NEW ISSUE - BOOK ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2021 Bonds will not be includable in gross income for federal income tax purposes and is not required to be included as an item of tax preference for purposes of computing individual alternative minimum taxable income. Interest on the Series 2021 Bonds is not exempt from present Illinois income taxes See "TAX MATTERS" herein.

$120,975,000
CHICAGO TRANSIT AUTHORITY

$99,325,000
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2021 (FEDERAL TRANSIT ADMINISTRATION SECTION 5307 URBANIZED AREA FORMULA FUNDS)

$21,650,000
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2021 (FEDERAL TRANSIT ADMINISTRATION SECTION 5337 STATE OF GOOD REPAIR FORMULA FUNDS)

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

The Chicago Transit Authority (the **"Authority"**) Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the **"Series 2021 5307 Bonds"**), are being issued pursuant to the Trust Indenture dated as of November 1, 2004, between the Authority and Amalgamated Bank of Chicago, as trustee, as heretofore supplemented and as further supplemented by a Seventh Supplemental Indenture dated as of June 1, 2021, between the Authority and Amalgamated Bank of Chicago, as trustee (the **"5307 Indenture"**).

The Chicago Transit Authority Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the **"Series 2021 5337 Bonds"** and, together with the Series 2021 5307 Bonds, the **"Series 2021 Bonds"**), are being issued pursuant to the Trust Indenture dated as of April 1, 2008, between the Authority and Amalgamated Bank of Chicago, as trustee, as heretofore supplemented and as further supplemented by a Sixth Supplemental Indenture dated as of June 1, 2021, between the Authority and Amalgamated Bank of Chicago, as trustee (the **"5337 Indenture"** and, together with the 5307 Indenture, the **"Indentures"**).

The Series 2021 Bonds are deliverable in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (**"DTC"**). Individual purchases of Series 2021 Bonds will be made in principal amounts of $5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Series 2021 Bonds will not receive bonds representing their beneficial ownership in the Series 2021 Bonds but will receive a credit balance on the books of their respective DTC Participants or DTC Indirect Participants. The Series 2021 Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein.

Interest on the Series 2021 Bonds, which is payable on June 1 and December 1 of each year, commencing December 1, 2021, and principal of the Series 2021 Bonds, are payable to Cede & Co. Such interest and principal payments are to be disbursed to the beneficial owners of the Series 2021 Bonds through their respective DTC Participants or DTC Indirect Participants.

The maturities, amounts, interest rates and yields of the Series 2021 Bonds are set forth on the inside front cover. The Series 2021 Bonds are not subject to redemption prior to maturity. See **"DESCRIPTION OF THE Series 2021 Bonds – No Redemption."**

The proceeds from the sale of the Series 2021 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds and (ii) pay costs in connection with the issuance of the Series 2021 5307 Bonds. The proceeds from the sale of the Series 2021 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds and (ii) pay costs in connection with the issuance of the Series 2021 5337 Bonds. See **"PLAN OF FINANCE."**

The Series 2021 Bonds are limited obligations of the Authority. The Series 2021 5307 Bonds are secured under the 5307 Indenture by a pledge of the Authority's share of Federal Transit Administration Section 5307 Urbanized Area Formula funds (the **"5307 Grant Receipts"**) on a parity with the Authority's currently Outstanding 5307 Bonds described herein. The Series 2021 5337 Bonds are secured under the 5337 Indenture by a pledge of the Authority's share of Section 5337 State of Good Repair Formula funds (the **"5337 Grant Receipts"**) on a parity with the Authority's currently Outstanding 5337 Bonds described herein. The Series 2021 Bonds are not a general obligation of the Authority, and the revenues of the Authority (other than the 5307 Grant Receipts and the 5337 Grant Receipts) are not pledged or available for the payment of the Series 2021 Bonds or the interest thereon.

The Series 2021 Bonds are not, and shall not be or become, an indebtedness or obligation of the State, the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Series 2021 Bonds be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Series 2021 Bonds do not have a lien on and are not secured by any physical properties of the Authority. The Authority has no taxing power.

The Series 2021 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity thereof by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, Underwriters' Counsel, and for the Authority by its General Counsel and by Charity & Associates, P.C., Chicago, Illinois, Disclosure Counsel. The Series 2021 Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about June 10, 2021.

BofA Securities

Estrada Hinojosa **J.P. Morgan**

Academy Securities **Bancroft Capital** **Citigroup**

Mischler Financial Group, Inc. **Robert W. Baird** **Rockfleet** **Stinson Securities, LLC**

Dated June 2, 2021

$99,325,000
CHICAGO TRANSIT AUTHORITY
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2021
(FEDERAL TRANSIT ADMINISTRATION SECTION 5307
URBANIZED AREA FORMULA FUNDS)

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2022	$7,810,000	5.000%	0.200%	104.673	167723GZ2
2023	8,070,000	5.000	0.280	109.289	167723HA6
2024	8,475,000	5.000	0.420	113.526	167723HB4
2027	22,295,000	5.000	0.840	124.192	167723HC2
2028	32,700,000	5.000	0.990	126.961	167723HD0
2029	19,975,000	5.000	1.110	129.610	167723HE8

$21,650,000
CHICAGO TRANSIT AUTHORITY
CAPITAL GRANT RECEIPTS REVENUE BONDS, REFUNDING SERIES 2021
(FEDERAL TRANSIT ADMINISTRATION
SECTION 5337 STATE OF GOOD REPAIR FORMULA FUNDS)

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2022	$285,000	5.000%	0.200%	104.673	167723HF5
2023	270,000	5.000	0.280	109.289	167723HG3
2024	285,000	5.000	0.420	113.526	167723HH1
2025	300,000	5.000	0.570	117.386	167723HJ7
2026	315,000	5.000	0.710	120.933	167723HK4
2027	6,465,000	5.000	0.840	124.192	167723HL2
2028	13,730,000	5.000	0.990	126.961	167723HM0

† CUSIP is a registered trademark of the 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 Global Market Intelligence. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of sale of the Series 2021 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the sale of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

Chicago Transit Authority System Map

CHICAGO TRANSIT AUTHORITY

CHICAGO TRANSIT BOARD*

OFFICERS

Dorval R. Carter Jr., President
Jeremy V. Fine, Chief Financial Officer and Treasurer
Karen G. Seimetz, General Counsel
Gregory Longhini, Assistant Secretary

BOND COUNSEL

Katten Muchin Rosenman LLP
Chicago, Illinois

DISCLOSURE COUNSEL

Charity & Associates, P.C.
Chicago, Illinois

FINANCIAL ADVISOR

Acacia Financial Group, Inc.
Chicago, Illinois

** There is currently one mayoral appointee member vacancy on the Chicago Transit Board. The Mayor has appointed Lester Barclay to fill the current member vacancy, which appointment was approved by City Council on May 26, 2021. Mr. Barclay, as member of the Chicago Transit Board, is scheduled to attend the Chicago Transit Board meeting on June 16, 2021. The position of Chairman of the Chicago Transit Board is currently vacant. Until the Chicago Transit Board elects a new Chairman, pursuant to law and the Chicago Transit Board by-laws, the Vice-Chairman, Arabel Alva Rosales, is fulfilling the duties and responsibilities of Chairman.*

This Official Statement does not constitute an offer to sell the Series 2021 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the Series 2021 Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2021 Bonds. All summaries of statutes and documents are made subject to the provisions of such statutes and documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Authority or the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No representation, warranty or guarantee is made by the Financial Advisor as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Authority, the Underwriters or the Financial Advisor.

This Official Statement contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of 5307 Grant Receipts and 5337 Grant Receipts received, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words *"expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes"* and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the amount of 5307 Grant Receipts and 5337 Grant Receipts received include, among others, receipt of anticipated amounts under the FTA's Urbanized Area Formula Program (49 U.S.C. 5307) and FTA's State of Good Repair Formula Program (49 U.S.C. 5337), periodic reauthorization of such program, changes in political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, natural disasters, and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements include, but are not limited to, certain statements contained in the information contained under the captions **"SECURITY FOR THE SERIES 2021 BONDS"** and **"FEDERAL TRANSIT PROGRAM"** and such statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The Series 2021 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

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OVERVIEW

*This Overview does not constitute a part of the Official Statement for the issuance and sale by the Chicago Transit Authority of its $99,325,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) and $21,650,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (together, the **"Series 2021 Bonds"**), and does not purport to be complete. This Overview is for informational purposes only and is subject to more complete discussion contained in the Official Statement. Capitalized terms used and not defined in this Overview are defined in the Official Statement.*

The Authority	The Chicago Transit Authority (the **"Authority"**) operates the nation's second largest public transportation system (the **"Transportation System"**), providing mass transit services within the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. The Authority carries over 81 percent of the public transit riders in the six-county northeastern Illinois region (**"Northeastern Illinois Transit Region"**), which includes the Counties of Cook, DuPage, Kane, Lake, McHenry and Will. Transit services provided by the Authority are part of the regional public mass transportation service system in the Northeastern Illinois Transit Region provided through the independent operations of the Authority, the Commuter Rail Division (**"Metra"**) of the Regional Transportation Authority (the **"RTA"**), and the Suburban Bus Division (**"Pace"**) of the RTA (the Authority, Metra and Pace are collectively referred to as the **"Service Boards"**). For additional information regarding the Authority, see **"THE AUTHORITY"** herein.
Series 2021 Bonds	$99,325,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) and $21,650,000 Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds).
Payment of Interest	Interest on the Series 2021 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2021, until maturity. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months at the rates set forth on the inside front cover of the Official Statement.
No Redemption	The Series 2021 Bonds are not subject to redemption prior to maturity as described herein. See **"DESCRIPTION OF THE SERIES 2021 BONDS – No Redemption."**
Source of Payment and Security for the Series 2021 Bonds	The Series 2021 5307 Bonds are payable solely from and secured solely by (i) 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon. The Series 2021 5337 Bonds are payable solely from and secured solely by (i) 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2021 BONDS"** in the Official Statement.
Ratings	Standard & Poor's Global Ratings has assigned its municipal bond rating of "A" (positive outlook) to the Series 2021 5307 Bonds and "A+" (stable outlook) to the Series 2021 5337 Bonds. Fitch Ratings has assigned its municipal bond rating of "BBB" (stable outlook) to the Series 2021 5307 Bonds and "BBB" (stable outlook) to the Series 2021 5337 Bonds. See **"RATINGS"** in the Official Statement.

5307 Grant Receipts	The sole source of 5307 Grant Receipts available to the Authority to pay principal of and interest on the Series 2021 5307 Bonds is the Authority's annual share of Section 5307 Formula Funds. See **"FEDERAL TRANSIT PROGRAM"** in the Official Statement for descriptions of the Section 5307 Program and the methods by which the amount of Section 5307 Formula Funds available to the Authority on an annual basis are determined. See **"CERTAIN INVESTMENT CONSIDERATIONS."**
5337 Grant Receipts	The sole source of 5337 Grant Receipts available to the Authority to pay principal of and interest on the Series 2021 5337 Bonds is the Authority's annual share of Section 5337 Formula Funds. See **"FEDERAL TRANSIT PROGRAM"** in the Official Statement for descriptions of the Section 5337 Program and the methods by which the amount of Section 5337 Formula Funds available to the Authority on an annual basis are determined. See **"CERTAIN INVESTMENT CONSIDERATIONS."**
Additional Bonds	The issuance of one or more Series of Additional Bonds is authorized pursuant to the Indentures for the purpose of funding the cost of construction of one or more Eligible Projects under the Indentures or refunding any Subordinated Indebtedness thereunder issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account established under the Indentures. See **"SECURITY FOR THE SERIES 2021 BONDS — Additional Bonds"** in the Official Statement.
Limited Obligation	The Series 2021 5307 Bonds are limited obligations of the Authority payable solely from and secured solely by (i) 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the related Rebate Fund), including investment earnings thereon. The Series 2021 5337 Bonds are limited obligations of the Authority payable solely from and secured solely by (i) 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the related Rebate Fund), including investment earnings thereon. The Series 2021 Bonds are not a general obligation of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2021 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2021 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2021 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.
Regional Transportation Authority	The RTA oversees public transportation in northeastern Illinois pursuant to powers and authority granted under the Regional Transportation Authority Act (the **"RTA Act"**) of the State of Illinois (the **"State"**). The RTA provides funding, planning and fiscal oversight for the Service Boards in part through the imposition of sales taxes throughout the Northeastern Illinois Transit Region. The RTA Act vests responsibility for operating budget and financial oversight of the Service Boards in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. See **"THE AUTHORITY— RTA Oversight"** herein.
Use of Proceeds	The proceeds from the sale of the Series 2021 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds and (ii) pay costs in connection with the issuance of the Series 2021 5307 Bonds. The proceeds from the sale of the Series 2021 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds and (ii) pay costs in connection with the issuance of the Series 2021 5337 Bonds. See **"PLAN OF FINANCE"** in the Official Statement.

Investment Considerations	There are a number of factors associated with owning the Series 2021 Bonds that prospective purchasers should consider prior to purchasing the Series 2021 Bonds. For a discussion of certain of these factors, see **"CERTAIN INVESTMENT CONSIDERATIONS."**
Book-Entry Form and Denominations	The Series 2021 Bonds will be issued in fully registered book-entry form in denominations of $5,000 or any integral multiple thereof.
Tax Matters	In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2021 Bonds will not be includable in gross income for federal income tax purposes and is not required to be included as an item of tax preference for purposes of computing individual alternative minimum taxable income. Interest on the Series 2021 Bonds is not exempt from present Illinois income taxes See "**TAX MATTERS**" herein.
Delivery and Clearance	The Series 2021 Bonds are expected to be available for delivery at DTC in New York, New York, on or about June 10, 2021.
Legal Matters	Certain legal matters will be passed upon for the parties to the financing by their respective counsel as set forth on the cover page to the Official Statement.
Authority Pension Obligations	The Authority maintains a retirement plan that provides pension benefits to participating employees. The annual amounts the Authority contributes to the retirement plan are determined by the Illinois Pension Code. Under the Pension Code, the Authority is required to achieve and maintain statutorily-determined funding levels. If actual funding levels fall below the levels mandated by the Pension Code, the Authority is required to make additional annual contributions set by the Pension Code in order to achieve the funding targets. The Authority has never failed to make its required contributions to the retirement plan. See **"THE AUTHORITY—Pension and Other Post-Employment Benefit Obligations" and APPENDIX E—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE."**
Additional Information	Additional information may be obtained upon request to Jeremy V. Fine, Chief Financial Officer and Treasurer, Chicago Transit Authority, 567 West Lake Street, Chicago, Illinois 60661; phone: (312) 681-3400.

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$120,975,000

CHICAGO TRANSIT AUTHORITY

$99,325,000 **CAPITAL GRANT RECEIPTS REVENUE BONDS,** **REFUNDING SERIES 2021** **(FEDERAL TRANSIT ADMINISTRATION** **SECTION 5307 URBANIZED AREA** **FORMULA FUNDS)**	**$21,650,000** **CAPITAL GRANT RECEIPTS REVENUE BONDS,** **REFUNDING SERIES 2021** **(FEDERAL TRANSIT ADMINISTRATION** **SECTION 5337 STATE OF** **GOOD REPAIR FORMULA FUNDS)**

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and appendices hereto (the **"Official Statement"**), is to set forth certain information concerning the issuance by the Chicago Transit Authority (the **"Authority"**) of $99,325,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the **"Series 2021 5307 Bonds"**) and $21,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the **"Series 2021 5337 Bonds,"** and together with the Series 2021 5307 Bonds, the **"Series 2021 Bonds"**). The Series 2021 5307 Bonds, together with the Outstanding 5307 Bonds (as defined herein), and any Series of Additional Bonds and Refunding Bonds that may be issued in the future under the 5307 Indenture (as such terms are defined herein), are collectively referred to in this Official Statement as the **"5307 Bonds."** The Series 2021 5337 Bonds, together with the Outstanding 5337 Bonds (as defined herein), and any Series of Additional Bonds and Refunding Bonds that may be issued in the future under the 5337 Indenture (as such terms are defined herein), are collectively referred to in this Official Statement as the **"5337 Bonds."**

The Series 2021 Bonds are being issued pursuant to the laws of the State of Illinois, including the Metropolitan Transit Authority Act, as amended (70 ILCS 3605/1 *et seq.*) (the **"Act"**) and the Local Government Debt Reform Act, as amended (30 ILCS 350/1 *et seq.*). The Series 2021 Bonds are authorized by an ordinance adopted by the Chicago Transit Board, the Authority's governing body (the **"Board"**), on April 8, 2020.

Series 2021 5307 Bonds

The Series 2021 5307 Bonds are being issued under and secured by the Trust Indenture dated as of November 1, 2004 (the **"5307 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5307 Trustee"**), as heretofore supplemented and as further supplemented by the Seventh Supplemental Indenture dated as of June 1, 2021, relating to the Series 2021 5307 Bonds (**"Seventh Supplemental Indenture"**), between the Authority and the 5307 Trustee. The 5307 Master Trust Indenture, as heretofore supplemented and as further supplemented by the Seventh Supplemental Indenture, is herein referred to as the **"5307 Indenture."**

A portion of the funding that the Authority receives for the support of urban mass transportation capital improvement projects that it undertakes is in the form of federal grant funding from the Federal Transit Administration of the United States Department of Transportation (the **"FTA"**). Under the FTA's Urbanized Area Formula Program, 49 U.S.C. Section 5307 (**"Section 5307 Program"**), funds are made available to urbanized areas to finance capital, operating and planning assistance for mass transportation **("Section 5307 Formula Funds"**). See **"FEDERAL TRANSIT PROGRAM."** The Authority has agreed to deposit all Section 5307 Formula Funds received by the Authority (the **"5307 Grant Receipts"**) in the Grant Receipts Deposit Fund established under the 5307 Indenture. The 5307 Indenture provides for the withdrawal of amounts from the Grant Receipts Deposit Fund for deposit with the 5307 Trustee for the purpose of paying debt service on the 5307 Bonds. See **"SECURITY FOR THE SERIES 2021 BONDS - Flow of Funds - Grant Receipts."**

The proceeds from the sale of the Series 2021 5307 Bonds will be used to (i) refund a portion of certain Outstanding 5307 Bonds (the **"Refunded 5307 Bonds"**), and (ii) pay costs in connection with the issuance of the Series 2021 5307 Bonds. See **"PLAN OF FINANCE"** and **"SOURCES AND USES OF FUNDS."**

The Refunded 5307 Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the 5307 Grant Receipts. See **"THE AUTHORITY - Capital Improvement Plan"** for a further explanation of how the Authority's capital plan is developed.

