition of gains and losses, it does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the AVA as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses as they occur.

With respect to the Pension Plan, as of January 1, 2015, the AVA measured in accordance with the Asset Smoothing Method was \$196,142,829, whereas the market value[†] of the Pension Plan’s assets (the “MVA”) was \$194,510,431. As a result of this difference between applying the Asset Smoothing Method or using the market value, the Pension Plan’s UAAL was \$1,632,398 lower. As of January 1, 2014, the AVA was \$180,317,254 and the MVA was \$189,260,114, resulting in a UAAL that was \$8,942,860 higher.

Contributions to and Funded Status of the Pension Plan

The Pension Plan is a non-contributory pension plan, which means that participating employees are not required to provide funding for the pension benefits they will receive. The assets in the Pension Plan derive solely from contributions by the Authority, Metra, and Pace, along with the investment earnings thereon. The Authority contributes to the Pension Plan on an actuarial basis as described above. The Authority, Metra, and Pace have contributed the full Annually Required Contribution in each of the last ten years, as shown in the table below.

The Pension Plan’s Funded Ratio significantly exceeded 100% throughout the late 1990’s, peaking at 159% as of January 1, 1999. As a result of this significant overfunding, no employer contributions were made to the Pension Plan in 1999, 2000, or 2001. This lack of contributions, combined with poor investment returns in 2001 and 2002, reduced the Funded Ratio below 100%. Furthermore, changes in actuarial assumptions, investment returns below expected and other negative actuarial experience caused the Funded Ratio to decline further in the mid-2000s. The Funded Ratio declined between January 1, 2008 and January 1, 2009 primarily due to poor investment performance as a result of the worldwide economic downturn. In 2011, 2012 and 2015, the projected rate of return was reduced from 8.5% to 8.25%, 7.75% and 7.5% respectively. Effective January 1, 2012, the accrual basis of accounting is used to determine the market value of assets. The funded rate increased in 2014 as a result of strong market performance and supplemental contributions by the employers. The funded ratio declined in 2015 reflects changes resulting from revisions to the actuarial assumptions, particularly the change in the actuarial cost method from projected unit credit to entry age normal. The Authority’s share of both the ARC and the 2012 and 2013 Supplemental Contributions is approximately 12%.

[†] For purposes of this disclosure, “market value” refers to the amount that the Pension Plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEARS 2005-2015
(as of 12/31/2015)

Year Ended 12/31	Annual Required Contribution (1)	Supplemental (in excess of the ARC) Contributions (1)	Percentage Contributed
2005	\$6,800,000		100%
2006	8,777,000		100%
2007	9,137,000		100%
2008	9,195,000		100%
2009	10,827,000		100%
2010	11,288,000		100%
2011	12,547,000		100%
2012	13,493,395	\$6,746,698	150%
2013	14,795,180	7,397,590	150%
2014	13,689,196		100%
2015 (2)	13,598,896	63,496,198	467%

Source: For years 2005 to 2010, inclusive – the Actuarial Valuation Report as of January 1, 2011 for the January 1, 2011 – December 31, 2011 fiscal year (the “2011 Actuarial Valuation”) as prepared by Mercer in its capacity as consulting actuary to the Pension Plan; and for years 2011 to 2015 - the Actuarial Valuation Report as of January 1, 2015 (the “2015 Actuarial Valuation”) as prepared by Gabriel Roeder Smith & Company in its capacity as consulting actuary to the Pension Plan, and the Authority.

- (1) Through 2013, employer contributions are accrued and amounts were actually contributed in the following year.
- (2) Metra and Pace made supplemental contributions of \$33,062,728 and \$28,527,175, respectively, corresponding to 100% of each agency's portion of the Pension Plan's net pension liability as of December 31, 2014 as determined by Gabriel Roeder Smith & Company in its capacity as consulting actuary to the Pension Plan. The Authority made a supplemental contribution in the amount \$1,906,295 towards its \$8,406,295 portion of the Pension Plan's net pension liability as of December 31, 2014.

The Authority, Metra, and Pace have amortized the UAAL as required by the Actuary since January 1, 2001. As of January 1, 2015, none of the Pension Plan's UAAL is related to a failure to contribute the Annually Required Contribution, as evidenced by a net pension obligation, which is the cumulative difference between the annual pension cost[‡] and the actual employer contribution, on such date of \$0.

As of January 1, 2015, the Pension Plan had an AVA as determined under the Asset Smoothing Method of \$196,142,829 and a MVA of \$194,510,431. The Pension Plan's AAL as of such date was \$270,324,403. As a result, the Pension Plan's UAAL was \$74,181,574, which corresponds to a Funded Ratio of 72.6% on an actuarial basis. In addition to an Annually Required Contribution of \$13,598,896, supplemental contributions by the employers in 2015 totaled \$63,496,198.

[‡] Annual pension cost for an employer with an NPO is equal to (a) the Actuarially Required Contribution, (b) one year's interest on the NPO, and (c) an adjustment to the Actuarially Required Contribution to offset the effect of actuarial amortization of past under- or over-contributions.

The following table provides a schedule of funding progress as of January 1, 2005 through January 1, 2015.

**SCHEDULE OF FUNDING PROGRESS
FISCAL YEARS 2005-2015**

As of 1/1	Actuarial Value of Assets (1) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2005	\$ 90,334,371	\$105,976,209	\$15,641,838	85.24%	\$56,417,461	27.73%
2006	94,697,937	124,521,129	29,823,192	76.05%	58,883,678	50.65%
2007	102,523,735	133,905,851	31,382,116	76.56%	61,357,214	51.15%
2008	114,031,540	146,417,404	32,385,864	77.88%	61,364,198	52.78%
2009	106,021,198	153,284,576	47,263,378	69.17%	66,010,613	71.60%
2010	118,805,281	166,663,123	47,857,842	71.28%	68,389,409	69.98%
2011	127,343,037	185,373,843	58,030,806	68.70%	66,490,058	87.28%
2012	141,387,904	200,844,966	59,457,062	70.40%	67,176,064	88.51%
2013	155,997,793	221,397,986	65,400,193	70.46%	70,634,459	92.60%
2014	180,317,254	233,751,698	53,434,444	77.14%	74,809,822	71.43%
2015	196,142,829	270,324,403	74,181,574	72.56%	88,485,618	88.86%

Source: The 2015 Actuarial Valuation.

(1) The actuarial value is determined by application of the Asset Smoothing Method as discussed in “– Actuarial Calculations, Assumptions and Methods” above.

Pension Code Contribution Requirement

The Illinois Pension Code, as amended (the “*Pension Code*”), requires that the Authority, Metra, and Pace make additional contributions to any pension plans they participate in, together or individually, including the Pension Plan, if such pension plans had a Funded Ratio of less than 90% as of January 1, 2009, or if such pension plans fall below a 90% Funded Ratio at any time in the future. This statute applies to the Pension Plan because its Funded Ratio was 69.17% on January 1, 2009.

As a result, the Pension Code requires that the Authority, Metra, and Pace agree on a schedule to amortize the amount of the Pension Plan’s UAAL necessary to achieve a Funded Ratio of 90% within a maximum of 50 years. The Pension Plan’s actuary continued to calculate the Pension Plan’s contribution in accordance with applicable accounting standards which require amortization of the entire UAAL over a closed thirty-year period. The Authority expects to continue making contributions in accordance with actuarial requirements, which the Authority expects will be sufficient to meet its statutory requirements. Such contribution amounts are reviewed on an annual basis and adjusted as needed to meet the applicable actuarial funding requirements.

Performance Audit

In March 2007, the Office of the Auditor General of the State (the “*Auditor General*”) released a report entitled “Performance Audit of the Mass Transit Agencies of Northeastern Illinois: Authority, CTA, Metra, and Pace” (the “*Performance Audit Report*”). In the Performance Audit Report, the Auditor General provided recommendations on, among other

things, certain aspects of the Pension Plan. Specifically, the Auditor General recommended that the Authority, Metra, and Pace: (i) continue to take actions necessary to ensure that the pension plan is adequately funded, (ii) periodically review the 8.5% investment return assumption, and (iii) phase out the Lump Sum Benefit. The Authority, Metra, and Pace all agreed with these recommendations in the Performance Audit Report.

As of the date of the most recent Actuarial Valuation, the Authority, Metra, and Pace have continued to fund the Pension Plan in accordance with actuarial requirements, the investment return assumption was changed from 8.50% to 8.25% for use in the January 1, 2011 valuation, reduced to 7.75% for first use in the January 1, 2012 valuation and lowered to 7.5% for first use in the January 1, 2015 valuation. The Lump Sum Benefit has been eliminated for new employees hired after December 31, 2010.

AUTHORITY'S RESPONSIBILITY FOR SERVICE BOARD PENSION PLANS

The Authority is not generally responsible for making contributions to pension plans of the Service Boards, other than the Pension Plan. However, Sections 4.02a and 4.02b of the Act require the Authority to continually review the payment of the required employer contributions to the pension plans of the Service Boards and, if the Authority determines that such payments are more than one month overdue, to pay the amount of such overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board. The Authority does not retain any liability to the applicable Service Board for any amounts paid as required in these sections of the Act.

OTHER POST-EMPLOYMENT BENEFITS

The Authority offers eligible retirees the option to continue participation in its group health insurance plan for employees (the "*Health Plan*"). The Authority subsidizes up to \$78 per month for each eligible employee who elects to participate in the Health Plan. The Authority recognizes these expenses as they are paid and does not incur any additional obligations under the Health Plan.

As of December 31, 2014, 26 participants were eligible to receive benefits. For such year, the Authority incurred \$24,336 in expenses related to the Health Plan. The Authority's auditor considers the amount of the liability for the Health Plan to be immaterial to the Authority.

RISK MANAGEMENT

The Authority's Risk Management practices include a portfolio of insurance policies to protect against losses due to crime, fire and other casualty, terrorism, cyber-related liability and public officials' liability. Further, the Authority administers a Joint Self Insurance Fund and Loss Financing Plan, governed by the Authority and all three Service Boards, which secures excess liability insurance in case of catastrophic occurrences.

INVESTMENT POLICIES AND PRACTICES

The Authority's investments are made in strict compliance with the provisions of the Illinois Public Funds Investment Act, 30 Illinois Compiled Statutes 235. Further, the Board of Directors has adopted a series of ordinances delineating Investment and Portfolio Policies more conservative than those required by Illinois law.