Series 2021 5337 Bonds

The Series 2021 5337 Bonds are being issued under and secured by the Trust Indenture dated as of April 1, 2008 (the **"5337 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5337 Trustee"**), as heretofore supplemented and as further supplemented by the Sixth Supplemental Indenture dated as of June 1, 2021 (**"Sixth Supplemental Indenture"**), between the Authority and the 5337 Trustee. The 5337 Master Trust Indenture, as heretofore supplemented and as further supplemented by the Sixth Supplemental Indenture, is herein referred to as the **"5337 Indenture."**

A portion of the funding that the Authority receives for the support of urban mass transportation capital improvement projects that it undertakes is in the form of federal grant funding from the FTA's State of Good Repair Formula Program (**"Section 5337 Program"**), 49 U.S.C. Section 5337 (**"Section 5337"**). Under the Section 5337 program, funds are made available for replacement and rehabilitation of capital projects required to maintain public transportation systems in a state of good repair **("Section 5337 Formula Funds"**). The Authority previously received funds available under the FTA's Fixed Guideway Modernization Program (the **"Section 5309 Formula Program"**) 49 U.S.C. Section 5309 (**"Section 5309"**) under which funds were made available to modernize or improve existing rail or fixed guideway systems. MAP-21 (as defined herein) restructured the Federal Transit Program to end the Section 5309 Formula Program and created a broader formula program in Section 5337 that incorporates the rail modernization formula program formerly included in Section 5309. As a result, the Authority no longer receives fixed guideway modernization program funds under Section 5309. See

"FEDERAL TRANSIT PROGRAM." The Authority has agreed to deposit all Section 5337 Formula Funds received by the Authority (the **"5337 Grant Receipts"**) in the Grant Receipts Deposit Fund established under the 5337 Indenture. The 5337 Indenture provides for the withdrawal of amounts from the Grant Receipts Deposit Fund for deposit with the 5337 Trustee for the purpose of paying debt service on the 5337 Bonds. See **"SECURITY FOR THE SERIES 2021 BONDS - Flow of Funds - Grant Receipts."**

The proceeds from the sale of the Series 2021 5337 Bonds will be used to (i) refund a portion of certain Outstanding 5337 Bonds (the **"Refunded 5337 Bonds,"** and together with the Refunded 5307 Bonds, the **"Refunded Bonds"**), and (ii) pay costs in connection with the issuance of the Series 2021 5337 Bonds. See **"PLAN OF FINANCE"** and **"SOURCES AND USES OF FUNDS."**

The Refunded 5337 Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the 5337 Grant Receipts. See **"THE AUTHORITY - Capital Plan"** for a further explanation of how the Authority's capital plan is developed.

The Authority

The Authority is a political subdivision, body politic and municipal corporation of the State of Illinois (the **"State"**) created by the Act. The Authority began operating in 1947. The Authority operates public transit services within the City of Chicago and 35 surrounding suburbs. Transit services provided by the Authority are part of the regional public mass transportation service system in northeastern Illinois provided through the independent operations of the Authority, the Commuter Rail Division (**"Metra"**) of the Regional Transportation Authority (the **"RTA"**), and the Suburban Bus Division (**"Pace"**) of the RTA (the Authority, Metra and Pace are collectively referred to as the **"Service Boards"**). The RTA oversees public transportation in the six-county northeastern Illinois region (the **"Northeastern Illinois Transit Region"**), which includes the County of Cook (**"Cook County"**) and the Counties of DuPage, Kane, Lake, McHenry and Will (the **"Collar Counties"**) and provides funding for the Service Boards from sales tax revenue collected by the State and distributed to the RTA. See **"THE AUTHORITY—Operations and Related Financial Information"** and **"—RTA Oversight."**

The Series 2021 Bonds

The Series 2021 Bonds are being issued pursuant to the Indentures and will be dated the date of their issuance, bear interest at the rates and mature at the times and in the principal amounts set forth on the inside front cover page of this Official Statement.

Interest on the Series 2021 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2021.

The Series 2021 Bonds are issuable as fully registered bonds and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2021 Bonds. Purchases of beneficial ownership interests in the Series 2021 Bonds will be made only in book-entry form in denominations of $5,000 or any integral multiple thereof.

The Series 2021 Bonds are not subject to redemption prior to their maturity. See **"DESCRIPTION OF THE SERIES 2021 BONDS – No Redemption**."

Security for the Series 2021 5307 Bonds

The 5307 Bonds, including the Series 2021 5307 Bonds, are limited obligations of the Authority payable from and secured solely by (i) the 5307 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2021 BONDS**." The sole source of 5307 Grant Receipts is the Authority's annual share of Section 5307 Formula Funds. See **"FEDERAL TRANSIT PROGRAM – Section 5307 and Section 5337 Programs"** and **"CERTAIN INVESTMENT CONSIDERATIONS."**

The Series 2021 5307 Bonds are being issued as Refunding Bonds and Parity Obligations (as such terms are defined in the 5307 Indenture) under the 5307 Indenture on a parity with the Authority's Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $63,895,000 (the **"2010 5307 Bonds")**, its Capital Grant Receipts Revenue Bonds, Refunding Series 2011 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $56,525,000 (the **"2011 5307 Bonds"),** its Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $41,410,000 (the **"2015 5307 Bonds")** and its Capital Grant Receipts Revenue Bonds, Refunding Series 2017 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), currently outstanding in the principal amount of $90,540,000 (the **"2017 5307 Bonds"** which, together with the 2010 5307 Bonds, the 2011 5307 Bonds and the 2015 5307 Bonds, as such bonds may be Outstanding, are referred to in this Official Statement as the **"Outstanding 5307 Bonds"**) and with certain other obligations that may be issued by the Authority as described herein. See **"SECURITY FOR THE SERIES 2021 BONDS – Parity Obligations**." The Authority anticipates refunding certain Outstanding 5307 Bonds with proceeds of the Series 2021 5307 Bonds.

Security for the Series 2021 5337 Bonds

The 5337 Bonds, including the Series 2021 5337 Bonds, are limited obligations of the Authority payable from and secured solely by (i) the 5337 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund), including investment earnings thereon. See **"SECURITY FOR THE SERIES 2021 BONDS**." The sole source of 5337 Grant Receipts is the Authority's annual share of Section 5337 Formula Funds. See **"FEDERAL TRANSIT PROGRAM – Section 5307 and Section 5337 Programs"** and **"CERTAIN INVESTMENT CONSIDERATIONS."**

The Series 2021 5337 Bonds are being issued as Refunding Bonds and Parity Obligations (as such terms are defined in the 5337 Indenture) under the 5337 Indenture on a parity with the Authority's Capital Grant Receipts Revenue Bonds, Refunding Series 2010 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), currently outstanding in the principal amount of $26,820,000 (the **"2010 5337 Bonds")**, its Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), currently outstanding in the principal amount of $44,735,000 (the **"2015 5337 Bonds")** and its Capital Grant Receipts Revenue Bonds, Refunding Series 2017 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), currently outstanding in the principal amount of $96,195,000 (the **"2017 5337 Bonds"** which, together with the 2010 5337 Bonds and the 2015 5337 Bonds, as such bonds may be Outstanding, are referred to in this Official Statement as the **"Outstanding 5337 Bonds")**, and with certain other obligations that may be issued by the Authority as described herein. See **"SECURITY FOR THE SERIES 2021 BONDS – Parity Obligations**.**"** The Authority anticipates refunding certain Outstanding 5337 Bonds with proceeds of the Series 2021 5337 Bonds.

Limited Obligations of the Authority

The Series 2021 Bonds are limited obligations of the Authority. The Series 2021 5307 Bonds are secured under the 5307 Indenture by a pledge of the Authority's share of 5307 Grant Receipts on a parity with the Authority's currently outstanding 5307 Bonds described herein. The Series 2021 5337 Bonds are secured under the 5337 Indenture by a pledge of the Authority's share of 5337 Grant Receipts on a parity with the Authority's currently outstanding 5337 Bonds described herein. The Series 2021 Bonds are not a general obligation of the Authority, and the revenues of the Authority (other than as described herein) are not pledged for the payment of the Series 2021 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2021 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2021 Bond be or become an indebtedness of the Authority within the purview of any constitutional or statutory limitation or provision. The Authority has no taxing power.

COVID-19 Pandemic Impact

COVID-19 and Government Response. The outbreak of "COVID-19," a respiratory disease caused by a strain of coronavirus, has been characterized as a pandemic by the World Health Organization and has led to emergency declarations by government authorities of the United States, the State, and the City. On May 5, 2020, the Governor announced a five-phased plan, known as "Restore Illinois," to transition from the previously issued Stay-at-Home Order. This plan provides for gradual reopening of businesses, public spaces, educational and recreational activities in the State. The plan provides for implementation in phases and by region. The Mayor established a similar five-phased reopening plan for the City known as "Protecting Chicago," that provides for a more gradual reopening of certain activities than the State plan, with each phase triggered by health and economic data, and a combination of input from industry working groups, health experts and the public.

On June 26, 2020, the City transitioned to Phase 4 of the "Protecting Chicago" framework alongside the rest of the State. Phase 4, known as "Gradually Resume," allowed additional businesses and public amenities to open with limited capacities and appropriate safeguards, including allowing indoor seating in bars and restaurants, and opening of museums and zoos, performance venues, and summer camps and youth activities. With decreased COVID-19 positivity rates and increasing percentages of Chicago residents being fully vaccinated, on May 4, 2021, the Mayor announced her expectation that the City will transition into the final phase of reopening, Phase 5, known as "Protect" on or about July 4, 2021. On May 14, 2021, the Mayor announced that Chicago will move to the "Chicago Bridge Phase," with maximum capacity levels being broadly increased across industries, with a goal of a responsible reopening transition prior to the full Phase 5 reopening. While the transition to Phase 5 remains the City's goal, the Mayor and the Governor have also indicated that the City could transition back to earlier phases of the reopening plans and reimposition of restrictions, if COVID-19 cases and positivity percentages rise above certain levels. As of the date of this Official Statement, information regarding the reopening plans and core phases, bridge phases and restriction guidance for the City and the State are publicly available and updated at the following respective websites: www.chicago.gov/city/en/sites/covid-19/home/reopening-chicago.html and coronavirus.illinois.gov/s/restore-illinois-introduction.

Impact on the Authority. This Official Statement includes a discussion of certain impacts of the COVID-19 pandemic and resulting economic conditions on the operations and financial condition of theAuthority; as well as certain impacts on the State, the City, and the RTA that provide funding to the Authority. See **"THE AUTHORITY – Operations and Related Financial Information"** herein. The economic downturn from the COVID-19 pandemic is expected to continue to have an adverse impact on economic activity in the Chicago region, including Transportation System ridership, system-generated revenues, sales tax receipts and real estate transfer tax revenues of the Authority. The Authority cannot predict the amount or duration of such impact.

Additional Discussion Regarding the Effect of COVID-19. Additional information regarding the effect of the COVID-19 pandemic and the governmental response thereto is contained throughout this Official Statement. The following sentences provide information regarding the location of specific discussions about the COVID-19 pandemic and its effect on the Authority herein. Forinformation regarding the effect on the operations of the Authority, see "**THE AUTHORITY— The Transportation System**" herein. For information regarding the impact of the COVID-19 pandemic on the finances of the Authority, see "**THE AUTHORITY –- Operations and Related Financial Information**" herein. For information regarding the effect of the COVID-19 pandemic on the Authority's capital improvement plans, see "**THE AUTHORITY –- Capital Improvement Program**" herein.

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

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

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

Forward-Looking Statements

Certain statements included in this Official Statement constitute "forward-looking statements." These forward-looking statements speak only as of the earlier of the referenced date of such statement or the date of this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any future results discussed in this Official Statement will be achieved, and actual results may differ materially from the expectations and forecasts described in this Official Statement. All projections, forecasts, assumptions, expressions of opinion, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Authority does not plan to issue any updates or revisions to those forward- looking statements if or when the expectations, or events, conditions or circumstances on which such statements are based, occur; unless otherwise required by the terms of its continuing disclosure undertakings or applicable federal securities laws. Information contained in this Official Statement which involves estimates, forecasts, or other matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Official Statement are subject to change without notice and the delivery of this Official Statement will not, under any circumstances, create any implication that there has been no change in the affairs of the Authority.

Certain References

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in **APPENDIX A - "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Definitions of Certain Terms"** or, if not defined therein, in the Indentures for the respective Series of the 2021 Bonds.

The references in this Official Statement to the locations of certain information on various websites are noted as of the date of this Official Statement and are included herein solely for general background purposes and for the convenience of Bondholders and there is no assurance that such information will be maintained or updated at such website locations in the future. None of the information on such websites is incorporated by reference into this Official Statement and neither the Authority nor the Underwriters take responsibility for the information contained therein nor have they attempted to verify the accuracy of such information.

PLAN OF FINANCE

The proceeds from the sale of the Series 2021 5307 Bonds will be used to (i) refund the Refunded 5307 Bonds, as set forth in the tables below, to their respective redemption dates specified below, and (ii) pay costs in connection with the issuance of the Series 2021 5307 Bonds.

Series Designation	Maturity Date (June 1)	Interest Rate (%)	Principal Amount Refunded ($)	Redemption Date	CUSIP
2010 5307	2027	5.000	31,170,000	June 24, 2021	167723ER2
2010 5307	2028	5.000	32,725,000	June 24, 2021	167723ES0
2011 5307	2022	5.000	6,595,000	June 24, 2021	167723EW1
2011 5307	2023	5.250	6,920,000	June 24, 2021	167723EX9
2011 5307	2024	5.250	7,285,000	June 24, 2021	167723EY7
2011 5307	2025	4.500	1,540,000	June 24, 2021	167723EZ4
2011 5307	2025	5.250	6,125,000	June 24, 2021	167723FC4
2011 5307	2026	5.250	8,060,000	June 24, 2021	167723FA8
2011 5307	2029	4.875	20,000,000	June 24, 2021	167723FB6

The proceeds from the sale of the Series 2021 5337 Bonds will be used to (i) refund the Refunded 5337 Bonds, as set forth in the tables below, to their respective redemption dates specified below, and (ii) pay costs in connection with the issuance of the Series 2021 5337 Bonds. With respect to the referenced 2010 5309 Bonds to be refunded, MAP-21 restructured the Federal Transit Program to end the Section 5309 Formula Program and created a broader formula program in Section 5337 that incorporates the rail modernization formula program formerly included in Section 5309.

Series Designation	Maturity Date (June 1)	Interest Rate (%)	Principal Amount Refunded ($)	Redemption Date	CUSIP
2010 5309	2027	5.000	13,085,000	June 24, 2021	167723ET8
2010 5309	2028	5.000	13,735,000	June 24, 2021	167723EU5

To provide for the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2021 Bonds will be used to purchase Government Obligations, the principal of which, together with interest to be earned thereon and any initial cash balance, shall be sufficient to pay all of (i) the interest on each Refunded Bond that will become due and payable to its redemption date, and (ii) the redemption price (being 100% of the principal amount) of each Refunded Bond on its date of redemption (the **"Defeasance Payment Requirements"**). The Government Obligations and initial cash balance for each series of the Refunded Bonds shall be held in a separate escrow account established pursuant to an escrow agreement (individually for each series, an **"Escrow Agreement,"** and collectively, the **"Escrow Agreements"**) with the Trustee, as escrow agent, for each series of the Refunded Bonds. The redemption price of and interest on the Refunded Bonds shall be payable from the separate escrow accounts administered for the benefit of the Authority and the holders of the outstanding Refunded Bonds. Neither the maturing principal of the Government Obligations purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security or be available for the payment of the principal of or interest on the Series 2021 Bonds. Pursuant to the Escrow Agreements, the Trustee certifies that the Government Obligations and the initial cash balances on deposit in each escrow account will be sufficient, without reinvestment, to pay the Defeasance Payment Requirements of the Refunded Bonds as the same shall become due and payable.

The Refunded Bonds were issued to provide funds to finance, or reimburse the Authority for prior expenditures relating to, a portion of the costs of its capital plan in anticipation of the receipt of the applicable 5307 Grant Receipts or 5337 Grant Receipts. 5307 Grant Receipts or 5337 Grant Receipts not otherwise used for the payment of the related Refunded Bonds may be used for other purposes. See **"THE AUTHORITY — Capital Improvement Plan."**

SOURCES AND USES OF FUNDS

	Series 2021 5307 Bonds	Series 2021 5337 Bonds
Sources of Funds		
Par Amount	$99,325,000.00	$21,650,000.00
Original Issue Premium	22,385,363.00	5,460,802.50
Total Sources of Funds	$121,710,363.00	$27,110,802.50
Uses of Funds		
Deposit to Escrow Account	$120,807,120.35	$26,905,675.00
Costs of Issuance*	903,242.65	205,127.50
Total Uses of Funds	$121,710,363.00	$27,110,802.50

* Includes Underwriters' Discount.

DESCRIPTION OF THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be dated the date of their issuance and mature on the dates and in the principal amounts set forth on the inside front cover of this Official Statement. Interest on the Series 2021 Bonds shall be payable on June 1 and December 1 of each year, commencing December 1, 2021. Interest on the Series 2021 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2021 Bonds will be delivered in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (**"DTC"**). DTC will act as securities depository for the Series 2021 Bonds. Ownership interests in the Series 2021 Bonds may be purchased by or through a DTC Participant (as described below) in book-entry form only in denominations of $5,000 or any integral multiple thereof. See **APPENDIX B – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."**

No Redemption

The Series 2021 Bonds are not subject to redemption prior to maturity.

SECURITY FOR THE SERIES 2021 BONDS

The Series 2021 Bonds (and all other Parity Obligations) issued under each Indenture are limited obligations of the Authority issued pursuant to the Act and the Local Government Debt Reform Act.

The Series 2021 5307 Bonds are payable solely from and secured solely by (i) the 5307 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon.

The Series 2021 5337 Bonds are payable solely from and secured solely by (i) the 5337 Grant Receipts and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon.

The Series 2021 Bonds are not general obligations of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2021 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2021 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2021 Bond be or become an indebtedness of the Authority within the purview of any constitutional or statutory limitation or provision. The Authority has no taxing power.

See the discussion herein under the heading **"CERTAIN INVESTMENT CONSIDERATIONS."**

Grant Receipts

The 5307 Grant Receipts and 5337 Grant Receipts are collectively referred to herein as the **"Grant Receipts."** The sole source of 5307 Grant Receipts available to the Authority to pay principal of and interest on the 5307 Bonds is its annual share of Section 5307 Formula Funds. The sole source of 5337 Grant Receipts available to the Authority to pay principal of and interest on the 5337 Bonds is its annual share of Section 5337 Formula Funds.

See **"FEDERAL TRANSIT PROGRAM"** for descriptions of the Section 5307 Program and the Section 5337 Program and the methods by which the amount of Section 5307 Formula Funds and Section 5337 Formula Funds available to the Authority on an annual basis are determined.

Pledge of Security

Certain defined terms referenced in this section shall apply to the 5307 Indenture and Section 5337 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES."** *Reference is hereby made to the Indentures for a complete statement of the provisions thereof.*

5307 Bonds. The 5307 Indenture pledges for the payment of the principal and Redemption Price of, and interest on, the 5307 Bonds and the payment of permitted obligations meeting the definition of Parity Obligations under the 5307 Indenture, in accordance with their terms and the provisions of the 5307 Indenture, and a lien is thereby granted for such purpose, subject only to the provisions of the 5307 Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the 5307 Indenture, (i) the 5307 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the 5307 Indenture (except the Rebate Fund), including investment earnings thereon, subject however to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund and the General Fund established under the 5307 Indenture as permitted under the 5307 Indenture (see **"- Funds and Accounts"** and **"- Flow of Funds –Grant Receipts"** below), and (iii) any and all other moneys and securities furnished from time to time to the 5307 Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the 5307 Trustee under the terms of the 5307 Indenture; *provided* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the 5307 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Hedging Transactions."** The 5307 Grant Receipts become pledged and therefore subject to the lien of the 5307 Indenture upon the receipt of such 5307 Grant Receipts by the Authority. Pursuant to Section 13 of the Local Government Debt Reform Act, the 5307 Grant Receipts and the other moneys and securities pledged by the 5307 Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

5337 Bonds. The 5337 Indenture pledges for the payment of the principal and Redemption Price of, and interest on, the 5337 Bonds and the payment of permitted obligations meeting the definition of Parity Obligations under the 5337 Indenture, in accordance with their terms and the provisions of the 5337 Indenture, and a lien is thereby granted for such purpose, subject only to the provisions of the 5337 Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the 5337 Indenture, (i) the 5337 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the 5337 Indenture (except the Rebate Fund), including investment earnings thereon, subject however to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund and the General Fund established under the 5337 Indenture as permitted under the 5337 Indenture (see **"- Funds and Accounts"** and **"- Flow of Funds –Grant Receipts"** below), and (iii) any and all other moneys and securities furnished from time to time to the 5337 Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the 5337 Trustee under the terms of the 5337 Indenture; *provided* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the 5337 Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE - Hedging Transactions."** The 5337 Grant Receipts become pledged and therefore subject to the lien of the 5337 Indenture upon the receipt of such 5337 Grant Receipts by the Authority. Pursuant to Section 13 of the Local Government Debt Reform Act, the 5337 Grant Receipts and the other moneys and securities pledged by the 5337 Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Parity Obligations

The Series 2021 5307 Bonds are secured, as described under this caption, on a parity with the Outstanding 5307 Bonds. The Series 2021 5337 Bonds are secured, as described under this caption, on a parity with the Outstanding 5337 Bonds. Furthermore, each Indenture permits one or more Series of Bonds (**"Additional Bonds"**) to be issued on a parity with the Series 2021 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, for the purpose of paying the costs of construction of Eligible Projects or refunding any Subordinated Indebtedness issued under such Indenture for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds, and to make deposits to any Fund, Account or Sub-Account under such Indenture. Each Indenture also permits the issuance of one or more Series of Bonds (**"Refunding Bonds"**) on a parity with the Series 2021 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, to refund or advance refund any or all Outstanding Bonds of one or more Series or any Outstanding Section 207 Obligations under such Indenture (as described in the next paragraph), to pay costs and expenses incident to the issuance of such Refunding Bonds, and to make deposits to any Fund, Account or Sub-Account under such Indenture. See **"- Additional Bonds"** and **"- Refunding Bonds"** below.

Each Indenture permits the issuance of obligations, on a parity with the Series 2021 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, incurred by the Authority for the making of periodic payments (but not termination payments, which can only be secured on a subordinate basis) to any one or more Swap Providers (a **"Section 206 Obligation"**). Pursuant to each Indenture, the Authority may also incur obligations, that may be secured on a parity with the Series 2021 Bonds issued thereunder and any other Outstanding Bonds and Parity Obligations under such Indenture, to reimburse amounts payable under reimbursement agreements or other evidences of indebtedness between the Authority and a Credit Bank (a **"Section 207 Obligation"**). Section 206 Obligations and Section 207 Obligations under each Indenture are referred to in this Official Statement, together with the respective 5307 Bonds or 5337 Bonds issued under such Indenture, as **"Parity Obligations."**

Funds and Accounts

Establishment of Funds and Accounts. Pursuant to each Indenture, the Authority establishes (i) the Grant Receipts Deposit Fund, which is held by the Authority; and (ii) the Debt Service Fund, the Construction Fund and the General Fund, each of which is held in trust by the applicable Trustee. Subject to use and application in accordance with each Indenture, moneys and investments held in the Grant Receipts Deposit Fund, the Debt Service Fund, the Construction Fund and the General Fund are pledged as security for the payment of debt service on the respective 5307 Bonds or 5337 Bonds and other Parity Obligations issued thereunder. Each Indenture also establishes a Rebate Fund which is not pledged to the payment of the bonds or other Parity Obligations issued thereunder. Each Indenture establishes three separate accounts in the Debt Service Fund, known as the **"Interest Account,"** the **"Principal Account"** and the **"Variable Rate Stabilization Account."** See the subheadings **"Variable Rate Stabilization Account"** and **"General Fund"** below for additional information regarding these funds and accounts. For a description of the priority of payments made from the Debt Service Fund, see **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Debt Service Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Debt Service Fund."** Each Indenture establishes a **"2021 Project Account"** in the Construction Fund.

Variable Rate Stabilization Account. Currently, there are no Variable Rate Bonds Outstanding under either Indenture, and no Qualified Swap Agreements relating to Bonds that are not Variable Rate Bonds that, as of the date of computation, require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index, as calculated under such Indenture. The Variable Rate Stabilization Account established under each Indenture is required to be funded in an amount equal to the Variable Rate Stabilization Account Requirement, which is calculated as 3.5 percent of the sum of (a) the principal amount of certain Outstanding Variable Rate Bonds, if any, and (b) the notional amount of all Qualified Swap Agreements, if any, relating to Bonds that are not Variable Rate Bonds that, as of the date of computation, require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index, as calculated under such Indenture. In the future, if the Authority issues Variable Rate Bonds or enters into Qualified Swap Agreements of the types described above pursuant to either Indenture, Grant Receipts pledged under the same Indenture may be applied to meet the requirement. See **"- Flow of Funds –Grant Receipts"** below, **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Deposit and Application of Grant Receipts"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Deposit and Application of Grant Receipts."** For a description of the application of amounts on deposit in the Variable Rate Stabilization Account, see **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Debt Service Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Debt Service Fund."**

General Fund. A General Fund is established under each Indenture. Moneys in each General Fund shall be promptly withdrawn by the applicable Trustee and paid over to the Authority free from the lien of the Indenture under which it is established; *provided* that no such withdrawal from the General Fund may occur unless, at the time of such withdrawal, (i) no deficiency shall exist with respect to the required deposits to the Interest Account and the Principal Account of the Debt Service Fund established under the same Indenture; (ii) the sum then held in the Variable Rate Stabilization Account established under the same Indenture shall be not less than the Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred under the same Indenture and remain unremedied. The Authority may establish (i) one or more Debt Service Reserve Accounts within each General Fund for the purpose of providing additional security for the payment of one or more Series of Bonds and (ii) one or more Subordinated Indebtedness Accounts within each General Fund for the purpose of securing the payment of Subordinated Indebtedness. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - General Fund"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – General Fund."**

Flow of Funds – Grant Receipts

Each Indenture requires that all Grant Receipts secured thereunder and received by the Authority shall be promptly deposited into the Grant Receipts Deposit Fund established thereunder. On the first Business Day of each Bond Year and (if required) on any subsequent Business Day during the Bond Year, the Authority is required to withdraw from the Grant Receipts Deposit Fund established under each Indenture and to pay over to the Trustee thereunder an amount sufficient to enable such Trustee to make payments into the following several Funds and Accounts established under the same Indenture:

First: Into the Interest Account of the Debt Service Fund, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations under such Indenture for each remaining Interest Period that ends in the current Bond Year;

Second: Into the Principal Account of the Debt Service Fund to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations under such Indenture for the current Bond Year;

Third: Into the Variable Rate Stabilization Account of the Debt Service Fund, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement;

Fourth: Into the Rebate Fund, the amount specified in a certificate of the Authority filed with the Trustee pursuant to such Indenture; and

Fifth: Into the General Fund, the amount specified in a certificate of an Authorized Officer of the Authority filed with the Trustee pursuant to such Indenture.

See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Deposit and Application of Grant Receipts"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Deposit and Application of Grant Receipts."**

Moneys held in the Grant Receipts Deposit Fund established under each Indenture may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects (as defined under such Indenture). If, however, after the first Business Day of any Bond Year a deficiency then exists in the payments required to be made by the Trustee as described above, no withdrawals may be made unless the Authority has obligated a sum sufficient for the payment to the applicable Trustee of the amounts required by such Indenture as set forth above from appropriations applicable from the current or prior Federal Fiscal Years. Each Indenture also requires that if, as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the applicable Trustee as described above from current Federal Fiscal Year appropriations have not been obtained, then the Authority must take all necessary actions to reprogram available Formula Funds pledged under such Indenture appropriated in prior Federal Fiscal Years to the extent required to make such payments. See **"FEDERAL TRANSIT PROGRAM – Indenture Covenants with Respect to Section 5307 and Section 5337 Formula Program,"** and **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"-SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority."**

Additional Bonds

The issuance of one or more Series of Additional Bonds is authorized pursuant to each Indenture for the purpose of paying the cost of construction of one or more Eligible Projects under such Indenture or refunding any Subordinated Indebtedness thereunder issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account established under such Indenture. Such Additional Bonds may be issued only upon the delivery of a certificate of the Authority determining that the average Annual Apportionment Amount (as defined in **APPENDIX A**) for the three completed Federal Fiscal Years immediately preceding the date of issuance of such Series of Additional Bonds is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding under such Indenture immediately following the issuance of such Additional Bonds constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in such Indenture shall be applied in determining the Annual Debt Service Requirements of such Bonds. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Additional Bonds for Construction Purposes"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Additional Bonds for Construction Purposes."**

The Authority may, subject to receipt of all necessary Board approvals and as permitted by the applicable Indenture, issue Additional Bonds at future dates to finance capital needs as they may be identified in its capital plan from time to time and to the extent that they are also eligible under the applicable Section 5307 Program or Section 5337 Program. Other than the issuance of the Series 2021 Bonds, the Authority has no current plans to issue Additional Bonds. See **"THE AUTHORITY – Capital Improvement Plan."**

Refunding Bonds

Each Indenture authorizes the issuance of one or more Series of Refunding Bonds to refund or advance refund any or all Outstanding Bonds of one or more Series under such Indenture, and any or all Outstanding Section 207 Obligations under such Indenture, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account established thereunder. Such Refunding Bonds may be issued only upon the receipt by the applicable Trustee of either (a) the certificate of the Authority described above under **"- Additional Bonds,"** as applied to the Refunding Bonds or (b) a certificate of the Authority stating that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding under such Indenture, after the issuance of such Refunding Bonds and the redemption or provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding under such Indenture, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests, if any of the Bonds Outstanding under such Indenture immediately prior to or after the issuance of the Refunding Bonds constitute Optional Tender Bonds or Variable Rate Bonds, certain provisions in such Indenture shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207

Obligations. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Refunding Bonds"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Refunding Bonds."**

Subordinated Indebtedness

No provision of either Indenture limits the ability of the Authority to issue bonds or other obligations payable from the Grant Receipts pledged to secure Bonds issued under such Indenture on a basis junior and subordinate to the payment of principal of, premium, if any, and interest on the Bonds issued thereunder. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Subordinated Indebtedness"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Subordinated Indebtedness."**

RTA Ordinance Regarding Limit on Debt Secured by Section 5307/5337 Formula Funds

The RTA, by ordinance, has imposed a stricter limit than the Indentures on the incurrence of additional Parity Obligations (including any Additional Bonds or Refunding Bonds) and any Subordinated Indebtedness. The RTA ordinance provides that no additional Parity Obligations or Subordinated Indebtedness may be incurred to the extent that the incurrence of such Parity Obligation or Subordinated Indebtedness would cause the total annual debt service for all outstanding Parity Obligations and Subordinated Indebtedness (inclusive of such additional Parity Obligations or Subordinated Indebtedness) to exceed 50% of the amount of the Authority's allocation of Section 5307 and 5337 Formula Funds for the applicable year as stated in the current RTA five-year capital plan. The 50% limit was temporarily increased to 60% in 2019 and is authorized to remain at that level through RTA fiscal year 2024. The Authority cannot provide any assurances regarding further modifications or adjustments to such limitations that the RTA may adopt by ordinance in the future.

Investments

All amounts held under either Indenture are invested at the direction of the Authority in Investment Securities, as defined in **APPENDIX A**, subject to certain limitations contained therein. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Investment of Certain Moneys"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Investment of Certain Moneys."**

FEDERAL TRANSIT PROGRAM

THE TERMS AND CONDITIONS OF PARTICIPATION IN THE FEDERAL TRANSIT PROGRAM AS DESCRIBED HEREIN ARE SUBJECT TO CHANGE AT THE DISCRETION OF CONGRESS, AND THERE CAN BE NO ASSURANCE THAT THE LAWS AND REGULATIONS NOW GOVERNING THE PROGRAM WILL NOT BE CHANGED IN THE FUTURE IN A MANNER THAT MAY ADVERSELY AFFECT THE ABILITY OF THE

AUTHORITY TO RECEIVE ADEQUATE SECTION 5307 FORMULA FUNDS TO MAKE DEBT SERVICE PAYMENTS ON THE OUTSTANDING 5307 BONDS (INCLUDING THE SERIES 2021 5307 BONDS) AND ADEQUATE SECTION 5337 FORMULA FUNDS TO MAKE DEBT SERVICE PAYMENTS ON THE OUTSTANDING 5337 BONDS (INCLUDING THE SERIES 2021 5337 BONDS).

IN ADDITION, VARIOUS FACTORS BEYOND THE CONTROL OF THE AUTHORITY MAY AFFECT SUCH RECEIPTS, INCLUDING, WITHOUT LIMITATION NON-REAUTHORIZATION OF FEDERAL TRANSPORTATION LEGISLATIVE PROGRAMS, FEDERAL BUDGETARY LIMITATIONS AND OTHER POSSIBLE CHANGES IN THE FEDERAL TRANSIT PROGRAM, THE AUTHORITY'S CONTINUED ELIGIBILITY AND APPLICATION FOR SUCH FUNDING AND CHANGES IN THE ALLOCATION BY THE RTA OF ITS FORMULA FUNDS AMONG THE SERVICE BOARDS. IN ADDITION, THE CALCULATION OF THE ANNUAL APPORTIONMENT UNDER THE FEDERAL TRANSIT PROGRAM FROM WHICH THE GRANT RECEIPTS ARE PAID IS BASED ON A FORMULA THAT TAKES INTO ACCOUNT, AMONG OTHER FACTORS, TRANSIT PROPERTIES, THE TRANSIT SERVICES PROVIDED AND THE DEGREE SUCH SERVICES ARE UTILIZED. ACTIONS THAT THE AUTHORITY MAY TAKE AS A RESULT OF ITS BUDGETARY DECISIONS, SUCH AS DECREASES IN THE AMOUNTS DEVOTED TO CAPITAL PURPOSES, SERVICE CUTS OR FARE INCREASES, MAY HAVE A NEGATIVE IMPACT ON THESE COMPONENTS OF THE FORMULA USED TO CALCULATE THE ANNUAL APPORTIONMENT RESULTING IN A DECREASE IN THE AMOUNT OF FEDERAL TRANSIT FUNDS AVAILABLE TO THE AUTHORITY FOR GRANT RECEIPTS.

See **"CERTAIN INVESTMENT CONSIDERATIONS."**

General

The Section 5307 Program, under which Section 5307 Formula Funds are disbursed to qualified recipients, and the Section 5337 Program, under which Section 5337 Formula Funds are disbursed to qualified recipients, are part of the Federal Transit Program (the **"Federal Transit Program"**) created by Congress in support of public transit in the United States. As codified under Title 49 of the U.S. Code, one of the purposes of the Federal Transit Program is to provide funds for, and assist in financing, urban mass transportation capital improvement projects such as the Authority's Capital Improvement Plan.

History and Overview of the Federal Transit Program

The various purposes and administrative authority of the Federal Transit Program have been periodically modified and reauthorized by Congress. The Federal Transit Program had its origin in 1955 when Congress authorized the Administrator of the Housing and Home Finance Agency to make loans to public bodies to assist in financing urban mass transportation capital improvement projects. This authority was later transferred to the United States Department of Housing and Urban Development and then expanded in 1964 with the passage of the Urban Mass Transportation Act (the **"UMT Act"**). In 1968, the Secretary of the Department of Transportation (the **"Secretary of Transportation"**) was given the authority to administer the UMT Act and the Urban Mass Transportation Administration (the **"UMTA"**) was created within the United States Department of Transportation. The UMT Act was reauthorized in 1970, 1974, 1978, 1982, 1987, 1991, 1998, 2005, 2012 and, most recently, in 2015. On December 4, 2015, President Obama signed the FAST Act into law authorizing transit funds for Federal Fiscal Years 2016 through 2020. On October 1, 2020, President Trump signed into law the Continuing Appropriations Act, 2021 and Other Extensions Act, authorizing transit funds for Federal Fiscal Year 2021. The FAST Act includes slight annual funding increases over the levels included in MAP-21, the previous transportation authorization. MAP-21 authorized funding for Federal Fiscal Years 2013 and 2014, and it was extended on a short-term basis numerous times until the FAST Act was enacted.

Authorization. The first step in the implementation of the Federal Transit Program is the adoption by Congress of multi-year (or, under interim authorizations, multi-month) authorizing federal legislation which has: (i) established or extended the funding sources for the Federal Transit Program; (ii) established the specific programs and procedures through which federal financial assistance for the Federal Transit Program is apportioned and made available to public entities, including the Authority; and (iii) set upper limits on funding for specific programs and for the overall Federal Transit Program. An "*authorization*" is the process by which Congress approves the parameters for the expenditure of federal revenues on federal programs. For the Federal Transit Program, authorization historically has been, and continues to be, provided on a multi-year basis. This permits grant recipients more certainty in planning long-term transit projects. Transit agencies receive funds under the provisions of Title 49, Chapter 53, of the United States Code, as amended by the FAST Act. Transit funds for Federal Fiscal Years 2016 through 2021 are authorized by the FAST Act. Each year, new appropriation legislation must be passed to appropriate general federal revenues that will fund transit programs and set an obligation limitation that allows expenditure of funds from the federal Mass Transit Account (the **"MTA"**) of the Highway Trust Fund (**"HTF"**) for transit programs to fund grants under the federal transit programs, including the Section 5307 Program and the Section 5337 Program. As of the date of this Official Statement, the Authority has no assurance that the current authorizations will be extended, that new authorizations will be approved, or that additional fund transfers to the HTF and MTA will be authorized in the near term. See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."**

Annual Appropriations. An "*appropriation*" is the result of the annual federal budget process through which federal revenues are allocated to specific federal programs. Unlike an authorization, which only sets the upper limits on future funding for specific programs, an appropriation provides funds or permission to exercise contract authority to spend funds. All federal programs require congressional budget and/or contract authority before revenues may be committed and spent. Thus, the Federal Transit Program is subject to a two-step authorizing and appropriations process, with authorizing legislation describing the purposes for a specific program and setting a proposed level of spending, and appropriations legislation providing the budget authority or legal ability to spend federal revenues. As of the date of this Official Statement, the Authority has no assurance that the current authorizations and appropriations will be extended or that new authorizations and appropriations will be approved.