FINANCIAL CONTROLS OVER SERVICE BOARDS

The Act vests responsibility for financial oversight in the Authority and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. The Authority'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 Authority. The Act sets criteria by which proposed budgets and financial plans are to be reviewed and requires that the System Generated Revenue Recovery Ratio equals or exceeds 50% and the ADA paratransit revenue recovery ratio equals or exceeds 10%. On a quarterly basis, the Service Boards must report their financial condition and results of operations to the Authority. The Authority Board, by the affirmative vote of 12 of its Directors, must determine whether the results are substantially in accordance with the adopted budget and if so, certify that determination 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 Authority 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 Authority must withhold 25% of the Service Board's allocation of Authority Sales Taxes and 25% of the Public Transportation Fund Revenues estimated to be available to that Service Board until a compliant budget and financial plan is approved. See "THE REGIONAL TRANSPORTATION AUTHORITY—2016 Budget and 2017-18 Financial Plan."

The Act confers upon the Authority Board powers to adopt regulations requiring that the Service Boards submit specific information in connection with the budget, financial plan and capital program, base that budget, financial plan and capital program on those assumptions and projections set out by the Authority, and comply with Authority prescribed financial practices in the budgeting and expenditure of public funds. The Act also empowers the Authority to evaluate public transportation services operated by the Service Boards against the goals and objectives of the Authority Strategic Plan and to assess the efficiency and adequacy of those services.

The Amendatory Legislation requires the Authority to conduct audits of each of the Service Boards no less than every five years. Those audits may include management, performance, financial, and infrastructure condition audits. Similar audits may be conducted of transportation agencies that provide services on behalf of a Service Board. In 2010, the Authority Board approved the development of a cost-effective and timely five year service board audit program which complies with the Amendatory Legislation but does not duplicate the Service Boards' own efforts. Guided by a risk assessment completed in 2011, the Authority five year 2012-2016 audit program comprises 32 audits to be performed by the Authority and audit departments of the Service Boards.

The Act directs the Authority to review the payment of required employer contributions to pension plans established by the Service Boards and, if those payments are more than one month overdue, to pay those overdue contributions to the pension plan from amounts otherwise payable to that Service Board from Authority revenues. Currently, all contributions are being made as required. See “AUTHORITY PENSION PLAN—AUTHORITY’S RESPONSIBILITIES FOR SERVICE BOARD PENSION PLANS” above.

The Authority Board has established certain principles to guide the Authority/Service Board fiscal relationship. The primary principle established by the Authority 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 Authority 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 Authority.

HISTORICAL FINANCIAL RESULTS

The Amendatory Legislation authorized a significant increase in public funding for operation of public transportation in the Region. The Amendatory Legislation became law on January 18, 2008. The Authority increased the Authority Sales Tax, as authorized by the Amendatory Legislation, effective April 1, 2008 and the Authority began to receive revenues from those increases in July 2008. Additionally, the Amendatory Legislation authorized the City of Chicago to impose an increase in the Chicago Real Estate Transfer Tax on April 1, 2008 for the benefit of the CTA.

Table I contains Statements of Revenues and Expenditures for the Authority (including funding for the Service Boards) for the years from 2011 through 2015. The financial information is presented on a funding basis which is non-GAAP and differs in certain respects from the presentation of the financial statements contained in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE AUTHORITY FOR THE PERIOD ENDED DECEMBER 31, 2014” as explained in the footnotes to Table I. For the financial results of the individual Service Boards, see APPENDIX C – “SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS OF THE AUTHORITY AND THE SERVICE BOARDS FOR THE PERIOD ENDED DECEMBER 31, 2014” and APPENDIX D – “SERVICE BOARD HISTORICAL FINANCIAL RESULTS AND 2016 BUDGETS AND 2017-18 FINANCIAL PLANS.” Not all of the amounts shown under the heading “REVENUES” in the Table constitute security for the Authority Obligations, including the Notes. See “SECURITY FOR THE NOTES.”

As shown in Table I, for the period 2011 through 2015, Authority revenues grew by approximately \$236 million, an annual compound growth rate of 3.7%. Sales Tax Revenues and Public Transportation Fund Revenues grew at an annual compound growth rate of approximately 4.5% from 2011 through 2015. The 2015 estimate assumes Sales Tax Revenues of \$1.154 billion, which is approximately 2.7% greater than Sales Tax Revenues received in 2014.

Because the State subsidy that comprises the Public Transportation Fund is calculated in part based on the level of Sales Tax Revenues, the Public Transportation Fund amount increases or decreases with the sales tax receipts. In 2008 the increase in Authority Sales Tax rates caused

a change in the base by which the State subsidy is measured. Prior to 2008, the State subsidy rate was 25%, but the Amendatory Legislation increased the rate to 30%. State Assistance, which reimburses the Authority for debt service on SCIP Bonds, has stabilized as all but a small portion of authorized SCIP Bonds have been issued.

The severe decline in the economy since 2008 was reflected in a decline in the total volume of retail sales in the Region and real estate transfers in the City of Chicago in calendar years 2008 and 2009. Therefore, even accounting for the increase in the sales tax rate, the revenues fell short of amounts estimated by the Authority and used as the basis for 2009 budgets adopted by the Service Boards and approved by the Authority. Sales tax growth has since recovered and has exceeded 4% in 2010 through 2014. Continued growth is reflected in the revenue estimates on which the 2016 Budget and 2017-18 Financial Plan has been based. See “THE REGIONAL TRANSPORTATION AUTHORITY–2016 BUDGET AND 2017-18 FINANCIAL PLAN.”

Since 2010 the State was not timely in making payments to the Authority of its transit funding obligations. As of April 1, the Authority has recorded a receivable of \$269.3 million representing transfers of outstanding Public Transportation Fund Revenues, Additional State Assistance and Additional Financial Assistance.

Operating expenditures were approximately \$1.659 billion in 2014, an increase of approximately \$51 million compared to operating expenditures for 2013. Operating expenditures for 2015 are currently estimated to be \$1.722 billion or 3.8% greater than 2014.

TABLE I*
AUTHORITY STATEMENTS OF REVENUES AND EXPENDITURES
(INCLUDING FUNDING FOR THE SERVICE BOARDS)
FISCAL YEAR 2011-2015 FINANCIAL INFORMATION
(Dollars in Thousands)

	2011	2012	2013	2014	2015 Estimate**
System-Generated Revenue					
RTA Sales Tax (Part I)	\$ 719,849	\$ 754,348	\$ 792,112	\$ 830,134	\$ 853,574
RTA Sales Tax (Part II) (1).....	255,822	267,338	279,114	293,863	300,771
RTA Public Transportation Fund (Part I)	181,428	189,523	198,640	207,291	213,394
RTA PTF (Part II) (1) (2).....	123,967	130,369	140,548	147,698	153,374
State Financial Assistance (ASA/AFA)	130,088	130,071	130,185	130,167	130,167
State Free Rides/Reduced Fare Reimbursement	31,997	33,980	26,099	34,581	17,167
State Funding for ADA Paratransit	8,500	8,500	8,500	8,500	8,500
State Funding for Debt Service per MOU.....	10,200	-	-	-	-
RTA Regional Capital Project Reserves	-	5,144	22,921	2,921	-
RTA Reserves	-	-	-	-	6,000
ICE Reserves	-	-	-	-	22,795
Other RTA Revenue	23,550	21,818	25,198	20,813	15,484
Total Revenue	\$1,485,401	\$1,541,090	\$1,623,317	\$1,675,968	\$1,721,226
Operating Expenditures					
RTA Total Funds for CTA Operations	\$ 549,187	\$ 606,241	\$ 640,252	\$ 676,087	\$ 717,640
RTA Total Funds for Metra Operations.....	334,102	344,411	358,155	374,248	401,453
RTA Total Funds for Pace Suburban Service Operations(3)	135,429	142,052	148,085	154,734	162,450
RTA Total Funds for Pace ADA Paratransit Operations	114,346	124,173	134,495	140,162	158,203
RTA Funding for Innovation, Coordination, and Enhancement (ICE).....	3,381	10,398	10,902	11,439	-
State Free Rides/Reduced Fare Reimbursement	31,997	33,980	26,099	34,581	17,167
RTA Agency Administration, Regional Services & Programs ...	36,224	34,253	41,290	43,356	42,506
Total Operating Expenditures	\$1,204,667	\$1,295,508	\$1,359,278	\$1,434,608	\$1,499,418
Debt Service & Capital Expenditures					
Principal and Interest	\$217,241	\$211,307	\$220,000	\$214,511	\$216,700
Regional Technology and Agency Capital.....	-	10,990	-	-	-
Transfer Capital – Metra	-	4,700	7,000	2,000	-
Transfer Capital – CTA	-	-	15,000	-	-
RTA Funds to CTA.....	10,200	-	-	-	-
Grant Incentive Program.....	-	2,162	1,615	1,786	-
RTA Joint Self-Insurance Fund (JSIF) (4).....	5,380	5,000	5,000	6,329	6,180
Total Debt Service, Capital & JSIF Expenditures	\$232,821	\$234,159	\$248,615	\$224,626	\$222,880
Total Expenditures	\$1,437,488	\$1,529,667	\$1,607,893	\$1,659,234	\$1,722,298
Fund Balance					
Beginning Balance (Unassigned).....	\$7,318	\$34,815	\$5,122	\$9,110	\$4,441
Total Revenues Less Total Expenditures	47,913	11,423	15,424	16,734	(1,072)
Net Transfers (To)/From Reserves.....	(20,416)	(23,767)	(22,185)	(19,308)	-
Reconciliation to Budgetary Basis.....	-	(17,349)	10,749	(2,095)	-
Ending Fund Balance (Unassigned)	\$34,815	\$5,122	\$9,110	\$4,441	\$3,369
% of Total Operating Expenditures.....	2.9%	0.4%	0.7%	0.3%	0.2%
Total System-Generated Revenue Recovery Ratio(5)	54.3%	56.6%	54.1%	52.6%	51.5%
ADA Paratransit Recovery Ratio(5)	10.7%	10.7%	10.0%	10.0%	10.0%

* Any discrepancies between Table I and the Combining Special Purpose Financial Statements for the respective fiscal year result from difference in presentation of the numbers. The numbers in Table I are presented on a budgetary basis and the numbers in the Combining Special Purpose Financial Statements are presented on a modified accrual basis.