Funding the Federal Transit Program. Section 5338(a) of title 49 of the U.S. Code provides for the formula grant programs of the Federal Transit Program to be funded from the MTA of the HTF. The HTF is a federal fund established to fund public transit and highway projects that is financed primarily by motor fuel taxes with dedicated revenues held in trust for reimbursement of expenditures for costs of eligible transportation projects. The MTA is an account within the HTF reserved for funding public transit projects.

The HTF is funded by collection of federally-imposed motor vehicle excise taxes on gasoline and diesel fuels and user fees. The 18.4 cents per gallon federal gasoline excise tax is the largest revenue source for the HTF and, of this amount, 2.86 cents per gallon go to the MTA. The MTA receives approximately 16 percent of federal gasoline tax revenues and 12 percent of federal diesel fuel tax revenues collected nationwide. The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently on a multi-year basis by the FAST Act, which generally authorized HTF collections through FFY 2020. See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."** The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

Since 2008, the actual amounts collected from dedicated motor fuel taxes and deposited in the HTF have not been sufficient to support the level of funding Congress authorized for the programs funded from the HTF, including those funded from the MTA. To make up shortfalls of dedicated motor fuel tax revenues to satisfy project grant commitments and in response to future shortfalls predicted by the Congressional Budget Office (**"CBO"**) as well as other governmental entities, Congress has transferred funds into the HTF from the General Fund of the United States Treasury. To supplement the dedicated motor fuel tax revenues deposited in the HTF, the FAST Act authorizes additional transfers to the HTF.

The following table sets forth the history of maximum authorized spending levels of federal funding for the Federal Transit Program from the MTA:

Federal Transit Program Authorized Funding Levels
(in millions of dollars)

	2016	2017	2018	2019	2020
MTA of HTF	$9,347	$9,733	$9,733	$9,939	$10,150

The following table sets forth the historical annual HTF receipts deposited into the MTA for the period FFY 2016 to FFY 2020.

Total Actual Annual Receipts - Mass Transit Account
(in millions of dollars)

FFY	Receipts
2016	$5,194
2017	$5,386
2018	$5,523
2019	$5,535
2020	$5,249

Source: Federal Highway Administration, Table FE-1

Sequestration. The Federal Office of Management and Budget issues annual reports pursuant to the Sequestration Transparency Act of 2012 (P.L. 112-155) on the consequences of sequestration for governmental operations or partial government shutdown. The mandate from the Budget Control Act of 2011 (P. L. 112-25) requires, among other things, a reduction for certain nonexempt defense discretionary programs, which began in 2013. While the HTF is not included in sequestration, and is therefore exempt from reduction, General Fund transfers into HTF resulting from MAP-21 and the FAST Act are subject to reductions, if any, for sequestration.

Section 5307 Formula Funds and Section 5337 Formula Funds are funded by the gallonage taxes on highway motor fuel and are not subject to sequestration or the effects of a partial government shut down. These protections are in effect through FFY 2022. There can be no assurance, however, that Congress will continue any such budgetary protections in the future.

See **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties in Federal Transit Program and Funding."**

Section 5307 and Section 5337 Programs

Section 5307 Program. The Section 5307 Program is a grant program for urbanized areas with populations greater than 50,000 (each an *"urbanized area")* and provides capital, operating or planning assistance for public transportation. The Authority does not qualify for operating assistance grants under the Section 5307 Program (which are generally available only to urbanized areas with populations below 200,000), but is eligible for grants related to capital and planning assistance. Funds are apportioned to urbanized areas utilizing a formula based on population, population density, and other factors associated with transit service and ridership. The transit service-related data used to determine the allocation of Section 5307 Formula Funds is compiled in strict adherence with requirements set forth in the legislatively-mandated National Transit Database (the **"NTD"**). FTA compiles this summary of nation-wide data annually from transit operator-supplied, FTA-validated, individual reports containing extensive information about each transit property and the service it provides. Except when significant new transit service is added or significant existing service dropped during a year, the yearly data submitted by transit properties remains relatively constant as does the annual apportionments as a consequence.

Section 5337 Program. The Section 5337 Program is a grant program for urbanized areas with populations greater than 50,000 and provides funding for capital projects to maintain fixed guideway public transportation systems and high intensity motorbus public transportation systems (*i.e,* motorbus transportation provided on facilities with access for other high-occupancy vehicles). To the extent that the Section 5337 Program provides federal funding to maintain fixed guideway public transportation systems, the program replaces the rail modernization program previously authorized under Section 5309 of the Federal Transit Acts. Section 5337 Program fixed guideway public transportation systems funds are apportioned to recipients in urbanized areas taking into account the fixed guideway vehicle revenue miles and directional route miles, weighted by the amount of rail modernization program funds the recipient would have received for FFY 2011. As is the case for the transit service-related factors used for the Section 5307 Program, the vehicle revenue miles and directional route miles data for the Section 5337 Program is compiled in strict adherence with requirements set forth in the legislatively-mandated NTD. The weighting of the Section 5337 Program formula to transit systems that received rail modernization funds in FFY 2011 results in relatively constant annual apportionments.

Funding of the Section 5307 and Section 5337 Programs. The federal portion of the Section 5307 and Section 5337 Programs is funded from the MTA. Once appropriated by Congress, Section 5307 and Section 5337 Formula Funds are allocated in accordance with the specifications of the authorizing legislation. Within ten days of the President's signing of appropriation legislation, FTA publishes a notice in the Federal Register (the **"Apportionment Notice"**) listing the amount of Section 5307 and Section 5337 Formula Funds apportioned for each urbanized area. The Authority receives a portion of the funds that are apportioned to the Chicago, Illinois/Northwestern Indiana Urbanized Area (the **"Local Urbanized Area"**). For urbanized areas that cross state boundaries, such as the Local Urbanized Area, funding is allocated among the transit agencies based on agreement among the recipients on the final split of federal funds, as the FTA has not promulgated rules for further redistribution. Agreements are typically documented via the transmittal of identical letters from transit agencies within the urbanized areas to the FTA Regional Office of jurisdiction and the agreements to which the Authority is a party have been largely standardized over the years so that usually only very minor differences require negotiation.

Designated Recipient. For grant purposes and to assure coordination of funds in each urbanized area, Section 5307 and Section 5337 require that the Governor of each state designate a recipient or recipients (each a **"Designated Recipient"**) to receive and dispense Section 5307 Formula Funds in urbanized areas with populations of greater than 200,000. For an urbanized area with more than one Designated Recipient, such as the Local Urbanized Area, the amounts available under both the Section 5307 and Section 5337 Programs, as published in the Apportionment Notice, must be further allocated among the region's Designated Recipients by the Metropolitan Planning Organization or Organizations (each an **"MPO"**) for the urbanized area. For the Local Urbanized Area, this process is completed by the Chicago Metropolitan Agency for Planning (**"CMAP"**) and the RTA. The Governor of Illinois has designated the Authority as the Designated Recipient of Section 5307 and Section 5337 Formula Funds for the Authority's allocation. As a Designated Recipient, the Authority is directly responsible for administering its allocation of the program, including applying for the appropriated funds.

Project Development and Selection. Before a grant recipient of Section 5307 or Section 5337 Formula Funds may apply for a grant, the recipient is required to develop a program of projects (the **"Program of Projects"**) for which the recipient proposes to use the respective Section 5307 or Section 5337 Formula Funds. The Program of Projects consists of a list of individual projects (e.g., lease/purchase of buses, construction of a maintenance facility, overhaul of locomotives, etc.) with brief descriptions of the work to be accomplished for each of the individual projects for which money is requested. Complying with a planning process is among the requirements grant recipients must satisfy in the development of the Program of Projects. Federal law requires that individual Transportation Improvement Programs (**"TIPs"**) be developed by each MPO**.** The TIP provides a detailed outline of projects that are proposed for implementation in the urbanized area covered by the MPO with a five-year timeframe. In addition, a statewide TIP (**"STIP"**), combining the TIPs for all of a state's urbanized areas, is submitted to the FTA for approval and projects must be included in the STIP to be eligible for funding. The grant recipient applies to FTA to fund a Program of Projects composed of projects as included in the TIP. Although not required by federal law, non-federal funds are also included in Illinois' STIP/TIPs in order to give a complete picture of transportation initiatives for the five year period. Processes are in place to make interim changes between STIP approvals. The Federal Highway Administration and FTA must approve the STIP.

*Grant Application and Obligation of Funds***.** Once the Apportionment Notice is published listing actual amounts of Section 5307 or Section 5337 Formula Funds available to the Authority, the relevant MPO has made its allocations through the TIP, the grant recipient may electronically submit grant applications for a Program of Projects to the FTA. A typical grant application includes line item budget and project implementation information. During the application review process, the FTA confirms that required planning, environmental, and other necessary legal requirements have been satisfactorily fulfilled. Since 1995, the FTA has allowed grant applicants to self-certify compliance with many of the statutory requirements. Following successful review of an application for funds by a transit agency, FTA approves the application, obligates federal funds for specific Section 5307 or Section 5337 Program eligible projects, and reserves the approved level of federal funding for those projects. Once obligated and reserved for the approved projects, such funds are available to the Designated Recipient until expended or until those funds are de-obligated if they will not be expended for the obligated purposes.

Program Implementation. Upon electronic acceptance of a Section 5307 or Section 5337 Program grant by a transit agency such as the Authority, federal funds are "*set up*" in the FTA's Capital Project Accounting System (**"CPAS"**). The project description and budget line items in CPAS indicate those activities and amounts for which the Authority can seek federal reimbursement. Recipients of FTA funds are required to have financial systems sufficient to adequately account for, report on and bill for federal funds. The Authority's financial systems, including the CPAS, and methods of accounting, are reviewed by the FTA periodically, and no less than tri-annually, in accordance with the FTA's financial management oversight review process. Program implementation includes a wide range of activities which occur after the federal grant approval, largely on the part of the grant recipient, to undertake the project for which grant funds were made available and to seek drawdowns from such grant funds for eligible costs.

Grant Payments. Section 5307 and Section 5337 Programs grant payments flow directly from the U.S. Treasury to a designated bank account of a transit agency such as the Authority via electronic transfer. Grant recipients may requisition funds for reimbursement of budgeted amounts in the CPAS for payment of invoices for eligible expenses. For the Authority those eligible expenses include payment of debt service on the respective Series 2021 5307 Bonds and Series 2021 5337 Bonds and the FTA has acknowledged the eligibility of the use of such grant receipts for such purposes by issuing a "*Letter of No Prejudice*" to the Authority. The Federal Transit Program requires that grant funds drawn for payment of debt service be disbursed by the grant recipient within three business days of receipt.

Grant recipients are required to make purchases and perform construction in accordance with all applicable federal and state statutes, rules and regulations. Quarterly written reports and periodic on-site review meetings are designed to keep the FTA informed of progress and any problems occurring as work proceeds.

Reprogramming. Once projects are in the implementation phase, where the FTA has approved project budgets and plans, but before actual expenditure, projects and their corresponding sources of funding may be reprogrammed. Reprogramming involves the amendment of previously approved capital project plans and budgets to allow for the expenditure of apportioned and allocated Federal Transit Program formula funds on other eligible and approved projects. The Authority has agreed in each Indenture to take all the necessary steps to reprogram available Section 5307 or Section 5337 Formula Funds appropriated in prior Federal Fiscal Years to the extent there are insufficient Grant Receipts to pay debt service on the respective 5307 Bonds or 5337 Bonds. See **"SECURITY FOR THE SERIES 2021 BONDS - Flow of Funds - Grant Receipts."**

Lapsing of Apportioned Section 5307 and Section 5337 Formula Funds. Section 5307 and Section 5337 Formula Funds apportioned to an urbanized area must be requested by the Designated Recipient in the area and obligated by FTA within five years following the year of apportionment. If such funds are not obligated within this timeframe, the unobligated funds apportioned to the urbanized area lapses and revert to FTA. FTA, in turn, reapportions those lapsed funds in the following FFY nationally on the basis of the applicable federal formulas. Once Section 5307 or Section 5337 Formula Funds are obligated by FTA to a Designated Recipient such as the Authority, the funds remain available until spent by the Designated Recipient or de-obligated by FTA. Historically, the Authority has taken all steps necessary to apply for all apportioned and available funds in a FFY and to retain those funds for expenditure in accordance with grant purposes.

Authority Participation in Section 5307 and Section 5337 Programs

General. The financing of, or the reimbursement for prior expenditures related to, the Authority's capital plan is eligible for payment from the Grant Receipts made available to the Authority under the Section 5307 Program and the Section 5337 Program. The Authority may finance additional projects, not currently approved by the Authority and RTA Boards and included in the list of projects comprising the Authority's capital plan, with the proceeds of the respective 5307 Bonds and 5337 Bonds to the extent that such additional projects are approved by the Authority and RTA Boards for inclusion in the Authority's capital plan and meet the eligibility requirements of the Indentures and the applicable Section 5307 Program and the Section 5337 Program. In addition, the Authority may pay for the costs of projects meeting the eligibility requirements of the Section 5307 Program and the Section 5337 Program directly from Grant Receipts available and released from the lien of the Indentures after all required deposits have been made for each Bond Year. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the Section 5307 Program and the Section 5337 Program in order to be eligible to receive Grant Receipts for the payment of the respective 5307 Bonds and 5337 Bonds and to facilitate the prompt receipt by the Authority of Grant Receipts. See **APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority"** and **"CERTAIN INVESTMENT CONSIDERATIONS – Uncertainties Regarding the Authority's Participation in Section 5307 and Section 5337 Programs."**

Authority Satisfaction of Local Share Requirement. The Federal Transit Program, of which the Section 5307 Program and the Section 5337 Program are a part, requires grant recipients such as the Authority to provide a matching non-federal share for a portion of the total costs of projects eligible for reimbursement. The Section 5307 Program and the Section 5337 Program provide for funding of up to 80 percent of the net project cost for eligible capital projects. The remainder of the net project costs are required to be funded from non-federal sources and, with certain exceptions, sources other than revenues derived from providing mass transit. Federal legislation permits states to apply amounts equal to toll revenue that has been used for the construction or improvement of public highway facilities as a credit toward the non-federal matching requirement for transit projects. The Federal Highway Administration has allocated $696 million in transportation development credits (formerly referred to as toll revenue credits) to the State that can be used to meet the non-federal matching requirements of Federal Transit Program funds available to transit providers in the State. If fully leveraged, this allocation represents the non-federal matching requirement for approximately $3 billion in Federal Transit Program funds.

The Illinois Department of Transportation (**"IDOT"**), as administrator of the transportation development credits allocated to the State, approves the use of such credits for the purpose of fulfilling the non-federal matching requirement at the time grant applications are made to the FTA. The Authority requests transportation development credits through IDOT annually. The State approves the request and officially forwards the approval notice to FTA and the Authority for each grant. This allows the grants to be approved using transportation development credits as the local match.

Historically, IDOT and the FTA have approved the use of transportation development credits to meet the non-federal matching requirements with respect to the projects for Outstanding Bonds. Use of transportation development credits to meet the federal matching requirement under the Section 5307 Program and the Section 5337 Program will enable the Authority to use Grant Receipts for 100 percent of the debt service on the Series 2021 Bonds. The use of transportation development credits does not constitute a pledge of funds by the State. No assurance can be given that the State will approve the use of transportation development credits for the purpose of meeting the non-federal matching requirement; that credits for toll revenue expended on public highway facilities will continue to be recognized for this purpose under the Federal Transit Program; or whether the matching requirements will continue to be at the levels of the current Section 5307 Program and Section 5337 Program.

CMAP/RTA Allocation. Section 5307 Formula Funds and Section 5337 Formula Funds are apportioned by the FTA to the Local Urbanized Area. Funds apportioned to the Local Urbanized Area are currently allocated between Indiana and the State by CMAP, the MPO with jurisdiction over the Local Urbanized Area, and the RTA. The Chicago, Illinois share of the Section 5307 Formula Funds and the Section 5337 Formula Funds are further divided, as determined by the RTA, between the Service Boards. Historically, the allocation policy has resulted in allocation to each Service Board of total grant funds received for all formula grant programs as follows: 58 percent to the Authority, 34 percent to Metra and 8 percent to Pace. See **"THE AUTHORITY — The RTA"** and **"CERTAIN INVESTMENT CONSIDERATIONS – RTA Allocation to the Authority."**

Beginning in FFY 2013 with the Federal MAP-21 transit authorization, two new formula programs were implemented, and this resulted in a larger apportionment of total federal formula funds to the Local Urbanized Area. In addition to the Section 5307 Program, the Federal formula funds now included one new larger program, the Section 5337 Program which incorporated the former Section 5309 Fixed Guideway formula program, and a smaller Section 5339 Bus & Bus Facilities program. These programmatic changes resulted in a significant increase in the total of federal formula receipts for the Local Urbanized Area. As a result, the share that those Section 5307 Program allocations represent of the Authority's total federal formula program receipts has decreased.

The table on the following page sets forth, for the FFYs 1990 through 2020, the allocation of Section 5307 Formula Funds to the Local Urbanized Area (such allocation referred to in the tables as the **"Apportionment"**), and the portion of the Apportionment designated for reallocation by the RTA. The table also shows the Section 5307 Formula Funds allocated by the RTA to the Authority in these years. Prior to FFY 1998, a portion of the total Apportionment of Section 5307 Formula Funds was allocated to operating assistance rather than to capital purposes. Operating assistance, as a use of Section 5307 Formula Funds, was phased out gradually over several years, which had the effect of increasing the amount and percentage of the total apportionment that went to capital purposes (second column of the Section 5307 table).

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Section 5307 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA

FFY	Chicago, Illinois - Northwestern Indiana Urbanized Area Apportionment	Illinois Share of Apportionment for Capital Purposes	Percent of Apportionment Representing Illinois Share of Apportionment for Capital Purposes	Additional Apportionment Allocated from Small Urbanized Areas to the Illinois Share	Amount of Apportionment Available for Allocation by RTA	Authority's Share of RTA's Allocation of Apportionment	Percent of Apportionment Allocated by RTA to Service Boards that RTA Allocates to Authority
1990	$129,537,325	$74,565,100	57.6%	$3,123,179	$77,688,279	$42,359,009	54.5%
1991	137,406,291	78,809,952	57.4%	3,332,947	82,142,899	50,734,241	61.8%
1992	135,294,920	79,838,897	59.0%	4,366,737	84,205,634	45,416,143	53.9%
1993	114,384,364	60,731,370	53.1%	3,737,520	64,468,890	39,943,872	62.0%
1994	158,569,976	102,756,433	64.8%	5,346,931	108,103,364	62,391,453	57.7%
1995	157,922,848	107,365,991	68.0%	5,517,481	112,883,472	66,595,890	59.0%
1996	127,782,235	97,425,146	76.2%	4,522,303	101,947,449	53,949,288	52.9%
1997	131,887,681	102,321,493	77.6%	4,736,797	107,058,290	61,918,213	57.8%
1998	152,230,242	138,704,840	91.1%	5,509,622	144,214,462	79,916,844	55.4%
1999	167,113,625	157,966,749	94.5%	6,089,511	164,056,260	95,448,016	58.2%
2000	178,741,915	169,753,163	95.0%	6,624,296	176,377,459	102,610,363	58.2%
2001	184,873,615	175,625,150	95.0%	7,013,911	182,639,061	106,201,321	58.1%
2002	202,416,015	191,012,720	94.4%	7,687,200	198,699,920	115,798,354	58.3%
2003	207,630,956	197,895,728	95.3%	1,055,341	198,951,069	115,633,961	58.1%
2004	206,199,235	196,777,085	95.4%	3,577,960	200,355,045	116,345,988	58.1%
2005	219,681,170	207,598,706	94.5%	2,349,956	209,948,662	122,314,262	58.3%
2006	206,185,774	196,964,492	95.5%	3,478,895	200,443,387	103,368,905[(1)]	51.6%
2007	217,980,206	208,231,440	95.5%	3,677,898	211,909,338	122,545,497	57.8%
2008	236,394,434	225,822,125	95.5%	4,027,448	229,849,573	133,087,409	57.9%
2009	247,951,415	237,073,826	95.6%	4,191,428	241,265,254	139,760,381	57.9%
2010	246,458,013	235,907,242	95.7%	4,094,711	240,001,953	139,100,007	58.0%
2011	242,185,715	231,847,604	95.7%	4,033,774	235,881,378	136,490,604	57.9%
2012	237,681,626	227,355,080	95.7%	4,022,882	231,377,962	133,737,028	57.8%
2013	243,898,183	232,300,100	95.2%	4,740,323	237,040,423	123,453,366	52.1%
2014	248,726,641	237,212,881	95.4%	4,151,173	241,364,054	125,579,498	52.0%
2015	247,919,073	236,560,769	95.4%	4,193,919	240,754,688	125,120,682	52.0%
2016	250,145,697	238,643,230	95.4%	5,229,593	243,872,823	125,717,205	51.6%
2017	253,254,283	241,435,216	95.3%	5,227,381	246,662,597	127,116,178	51.5%
2018	255,825,286	243,687,501	95.3%	5,282,794	248,970,295	125,070,746	50.2%
2019	260,309,398	248,086,142	95.3%	5,041,508	253,127,650	128,355,942	50.7%
2020	264,158,688	251,745,488	95.3%	5,423,146	256,981,564	131,501,104	51.2%

Source: FFYs 1990-2020: Authority

(1) In FFY 2006 the RTA requested that the Authority, in its grant application to the FTA, request $11.8 million less in Section 5307 Formula Funds than the amount that the RTA would have typically approved as the Authority's request from the Local Urbanized Area apportionment. The $11.8 million in Section 5307 Formula Funds was instead requested as part of Pace's grant application. In return, the RTA distributed $11.8 million in RTA discretionary capital funds to the Authority. These RTA discretionary capital funds were not deposited under the Indenture in the Grant Receipts Deposit Fund but were used by the Authority to finance Section 5307 Program eligible projects that would have otherwise been funded with Section 5307 Formula Funds. Without this exchange, the Authority's allocation of Section 5307 Formula Funds in FFY 2006 would have been $115.2 million.

The table on the following page sets forth the allocation of Section 5309 Rail Modernization Funds for the FFYs 1990 through 2012 and the Section 5337 Formula Funds allocation for FFY 2013 through 2020 to the Local Urbanized Area. The Section 5337 Program was created by MAP-21 to replace the Section 5309 Fixed Guideway Modernization Program and became effective as of FFY 2013.

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Section 5309/5337 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA

FFY	Chicago, Illinois - Northwestern Indiana Urbanized Area Apportionment	Illinois Share of Apportionment for Capital Purposes	Percent of Apportionment Representing Illinois Share of Apportionment for Capital Purposes	Additional Apportionment Allocated from Small Urbanized Areas to the Illinois Share[1]	Amount of Apportionment Available for Allocation by RTA	Authority's Share of RTA's Allocation of Apportionment	Percent of Apportionment Allocated by RTA to Service Boards that RTA Allocates to Authority
1990	$ 59,498,399	$ 55,750,000	93.7%	$ -	$ 55,750,000	$ 30,700,000	55.1%
1991	89,765,208	84,110,000	93.7%	-	84,110,000	35,435,000	42.1%
1992	83,263,607	78,018,000	93.7%	-	78,018,000	46,370,000	59.4%
1993	95,910,090	89,867,754	93.7%	-	89,867,754	52,695,000	58.6%
1994	106,448,328	99,742,083	93.7%	-	99,742,083	55,979,000	56.1%
1995	104,160,523	97,598,410	93.7%	-	97,598,410	55,819,000	57.2%
1996	93,740,449	87,834,801	93.7%	-	87,834,801	53,514,000	60.9%
1997	103,913,474	97,366,925	93.7%	-	97,366,925	57,727,067	59.3%
1998	107,434,390	100,666,023	93.7%	-	100,666,023	59,682,475	59.3%
1999	113,008,639	105,900,396	93.7%	-	105,900,396	61,126,843	57.7%
2000	121,618,120	113,968,340	93.7%	-	113,968,340	65,790,201	57.7%
2001	126,992,048	119,004,246	93.7%	-	119,004,246	68,752,957	57.8%
2002	132,997,580	124,632,032	93.7%	-	124,632,032	71,734,178	57.6%
2003	139,131,661	130,380,280	93.7%	-	130,380,280	75,368,893	57.8%
2004	139,271,688	130,511,499	93.7%	3,504,312	134,015,811	76,726,355	57.3%
2005	139,260,042	130,506,540	93.7%	1,943,575	132,450,115	76,278,262	57.6%
2006	148,635,642	139,286,460	93.7%	2,321,756	141,608,216	83,212,490	58.8%
2007	158,124,928	148,178,870	93.7%	2,661,899	150,840,769	87,868,470	58.3%
2008	166,374,638	155,909,420	93.7%	3,156,546	159,065,966	92,465,034	58.1%
2009	173,603,836	162,684,155	93.7%	3,334,878	166,019,033	96,410,964	58.1%
2010	172,867,327	161,993,972	93.7%	3,164,656	165,158,628	95,911,716	58.1%
2011	172,891,401	162,016,532	93.7%	3,089,615	165,106,147	96,028,538	58.2%
2012	172,466,436	161,618,297	93.7%	3,069,133	164,687,430	95,927,170	58.2%
2013	208,170,422	195,792,484	94.1%	4,960,979	200,753,463	126,561,966	63.0%
2014	213,971,735	201,211,811	94.0%	4,328,770	205,540,581	129,579,932	63.0%
2015	214,408,152	201,734,841	94.1%	4,317,607	206,052,448	129,902,630	63.0%
2016	245,801,477	231,318,393	94.1%	6,008,646	237,327,039	149,619,220	63.0%
2017	248,481,390	233,675,386	94.0%	6,060,576	239,735,962	151,137,889	63.0%
2018	291,252,929	273,813,212	94.0%	7,082,351	280,895,563	177,086,333	63.0%
2019	281,982,448	265,198,769	94.0%	6,698,362	271,897,131	171,413,409	63.0%
2020	260,002,967	244,514,835	94.0%	6,155,133	250,669,968	158,031,066	63.0%

Source: FFYs 1990-2020: Authority

(1) Prior to 2004, RTA did not provide a separate breakout for funds from Small Urbanized Areas.

The table below sets forth, for the FFYs 2021 through 2025, the RTA's estimate of its apportionment of Section 5307 and Section 5337 Formula Funds and its allocation to the Authority.

The RTA's Estimates of the Allocation of Section 5307 and Section 5337 Apportionments to the Authority FFY 2021- FFY 2025

	2021*	**2022**	**2023**	**2024**	**2025****
5307 Grant Apportionment					
Total RTA 5307	$256,672,622	$264,690,109	$268,660,461	$272,690,368	$276,780,724
Authority	$131,524,393	$134,219,034	$136,232,319	$138,275,804	
Authority% 5307	**51.24%**	**50.70%**	**50.70%**	**50.70%**	
5337 Grant Apportionment					
Total RTA 5337	$254,969,648	$284,316,950	$288,581,704	$292,910,430	$297,304,086
Authority	$160,741,734	$179,243,295	$181,931,944	$184,660,924	
Authority% 5337	**63.04%**	**63.04%**	**63.04%**	**63.04%**	

Source: RTA 2021-2025 Capital Federal Funding Estimates
*For FFY 2021, the RTA's actual 5307 and 5337 grant apportionment amounts are shown.
**For FFY 2025, Authority total share will be determined by performance-based programming agreement between RTA and the Regional Service Boards. The Authority does not currently anticipate any material deviation from the Authority's percentage apportionment and allocation in fiscal years prior to FFY 2025 as a result of such agreement.

The Authority does not receive Section 5307 Formula Funds or Section 5337 Formula Funds from the FTA until moneys are expended for costs permitted by the underlying grants. Historically, the Authority does not expend the full amount of its Annual Apportionment Amount in the year the grants are awarded and the Section 5307 Formula Funds and the Section 5337 Formula Funds are obligated. The amount of Annual Apportionment Amounts from prior Federal Fiscal Years not expended varies throughout the year and from year to year. See **"SECURITY FOR THE SERIES 2021 BONDS — Flow of Funds — Grant Receipts," APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES — SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority"** for a description of covenants of the Authority regarding the use of such unexpended Annual Apportionment Amounts in the event that grant approvals required to provide sufficient Grant Receipts to pay debt service on the Bonds have not been obtained.

Indenture Covenants with Respect to Section 5307 and Section 5337 Programs

Failure to maintain general eligibility for the receipt of federal funds under the Section 5307 and Section 5337 Programs could prevent the Authority from receiving Grant Receipts sufficient to pay debt service on the applicable Series 2021 5307 Bonds or Series 2021 5337 Bonds when due. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the respective Section 5307 and Section 5337 Formula Program in order to be eligible to receive Grant Receipts for the payment of the respective Series 2021 5307 Bonds and Series 2021 5337 Bonds and to facilitate the prompt receipt of such Grant Receipts. The Authority has further covenanted to: (i) to take all reasonable actions necessary or desirable to facilitate prompt payment of Section 5307 and Section 5337 Formula Funds to the Authority, (ii) apply for the appropriation of Section 5307 and Section 5337 Formula Funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee described above under the caption **"SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Flow of Funds - Grant Receipts"** to the end of the next Bond Year and cause such Section 5307 and Section 5337 Formula Funds to be obligated for such purposes as to the earliest possible date in such FFY, and (iii) if, as of the last Business Day of any FFY, the grant approvals required to make the payments to the Trustee described in (ii) above have not been obtained, take all necessary actions to reprogram available Section 5307 and / or Section 5337 Formula Funds appropriated in prior FFYs to the extent required to make such payments. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE – Covenants of the Authority"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Covenants of the Authority."**

Flow of Grant Receipts

The following is an overview of the requisition and application of Grant Receipts to provide for the security and payment of the Authority's Outstanding 5307 Bonds and Outstanding 5337 Bonds (including the Series 2021 Bonds).

The Authority requisitions Grant Receipts for payment of debt service on the Outstanding Bonds (including the Series 2021 Bonds) through the FTA's Capital Project Accounting System. The payment of principal of and interest on the Series 2021 5307 Bonds or Series 2021 5337 Bonds is eligible for payment from the Formula Funds pledged to secure such Series of Bonds made available to the Authority under the applicable Formula Program.

Pursuant to the Federal Transit Program, payments of Grant Receipts flow directly from the U.S. Treasury to the Authority via electronic transfer. The Grant Receipts become pledged and subject to the lien of the Indenture securing such Bonds upon the receipt of such Grant Receipts by the Authority and prior to the deposit of such funds in the Grant Receipts Deposit Fund under the Indenture. Pursuant to Section 13 of the Local Government Debt Reform Act, Grant Receipts are immediately subject to the lien and pledge of such Indenture without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Each Indenture requires that all Grant Receipts pledged under such Indenture that are received by the Authority shall be promptly deposited into the Grant Receipts Deposit Fund established under such Indenture. The Federal Transit Program requires that all Grant Receipts of the Authority for payment of debt service on Outstanding Bonds (including the Series 2021 Bonds) be disbursed by the Authority within three business days of receipt and be applied solely to the purposes for which they were requisitioned (payment of debt service on the Outstanding Bonds).

The flow of funds under each Indenture provides for the transfer of funds on the first Business Day of each Bond Year which generally corresponds to the beginning of the FFY (the 12-month period commencing on October 2 of a year, and (if required) on any subsequent Business Day during the Bond Year, ending on October 1 of the next succeeding year) from the Grant Receipts Deposit Fund to the Debt Service Fund under such Indenture in amounts sufficient to pay the principal of and interest on the Outstanding Bonds (including the Series 2021 Bonds) due and payable for the current Bond Year under such Indenture.

The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the applicable Formula Program in order to be eligible to receive Grant Receipts for the payment of the Series 2021 Bonds secured by such Indenture and to facilitate the prompt receipt of such Grant Receipts. Failure to comply with such laws could result in the Authority becoming ineligible to receive federal grant funds, including Formula Funds.

The Authority has covenanted in the Indenture: (i) to take all reasonable actions necessary or desirable to facilitate prompt payment of Formula Funds to the Authority, (ii) apply for the appropriation of Section 5307 Formula Funds and Section 5337 Formula Funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the applicable Trustee described under the caption **"SECURITY FOR THE SERIES 2021 BONDS - Flow of Funds – Grant Receipts"** to the end of the next Bond Year and cause such Section 5307 Formula Funds or Section 5337 Formula Funds to be obligated for such purposes as of the earliest possible date in such FFY, and (iii) if, as of the last Business Day of any FFY, the grant approvals required to make the payments to the Trustee described in (ii) above have not been obtained, take all necessary actions to reprogram available Section 5307 Formula Funds and Section 5337 Formula Funds appropriated in prior FFYs to the extent required to make such payments.

The Authority's covenants under each Indenture are enforceable by the Trustee as provided in such Indenture. See **APPENDIX A – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Events of Defaults and Remedies"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Events of Defaults and Remedies."**

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5307 BONDS HISTORICAL DEBT SERVICE COVERAGE AND DEBT SERVICE REQUIREMENTS

5307 Bonds Historical Coverage of Debt Service by 5307 Formula Fund Allocations

The following table sets forth the historical coverage of debt service on the 5307 Bonds by the 5307 Formula Funds allocated to the Authority and available to be requisitioned by the Authority for the payment of debt service on the 5307 Bonds for the periods shown:

PERIOD ENDING JUNE 1	AUTHORITY'S 5307 FORMULA FUNDS ALLOCATED*	MAXIMUM ANNUAL DEBT SERVICE**	DEBT SERVICE COVERAGE
2012	$133,737,028	$60,659,125	2.20x
2013	123,453,366	60,659,125	2.04
2014	125,579,498	60,659,125	2.07
2015	125,120,682	60,655,913	2.06
2016	125,717,205	54,789,775	2.29
2017	127,116,178	54,789,775	2.32
2018	125,070,746	54,066,775	2.31
2019	128,355,942	54,066,775	2.37
2020	131,501,104	54,066,775	2.43
2021	131,524,393	54,066,775	2.43

* See **"FEDERAL TRANSIT PROGRAM – CMAP/RTA Allocation – Table entitled *Section 5307 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA.*"** Note that for any period the 5307 Formula Funds allocated to the Authority may be more or less than the actual 5307 Grant Receipts for the same period, due to the fact that Grant Receipts reflect amounts requisitioned by the Authority from funds allocated to the Authority for the same period or unused allocations carried over from a prior period.
See **"SECURITY FOR THE SERIES 2021 BONDS – RTA Ordinance Regarding Limit on Debt Secured by Section 5307/5337 Formula Funds."

5307 Bonds Debt Service Requirements

The following table sets forth the debt service requirements for the 5307 Bonds following the issuance of the Series 2021 5307 Bonds and the refunding of the Refunded 5307 Bonds:

ENDING JUNE 1	OUTSTANDING 5307 BONDS	SERIES 2021 5307 BONDS PRINCIPAL	SERIES 2021 5307 BONDS INTEREST	TOTAL DEBT SERVICE
2022	$20,912,000.00	$7,810,000.00	$4,842,093.75	$33,564,093.75
2023	20,912,750.00	8,070,000.00	4,575,750.00	33,558,500.00
2024	20,912,500.00	8,475,000.00	4,172,250.00	33,559,750.00
2025	20,914,250.00	0.00	3,748,500.00	24,662,750.00
2026	20,910,750.00	0.00	3,748,500.00	24,659,250.00
2027		22,295,000.00	3,748,500.00	26,043,500.00
2028		32,700,000.00	2,633,750.00	35,333,750.00
2029		19,975,000.00	998,750.00	20,973,750.00
Total	$104,562,250.00	$99,325,000.00	$28,468,093.75	$232,355,343.75

5337 BONDS HISTORICAL DEBT SERVICE COVERAGE AND DEBT SERVICE REQUIREMENTS

5337 Bonds Historical Coverage of Debt Service by 5337 Formula Fund Allocations

The following table sets forth the historical coverage of debt service on the 5337 Bonds by the 5337 Formula Funds allocated to the Authority and available to be requisitioned by the Authority for the payment of debt service on the 5337 Bonds for the periods shown:

PERIOD ENDING JUNE 1	AUTHORITY'S 5337 GRANT RECEIPTS*	MAXIMUM ANNUAL DEBT SERVICE**	DEBT SERVICE COVERAGE
2012	$ 95,927,170	$30,808,825	3.11x
2013	126,561,966	30,808,825	4.11
2014	129,579,932	30,808,825	4.21
2015	129,902,630	30,808,825	4.22
2016	149,619,220	30,808,225	4.86
2017	151,137,889	30,808,225	4.91
2018	177,086,333	29,467,308	6.01
2019	171,413,409	29,111,300	5.89
2020	158,031,066	29,109,250	5.43
2021	160,741,734	29,107,500	5.52

*See **"FEDERAL TRANSIT PROGRAM – CMAP/RTA Allocation – Table entitled *Section 5337 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA.*"** Note that for any period the 5337 Formula Funds allocated to the Authority may be more or less than the actual 5337 Grant Receipts for the same period, due to the fact that Grant Receipts reflect amounts requisitioned by the Authority from funds allocated to the Authority for the same period or unused allocations carried over from a prior period.
See **"SECURITY FOR THE SERIES 2021 BONDS – RTA Ordinance Regarding Limit on Debt Secured by Section 5307/5337 Formula Funds."

5337 Bonds Debt Service Requirements

The following table sets forth the debt service requirements for the 5337 Bonds following the issuance of the Series 2021 5337 Bonds and the refunding of the Refunded 5337 Bonds:

ENDING JUNE 1	OUTSTANDING 5337 BONDS	SERIES 2021 5337 BONDS PRINCIPAL	SERIES 2021 5337 BONDS INTEREST	TOTAL DEBT SERVICE
2022	$27,765,500.00	$285,000.00	$1,055,437.50	$29,105,937.50
2023	27,767,750.00	270,000.00	1,068,250.00	29,106,000.00
2024	27,765,500.00	285,000.00	1,054,750.00	29,105,250.00
2025	27,766,250.00	300,000.00	1,040,500.00	29,106,750.00
2026	27,762,000.00	315,000.00	1,025,500.00	29,102,500.00
2027		6,465,000.00	1,009,750.00	7,474,750.00
2028		13,730,000.00	686,500.00	14,416,500.00
Total	$138,827,000.00	$21,650,000.00	$6,940,687.50	$167,417,687.50

THE AUTHORITY

General

The Authority was created in 1945 by the MTA Act as a political subdivision, body politic, and municipal corporation of the State. The Authority began operating on October 1, 1947, after it acquired the properties of the Chicago Rapid Transit Company and the Chicago Surface Lines. On October 1, 1952, the Authority became the sole operator of Chicago transit when it purchased the Chicago Motor Coach system. The Authority was formed primarily for the purpose of operating and maintaining a public transportation system in the metropolitan area of Cook County.