** Prepared in mid-2015 by Authority, CTA, Metra, and Pace staff as an update of the 2015 budget and to assist in the development of the 2016 budget and 2017-2018 financial plan.

- (1) Incremental amounts generated by Amending legislation.
- (2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT).
- (3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds.
- (4) Authority funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.
- (5) The 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 excluding ADA Paratransit Service and 10% for ADA Paratransit Service. The 2014 Special-Purpose Combining Financial Statements present the calculation of this ratio on page 41-42 of Note 14.

2016 BUDGET AND 2017-18 FINANCIAL PLAN

By December 31 of each year, the Authority is required to adopt, after holding a public hearing, an annual Authority budget and appropriation ordinance for the following year and a two year financial plan. This annual budget for the Authority includes direct expenditures for the Authority 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% and an ADA Paratransit Services Revenue Recovery Ratio of no less than 10%.

In determining the funding amounts to be available during the period of the annual budget and two year financial plan, the Authority reviews economic forecasts for the region and customized sales tax forecasts from the Chicago Federal Reserve Bank and a private econometric forecasting service. In addition, the Governor's Office of Management and Budget supplies the Authority with a sales tax revenue projection in July of each year. By September 15 of each year, the Authority Board considers a recommended funding level for the Service Boards for the next fiscal year and the times at which such amounts are expected to be available. In A the Authority informed the Service Boards of the amounts projected to be available with respect to the 2016 Budget and 2017-18 Financial Plan.

Each Service Board develops a proposed annual budget and two-year financial plan consistent with the funding levels established by the Authority. 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 Authority on or before November 15 of that year. The Act requires that such annual budget and two-year financial plan project or assume revenues from the Authority in amounts no greater than those set forth in the funding estimates provided by the Authority. In accordance with the Authority Act, the Authority reviews and approves the proposed annual budget and two-year financial plan of each Service Board.

Each Service Board presented its 2016 budget and 2017-18 financial plan to the Authority for approval under the Act. On December 17, 2015, the Authority adopted an ordinance approving the 2016 budgets and 2017-18 financial plans of the Service Boards, adopting the 2016 Budget and Financial Plan of the Authority and appropriating funds for the 2016 Budgets, and adopting the Five Year Capital Program.

The 2016 budget and 2017-18 financial plan have been established using public funding estimates of the Authority that reflect recent improving trends and take into account economic forecasts from various sources. In the development of the 2016 Budget and 2017-2018 Financial Plan, the Authority and the respective Service Boards have maintained service levels aided by robust sales tax growth and effective control of operating expenses. For a fifth consecutive year, the budget does not utilize transfers from capital funding to support operations preserving those funds for their intended use.

By law, the Service Boards must prepare balanced budgets, and the Service Boards' proposed 2016 budgets meet this requirement. Additionally, State law requires that one-half of the Authority

System operating costs, apart from ADA Paratransit service, are paid for with system-generated revenues. The 2016 regional operating budget meets this requirement with a projected system-generated recovery ratio of 50.7%.

The 2016 budget and 2017-18 financial plan conform to the Authority requirements concerning system-generated recovery ratios. The 2016 budgeted ratio of 50.7% for mainline service exceeds the statutory requirement of 50%. Note that this reflects \$32.3 million in revenue credits and \$179.5 million in cost exclusions as established by the Authority Act. Without the use of credits or exclusions the Regional Recovery Ratio is budgeted to be 45.3% in 2016. The Authority has also used debt financing to provide for operating funds on a short-term basis, including the 2014A Notes and the Subordinate Notes.

As more fully described in APPENDIX A hereto, the Authority monitors the receipt of Sales Tax Revenues and Public Transportation Fund Revenues on an ongoing basis throughout the year. In 2014, annual Sales Tax Revenues of \$1.124 billion exceeded budget and prior year by 2.2% and 4.9%, respectively. As of December 2015 Sales Tax Revenues were \$1.169 billion, which was 2.3% greater than budget, and 4.0% greater than actual Sales Tax Revenues received during the corresponding period of 2014. The table set forth below shows the comparison of actual 2015 Sales Tax Receipts to budgeted 2015 Sales Tax Receipts and actual Sales Tax receipts in 2014.

**Authority 2015 Sales Tax Receipts
December YTD
(Dollars in thousands)**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Full Year
2015 Actual	80,617	81,407	96,043	94,088	99,707	104,268	100,749	102,852	100,581	98,872	95,216	114,867	1,169,268
2014 Actual	76,066	76,111	91,714	91,941	98,495	97,912	94,823	97,389	97,945	95,994	94,399	111,209	1,123,998
2014 Actual \$ Change	4,551	5,296	4,329	2,147	1,212	6,356	5,926	5,463	2,636	2,879	817	3,659	45,270
2014 Actual % Change	6.0%	7.0%	4.7%	2.3%	1.2%	6.5%	6.2%	5.6%	2.7%	3.0%	0.9%	3.3%	4.0%
2015 Budget(1)	80,381	82,396	94,933	91,383	96,589	101,121	95,638	98,555	97,230	94,542	95,847	114,668	1,143,282
2015 Budget \$ Change	236	(989)	1,110	2,705	3,118	3,147	5,111	4,298	3,351	4,330	(631)	200	25,985
2015 Budget % Change	0.3%	(1.2%)	1.2%	3.0%	3.2%	3.1%	5.3%	4.4%	3.4%	4.6%	(0.7%)	0.2%	2.3%

(1) Adopted by the Authority Board on September 12, 2014.

The information presented in Table II is based on the 2016 budgets and 2017-18 financial plans presented by the Service Boards and was adopted by the Authority as its 2016 budget and 2017-18 financial plan at its December 17, 2015 meeting. The 2016 Budget and 2017-2018 Financial Plans of the Service Boards presented in APPENDIX D were submitted to the Authority by the Service Boards and were approved by the Authority at the December 17, 2015 meeting.

In the event that Sales Tax Revenues are materially lower than projected in the 2016 budget and 2017-18 financial plan, the Authority staff would recommend to the Board that revisions of its funding estimates for the balance of 2016 and subsequent periods be made and direct the Service Boards to develop new budgets and financial plans reflecting such revisions. The range of actions available to the Authority and the Service Boards to respond to a decrease in revenues includes measures to reduce costs through service cuts and other actions, fare increases, reprogramming of federal subsidies currently planned for long term capital projects to ongoing operating costs, like preventive maintenance or capital costs of contracting service, as permitted by federal law, freeing up other revenues to fund operating

costs, and reprogramming of restricted cash balances held by the Authority. The 2016 budget and 2017-18 financial plans are shown in Table II and APPENDIX D. The Authority will continue to monitor the level of Sales Tax Revenues.

TABLE II
Authority 2016 Budget and 2017-2018
Financial Plan
(Dollars in Thousands)

System-Generated Revenue	2016 Budget	2017 Plan	2018 Plan
System-Generated Revenue			
Authority Sales Tax (Part I)	\$883,449	\$916,137	\$949,118
Authority Sales Tax (Part II)(1)	311,298	322,816	334,438
Authority Public Transportation Fund (PTF - Part I)	220,862	229,034	237,279
Authority PTF (Part II)(1)(2)	156,628	162,669	168,805
State Financial Assistance (ASA/AFA)	130,167	130,283	130,300
State Free Rides/Reduced Fare Reimbursement	34,070	34,070	34,070
State Funding for ADA Paratransit	8,500	8,500	8,500
Authority Regional Capital Project Reserves	2,555	-	-
ICE Carryover (2015)	2,623	-	-
Other Authority Revenue	12,252	4,216	4,333
Total Revenue	<u>\$1,762,405</u>	<u>\$1,807,726</u>	<u>\$1,866,843</u>
Operating Expenditures			
Authority Total Funds for CTA Operations	\$731,779	\$751,306	\$776,594
Authority Total Funds for Metra Operations	403,545	413,606	426,770
Authority Total Funds for Pace Suburban Service Operations(3)	166,643	170,187	175,472
Authority Total Funds for Pace ADA Paratransit Operations	159,987	170,386	181,461
State Free Rides/Reduced Fare Reimbursement	34,070	34,070	34,070
Authority Agency Administration, Regional Services and Programs	35,160	39,234	40,623
Total Operating Expenditures	<u>\$1,531,184</u>	<u>\$1,578,790</u>	<u>\$1,634,990</u>
Debt Service & Capital Expenditures			
Principal and Interest	\$222,300	\$225,300	\$225,100
Authority Agency Regional Capital Program	\$2,555	-	-
	-	-	-
Total Debt Service and Capital Expenditures	<u>\$224,855</u>	<u>\$225,300</u>	<u>\$225,100</u>
Total Expenditures	<u>\$1,756,040</u>	<u>\$1,804,091</u>	<u>\$1,860,090</u>
Fund Balance			
Beginning Balance (Unassigned)	\$3,369	\$3,369	\$448
Total Revenues Less Total Expenditures	6,365	3,635	6,753
Authority Joint Self Insurance Fund (JSIF)(4)	(6,365)	(6,556)	(6,753)
Ending Fund Balance (Unassigned)	<u>\$3,369</u>	<u>\$448</u>	<u>\$448</u>
% of Total Operating Expenditures	0.2%	0.0%	0.0%
Total System-Generated Revenue Recovery Ratio(5)	50.7%	50.2%	50.1%
ADA Paratransit Recovery Ratio	10.0%	10.0%	10.0%

(1) Incremental amounts generated by Amendatory Legislation.

(2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT).

(3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds.

- (4) Authority funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.
- (5) The 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 excluding ADA Paratransit Service and 10% for ADA Paratransit Service. The 2014 Special-Purpose Combining Financial Statements present the calculation of this ratio on page 41-42 of Note 14.

CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE CAPITAL PROGRAM

The System provided 634.9 million passenger trips in calendar year 2015. This level of ridership 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 \$158 billion. To continue these public benefits, the Authority strives to maximize the amount of resources devoted to investment in the System for it to remain in good working order, as well as to respond to changing markets. The Authority five-year capital program embodies the detail of this investment, updated and adopted annually by the Authority Board, as required by the Act.

Sources of funds for capital investment include federal and State programs as well as funds from the Authority, the Service Boards and local governments. Federal funding levels are currently governed by the Moving Ahead for Progress in the 21st Century (MAP-21) legislation. At this time, the final federal appropriations for 2016 have not been determined. Once the *Federal Register* containing the final federal fiscal year 2016 federal apportionments is published, the capital program will be amended to correspond to funds made available by the apportionment. The Service Boards will then revise their capital programs to reflect actual appropriation levels.