Transportation System

The Authority operates the nation's second largest public transit system (the "Transportation System"), providing bus and rail service in the City of Chicago and 35 surrounding suburbs. The service area of the Authority has a population of approximately 3.2 million. The Authority carries approximately 81% percent of the public transit riders in the Northeastern Illinois Transit Region, with direct or connecting service to Metra and Pace. Prior to the COVID-19 pandemic, the Authority's buses and trains combined provided approximately 1.5 million rides on an average weekday and approximately a half billion rides each year. For a discussion of ridership on the Authority's Transportation System see "—Ridership Trends" below. The Authority is one of two public transit systems in the United States that provides 24 hour service seven days a week with one of those rail lines terminating at the City of Chicago's O'Hare International Airport. The Authority also provides regular service to Midway International Airport. For economic and demographic statistics concerning the service area of the Authority, See APPENDIX C—"SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION."

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

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Authority Rail Lines

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

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

During the COVID-19 pandemic, the Authority continued its operations (including its regular service schedule) to assure access to reliable transportation for first-responders, healthcare workers, other "essential" workers and others to get to and from work and for residents to get essential goods and services. With the City in Phase 4 of the "Protecting Chicago" reopening framework and current "bridge" transition to Phase 5, there is more opportunity for riders to use the Transportation System and the Authority continues to explore additional methods to increase ridership levels. The Authority is working to provide a healthy and comfortable environment for its customers and has encouraged customers to consider other transportation options for non-essential travel, especially shorter distances, and for travel that is easily accessible by other mobility options. The Authority has implemented measures to protect its employees and customers throughout the COVID-19 pandemic and to provide a level of comfort to Authority customers to use the Transportation System, including the use of additional buses and the running of express buses as needed to maintain social distancing, increase in crowd and social distancing management on railcars, and improved signage on vehicles and at stations to promote social distancing and the importance of wearing masks. The Authority has also implemented a rigorous cleaning regimen of its vehicles and stations, including routine and deep cleaning before and during service. In conjunction with the Chicago Department of Public Health, the Authority has established a passenger capacity limit on buses and train cars that will allow social distancing to continue in a reasonable manner across the Transportation System and has taken numerous steps to support social distancing. The Authority also maintains a "Ridership Information

Dashboard" on its website that provides customers an overviewof available ridership capacity on each of its bus routes. The Authority continues to review its operations to enhance the safety and comfort of its riders and employees.

Administration

The governing and administrative body of the Authority is the seven-member Chicago Transit Board*. Three Chicago Transit Board members are appointed by the Governor of the State, with the advice and consent of the Illinois Senate, subject to approval by the Mayor of the City. One of the members appointed by the Governor must be a resident of the metropolitan area outside the City. Four members are appointed by the Mayor with the advice and consent of the City Council, subject to approval by the Governor. The Chicago Transit Board elects one of its members as chairman for a maximum term of three years. Each member serves for a seven-year term and until his or her successor has been appointed and qualified; provided that, in the case of an appointment to fill a vacancy, the appointed member serves during the remainder of the vacated term and until his or her successor has been appointed and qualified. However, for any member appointed by the Governor after August 26, 2011, whose appointment required the advice and consent of the Illinois Senate, that member shall not continue in office longer than 60 calendar days after the expiration of that term of office. After that 60th day, each such office is considered vacant and shall be filled only pursuant to the law applicable to making appointments to that office.

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

Arabel Alva Rosales, Vice-Chairman of the Chicago Transit Board, was appointed to the Chicago Transit Board by Governor Bruce Rauner, in March, 2015. Later that year she was elected as, and still serves, as the Chicago Transit Board's Vice-Chair. Her term expires September 1, 2021. She is President of AAR & Associates, Ltd in Chicago and is very active in numerous business and civic organizations, including the IHCC Board and Foundation Chair, Women's Business Development Center, City Club of Chicago, and the Little Village Community Foundation Board.

Kevin Irvine was appointed to the Chicago Transit Board in December 2011 by Mayor Rahm Emanuel. His current term expires September 1, 2021. He is currently the Senior Talent Acquisition Consultant, Individuals with Disabilities, Rush University Medical Center. He was formerly Chair of the Authority's ADA Advisory Committee.

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

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* *There is currently one mayoral appointee member vacancy on the Chicago Transit Board. The Mayor has appointed Lester Barclay to fill the current member vacancy, which appointment was approved by City Council on May 26, 2021. Mr. Barclay, as member of the Chicago Transit Board, is scheduled to attend the Chicago Transit Board meeting on June 16, 2021. The position of Chairman of the Chicago Transit Board is currently vacant. Until the Chicago Transit Board elects a new Chairman, pursuant to law and the Chicago Transit Board by-laws, the Vice-Chairman, Arabel Alva Rosales, is fulfilling the duties and responsibilities of Chairman.*

production company with facilities in North America and Europe. A native of Mexico, Mr. Silva is active in numerous business and civic organizations, such as the Mexican American Chamber of Commerce and the Chicago Council on Foreign Relations.

Reverend Johnny L. Miller, was appointed by Mayor Emanuel as a member of the Chicago Transit Board in April 2016. His term expires September 1, 2021. Mr. Miller is a minister and has dedicated much of his life to community service. He oversaw construction of the Mt. Vernon Manor, a 65-unit senior facility, and the JLM Abundant Life Community Center, an evangelistic center for the community. He has experience serving as Chairman of the Board of the International Affairs Ministry for the National Baptist Convention USA, Inc., Moderator of the Sunlight District Association, Commissioner of the Westside Baptist Ministers Fellowship of Chicago and Vicinity, and is a member of various public outreach organizations. In the past, Reverend Miller has served as Chairman of the Board of the United Baptists State Convention of Illinois Inc.

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

The current officers of the Authority are as follows:

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

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

Karen G. Seimetz has been the General Counsel of the Authority since December 2010 and oversees and manages the day-to-day operations of its Law Department involving litigation, transactions, procurement, real estate, ethics and labor and employment-related disputes. Prior to joining the Authority, she spent 14 years in the Law Department at the City of Chicago and, before coming to the Authority, was the Department's First Assistant Corporation Counsel. She began her legal career at the law firm of Phelan, Pope and John, a firm specializing in complex litigation, where she became a partner.

Gregory Longhini is the Assistant Board Secretary of the Chicago Transit Board. Mr. Longhini joined the Authority in 1998. Previously, Mr. Longhini had been a Deputy Commissioner of the Chicago Department of Planning and Development and a Senior Research Associate with the American Planning Association.

Employees and Labor Relations

The Authority has approximately 11,000 employees and has entered into labor agreements with seventeen different unions representing approximately 10,000 employees.

The Amalgamated Transit Union Locals 241 and 308 (the "ATU Locals") represent approximately 8,500 of the Authority's unionized employees. The Authority and the ATU Locals are currently negotiating the successor contract to the collective bargaining agreement for the term January 1, 2016 through December 31, 2019. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

The Craft Coalition of Trades Unions (the "Craft Unions") consists of eleven trade unions that represent approximately 1,200 of the Authority's craft employees. The Authority and Craft Unions are parties to a collective bargaining agreement for the term January 1, 2017 through December 31, 2021.

I.A.M.-Dist. No. 8 ("I.A.M.-8") represents approximately 70 of the Authority's civil, structural and track engineers, architects and quality improvement technicians. The Authority and I.A.M.-8 are currently negotiating a successor contract to the collective bargaining agreement that expired December 31, 2016. The terms of the collective bargaining agreement remain in effect until a successor collective bargaining agreement is in place.

IBEW Local 134 represents the Authority's 70 controllers, 35 yardmasters and 20 road masters. The Authority and Local 134 are parties to collective bargaining agreements covering these bargaining units, each with a term of January 1, 2016 through December 31, 2021.

IBEW-Local 134 also represents the Authority's 17 rail janitor coordinators. The Authority and Local 134 are parties to a collective bargaining agreement covering this bargaining unit for the term of August 5, 2016 through December 31, 2021.

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

Teamsters Local 700 represents approximately 80 drivers. The Authority and the Teamsters Local 700 are parties to a collective bargaining agreement covering this bargaining unit for the term of January 1, 2017 through December 31, 2021.

In August 2019, the Illinois Labor Relations Board affirmed an administrative law judge's decision to certify Teamsters Local 700 as the exclusive bargaining agent for the Authority's 8 capital construction projects. The parties are currently negotiating the terms of their first collective bargaining agreement for this bargaining unit.

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

Operating Engineers Local 399 represents the Authority's 11 building engineers. The Authority and Operating Engineers Local 399 are parties to a collective bargaining agreement for the term of January 1, 2017 through December 31, 2021.

RTA Oversight

The RTA was created by the RTA Act in 1974. The RTA provides funding, planning and fiscal oversight for regional bus and rail systems in the Northeastern Illinois Transit Region, which are operated by the Service Boards.

The governing body of the RTA is its Board of Directors (the "RTA Board") which consists of sixteen persons. Five directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. Four directors are appointed by the commissioners of the Cook County Board of Commissioners (the "Cook County Board") elected from districts in which a majority of the electors reside outside the City of Chicago. One director is appointed by the President of the Cook County Board, with the advice and consent of the commissioners of the Cook County Board, selected from districts in which a majority of electors reside outside the City of Chicago. One director each is appointed by the Chairman or Chief Executive of the county boards of the Collar Counties, with the advice and consent of the respective county boards. The Chairman of the RTA Board is appointed by eleven members of the RTA Board with at least two votes from each sub-region of Chicago, Cook County and the Collar Counties. The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

The RTA Act vests responsibility for operating budget financial oversight for each Service Board in the RTA. Responsibility for operations and day-to-day management of rail and bus service rests with the Service Boards. The RTA's financial oversight responsibility is implemented principally through the operating budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. The RTA Act sets criteria which proposed budgets and financial plans must meet in order for the RTA Board to adopt a consolidated budget and financial plan. The RTA provides public funding marks for the two-year financial plan. Funding "marks" refer to the amounts RTA commits to provide each of the Service Boards. The RTA public funding projections for the Authority include revenues from sales tax receipts in addition to real estate transfer tax revenues from the City of Chicago.

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

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

The RTA Act also requires the RTA to annually prepare and adopt each year a five-year capital program. The Authority submits its five-year capital plan to the RTA for inclusion as a component of the RTA's five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000 unless the project has been incorporated in the RTA's five-year capital program.

The RTA Act also requires, among other things, that the Authority obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation.

The RTA Act requires total contributions to the Authority of $3.0 million from the City of Chicago and $2.0 million from Cook County.

Pursuant to the RTA Act, within six months of the end of each fiscal year the RTA is required to determine whether the aggregate of all "system generated revenues" for public transportation in the Northeastern Illinois Transit Region which is provided by, or under grant or purchase of service contracts with, the Service Boards equals 50 percent of the aggregate of all costs of providing public transportation. System generated revenues include all the proceeds of fares and charges for services provided, contributions received in connection with public transportation from units of local government other than the RTA (except for contributions received by the Authority from the Real Estate Transfer Tax, and from grants made by the Illinois Department of Transportation to units of local government, districts, and carriers for the acquisition, construction, extension, reconstruction, and improvement of mass transportation), and all other revenues properly included consistent with generally accepted accounting principles. System generated revenues do not include the proceeds from any borrowing, and all revenues and receipts, including but not limited to fares and grants received from federal, State or any unit of local government or other entity, derived from providing ADA paratransit service. If system generated revenues are less than the amount required, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required system generated revenues recovery ratio. The Authority has never failed to meet the requirement.

Also within six months of the end of each fiscal year, the RTA is required to determine whether the aggregate of all fares charged and received for ADA paratransit services equals the system generated ADA paratransit services revenue recovery ratio percentage of the aggregate of all costs of providing the ADA paratransit services. If system generated revenues are less than 10.0 percent of costs, the RTA Board is required to remit an amount equal to the amount of the deficit to the State for deposit into the General Revenue Fund. If the RTA makes any payment to the State pursuant to the foregoing, the RTA must reduce the amount provided to a Service Board from funds transferred in proportion to the amount by which that Service Board failed to meet its required system generated revenues recovery ratio. The Authority has never failed to meet the requirement.

Annual Budget Process

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

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Annual Budget Calendar

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

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

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

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

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

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

On October 22, 2020, the Authority publicly released its 2021 operating and capital budgets in "PUBLIC TRANSIT: An Essential Key to Recovery, President's 2021 Budget Recommendations," which was adopted by the Chicago Transit Board on November 18, 2020 and approved by the RTA Board on December 17, 2020, and was further amended and approved by the Chicago Transit Board on May 12, 2021 (the "**Amended 2021 Budget**"). The RTA Board approved the Amended Budget on May 20, 2021. For a more detailed discussion regarding the Amended 2021 Budget, see "**THE AUTHORITY – Operations and Related Financial Information**."

Ridership Trends

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

The Authority's ridership has steadily declined since 2015, but the rate of decline appeared to be flattening prior to the COVID-19 pandemic. In 2020, the Authority's overall ridership declined by 56.8 percent to 197.5 million. Bus ridership fell 48.9 percent to 121.4 million in 2020, while rail ridership fell 65.3 percent to 76.0 million due to the impact of the COVID-19 pandemic. Transportation System ridership was at a 20-year high in 2012, and rail ridership had reached its highest point in at least 50 years in 2015. However, bus and rail ridership have decreased since then and the Transportation System ridership was down again in 2019, falling 2.4 percent compared to 2018. This is consistent with ridership levels in cities across the country. Overall, mass transit in the United States was down 0.62 percent in 2019 from 2018 levels. The national ridership total is at its lowest level since 2006, according to the American Public Transportation Association. In addition, Transportation System ridership in Chicago, and likely other cities, has been negatively impacted by increasing competition from the ride-hailing industry, including Uber, Lyft and Via.

The National Transit Database shows monthly transit ridership hit a low of 156.6 million rides in April 2020 compared to 835.2M rides in April 2019. While transit usage has risen since that time, the impacts are expected to continue as we enter the "pandemic recovery" phase. Prior to the pandemic the Authority's total ridership was allocated about 52% bus and 48% rail. In 2020, ridership patterns shifted to roughly 60% bus and 40% rail. Ridership in 2021 is expected to remain below 2019 levels, but is expected to steadily improve.

Based on performance measures for service effectiveness, operating expense per unlinked passenger trip was approximately 36% less for trips taken on rail than trips taken on bus in 2020.

Set forth below are the unlinked passenger trips per year for the Transportation System on a historical basis for the years 2015 through 2020 and as budgeted for 2021.

Yearly Ridership–Unlinked Passenger Trips[(1)]
2015-2020
(in millions)

	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**Budget 2021[(2)]**
Bus	274.3	259.1	249.2	242.2	237.7	121.4	125.8
Rail...............	241.7	238.6	230.2	225.9	219.2	76.0	83.8
Total.........	516.0	497.7	479.4	468.1	456.9	197.5	209.6

Source: Chicago Transit Authority.
(1) Each boarding of a transit vehicle by a passenger is counted as an unlinked passenger trip. Columns may not add due to rounding.
(2) Based on the estimate for 2021 included in the Amended 2021 Budget.

Operations and Related Financial Information

As noted above, the Authority accounts for its activities on both an operating and capital basis. See "—Annual Budget Process" above. Operations reflect revenues generated from user fees (in the form of farebox revenues) or other activities and costs associated with the day-to-day operations of the delivery of service for a transit agency. Capital activities are directly related to the construction, replacement or maintenance of rolling stock (buses and railcars), track and structure, support facilities and equipment, and stations and passenger equipment. For information regarding the Authority's capital activities, See "—Capital Improvement Program" below.

The following table sets forth the operating expenses, system-generated revenues and public funding for the Authority on an historical basis for the years 2016 through 2020, and as budgeted for 2021, as reflected in the Amended 2021 Budget.

The financial information included in the table is presented on a budgetary basis. The historical financial information presented is prepared on a basis consistent with generally accepted accounting principles (GAAP), except for the exclusion of certain income and expenses. These amounts include provision for injuries and damage in excess of budget, depreciation expense, pension expense in excess of pension contributions, revenue from leasing transactions, interest income, expense from sale/leaseback transactions, and capital contributions.

The following information should be read in conjunction with APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION, YEARS ENDED DECEMBER 31, 2020 AND 2019."

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Chicago Transit Authority
Operating Information – Budgetary Basis
2016-2021 ($ in thousands)

	Actual					Budget	Amended Budget
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2021**
Operating Expenses							
Labor	$1,027,047	$1,044,859	$1,070,458	$1,093,922	$1,135,354	$1,169,104	$1,165,179
Material	82,921	83,783	90,474	67,652	74,800	87,767	88,082
Fuel	32,738	28,757	32,079	40,396	37,125	38,138	36,281
Power	29,283	27,373	31,162	31,560	24,656	31,685	30,390
Provisions for Injuries and Damages	10,500	3,167	5,000	7,500	22,000	31,680	31,680
Purchase of Security Services	14,095	17,041	17,502	14,920	19,976	20,176	19,319
Other Expenses	267,558	245,860	251,535	259,438	223,916	266,515	266,779
Total Operating Expenses	$1,464,142	$1,450,840	$1,498,210	$1,515,388	$1,537,826	$1,645,065	$1,637,710
System-Generated Revenues							
Fares and Passes	$577,007	$559,495	$588,791	$585,297	$232,830	$248,275	$248,275
Reduced Fare Subsidy	14,385	14,606	13,876	14,606	14,829	14,606	14,606
Advertising, Charter & Concessions	35,019	34,379	37,844	38,987	20,898	24,512	20,571
Investment Income	1,608	3,119	3,483	3,822	1,221	1,000	304
Statutory Required Contributions	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Other Revenue	43,550	33,279	48,339	49,465	39,286	44,923	35,766
Total System-Generated Revenues	$676,569	$649,878	$697,333	$697,177	$314,063	$338,317	$324,521
Public Funding	$809,748	$778,462	$809,352	$818,211	$739,933	$671,269	$731,533
Total Operating Revenue	$1,486,317	$1,428,340	$1,506,685	$1,515,388	$1,053,996	$1,009,586	$1,056,054
Short-term Borrowing		$22,499					
Federal Stimulus Funds[1]	-	-	-	-	$483,829	$635,479	$581,656
Balance	$ 22,175	-	$8,475	-	-	-	-
Actual Recovery Ratio[2]	55.21%	55.48%	57.11%	56.26%	55.91%	54.75%	54.78%
RTA Required Recovery Ratio[3]	54.50%	54.75%	54.75%	54.75%	54.75%	54.75%	54.75%

Source: Chicago Transit Authority Financial Statements and Supplemental Information, Schedule of Expenses and Revenues, Budget and Actual−Budgetary Basis, for the years 2016 to 2020, the 2021 Budget Recommendations and the Amended 2021 Budget.