The State of Illinois approved capital bills in 2009 that programmed the Authority system with \$2.7 billion in capital funds. With these funds the Authority can enable the replacement of aging trains, buses, track, stations and other infrastructure and improve the reliability of the system. The 2010 award of \$442.7 million of the “*Illinois Jobs Now!*” funds for mass transit infrastructure that specifically included funding for Authority capital projects to be implemented by the CTA, Metra, and Pace was followed by \$704 million awarded to the CTA and Pace in 2012. There remains uncertainty regarding the timing of the availability of the balance of the \$2.7 billion originally appropriated for the program. A portion of these funds are dependent upon bond authorizations yet to pass the General Assembly. In addition, sources for debt service on some of the bond funds are dependent upon new revenues in the State’s General Revenue Fund. Despite the challenging economic times, critical progress was made in 2013 on our capital investment needs. In 2013, State of Illinois funds were utilized on projects such as the CTA Dan Ryan Track and Station Renewal, Metra Highliner cars and stations, and Pace’s replacement of aging buses. The balance of the \$2.7 billion in State funding is programmed through 2014. Due to the current economic stress experienced by the State, the Authority has no assurance as to when such State funding will be provided to the Authority. See “SECURITY FOR THE NOTES – AUTHORITY OBLIGATIONS.”

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program, adopted by the Authority Board on December 17, 2015, covers years 2016 through 2020. The estimated capital funds total \$3.9 billion over the five years of the program with \$872 million estimated for 2016. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by stations and passenger facilities, and then by support facilities and equipment. The primary emphasis of the Capital Program is to continue efforts to bring the System's assets to a State of Good Repair.

Capital programs for the CTA during this period total approximately \$2.3 billion, including the following major projects:

- Repair of track and structures
- Purchase of new rail cars
- Rehabilitate and overhaul of rail cars
- Purchase of new full size buses
- Rehabilitation and overhaul of buses
- Construction and improvement of facilities
- Replacement and upgrade of power distribution and signal equipment

Capital programs for Metra during this period total approximately \$1.2 billion, including the following major projects:

- Purchase of commuter rail cars
- Rehabilitate commuter rail cars
- Rehabilitate and improve locomotives
- Rehabilitate and renew bridges
- Construction and renewal of yards, shops and facilities
- Installation of Positive Train Control (PTC)

Capital programs for Pace during this period total approximately \$285 million, including the following major projects:

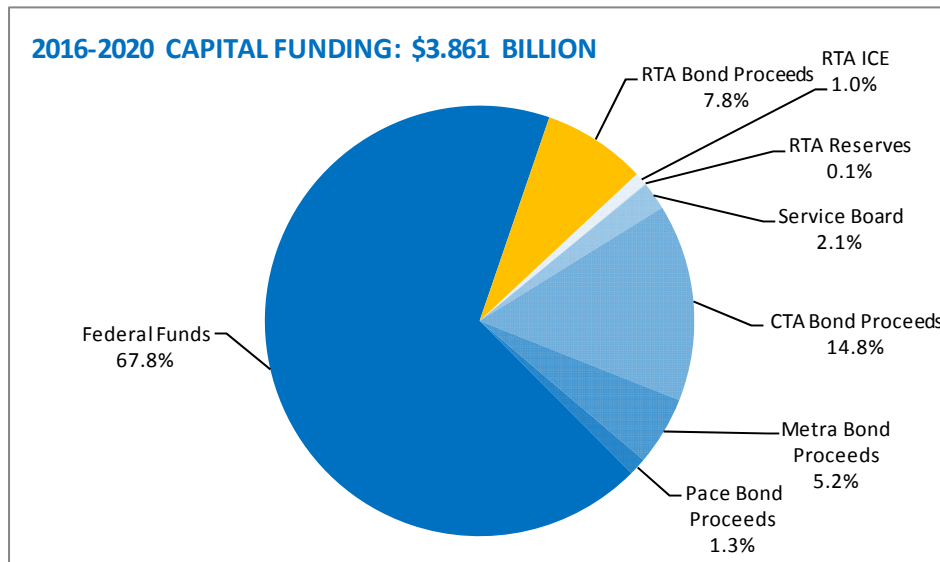
- Purchase and rehabilitate bus rolling stock
- Purchase paratransit vehicles and van rolling stock
- Construct and improve garages and facilities

**2016-2020 Capital Program (in millions)
by Asset Category**

Asset Category	CTA	Metra	Pace	Authority	TOTAL
Rolling Stock	\$406	\$636	\$147	–	\$1,189
Track & Structure	95	214	–	–	309
Electric, Signal, & Communications	125	192	5	–	322
Support Facilities & Equipment	251	98	91	–	440
Stations & Passenger Facilities	666	44	20	\$3	732
Miscellaneous & Contingencies	55	66	22	–	144
Debt Service	725	–	–	–	725
Total	\$2,323	\$1,250	\$285	\$3	\$3,861

Source: Authority 2016-2020 Capital Program.

The chart below illustrates the anticipated funding sources for the Authority 2016-2020 Capital Program.



CERTAIN INVESTMENT CONSIDERATIONS

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Authority to pay principal of and interest on the Notes, and which could also affect the marketability of, or the market price for, the Notes to an extent that cannot be determined.

The purchase of the Notes involves certain investment considerations that are discussed throughout this Official Statement. Certain of these considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of information presented in the Official Statement. **Each prospective purchaser of any Notes should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing investments such as the Notes.**

LIMITATIONS ON REMEDIES OF BONDHOLDERS

The remedies available upon an event of default under the General Ordinance or the Series Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered concurrently with delivery of the Notes will be qualified as to the enforceability of the various documents by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

NO ACCELERATION PROVISION

The General Ordinance and Series Ordinance do not contain provisions allowing for the acceleration of the Notes in the event of a default in the payment of principal of and interest on the Notes when due. In the event of a default, the Bond Registrar will have the right to exercise the remedies provided in the General Ordinance.

LOSS OF TAX EXEMPTION

As discussed under "TAX MATTERS" below, interest on the Notes could become includable in federal gross income, possibly from the date of issuance of the Notes, as a result of acts or omissions of the Authority subsequent to the issuance of the Notes. Should interest become includable in federal gross income, the Notes are not subject to mandatory redemption by reason thereof and may remain outstanding until maturity.

CREDIT, LIQUIDITY AND SURETY PROVIDER DOWNGRADES

The Rating Agencies could issue statements leading to a change in rating outlook, a review for downgrade or downgrades or further downgrades of credit enhancers or surety providers. Authority's exposure to the credit of downgraded credit enhancers and surety providers could have negative effects on Authority's debt portfolio. In addition to an increase in the interest rates on variable rate bonds secured by the subject credit enhancers or surety providers, such downgrades, especially downgrades to below investment grade, could lead to termination events or other negative effects under related agreements including, but not limited to swap agreements, letters of credit and/or reserve fund surety policies. Payments required under these agreements in the event of any termination could be substantial and could have a negative impact on revenues and/or the liquidity position of the Authority. Furthermore, any impairment of the security on the Obligations of the Authority may have an impact on the credit rating thereof. The Authority has no obligation to replace any surety provider or credit enhancer upon a ratings downgrade thereof.

NO SECONDARY MARKET

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

FACTORS AFFECTING SALES TAX RECEIPTS

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

Legislative Action. The Illinois General Assembly has the authority to amend the provisions of the State law governing the Authority Sales Taxes. Changes to the tax base and the exemptions could adversely affect the amount of Authority Sales Taxes collected.

Hartney Fuel Oil Company et al., v. Brian A. Hamer, Director of the Illinois Department of Revenue, et al. On November 21, 2013, the Supreme Court of the State of Illinois found that the corporate practice of artificially shifting the official point of purchase from the area where the taxpayer conducts the bulk of its selling activity to a municipality with lower sales tax inconsistent with state law. The Supreme Court also declared that the regulations promulgated by the Illinois Department of Revenue interpreting the taxing statute were impermissibly narrow and restricted local governments from collecting appropriate sales taxes from retailers in their jurisdictions. The Illinois Department of Revenue has issued new rules pursuant to the Supreme Court's decision in Hartney. These changes to the tax regulations may materially impact sales tax revenue collections for the City of Chicago, Cook County and the Authority. While the Authority has experienced an increase in sales tax revenue which is likely related to the litigation, there can be no assurance that this Supreme Court decision or any new tax regulations translate into higher sales tax revenues.

Changes in Economic and Demographic Conditions. Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recession, when higher unemployment adversely affects consumption. Demographic changes in the population of the Region may adversely affect the level of commercial and industrial activity in the Region and could reduce the number and value of taxable transactions and thus reduce the amount of Sales Tax Receipts.

Competition. Increases in sales tax rates in the Region may create incentives for certain purchases to be made and delivered in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may not result in corresponding percentage increases in revenues.

Internet sales. In future years, it is expected that increasing numbers of sales transactions will take place over the Internet. If these Internet sales are not treated, for sales and use tax

purposes, comparably to, or if they displace, the types of transactions for which sales and use taxes currently are collected, sales tax collections may be adversely affected.

Authority's Right to Intercept Sales Tax Revenues. Pursuant to the Authority Act and the General Ordinance, the Authority has the right (using the bond trustee) to intercept Authority Sales Tax and Public Transportation Fund (PTF) allocable to the Service Boards and the Agency in order to make debt service payments. Such occurrence may result in the Authority withholding, delaying or not making payments to the Service Boards of their share of Authority Sales Taxes and PTF. To date, the Authority has never had to exercise this right.

LITIGATION

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

At the time of issuance of the Notes, counsel to the Authority will deliver a certificate that there is no litigation pending that seeks to restrain or enjoin the issuance, sale and delivery of the Notes or that materially affects the validity of the Notes or the validity of the security for the Notes.

TAX MATTERS

Interest on the Notes is not excludable from gross income for federal income tax purposes. Ownership of the Notes may result in other federal income tax consequences to certain taxpayers. Noteholders should consult their own tax advisors concerning tax consequences of ownership of the Notes. Interest on the Notes is also includible in the calculation of Illinois state income tax for Noteholders who are residents of Illinois. Ownership of the Notes may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any collateral consequences arising with respect to the Notes.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Notes 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 form of Undertaking is attached as APPENDIX H.

The Authority was four days late in filing its 2011 annual report. The Authority has revised its continuing disclosure practices and has made all filings since 2011 in a timely manner.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, as 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 G. 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 Notes 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, Katten Muchin Rosenman LLP has, at the request of the Authority, reviewed the statements in this Official Statement appearing under the headings “THE NOTES,” “SECURITY FOR THE NOTES” (other than under the subheadings “AUTHORITY OBLIGATIONS–Rate Protection Contracts”, “ANNUAL DEBT SERVICE” and “ESTIMATED DEBT SERVICE COVERAGE”) and “TAX MATTERS” and in “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES ORDINANCE”, and is of the opinion that insofar as they purport to describe or summarize certain provisions of the Notes (apart from the information relating to DTC and its book-entry only system), the General Ordinance, the Series Ordinance, and Bond Counsel’s opinion concerning certain federal tax matters relating to the Notes, said statements are accurate summaries of such provisions in all material respects.

RATINGS

S&P and Fitch have assigned their municipal bond ratings of “AA” (stable outlook) and “AA” (stable outlook), respectively, to the Notes. The Authority has not requested a rating from any other rating agency with respect to the Notes.

An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The Authority furnished to the rating agencies certain information and materials regarding itself and the Notes. 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 Notes.

FINANCIAL ADVISOR

A.C. Advisory, Inc., Chicago, Illinois has served as financial advisor (the “*Financial Advisor*”) to the Authority in connection with the issuance and sale of the Notes. The Financial Advisor has participated in the preparation of this Official Statement, but has not verified all of

the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the Authority for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely on the Financial Advisor's participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein. The compensation to be received by the Financial Advisor from the Authority for services provided in connection with the planning, structuring, execution and delivery of the Notes is contingent upon the sale and delivery of the Notes.

UNDERWRITING

The Notes were sold at competitive bid on April 25, 2016. The Notes were awarded to Wells Fargo Bank, N.A., Municipal Products Group (the "*Underwriter*"), which submitted the lowest true interest cost bid to purchase the Notes from the Authority at an aggregate price of \$149,475,000, plus any accrued interest.

The Underwriter has certified the reoffering prices or yields for the Notes set forth on the inside cover of this Official Statement, and the Authority takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the Underwriter's gross compensation (or "*spread*") is \$ 525,000. The public offering price of the Notes may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes 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.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries. The Underwriter of the Bonds, has entered into an agreement (the "*Distribution Agreement*") with Wells Fargo Advisors, LLC ("*WFA*") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, the Underwriter will share a portion of its underwriting compensation with respect to the Bonds with WFA. The Underwriter and WFA are both subsidiaries of Wells Fargo & Company.

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 Notes, the security for the Notes 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 Authority since the date hereof.

Further information regarding the Authority is available upon request to the Regional Transportation Authority, 175 West Jackson Boulevard, Suite 1550, Chicago, Illinois, 60604; Attention: Executive Director.

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

REGIONAL TRANSPORTATION AUTHORITY

By: /s/ Kirk Dillard
Chairman

APPENDIX A
AUTHORITY HISTORICAL AND PROJECTED SALES TAX REVENUES

APPENDIX A

AUTHORITY HISTORICAL AND PROJECTED SALES TAX REVENUES

Actual Revenues. As shown in Table A-I, Sales Tax Revenues grew from approximately \$513 million in 1995 to approximately \$1.17 billion in 2015. Earlier during this period, revenues grew more rapidly in the suburban areas of the Region, attesting to the more rapid population, employment, and income growth in these areas. However, more recently Sales Tax Revenues have grown more rapidly in the City of Chicago. While Table A-I shows the absolute value of Sales Tax Revenues for the period 1995 to 2015, Table A-II shows the percentage change on a year-to-year basis. For the years 1995 through 2015, Sales Tax Revenues grew at a compound growth rate of approximately 2.6% excluding the increase in Sales Tax Revenues received as a result of the Amendatory Legislation.

Projected Revenues. 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 Authority used these factors for projections from 2016 through 2018 as shown in Table A-III. A significant change in any one of these factors may have a material impact on these projections.

The new year-to-year percentage change in Sales Tax Revenues for years 2016-2018 is shown in Table A-IV. However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material.

Caution should be exercised in examining these forecasts; they are conditioned upon general economic conditions in the United States, the State of Illinois and the City of Chicago. The Authority makes no representation that any forecast of Sales Tax Revenues, Available Revenues or sales tax growth set forth herein will be realized by the Authority. Further, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on the projected financial information. 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 Notes could result in a material change in the Sales Tax Revenues. Management of the Authority has prepared the projected financial information set forth below to present the projected Sales Tax Revenues for fiscal year 2015 as the basis for the 2016 Budget and the 2017-2018 Financial Plan revenue estimates adopted on December 17, 2015. The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the Authority’s management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Authority.

Neither the Authority’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion on any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

Table A-I
Sales Tax Revenues
Actual – 1995 to 2015
(In Thousands of Dollars)

<u>Year</u>	<u>Total</u>	<u>Year</u>	<u>Total</u>
1995	\$513,301	2005	\$700,395
1996	532,304	2006	746,829
1997	555,496	2007	752,922
1998	576,704	2008	921,245
1999	613,514	2009	894,238
2000	650,284	2010	931,435
2001	653,522	2011	975,670
2002	647,686	2012	1,021,686
2003	654,988	2013	1,071,226
2004	675,628	2014	1,123,998
		2015	1,169,268

Table A-II
Sales Tax Growth Rates (%)
Actual – 1995 to 2015*

<u>Year</u>	<u>Total</u>	<u>Year</u>	<u>Total</u>
1995	3.135%	2005	3.666%
1996	3.702	2006	6.630
1997	4.357	2007	0.816
1998	3.818	2008	22.356*
1999	5.993	2009	(2.932)
2000	0.498	2010	4.160
2001	(.893)	2011	4.749
2002	1.128	2012	4.716
2003	3.226	2013	4.849
2004	3.151	2014	4.926
		2015	4.028

* Sales tax from the Amendatory Legislation became effective April 1, 2008; for 2008, receipts from the increased Sales Tax Revenues rates totaled \$194.6 million.

Table A-III
Sales Tax Revenues
Projected – 2016-2018
(In Thousands of Dollars)

<u>Year</u>	<u>Total</u>
2016	1,194,748
2017	1,238,953
2018	1,283,556

Table A-IV
Sales Tax Growth Rates (%)
Projected – 2016-2019

2016	2.200%*
2017	3.700%
2018	3.600%
2019 and beyond	3.000%

* Reflects budgeted 2016 sales tax versus actual 2015 sales tax of \$1.169 billion; original assumed growth for 2016 sales tax was 3.5% over estimated 2015 sales tax of \$1.154 billion.

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 Authority. A significant change from historical results in any one of these factors may have a material impact on the Authority forecast of Sales Tax Revenues.

Demographic Trends. The population of the Region increased steadily over the past two decades. Between 1990 and 2015, the United States Census Bureau indicates that the Region grew from approximately 7.3 million residents to 8.4 million residents, an increase of 15.7% as shown in Table A-V.

Table A-V
Population Trend By County
(In Thousands)

County	1990	% of Total	2000	% of Total	2010	% of Total	2015	% of Total	% Change
Cook	5,105	70.3	5,377	66.5	5,195	62.5	5,238	62.3	2.6
DuPage	782	10.8	904	11.2	917	11.0	934	11.1	19.4
Kane	317	4.4	404	5.0	515	6.2	531	6.3	67.5
Lake	516	7.1	644	7.9	704	8.5	704	8.4	36.4
McHenry	183	2.5	260	3.2	309	3.7	307	3.7	67.8
Will	357	4.9	502	6.2	678	8.1	687	8.2	92.4
Total	7,260	100.0%	8,091	100.0%	8,318	100.0%	8,401	100%	15.7

Source: U.S. Census Bureau, 1990, 2000, 2010 Census, 2015 Census Update

Employment. Employment totals for 1990, 2000, 2010 and 2015 by County are presented in Table A-VI. The 15.8% employment growth in the Region shown between 1990 and 2000 outpaced the 11.4 % population growth recorded by the United States Census Bureau over that same time span. The Region’s employment level in 2015 was nearly the same as in 2000. In December 2015 the unemployment rate (not seasonally adjusted) for the Region was 5.8%, compared to 6.1% for the State of Illinois and 5.0% for the United States.

Table A-VI
Employment Trends by County
(in thousands)

Area	1990	% of Total	2000	% of Total	2010	% of Total	2015	% of Total
Cook	2,431	68.2	2,597	63.8	2,356	61.1	2,488	61.2
DuPage	438	12.3	512	12.6	458	11.9	487	12.0
Kane	163	4.6	215	5.3	238	6.2	251	6.2
Lake	278	7.8	330	8.1	334	8.7	348	8.6
McHenry	97	2.7	146	3.6	151	3.9	157	3.9
Will	175	4.9	268	6.6	316	8.2	334	8.2
Total	3,564	100.0%	4,068	100.0%	3,853	100.0%	4,065	100.0%

Source: Illinois Department of Employment Security (IDES)

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five “collar” counties is approximately 39% of the Region’s total. Cook County now makes up about 61% of the total, compared to 1990, when Cook County made up 68% of the Region’s work force. Employment levels were at 3.6 million for the Region in 1990, and have remained at roughly 4.0 million since 2000.

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	1990	% of Total	2000	% of Total	2010	% of Total	2014	% of Total
Services*	1,138	29.5	1,519	34.9	2,209	51.2	2,425	52.6
Retail	583	15.1	628	14.4	379	8.8	400	8.7
Manufacturing	591	15.4	533	12.2	293	6.8	292	6.3
Government	428	11.1	451	10.3	457	10.6	445	9.7
Finance & Insurance**	399	10.3	446	10.2	314	7.3	322	7.0
Wholesale	268	7.0	255	5.9	190	4.4	203	4.4
Transportation & Utilities	233	6.0	282	6.5	193	4.5	237	5.1
Construction	176	4.7	209	4.8	174	4.0	184	4.0
Other***	36	0.9	35	0.7	108	2.4	100	2.2
Total	3,852	100.0%	4,358	100.0%	4,315	100.0%	4,608	100.0%

Source: U.S. Department of Commerce-Bureau of Economic Analysis, Regional Economic Accounts, CA25N - Total full-time and part-time employment by NAICS industry.