[1] Includes funds received or expected to be received by the Authority through the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act of 2021.

[2] Actual recovery ratio is calculated by dividing the system-generated revenues over operating expenses. The calculation includes in-kind revenues and expenses for security provided by the City of Chicago and some grant revenues and excludes security expenses and pension bonds debt service. A portion of Federal Stimulus funds is included in the recovery ratio calculation.

[3] The RTA required recovery ratio is one of the operating marks set for the Authority by the RTA during the annual budget process. See "—Annual Budget Process" above.

Overview. The Amended 2021 Budget maintains bus and rail service levels while the capital budget continues historic investments to modernize and improve the customer experience. Despite the financial challenges that the Authority faces due to the COVID-19 pandemic, the Amended 2021 Budget does not include any reductions in bus or rail service or changes to the fare structure. The Amended 2021 Budget utilizes all available sources at its disposal, including system-generated revenue, public funding and federal funding. The Amended 2021 Budget incorporates the addition of Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act funding, revised RTA public funding marks, removing the Ground Transportation Tax revenue from the City of Chicago for 2021 and including the positive actual results for January through March, as well as providing current estimates for April through December. The Amended 2021 Budget calls for CTA to use $581.7M of stimulus funding, which exhausts the remaining CARES funding of approximately $333.7 million, as well as a significant portion of the CRRSA funding of approximately $247.9 million in 2021. The remaining $113M of CRRSA funding is expected to be carried into the 2022 budget, depending upon actual 2021 budget performance. Due to positive economic results, the RTA also increased the Public Funding marks, increasing the estimate by $60.3M compared to the original budget. In addition, $16 million of revenue from the Ground Transportation Tax (GTT), is not expected to be made available in 2021 to the CTA. The Amended 2021 Budget also incorporates actual positive results for January through March and current estimates for April-December. Overall, due to positive results, the total budget is decreasing by approximately $7.4 million from approximately $1.645 billion to $1.638 billion.

In March 2020, President Trump signed the CARES Act into law, providing emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. Included within this legislation is $25 billion in financial assistance for public transportation agencies for eligible expenses to prevent, prepare for, and respond to COVID-19, as well as maintaining essential transit services during the pandemic. The Authority was allocated $817.5 million in federal funding from this law and is using this critical funding to offsetshortfalls in system-generated revenues and public funding due to the pandemic. The Authority will carryover approximately $333.7 million from the CARES Act funding into 2021 to help offset continued projected shortfalls. CARES Act funds are typically distributed to the Authority within two to three days of theAuthority's submittal of the draw request. As of May 21, 2021, the Authority has drawn approximately $620.2 million of its allocation of CARES Act funds. The CARES Act funds are not included in 5307 Grant Receipts and are not pledged to the payment of 5307 Bonds, including the Series 2021 5307 Bonds. The CARES Act funds are not included in 5337 Grant Receipts and are not pledged to the payment of 5337 Bonds, including the Series 2021 5337 Bonds.

In December 2020, Federal Omnibus government budget appropriation bill (Public Law No: 116-260) included the second installment of COVID-19 emergency relief funding in Division titled "Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The bill provides $14 billion for the nation's Public Transit agencies to provide for costs and to replace loss revenues due to the COVID-19 pandemic, with the Chicago, IL/NW Indiana Urbanized Area to receive $486.2 million. The Authority has been allocated $361.3 million of CRRSA funds by the RTA, with the grant application currently pending with the FTA. The federal CRRSAA funds received by the Authority are expected to offset the remaining FY 2021 projected budget shortfalls.

As the local economy continues to reopen gradually through the year, ridership levels in 2021 are projected to be 54 percent below 2019 levels. Public Funding levels for 2021 are projected to be 18 percent lower than 2019 levels and 5 percentlower than forecasted 2020 levels due to restrictions on activities that led to a significant contraction in stateand local sales tax revenues. While such projections currently remain valid, funding of the federal stimulus program, the American Rescue Plan Act of 2021(ARP), has been authorized and allocations made on a regional basis. The Authority expects to receive a significant amount of ARP funding from the RTA. The amount of $1.5 billion in ARP funding has been allocated to the IL/IN urbanized area and the RTA has not yet allocated the funds to the Service Boards.

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

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

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

Public funding for 2021 is budgeted to be $671.3 million, a $203.5 million decrease compared to the original2020 budget and a $35.4 million decrease from the 2020 forecast. As a result of the economic recession due to the COVID-19 health pandemic, state and local sales tax revenues have been negatively impacted due to stay-at-home mandates and restrictions on business activity to help slow the spread of COVID-19. While the local economy began to gradually reopen in the second half of 2020, it could take years for a full economic recovery from this pandemic, which could impact state and local public funding available to the Authority for the foreseeable future. Offsetting a portion of the public funding decline is a changeto the state sales tax laws, which includes RTA's sales taxes being collected on more online transactions.

The Authority's Amended 2021 Budget is aligned with its strategic priorities of safety, customer experience and workforce development.

Operating Expenses. The Authority's annual operating expenses consist of labor, material, fuel, power, provisions for injuries and damage, purchase of security services and other expenses. Set forth below is a review of the Authority's operating expenses as originally budgeted for 2021.

Labor. Labor is the largest expense of the Authority, representing approximately 70 percent of annual operating expenses. Labor expense consists of wages, salaries, employer pension contributions, and fringe benefits such as healthcare

The 2021 budgeted labor expenses represents 71.1 percent of the total operating expense budget at $1,169.1 million, an increase of $33.7 million from the 2020 labor expense and an increase of $75.2 million from 2019 labor expense. The increase reflects approved contractual wage increases, costs related to COVID-19, and expected increases in fringe expense. The increase in fringe expense is primarily due to higher employer pension plan contributions, healthcare costs, and workers' compensation costs. The proposed labor budget also assumes no significant changes to service levels and restricts hiring on vacant positions. Labor expenses in 2020 were $1,135.5 million, which is $2.1 million or 0.2 percent higher than the 2020 budget of $1,133.3 million and higher than 2019 actual labor expense by $41.4 million. The 2020 labor expense is higher than 2019 actuals due to the COVID-19 pandemic which resulted in increased overtime and additional paid time off from work.

Material. Material primarily consists of parts replacement and supplies. Material tends to track the age of the Authority's fleet, changes in fleet mileage and the occurrence of severe weather. Material expenses are budgeted to be 5.3 percent of total costs for 2021. This is $13.0 million higher than the 2020 expense and $20.1 million higher than the 2019 material expense. The increase in material costs as a percentage of operating expense in 2021 is driven in part by expiring warranties on buses, new overhaul work on buses and rail cars, as well as COVID-19 related expenses for personal protective equipment and cleaning supplies. Material spending for 2020 was $74.8 million, which was 0.2 percent higher than budgeted levels, and $7.1 million higher than 2019 actuals. The 2020 estimate reflects strategic capital investments, such as new bus purchases, bus and rail fleet overhaul, and capital programs for the rail and bus fleet, as well as facilities and infrastructure.

Fuel. Fuel represents the cost of diesel for revenue equipment. Fuel costs correlate to overall fuel consumption, fuel price levels, and service mileage.

The Amended 2021 Budget shows diesel fuel expenditures for the revenue fleet to be $38.1 million. This budget is $1.0 million higher than the 2020 actuals of $37.1 million, and $2.3 million lower than the 2019 diesel spend. The 2021 budgeted cost per gallon is $2.29, which is $0.38 per gallon, lower than the 2020 unit cost of $2.67 per gallon. Throughout 2021, the Authority will continue to manage the diesel fuel budget using a fixed-price purchasing policy. To reduce the risk of future price increases and provide budgetary certainty, the Authority has fixed pricing for 85 percent of the 2021 estimated fuel usage.

The Authority spent $37.1 million on diesel fuel for the revenue fleet in 2020. This was 16.4 percent below the Authority's 2020 budgeted expense of $44.4 million; however, it was 8.1 percent lower than the Authority's actual expense of $40.4 million in 2019. The higher diesel expense in 2019 was due to an increase in the market price of diesel, which rose significantly in January 2019 and remained high through the spring of that year. Although the Authority was able to mitigate market fluctuations in part by locking in lower pricing for future purchases, remaining market exposure resulted in an average price per gallon of $2.44 in 2019 versus $2.67 in 2020.

Power. Electric power expenses reflect the cost of electric power for the rail system.

For 2021, the Authority is budgeting $31.7 million in expenses for traction electric power. This 2021 Budget is $7.0 million higher than the 2020 actuals of $24.7 million, and $0.2 million higher than the 2019 expenditure of $31.5 million. The Authority executed a fixed price contract in late 2018 for traction electric power supply starting in January 2020. This contract establishes a fixed price – inclusive of transmission and capacity charges – for every kilowatt-hour that the Authority purchases, regardless of the Authority's actual consumption levels. In addition to providing cost savings, the new fixed-price contract enables the Authority to budget with greater certainty over the full contract length of five years (2020 through 2024). The 2020 expenditure for traction electric power was $24.7 million. While this is $7.9 million, or 24.3 percent, below the Authority's budgeted spend of $32.6 million, it is $6.9 million, or 21.9 percent, lower compared to the 2019 traction power spend of $31.6 million.

Provisions for Injuries and Damages. Provision for injuries and damages represents expenses for claims and litigation for incidents that occur on Authority property, as well as incidents involving Authority vehicles. This amount is suggested by the Authority's actuaries and reviewed annually. It is based on actual claims history and future projections. The 2020 actuals of $22.0 million is a $14.5 million increase over 2019 actuals. The 2021 Budget includes a $31.7 million contribution to the provision for injuries and damages fund, an increase of $9.7 million.

Purchase of Security Services. Security expenses are the costs the Authority incurs to provide police and security for the Transportation System. The 2021 Budget for security services is $20.2 million, an increase of 1.0 percent or $0.2 million versus 2020 actuals. The 2020 security services expense was $20.0 million, which is 2.3 percent below budget and $5.1 million higher than 2019 actual expenses. The increase in expenses over 2019 is due to rate increases for contracted security levels on the rail system. The security services budget consists of expenditures for intergovernmental service agreements with officers from the Evanston, Oak Park, Forest Park and Chicago police departments, as well as contracts with other private security firms. The Public Transportation Section of the Chicago Police Department also provides services to transit customers during the course of its regular patrols at no expense to the Authority.

Other Expenses. The Other Expenses category includes interest on pension obligation bonds, maintenance and repair contracts, utilities, advertising, commissions, consulting, insurance, leases and rentals, and other general expenses. Set forth below are the historical results of other expenses for the years 2016 through 2020 and budgeted for 2021.

Other Expenses
2016-2021
(in millions)

	Actual					2021
	2016	**2017**	**2018**	**2019**	**2020**	**Budget**
Pension Bonds (Net)[1]	$111,779	$104,469	$105,526	$103,378	$105,971	$105,971
Contractual Services	105,003	84,878	93,832	88,399	94,100	116,908
Utilities, Non-Capital Grant, Travel, Leases, Other	36,477	27,672	22,824	21,411	19,403	30,556
Other Debt Service[2]	14,298	28,841	29,353	46,250	4,677	13,081
Total	$267,558	$245,861	$251,535	$259,438	$223,916	$266,515

Note: Columns may not add due to rounding.
Source: Chicago Transit Authority.

(1) Amounts shown represent debt service on the Pension Bonds less the yearly reductions in Retirement Plan contributions of the Authority permitted under the Pension Code. See "—Pension and Other Post-Employment Benefit Obligations–*Retirement Plan*" below.

(2) Other Debt Service for 2016 through 2019 represents interest on the Sales Tax Series 2014 and 2017 Bonds. Debt service for the Series 2010 Bonds and the Series 2011 Bonds are paid out of the Authority's capital budget. For 2020 and 2021, debt service payments related to the Series 2010, 2011, 2014 and 2017 Sales Tax Bonds is not included and is payable from the capital budget.

Other expenses for 2020 were $223.9 million, which is $19.1 million or 7.9 percent lower than budget, and $35.5 million lower than 2019 actual. The lower estimated expenditures are due to lower expenses than budgeted for pension obligation bonds, contractual services, and the category of utilities, non-capital grant, travel, leases and other.

Other expenses for 2021 are budgeted at $266.5 million, an increase of $42.6 million versus 2020 actuals. The budget increase is primarily due to an increase in contractual services, utilities and non-capital grants and debt service related to draws on TIFIA loans.

System-Generated Revenues. The Authority's system-generated revenues include fares and passes, reduced-fare subsidy, advertising and concessions, investment income, statutory required contributions from the City of Chicago and Cook County, and other miscellaneous revenues, including the City of Chicago's ride-hailing fee.

System-generated revenues are budgeted to be $338.3 million for 2021 which is $24.2 million, or 7.7 percent, higher than 2020 actuals and is $358.9 million lower than 2019 actual amount. The lower system-generated revenue compared to the 2019 budget is attributable to the loss in ridership and economic hardships during the Covid-19 pandemic.

Set forth below is a discussion of the Authority's operating revenues on an historical basis for 2020, and as originally budgeted for 2021.

<u>Fares and Passes</u>. Regular fares and passes make up the majority of system-generated revenues.

Farebox revenue historically represents approximately 85 percent of system-generated revenues. Farebox revenue is affected primarily by ridership levels and increases in the price of passes and fares. The Authority's base fares have not increased since 2018, and pass prices and other fare categories have not changed since January 2013.

Revenue from fares and passes for 2021 is budgeted at $248.3 million, which is $15.4 million higher than the 2020 actuals yet $337.0 million lower than the 2019 actuals. The authority is expecting ridership levels to remain depressed compared to pre-pandemic levels as we move through the pandemic recovery. In accordance with State and local laws, the Authority continues to provide free rides to seniors and people with disabilities participating in the State's Circuit Breaker Program, active military personnel, and veterans with disabilities.

Fare and pass revenue for 2020 was $232.8 million which is $352.8 million, or 60.2 percent, lower than the 2020 budget and $352.5 million lower than the 2019 actual amount. From April 9 through July 21, the Authority implemented rear-door boarding on buses, effectively resulting in "free rides".

Reduced-fare Subsidies. The Authority provides nearly 100 million free and reduced-fare trips annually to qualified riders based on federal, State, or local mandates. The foregone revenue from these rides is more than $100 million. The State provides partial support for this mandate, with the reduced fare subsidy. The subsidy is a reimbursement provided to local transit agencies by the Illinois General Assembly. Unlike sales tax receipts, reduced-fare subsidy reimbursements are not a continuous appropriation of State funds and therefore must be approved annually by the Illinois General Assembly.

In 2015, the Illinois General Assembly decreased the level of the reduced fare subsidy by approximately 50 percent for one year. To date, the State of Illinois has not restored the reduced fare subsidy to $28.3 million. Consistent with guidance from the RTA, the 2021 proposed budget assumes the reduced fare subsidy cut will continue, resulting in reimbursement of $14.6 million for 2021. The Authority continues to work with the other service boards and the RTA to restore this critical piece of funding to its historic levels in order to comply with important federal and State mandates.

Advertising and Concessions. Advertising and concessions comprise revenues from systemwide advertising sales, rentals and concession fees. Advertising and concessions revenue is subject to regional economic conditions. Advertising and concessions revenue constitutes approximately 5 percent of total system-generated revenue. Advertising, charters and concessions revenues in 2020 were $20.9 million, which was $18.9 million below budget, and $18.1 million less than 2019. The year-over-year decline is a function of the pandemic where the Authority saw Vehicle & Platform ad revenue drop to $14.6 million a decline of 56.3 percent from 2020 budget. The 2021 budgeted advertising and concession revenues total $24.5 million, which is approximately $3.6 million higher than the 2020 actuals. The Authority will continue to work to expand digital advertising and increase advertising sales.

Investment Income. Investment income is the interest earned on funds on hand and yields on short-term investments. Investment income has generally represented 1.0 percent or less of total system-generated revenues. The level of investment income has been low in recent years because of historically low interest rates.

Investment income was $1.2 million for 2020, which was $1.8 million lower than budget due to lower interest rates, and $2.6 million lower than 2019 actuals. Investment income for 2021 is budgeted at $1.0 million. Current low interest rates mean the Authority's conservative cash investments will yield minimal income.

<u>Statutory Required Contributions</u>. The RTA Act requires total contributions to the Authority of $5.0 million annually from the City of Chicago and Cook County. Historically, the City of Chicago and Cook County have satisfied the requirement with annual contributions of $3.0 million and $2.0 million, respectively, and are projected to do so in 2021. These required cash contributions are in addition to in-kind contributions from the City of Chicago and Cook County. The Chicago Police Department's Public Transportation Section provides approximately $22.0 million of in-kind security services to the Authority as part of its regular patrols. Cook County provides in-kind services through the Sheriff's Work Alternative Program (SWAP). Under the SWAP program, non-violent offenders in Cook County supplement existing Authority employees to clean along and under the rail right-of-way.

<u>Other Revenue</u>. Other revenue includes non-capital grants, parking fees, rental revenue, third-party contractor reimbursements and filming fees.

Other revenues are budgeted in 2021 at $44.9 million, an increase of $5.6 million compared to 2020 actuals. This increase is driven by the recovery phase of the pandemic. In 2020 other revenue was $39.3 million, which was $8.2 million below budget, and $10.2 million below 2019. The lower revenue in 2020 compared to 2019 reflects the impact of the pandemic.

Public Funding. Public funding is the largest source of the Authority's revenue. Public Funding consists of sales tax receipts, the real estate transfer tax and RTA innovation, coordination and enhancement ("ICE") funds. The amount of public funding available for Authority operations is established by the RTA, and is based on the RTA's revenue projections and the approved funding marks set by the RTA Board. Funding "marks" are the amounts RTA commits to provide to each of the Service Boards.

The "Real Estate Transfer Tax" constitutes a supplemental tax on real property title transfers in the City of Chicago, imposed by the City of Chicago at a rate of $3.00 per $1,000 of the purchase price of real property for the purpose of providing financial instance to the Authority. The Real Estate Transfer Tax is collected by the City of Chicago and paid directly to the Authority.

The State budget for fiscal year 2018 reduced the State's Public Transportation Fund matching funds by 10 percent for one year. The budget also included a 2 percent permanent surcharge on RTA sales tax and sales tax receipts. The State's fiscal year 2019 budget reduced the surcharge on these sales tax receipts to 1.5 and extended the cut to Public Transportation Fund matching funds at a reduced rate of 5 percent.

The 2021 total public funding marks for the Authority is $671.3 million and significantly lower than 2020 due to the expected continued impact of the pandemic on the economy. Public funding available through the RTA was budgeted at $874.8 million in 2020. Actual Public funding received for 2020 was $739.9 million, $134.9 million lower than budget. Public funding for 2019 was $818.2 million, which is $8.9 million higher than 2018.