* "Services" include NAICS categories 1100-1900.

** "Finance & Insurance" includes NAICS category "Real Estate" for 1990 and 2000 figures only

*** "Other" includes NAICS categories 70, 100, 200.

Income. The Region experienced steady growth in wages and salaries throughout the 2000s. 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	1990	2000	2010	2014
Cook	\$22,206	\$33,921	\$45,361	\$51,280
DuPage	28,093	46,239	53,712	60,684
Kane	21,244	30,690	37,608	42,868
Lake	29,271	46,247	56,845	65,329
McHenry	21,988	33,342	40,589	46,720
Will	19,010	29,966	38,842	43,868

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

APPENDIX B

FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE PERIOD ENDED DECEMBER 31, 2014

APPENDIX C

**SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS OF THE AUTHORITY AND
THE SERVICE BOARDS FOR THE PERIOD ENDED DECEMBER 31, 2014**

APPENDIX D
SERVICE BOARDS' HISTORICAL FINANCIAL RESULTS AND
2016 BUDGET AND 2017-18 FINANCIAL PLANS

The following tables, D-I through D-VIII, are referred to earlier in this Official Statement. See “**THE REGIONAL TRANSPORTATION AUTHORITY,**” “**HISTORICAL FINANCIAL RESULTS**” and “**2016 BUDGET AND 2017-2018 FINANCIAL PLAN**” herein.

Table D-I

CTA
2010-2015 Financial Results
(Dollars in Thousands)

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Unaudited
Revenues:						
Passenger Revenue	\$509,179	\$527,853	\$548,799	\$574,029	\$583,299	\$587,106
Reduced Fare Reimbursement.....	28,245	26,026	27,780	21,948	28,321	14,160
Other Revenue	56,633	58,438	69,403	72,986	69,055	73,700
Total Revenues	<u>\$594,057</u>	<u>\$612,317</u>	<u>\$645,982</u>	<u>\$668,963</u>	<u>\$680,675</u>	<u>\$674,966</u>
Expenses						
Labor	\$835,142	\$ 893,834	\$921,884	\$948,272	\$965,868	\$997,487
Material	80,077	67,919	85,437	60,353	80,963	83,507
Fuel.....	52,063	57,273	62,908	61,836	59,476	49,830
Power.....	28,208	28,099	25,020	26,174	33,568	28,817
Insurance & Claims...	43,000	15,000	24,000	-	3,500	3,500
Other.....	200,559	230,209	172,257	269,489	256,538	266,372
Total Operating Expenses.....	<u>\$1,239,049</u>	<u>\$1,292,334</u>	<u>\$1,291,506</u>	<u>\$1,366,124</u>	<u>\$1,399,913</u>	<u>\$1,429,513</u>
Operating Deficit	\$644,992	\$680,017	\$645,524	\$697,161	\$719,238	\$754,547
Recovery Ratio %	57.2%	57.3%	60.8%	59.2%	58.5%	56.6%

Source: Prepared by the Authority from budgetary basis information. The budgetary basis is non-GAAP presentation.

Table D-II*

CTA
2016 Budget and 2017-2018 Financial Plan
(Dollars in Thousands)

	<u>2016 Budget</u>	<u>2017 Plan</u>	<u>2018 Plan</u>
Revenues			
Passenger Revenue	\$590,541	\$599,399	\$616,709
Reduced Fare Reimbursement.....	28,322	28,322	28,322
Other Revenue	65,849	68,892	73,387
Total Revenues	<u><u>\$684,712</u></u>	<u><u>\$696,613</u></u>	<u><u>\$718,418</u></u>
Expenses			
Labor.....	\$1,025,634	\$1,035,890	\$1,047,249
Material.....	82,534	83,360	86,860
Fuel	37,260	38,004	40,525
Power.....	31,458	31,773	34,043
Insurance & Claims	9,500	12,953	25,000
Other	288,822	306,613	325,126
Total Expenses.....	<u><u>\$1,475,207</u></u>	<u><u>\$1,508,593</u></u>	<u><u>\$1,558,803</u></u>
Operating Deficit.....	\$790,495	\$811,980	\$840,385
Recovery Ratio %(1).....	55.4%	54.9%	54.5%

* Prepared by the Authority from budgetary information. The 2017-2018 Plan figures represent indicative amounts for financial planning.

(1) The recovery ratios are established by the Authority 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 Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital projects. Expenses exclude certain items as provided by the Act.

Table D-III

Metra
2010-2015 Financial Results
(Dollars in Thousands)

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Unaudited
Revenues:						
Passenger Revenue.....	\$239,500	\$245,500	\$301,132	\$309,448	\$311,685	\$337,413
Reduced Fare Reimbursement.....	3,400	3,400	3,571	2,173	3,138	1,745
Other Revenue.....	53,500	54,400	51,845	52,370	60,711	37,964
Total Revenues.....	\$296,400	\$303,300	\$356,548	\$363,991	\$375,534	\$377,123
Expenses						
Operations	\$171,700	\$221,000	\$225,632	\$237,946	\$247,510	\$251,681
Fuel/Power	73,800	82,200	83,500	83,686	85,501	77,557
Maintenance(1)	208,859	261,000	271,953	277,984	294,886	292,054
Administration(2).....	54,900	66,000	73,245	86,677	82,631	96,043
Insurance & Claims/Other(3).....	106,541	14,100	22,164	18,077	17,382	14,985
Total Operating Expenses.....	\$615,800	\$644,300	\$676,494	\$704,370	\$727,909	\$732,320
Operating Deficit	\$319,400	\$341,000	\$320,946	\$340,379	\$352,375	\$355,197
Recovery Ratio %	52.3%	54.9%	56.2%	54.8%	54.6%	54.5%

Source: Prepared by the Authority from budgetary basis information. The budgetary basis is non-GAAP presentation.

(1) Beginning in 2015, Other Revenue & Maintenance expenses are reported at a lower level due to an accounting change for crossing project work on behalf of the State.

(2) Includes Regional Services.

(3) Includes pension and health insurance in 2010.

Table D-IV*

Metra
2016 Budget and 2017-2018 Financial Plan
(Dollars in Thousands)

	<u>2016 Budget</u>	<u>2017 Plan</u>	<u>2018 Plan</u>
Revenues			
Passenger Revenue	\$341,400	\$347,500	\$357,200
Reduced Fare Reimbursement	3,138	3,138	3,138
Other Revenue	30,100	34,000	37,000
Total Revenues.....	<u>\$374,638</u>	<u>\$384,638</u>	<u>\$397,338</u>
Expenses			
Operations	\$272,200	\$280,100	\$288,400
Fuel/Power	66,800	72,100	76,800
Maintenance.....	311,500	320,500	330,000
Administration (1)	93,900	96,700	99,400
Insurance & Claims/Other	15,400	15,900	16,400
Total Expenses	<u>\$759,800</u>	<u>\$785,300</u>	<u>\$811,000</u>
Operating Deficit	\$385,162	\$400,662	\$413,662
Recovery Ratio % (2)	52.4%	52.0%	52.0%

* Prepared by the Authority from budgetary information. The 2017-2018 Plan figures represent indicative amounts for financial planning.

(1) Includes Regional Services.

(2) The recovery ratios are established by the Authority 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 Act.

Table D-V

Pace
2010-2015 Financial Results
(Dollars in Thousands)

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Unaudited
Revenues						
Passenger Revenue	\$32,262	\$34,651	\$35,211	\$36,290	\$39,554	\$39,477
Reduced Fare Reimbursement.....	2,416	2,571	2,629	1,978	3,121	556
Other Revenue.....	16,900	17,999	18,646	18,952	18,934	16,528
Total Revenues	<u>\$51,578</u>	<u>\$55,221</u>	<u>\$56,486</u>	<u>\$57,220</u>	<u>\$61,609</u>	<u>\$56,561</u>
Expenses						
Labor	\$104,095	\$107,222	\$116,009	\$120,516	\$130,161	\$130,649
Purchased Transportation						
Suburban Service	28,201	26,919	27,181	27,545	28,235	28,812
Fuel.....	15,063	20,252	20,770	20,925	20,646	10,915
Insurance	11,546	7,752	7,572	7,059	7,829	9,512
Other.....	17,339	17,045	18,790	19,787	23,081	24,831
Total Expenses	<u>\$176,244</u>	<u>\$179,690</u>	<u>\$190,322</u>	<u>\$195,832</u>	<u>\$209,952</u>	<u>\$204,719</u>
Operating Deficit	\$124,666	\$124,469	\$133,836	\$138,612	\$148,343	\$148,158
Recovery Ratio %	36.0%	36.0%	30.0%	30.0%	30.0%	30.0%

Source: Prepared by the Authority from budgetary basis information. The budgetary basis is non-GAAP presentation.

Table D-VI*

Pace
2016 Budget and 2017-2018 Financial Plan
(Dollars in Thousands)

	<u>2016 Budget</u>	<u>2017 Plan</u>	<u>2018 Plan</u>
Revenues			
Passenger Revenue	\$40,512	\$40,993	\$41,479
Reduced Fare Reimbursement.....	2,610	2,610	2,610
Other Revenue	<u>18,063</u>	<u>19,919</u>	<u>20,378</u>
Total Revenues.....	<u>\$61,185</u>	<u>\$63,522</u>	<u>\$64,827</u>
Expenses			
Labor (1).....	\$137,724	\$143,890	\$150,272
Purchased Transportation Suburban Service.....	30,347	31,747	33,210
Fuel.....	17,959	18,102	18,208
Insurance	8,262	8,813	9,401
Other.....	<u>33,682</u>	<u>38,247</u>	<u>40,100</u>
Total Expenses	<u>\$227,974</u>	<u>\$240,799</u>	<u>\$251,191</u>
Operating Deficit	\$166,789	\$177,277	\$187,364
Recovery Ratio % (2).....	30%	30%	30%

* Prepared by the Authority from budgetary information. The 2017-2018 Plan figures represent indicative amounts for financial planning.

(1) Includes health insurance and other expenditures previously included in other line items.

(2) The recovery ratios are established by the Authority 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 Act.

Table D-VII

ADA Paratransit (1)
2010-2015 Financial Results
(Dollars in Thousands)

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Unaudited
Revenues						
Passenger Revenue	\$8,385	\$8,873	\$9,289	\$9,978	\$10,475	\$10,844
Other Revenue	2,157	4,889	3,551	3,656	3,804	2,886
Total Revenues	<u>\$10,542</u>	<u>\$13,762</u>	<u>\$12,840</u>	<u>\$13,634</u>	<u>\$14,279</u>	<u>\$13,730</u>
Expenses						
Labor	\$ 2,799	\$ 2,766	\$ 3,228	\$ 3,492	\$ 3,491	\$ 3,145
Purchased Transportation ...	104,174	115,666	124,104	132,542	140,022	142,186
Fuel	1,891	2,512	2,578	2,863	3,718	1,712
Insurance	114	353	147	246	264	267
Other	6,085	6,812	6,957	8,986	9,586	8,600
Total Expenses	<u>\$115,063</u>	<u>\$128,109</u>	<u>\$137,014</u>	<u>\$148,129</u>	<u>\$157,081</u>	<u>\$155,910</u>
Plan/Budget Balancing Actions	–	–	–	–	–	–
Operating Deficit	\$104,521	\$114,347	\$124,174	\$134,495	\$142,802	\$142,180
Recovery Ratio % (2).....	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Source: Prepared by the Authority from budgetary basis information. The budgetary basis is non-GAAP presentation

- (1) On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the Region. Previously, ADA paratransit was included in Pace and CTA results.
(2) Recovery ratio in 2010-2015 includes expense credit for capital cost of contracting.

Table D-VIII*

**ADA Paratransit
2016 Budget and 2017-2018 Financial Plan**
(Dollars in Thousands)

	<u>2016 Budget</u>	<u>2017 Plan</u>	<u>2018 Plan</u>
Revenues			
Passenger Revenue	\$11,417	\$11,979	\$12,569
Other Revenue	<u>3,394</u>	<u>3,664</u>	<u>3,940</u>
Total Revenues.....	<u>\$14,811</u>	<u>\$15,643</u>	<u>\$16,509</u>
Expenses			
Labor.....	\$3,752	\$3,917	\$4,092
Purchased Transportation.....	158,173	168,547	179,650
Fuel	3,258	3,556	3,804
Insurance.....	272	291	311
Other	<u>9,343</u>	<u>9,718</u>	<u>10,113</u>
Total Expenses	<u>\$174,798</u>	<u>\$186,029</u>	<u>\$197,970</u>
Plan/Budget Balancing Actions.....			
Operating Deficit	\$159,987	\$170,386	\$181,461
Recovery Ratio % (1)	10.0%	10.0%	10.0%

* Prepared by the Authority from budgetary information. The 2017-2018 Plan figures represent indicative amounts for financial planning.

(1) The recovery ratios are established by the Authority 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 Act.

APPENDIX E
SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE
AND SERIES ORDINANCE

APPENDIX E

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

The following is a summary of certain provisions of the General Ordinance and the Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the Series Ordinance and accordingly is qualified by reference to the General Ordinance and the Series Ordinance and is subject to the full text of the General Ordinance and the 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 Series Ordinance.

GENERAL DEFINITIONS

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

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants selected or approved by the Authority.

“Accountant’s Certificate” means an opinion signed by an Accountant.

“Act” means the Regional Transportation Authority Act, as supplemented and amended (70 ILCS 3615/1.01 *et seq.*).

“Additional Authority Obligations” means any Authority Obligations issued after the time of issuing the initial Series of Authority Obligations.

“Additional Financial Assistance” shall have the meaning set forth in the Act. See “THE REGIONAL TRANSPORTATION AUTHORITY–AUTHORITY FINANCES-State Assistance” in this Official Statement.

“Additional State Assistance” shall have the meaning set forth in the Act. See “THE REGIONAL TRANSPORTATION AUTHORITY–AUTHORITY FINANCES-State Assistance” in this Official Statement.

“Annual Debt Service Requirements” means, 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” means the Bonds and the Notes.

“Authorized Officer” in respect of any act or duty, means 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.

“Board” means the Board of Directors of the Authority.

“Bond” or *“Bonds”* means 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” means 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” means 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 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.

“Chairman” means the Chairman of the Board.

“Code” means the Internal Revenue Code of 1986, as amended.

“Compound Accreted Value” means, 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” means 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.

“*Counsel’s Opinion*” means an opinion signed by a lawyer or firm of lawyers, not employees of the Authority.

“*Credit Support Instrument*” means 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*” means the Bond Debt Service Fund established in the General Ordinance. See “SECURITY FOR THE NOTES–DEBT SERVICE FUND” in this Official Statement.

“*Debt Service Reserve Fund*” means the Debt Service Reserve Fund established in the General Ordinance. See “SECURITY FOR THE NOTES–DEBT SERVICE RESERVE FUND” in this Official Statement.

“*Events of Default*” means the occurrence of an event specified in the General Ordinance and described herein 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 E.

“*Fiscal Year*” means 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.

“*Fitch*” means, Fitch, Inc., 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.

“*Government Obligations*” means 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 means the registered owner of Authority Obligations. “*Bondholder*” means a holder of a Bond; “*Noteholder*” means a holder of a Note.

“*Investment Obligations*” means 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 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;

(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*” means 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” means 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” means 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” means, when used with reference to Authority Obligations, all such obligations which have been issued, 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 E. For a list of all Outstanding Authority Obligations, see “SECURITY FOR THE NOTES—SECURITY AND SOURCES OF PAYMENT” in this Official Statement

“Policy Costs” means draws and payment of expenses on the Reserve Fund Policy and accrued interest thereon.

“Public Transportation Fund Revenues” shall have the meaning set forth under “SECURITY FOR THE NOTES—SECURITY AND SOURCES OF PAYMENT” in this Official Statement.

“Purchase Price” means 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” means 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 of the General Ordinance, 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” means 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”* means the account or accounts of that name with respect to the various Series of Authority Obligations established pursuant to the General Ordinance.

“Redemption Price” means, 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” means 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” means, 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.

“Revenues” shall have the meaning set forth under “SECURITY FOR THE NOTES–SECURITY AND SOURCES OF PAYMENT” in this Official Statement.

“S&P” means Standard & Poor’s Rating Services, 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 NOTES–SECURITY AND SOURCES OF PAYMENT” in this Official Statement.

“Secured Government Payments” means payments made to the Authority, or to a trustee for holders of bonds or notes of the Authority, from the State or from the Federal government (or any agency of the State or the Federal government), pursuant to a contract between the Authority or a Service Board and the State or the Federal government (or any agency of the State 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 or the Federal government (or any agency of the State 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 Additional State Assistance.

“*Separate Ordinance Obligations*” means 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 Ordinance*” means 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.

“*Series 2016C Notes*” means the General Obligation Working Cash Notes, Series 2016C (Taxable) of the Authority.

“*Service Board*” means the Chicago Transit Authority, the Commuter Rail Division of the Authority or the Suburban Bus Division of the Authority.

“*Sinking Fund Installments*” means, 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.

“*State*” means the State of Illinois.

“*Supplemental Ordinance*” means 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 E.

“*Trusted Money*” means 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*” means 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 will be for the benefit, protection and security of the Holders of any and all of the Authority Obligations. Each Series Ordinance will 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 will be held by either the Trustee or the Authority as shall be directed by the Series Ordinance and will be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Capital Assets Fund will 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 will be held by the Trustee or the Authority as shall be directed in the Series Ordinance and will be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Working Cash Fund will 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, will 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 are general obligations of the Authority to which is pledged the full faith and credit of the Authority. All Authority Obligations are 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 are 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 are payable from Additional State Assistance, Additional Financial 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 rank equally as to security, regardless of the time or times of their issue, and are 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 is 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 will

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 to be paid directly to the Trustee instead of the Authority. After such notice, the assignment will be valid and binding from the date of the General Ordinance without any physical delivery or further act, and will 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 is discharged in accordance with the General Ordinance with respect to all of the Authority Obligations, the Trustee will promptly deliver to the State Treasurer, the Comptroller and the State Department of Revenue written notice of that fact and subsequently all Trusteed Money will again be paid to the Authority the same as before the assignment.

While any of the Authority Obligations are Outstanding, the Authority will 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 will 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 will be valid and binding from the time that Authority Obligation is issued, without any physical delivery or further act, and will 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 will 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.

Such 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 will be invested and used, all as provided by the General Ordinance. Such trust will be irrevocable so long as any of the Authority Obligations are outstanding. All receipts of

Trusted Money will 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 will 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 will, 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 will 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 will 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 will 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 will 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 will 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 will 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 will not be less than the following amounts:

(a) The amount in respect of interest will 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 will 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, will 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 will be the amounts specified in the Series Ordinance for that Series, which will be sufficient so that the full amount of that principal will 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 will 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 Series Ordinance establishes deposit requirements for the Notes in the Notes Account of the Debt Service Fund as follows:

(i) For each month prior to the first interest payment date on the Series 2016C Notes, the Authority shall deposit into the Series 2016C Notes Account an amount equal to the amount of interest coming due on the first interest payment date for the Series 2016C Notes (minus the amount of accrued interest and capitalized interest, as may be applicable to the first interest payment, deposited in the Series 2016C Notes Account upon the issuance and delivery of the Series 2016C Notes) 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 2016C Notes and the first interest payment date for the Series 2016C Notes, minus one, until the full amount of the interest payment for the Series 2016C Notes is on deposit in the Series 2016C Notes Account.

(ii) For each month beginning in the month of the first interest payment date on the Series 2016C Notes, the Authority shall deposit into the Series 2016C Notes Account an amount equal to the amount of the interest coming due on the next interest payment date with respect to the Series 2016C Notes (minus the amount of capitalized interest, as may be applicable to such interest payment date, deposited in the Series 2016C Notes Account upon the issuance and delivery of the Series 2016C Notes) multiplied by a fraction, the numerator of which shall be one and the denominator of which shall be equal to the number of full calendar months between the last interest payment date and the next interest payment date, minus one, until the full amount of the interest payment for the Series 2016C Notes is on deposit in the Series 2016C Notes Account.

(iii) At least 20 days prior to the maturity date of the Series 2016C Notes, the Authority shall make a deposit into the Series 2016C Notes Account in an amount equal to the principal amount coming due on such date.

There will 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 will 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 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 will 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 will 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, will equal the Reserve Requirement for such Account, and then will credit to the Rebate Accounts proportionately until there are no deficiencies in any such Accounts, and then will 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 will 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 will 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 will 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 will so notify the Authority and, whether or not it receives that notice, the Authority will 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 will 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 will 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 will 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 will 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 will 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 will determine is needed for making rebates, will no longer be required to be deposited into that Rebate Account and will be used first to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund and then will 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, will 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 will 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 will secure and will be used only for the Bonds with respect to which the Account is established. Transfers or deposits to be made to the various Accounts will 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 will 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 will 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 will 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 will, 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 will be reduced by the amount provided in the next sentence. The amount of the

reduction will 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 equal the amount of that original Coverage, then the reduction will 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 will be only by that amount as the Trustee will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will be invested by the Trustee upon direction of an Authorized Officer, in Investment Obligations the maximum maturity of which will 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 will from time to time be invested in Investment Obligations the average maturity of which will not be more than two (2) years from the date of any investment. A Reserve Fund Credit Instrument will 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 will be deposited in and credited to the Fund and the Account in which it was earned and will 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 will 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 will be valued at par or, if purchased at less than par, at their cost to the Authority.

NO INCONSISTENT SECURITY INTERESTS

The Authority covenants in the General Ordinance that it will not secure any obligation other than Authority Obligations with a pledge of, nor will it create or suffer to exist a lien on or security interest in, nor will 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 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 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 Outstanding Bonds for which such Municipal Bond Debt Service Reserve Policies have been issued.

For purposes of the “Revenues test,” “Sales Tax Revenues” will 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, will be calculated consistent with generally accepted accounting principles and will 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 will 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 will 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 will 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 will 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 will 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 will 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 will 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 will request a copy.

DEFAULT PROVISIONS; REMEDIES OF HOLDERS

Proceedings Brought by Trustee. The General Ordinance provides that if default is 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 proceeding 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 will 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 will 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 will 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 will 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 will 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, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will 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 will 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 will be its Compound Accreted Value.

Application of Moneys After Default. In the General Ordinance, the Authority has covenanted that if an Event of Default occurs and is not remedied, the Authority, upon the demand of the Trustee, will cause to be paid over to the Trustee all moneys, securities and funds then held by or available to the Authority which are legally able to be used to pay debt service on the Authority Obligations and which are needed for that purpose. During the continuance of an Event of Default, the Trustee will apply all moneys, securities, and funds received by the Trustee

as follows and in the following order: (a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and Paying Agents; (b) to the payment of the interest and principal then due on the Authority Obligations, as follows: (i) to the payment to the persons entitled to such payments of all interest then due in the order that the interest became due, together with accrued and unpaid interest on the Authority Obligations previously called for redemption, and, if the amount available shall not be sufficient to pay in full any interest which became due on the same date, then to the payment of such interest ratably, according to the amounts due, to the persons entitled to such payments, without any discrimination or preference; and (ii) to the payment to the persons entitled to such payments of the unpaid principal or Redemption Price or Purchase Price of any Authority Obligations which shall have become due, whether at maturity or pursuant to Sinking Fund Installments or otherwise, in the order of such due dates, and, if the amount available shall not be sufficient to pay in full all the Authority Obligations due on any date, then to the payment of such principal or Redemption Price or Purchase Price ratably, according to the amounts of principal or Redemption Price due, to the persons entitled to such payments, without any discrimination or preference.

No remedy by the terms of the General Ordinance or any Series Ordinance conferred upon or reserved to the Trustee or the Holders of the Authority Obligations is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the General Ordinance or any Series Ordinance or existing law, including under the Act, or in equity or by statute.

No delay or omission of the Trustee or any Holder to exercise any right or power arising upon the happening of an Event of Default will impair any right or power or shall be construed to be a waiver of or an acquiescence in any such Event of Default.

The Trustee will promptly mail written notice of the occurrence of any Event of Default to each Holder of Authority Obligations then Outstanding at his or her address, if any, appearing upon the registry books of the Authority.

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 limitations on the issuance of Authority Obligations and incurring of obligations by the Authority, to surrender any right, power or privilege reserved to or conferred upon 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, 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, 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 will be its Compound Accreted Value.

**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 will take effect, once in a daily newspaper of general circulation in the City of Chicago. Such resignation will take effect upon the day specified in such notice unless previously a successor will have been appointed, in which event such resignation will take effect immediately on the appointment of the successor.

The Trustee will 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 will have failed to pay (and will 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 will 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 will 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 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 will 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 will, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that each will remain in full force and effect during their term or as provided in a Series Ordinance. The Authority will 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 will, 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 will 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.

APPENDIX F
CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

APPENDIX F

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company, New York, New York (“DTC”) and its book-entry is based solely on information provided by DTC. Accordingly, no representation is made by the Authority, the Trustee or the Underwriter as to the accuracy or completeness of such information, or as to the absence of changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“*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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the transaction documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes of any series at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Notes certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

APPENDIX G
PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX G
PROPOSED FORM OF OPINION OF BOND COUNSEL
May 4, 2016

The Board of Directors of the
Regional Transportation Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of \$150,000,000 aggregate principal amount of General Obligation Working Cash Notes, Series 2016C (Taxable) (the “Notes”) of the Regional Transportation Authority, a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois (the “Authority”) duly organized and existing under the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615 (the “Act”). The Notes are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of an ordinance adopted by the Board of Directors (the “Board”) of the Authority on August 8, 1985 and entitled: “An Ordinance Authorizing the Issuance of Bonds and Notes of the Regional Transportation Authority”, as amended and supplemented (the “General Ordinance”) and an ordinance adopted by the Board on April 21, 2016 and entitled: “A Series Ordinance Authorizing the Issuance of Not to Exceed \$150,000,000 Regional Transportation Authority General Obligation Working Cash Notes, Series 2016C (Taxable)” (the “Series Ordinance”). The Notes are “Authority Obligations” and “Working Cash Notes” under the General Ordinance.

The Notes are dated May 4, 2016, and mature (without option of prior redemption) on May 4, 2018. The Notes bear interest from their date at the rate of one and a quarter percentum (1.25%) per annum payable on October 1, 2016, April 1, 2017, October 1, 2017, April 1, 2018 and at maturity.

Pursuant to the General Ordinance the Authority has previously issued Authority Obligations (the “Outstanding Authority Obligations”). The Notes, the Outstanding Authority Obligations and other Authority Obligations hereafter issued under the General Ordinance are ratably and equally entitled to the benefits and security of the General Ordinance, including the pledge of “Revenues” as defined in the General Ordinance.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the General Ordinance and the Series Ordinance, to issue the Notes thereunder, and to perform all of its obligations under the General Ordinance and the Series Ordinance in those respects.

2. The General Ordinance and the Series Ordinance have been duly adopted by the Board, are in full force and effect and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Notes have been duly authorized and issued, are the legal, valid and binding general obligations of the Authority, are payable from Revenues, are entitled to the benefits and security of the Act, the General Ordinance and the Series Ordinance and are enforceable in accordance with their terms.

4. All Authority Obligations, including the Notes, are ratably and equally secured under the General Ordinance by the pledges and assignments created by the General Ordinance. The General Ordinance creates a valid pledge of and lien on the Revenues for the benefit and security of all Authority Obligations, subject to the application of the funds held under the General Ordinance in accordance with the terms of the General Ordinance.

Interest on the Notes is not exempt from Federal or Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Notes, the General Ordinance and the Series Ordinance (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

APPENDIX H
FORM OF CONTINUING DISCLOSURE UNDERTAKING

**CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12**

This Continuing Disclosure Undertaking (the “*Undertaking*”) 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 \$150,000,000 General Obligation Working Cash Notes, Series 2016C (Taxable) (the “*Notes*”) by the Issuer. The Notes 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 April 21, 2016 (the “*Series Ordinance*”). In consideration of the issuance of the Notes by the Issuer and the purchase of such Notes by the beneficial owners thereof, the Issuer covenants and agrees as follows.

1. **PURPOSE OF THIS UNDERTAKING.** This Undertaking is executed and delivered by the Issuer as of the date set forth below, for the benefit of the beneficial owners of the Notes 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 Notes at the time the Notes are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Notes.

2. **DEFINITIONS.** The terms set forth below shall have the following meanings in this Undertaking, 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 dissemination of disclosure concerning Annual Financial Information and the dissemination 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.

Dissemination Agent means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent’s successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

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

IRS means the United States Internal Revenue Service.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Final Official Statement, dated April 25, 2016, relating to the Notes.

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

Reportable Event means the occurrence of any of the Events with respect to the Notes set forth in *Exhibit II*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 5.

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

State means the State of Illinois.

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

3. CUSIP NUMBER. The CUSIP Number of the Notes are set forth in *Exhibit III* hereto.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Undertaking, the Issuer hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

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

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

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Undertaking, the Issuer hereby covenants that it will disseminate in a timely manner (not in excess of ten business

days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

6. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

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

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

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Issuer, or type of business conducted; or

(ii) This Undertaking, 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

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Notes, as determined by parties unaffiliated with the Issuer (such as the 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.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Undertaking.

8. 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 Notes under the General Ordinance or the Series Ordinance. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

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

11. BENEFICIARIES. This Undertaking has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, and the beneficial owners of the Notes, 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 Reportable 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 Series Ordinance unless the transferee agrees to assume all obligations of the Issuer under this Undertaking or to execute an Undertaking under the Rule.

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

REGIONAL TRANSPORTATION AUTHORITY

By: _____
Kirk Dillard, Chairman

By: _____
Bea Reyna-Hickey, Chief Financial Officer

Address: 175 West Jackson Boulevard
Suite 1550
Chicago, Illinois 60604

Date: May 4, 2016

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

I. Annual Financial Information means the information included in APPENDIX B and APPENDIX C and information of the type set forth in the Official Statement under the following headings:

Authority Statements of Revenues and Expenditures
(Including Funding for the Service Boards) 2011-2015 Financial Information
2016 Budget and 2017-18 Financial Plan

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 EMMA or filed with the Commission. If the information included by reference is contained in an Official Statement, the Official Statement must be available from the MSRB; the Official Statement need not be available from 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 submitted to EMMA 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 submit to EMMA 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 and the audited financial statements will be filed promptly after they become available.

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

EXHIBIT II

EVENTS WITH RESPECT TO THE NOTES FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

EXHIBIT III
CUSIP NUMBER
\$150,000,000
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2016C (TAXABLE)

MATURITY	CUSIP NUMBER
May 4, 2018	7599112M1