2022-2023 Proposed Two-Year Financial Plan

On October 22, 2020, the Authority released its 2022-2023 two-year financial plan, which was approved by the CTA Transit Board on November 18, 2020. The 2022-2023 financial plan continues the Authority's mission to deliver quality, affordable bus and rail transit services. The financial plan assumes flat bus and rail service levels from the 2020 budget, increases in non-farebox revenues through innovative advertising programs, and continued strategic capital investments in bus and rail fleets, stations, track structures and technology to reduce cost escalations in the operating budget. The two-year financial plan assumes public funding growth at 7.6 percent for 2022 and 5.8 percent for 2023. The increases are primarily driven by higher projected sales tax receipts as the local economy continues to gradually reopen from COVID-19 restrictions and certain online sales being subject to the RTA tax starting in January 2021, along with the restoration of the full State match on public transportation funds that is currently subject to a 5 percent temporary cut effective through the end of June 2021 when the State fiscal year ends. Any additional reduction in State funding to the Authority would negatively impact the two-year plan.

The two-year financial plan assumes increased system-generated revenue from fares and passes, and advertising offset by increased labor, material, debt service, and standard increases in contractual services and contributions to injuries and damages reserves. The labor cost growth is budgeted at 2.5 percent growth for 2022 and 2.5 percent growth for 2023 but will be determined, in large part, by the outcome of collective bargaining negotiations and pension and health care costs. The Authority has built and is continuing to strengthen its management team, policies and procedures, and internal controls to ensure attainment of operational efficiencies throughout the agency. The plan reflects fixed fuel purchases, managed block purchases of power, and strong efforts to monitor expenses and increase recurring revenue streams.

Set forth in the following table are the projected operating expenses, system-generated revenues and public funding (presented on a budgetary basis) included in the 2022-2023 financial plan.

Chicago Transit Authority
2022-2023 Proposed Operating Plan – Budgeting Basis
($ in thousands)

	Projected 2022	Projected 2023
Operating Expenses		
Labor	$1,198,332	$1,228,290
Material	90,400	93,112
Fuel	34,595	43,768
Power	32,385	31,012
Provisions for Injuries and Damages	31,680	31,680
Purchase of Security Services	20,479	20,786
Other Expenses	272,188	277,778
Pension Bonds (Net)	105,971	105,971
Contractual Services	120,415	124,027
Utilities, Non-Capital Grant, Travel, Leases, Other	31,473	32,417
Other Debt Service	14,329	15,362
Total Operating Expenses	$1,680,059	$1,726,425
System-Generated Revenues		
Fares and Passes	$468,238	$497,502
Reduced-fare Subsidy	14,606	14,606
Advertising, Charter & and Concessions	33,139	37,038
Investment Income	1,500	2,000
Statutory Required Contributions	5,000	5,000
Other Revenue	45,507	46,991
Total System Generated Revenues	$567,990	$603,137
Public Funding		
Total Public Funding(1)	$722,097	$763,857
Total Operating Revenue	$1,290,087	$1,366,994
Federal Stimulus	$ 389,972	$ 359,431
Balance	$ -	$ -
Projected Recovery Ratio(2)	54.75%	54.75%
RTA Required Recovery Ratio(3)	54.75%	54.75%

Source: Chicago Transit Authority.

(1) Amounts include the sales tax receipts pledged to secure the Authority's first and second lien sales tax bonds.

(2) Projected recovery ratio is calculated by dividing the system-generated revenues over operating expenses. The calculation includes in-kind revenues and expenses for security provided by the City of Chicago and some grant revenues, and excludes security expenses and Pension Bonds debt service. A portion of Federal Stimulus funds is included in the recovery ratio calculation for system generated revenue.

(3) The RTA required recovery ratio is one of the operating marks set for the Authority by the RTA during the annual budget process. See "—Annual Budget Process" above.

Overview of the 2022-2023 Financial Plan.

Operating Expenses. Labor expenses, including base salaries, benefits, and payroll taxes, are projected $1,198.3 million in 2022 and $1,228.3 million in 2023. Labor for the two-year plan reflects a 2.5 percent growth in 2022 and 2023, respectively.

The financial plan projects material expenses to be $90.4 million in 2022 and $93.1 million in 2022. The materials projection assumes a 3 percent annual growth in 2022 and 2023, reflecting increased costs to maintain the Authority's aging bus and rail fleet and associated infrastructure.

The Authority's proposed financial plan projects diesel fuel costs to be $34.6 million in 2022 and $43.8 million in 2023. This plan assumes the continuation of the Authority's strategic fixed-price purchasing policy and a flat projection for fuel consumption levels. At the time of budgeting, the Authority has fixed pricing for 70 percent of the 2022 projected fuel consumption. Favorable fixed pricing on this portion of the total annual purchase accounts for the savings of $4.6 million in 2022 compared to the 2021 budget of $38.1 million.

The proposed financial plan projects the Authority's traction (rail system) electric power expenses to be $32.4 million in 2022 and $31.0 million in 2023. During this period, the Authority projects consumption levels to be essentially flat year-to-year. While this plan includes continued savings from the Authority's fixed-price contract for electric power supply, it also reflects annual increases in ComEd's base rate for electric power delivery. Other than changes in law, any market adjustments to capacity and transmission charges will not affect the Authority because these charges are embedded in the Authority's fixed-price contract for electric supply.

The Authority plans to continue contributions to provision for injuries and damages at the budgeted 2021 budgeted amount for $31.7 million in 2022 and 2023. The amount of actual deposits to the fund may be adjusted based on the annual actuarial valuation of the fund's liabilities. The amount needed to fund this reserve is based on actual experience, the projected future balance in the reserve, and the liabilities projected for the following year.

Purchase of security services is projected to be $20.5 million in 2022 and $20.8 million in 2023. The annual growth rate is projected to be 2 and 1.5 percent for 2022 and 2023, respectively, due to annual contractual increases for contracts with private security firms. The Authority has intergovernmental agreements with the Chicago, Oak Park, Evanston and Forest Park police departments to provide security services for the Authority rail system. Other expenses include utilities, advertising, equipment, software maintenance, accounting, engineering, legal fees, banking fees and commissions, debt service for sales tax revenue bonds including the outstanding pension obligation bonds, TIFIA loans, and other consulting services.

The financial plan projects other expenses at $272.2 million in 2022 and $277.8 million in 2023. The growth rate from the $266.5 million budgeted in 2021 reflects increased costs for contractual services, utilities, and debt service.

Overall operating revenues, including system-generated revenues and public funding, are projected to increase over the two-year financial plan. Excluding federal stimulus, 2022 revenue is projected to increase 27.8 percent, from the 2021 budgeted level of $1,009.6. The increase is driven by increases in fare and pass revenue and increased public funding. Operating revenues are projected to increase by 6.0 percent in 2023 to $1,367.0 million.

Debt Obligations

Short-Term Debt Obligations and 2018 Short-Term Borrowing Program. Short-term debt may be used by the Authority as a cash management tool to provide interim financing or to bridge temporary cash flow deficits within a fiscal year. The Authority established a short-term borrowing program in 2018 to provide interim funding of up to $300 million for capital improvement projects expected to be financed on a permanent basis with long-term debt (the "2018 Short-Term Borrowing Program"). The 2018 Short-Term Borrowing Program is structured pursuant a revolving note purchase agreement in the maximum aggregate amount outstanding of $150 million with each of PNC Bank, National Association (with an amount currently outstanding of $94.4 million) and Bank of America, N.A. (with an amount currently outstanding of $106.6) The note purchase agreements expire on July 11, 2022 and September 30, 2021, respectively, and are subject to extension. The Authority drew an additional $25 million under the PNC note purchase agreement in May, 2021. The Authority expects to maintain the availability of short-term funding for its capital projects through the issuance of Second Lien CIP Notes under its 2018 Short-Term Borrowing Program.

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

Debt Limitations. The Authority is not subject to statutory debt limitations for capital investment.

Outstanding Long-Term Debt. The Authority's current long-term debt includes bonds issued by the Authority and capital lease obligations. The following table describes the current long-term debt of the Authority, prior to the issuance of the Series 2021 Bonds and refunding of the Refunded Bonds and implementation of the Plan of Finance. See "PLAN OF FINANCE" herein.

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Long Term Debt
As of June 2, 2021[1]

Type of Obligation	Designation	Par Amount Outstanding (in millions)	Security Pledge
Sales Tax and Transfer Tax Receipts Revenue Bonds	2008A & 2008B	$1,672.1	Sales Tax Receipts and Real Estate Transfer Tax[2]
	2010B	493.8	Sales Tax Receipts
	2014	555.0	Sales Tax Receipts
	2017	296.2	Second Lien Sales Tax Receipts
	2020A	367.9	Second Lien Sales Tax Receipts
	2020B	534.0	Second Lien Sales Tax Receipts
Capital Grant Receipts Revenue Bonds			
FTA 5307 Program..........	2010	-	Grant Receipts
	2011	-	Grant Receipts
	2015	-	Grant Receipts
	2017	90.5	Grant Receipts
	2021	99.3	Grant Receipts
FTA 5309/5337 Program.	2010	-	Grant Receipts
	2015	44.4	Grant Receipts
	2017	75.8	Grant Receipts
	2021	21.7	Grant Receipts
PBC Lease	2006	55.1	General Obligation[3]
TIFIA Loans			Farebox Revenue
95th Street		79.2	
Your New Blue		120.0	
Railcars		254.9	
Total……………………………		$4,759.9	

[1] Following the issuance of the Series 2021 Bonds and the refunding of the Refunded Bonds.
[2] Sales tax receipts are applied to pay the Series 2008A and 2008B Bonds only to the extent that the Real Estate Transfer Tax applied to the payment of debt service on the Pension Bonds is insufficient therefor.
[3] Rent and other obligations under the PBC Lease are payable from sales tax receipts if the PBC senior pledge rights are in effect.

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

Sales Tax and Real Estate Transfer Tax Receipts Revenue Bonds. The Authority has outstanding bonds secured by sales tax receipts and the Real Estate Transfer Tax. See "THE AUTHORITY – Operations and Related Financial Information – *Public Funding*" herein for a discussion of Authority's outstanding bonds secured by a pledge of sales tax receipts and the Real Estate Transfer Tax receipts. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 9–Bonds Payable."

Capital Grant Receipts Revenue Bonds. In addition to the Series 2021 Bonds, the Authority has outstanding capital grant receipts revenue bonds secured by funds provided by the Federal Transit Administration (the "FTA") under the FTA's Urbanized Area Formula Funding Program (5307) (the "5307 Program"), and the State of Good Repair Grants Program (5337) (the "5309/5337 Program"). See "—Capital Improvement Program–*Sources of Funds*–FEDERAL FUNDING" below.

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

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

Capitalized Lease Obligations. The outstanding capitalized lease obligations consist of (i) the lease of the Authority's headquarters from the Public Building Commission, and (ii) lease obligations incurred in connection with the financing of a portion of the Authority's bus fleet. See APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 8–Capital Lease Obligations."

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

Capital Improvement Program

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

2021-2025 Capital Improvement Plan. The Capital Improvement Plan for 2021-2025 totals $3.4 billion in project funds and includes twenty project categories. The capital projects address the Authority's most critical needs for the bus and rail system, customer facilities, and systemwide support. Major projects planned or underway during this period include the modernization of the north Red and Purple Lines; the rehabilitation of the O'Hare Branch on the Blue line; and the procurement of 556 new 7000 Series railcars.

The following table sets forth the 2021-2025 Capital Improvement Plan by general category of asset improved or replaced.

Capital Improvement Plan by Category 2021-2025
($ in thousands)

Category	5-Year Funding Amount
Bus Rolling Stock	$ 411,933
Rail Line Improvements	891,660
Rail Power & Way Electrical Signals & Communication	28,825
Rail Power & Way Track & Structure	198,038
Rail Rolling Stock	691245
Systemwide Miscellaneous	
Information Technology	5,100
Equipment and Non-Revenue Vehicle Replacement	67,333
Rehabilitate Rail Stations	28,750
Implement Security & Communication Projects	43,854
Program Management	48,854
Bond Repayment, Interest Cost, & Finance Cost	847,304
Planning Studies	275
Bus Slow Zone Elimination Program	16,677
Support Facilities & Equipment	119,002
Total	$ 3,398,043

Sources of Funds. The following table details the funding sources supporting the 2021-2025 Capital Improvement Plan. The funding levels used in preparing the 2021-2025 Capital Improvement Plan reflect the capital resources available to the Authority from the federal government, including the FTA, USDOT, and Department of Homeland Security, and State and local sources, including the RTA and authorized State funding that consists of bond construction program and a dedicated annual share of Motor Fuel Tax receipts. Due to the increase in State capital funding, RTA bonds are not contemplated at this time for the 2021 Capital Improvement Program. Should the RTA issue bonds on behalf of the service boards after 2022, the Authority expects to receive its 50% historical share of the proceeds of that issuance. The FY 2025 FTA and State PayGo program funding amounts have not yet been allocated to the regional Service Boards and will be determined by performance-based programming measures currently being developed by the RTA and the regional Service Boards. Other sources that are anticipated but not yet programmed in the five year capital plan include funding from the federal TIFIA program for the Red and Purple Modernization Phase One (described below) and a number of discretionary grant awards. Other than the Series 2021 Bonds, the Authority does not currently plan to issue new 5307 Bonds nor 5537 Bonds to provide funding support for the 2021-2025 Capital Improvement Plan, as the Authority expects to fund approximately one-third of the projects on pay-go basis.

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The following table details the funding sources, as budgeted for the 2021-2025 Capital Improvement Plan.

Capital Improvement Program Preliminary Marks[1] 2021-2025
Sources of Funds
(in thousands)

Sources of Funds	2021	2022	2023	2024	2025[2]	TOTAL
5307 Urbanized Formula	132,326	$134,219	$136,232	$138,276	-	$540,963
5337 State of Good Repair	176,594	179,243	181,932	184,661	-	722,431
5339 Bus and Bus Facilities Formula	14,378	14,593	14,812	15,035	-	58,818
Subtotal FTA	**$323,208**	**$328,056**	**$332,976**	**$337,971**	**-**	**$1,322,211**
5309 Core Capacity	$100,000	$100,000	$100,000	$65,476	-	$365,476
CMAQ	17,270	-	38,694	-	-	55,964
STP-Shared	-	13,930	-	-	-	13,930
Sec. 5303 UWP Planning	420	420	420	420	420	2,100
Transit Security Grant Program (DHS)	6,000	6,000	6,000	6,000	6,000	30,000
Illinois Long Range Transportation Plan	220	-	-	-	-	220
Other Federal	**$123,910**	**$120,350**	**$145,114**	**$71,896**	**$6,420**	**$467,690**
AVAILABLE FEDERAL	**$447,118**	**$448,406**	**$478,090**	**$409,867**	**$6,420**	**$1,789,901**
State Bond	$20,000	$142,032	$90,446	$160,994	-	$413,472
State (PAYGO)	141,875	141,875	141,875	141,875	-	567,500
CTA Bond	215,090	77,500	77,500	-	77,500	447,590
CTA Financing- Ground Transportation Tax	171,200	7,800	-	-	-	179,000
AVAILABLE LOCAL	**$548,165**	**$369,207**	**$309,821**	**$302,869**	**$83,920**	**$1,607,561**
New Funding Available	**$995,282**	**$817,612**	**$787,911**	**$712,736**	**$83,920**	**$3,397,463**
CTA Share for Competitive Grants	**160**	**105**	**105**	**105**	**105**	**580**
TOTAL Core Programmed Funds	**$995,442**	**$817,717**	**$788,016**	**$712,841**	**$84,025**	**$3,398,043**

Note: Columns may not add due to rounding.
Source: Chicago Transit Authority.
[1] "Marks" represent estimates of available grant receipts from federal, State, and local sources as adopted by the Chicago Transit Board in November 2020.
[2] FY 2025 FTA and State PayGo program funding amounts have not yet been allocated to the regional Service Boards and will be determined by performance-based programming measures currently being developed by the RTA and regional Service Boards.

FEDERAL FUNDING. Sources of federal funds for capital projects included in the 2021-2025 Capital Improvement Plan are described below.

FTA Programs. On December 4, 2015, President Obama signed the Fixing America's Surface Transportation (FAST) Act into law. The FAST Act is the first long-term federal surface transportation authorization enacted in more than a decade. By authorizing $305 billion over a five-year period for federal fiscal years (FFY) 2016-2020 for highways, highway and motor vehicle safety, public transportation and other programs, this law provides multi-year funding certainty that allows the Authority to plan and implement major capital projects. The FAST Act includes modest annual funding increases over the levels included in the previous transportation authorization called Moving Ahead for Progress in the 21st Century (MAP-21). On September 30, 2020, President Trump and Congress signed into law a one-year extension of the FAST Act that was due to expire as of October, 2020. Congress and the Administration have begun the process to develop the next surface transportation authorization legislation to succeed the FAST Act (expires September 30, 2021 that is expected to provide funding authorization levels for FFY 2022-2026. It is anticipated that new authorization will need to provide new funding mechanisms to maintain the solvency of revenue accounts that support the transit program. The majority of revenues are generated from excise tax on motor fuel where revenues have not grown sufficiently to meet the funding needs of the most recent federal transit authorization programs. The size of a new surface transportation program will be impacted by whether new revenue sources can be found and/or continue to allocate general revenue funds to meet funding gaps.

Transit agencies receive funds under the provisions of Title 49, Chapter 53, of the United States Code, as amended by the FAST Act. Transit funds for federal fiscal years 2016 through fiscal year 2020 are authorized by the FAST Act and with the one-year extension are authorized through September 30, 2021. Each year, new appropriation legislation must be passed to appropriate general federal revenues that will fund transit programs and set an obligation limitation that allows expenditure of funds from the federal Mass Transit Account of the Highway Trust Fund for transit programs.

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

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

Grant programs under which the Authority expects or may receive funds for the 2021-2025 Capital Improvement Plan include: FTA's 5339 sub-program for low and zero-emission vehicles; FTA's 5307 Congestion Mitigation and Air Quality program for projects that address air qualify or congestion; FTA's 5309 Core Capacity program for major transit capital investment, including heavy rail, light rail, streetcars, and bus rapid transit; the Department of Homeland Security's program for mass transit security infrastructure; USDOT's Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program for infrastructure projects that generate economic development and improve access to reliable, safe and affordable transportation to communities; and the U.S. Environmental Protection Agency's National Clean Diesel Funding

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

On January 9, 2017, the FTA announced a federal grant of approximately $1.07 billion to the Authority for the first phase of the RPM Phase One Project. The grant funds include a core capacity construction grant agreement for $956.6 million through the FTA's Capital Investment Grant ("CIG") program, and approximately $125.0 million through the U.S. Department of Transportation's Congestion Mitigation and Air Quality program. The CIG funds will be provided over the course of nine years on an annual payment schedule, subject to Congressional approval during the annual appropriations process. The federal grant is included in the 2021-2025 Capital Improvement Plan.

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

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

STATE AND LOCAL FUNDING. Sources of State and local funding for capital projects included in the 2021-2025 Capital Improvement Plan and described below.

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

The traditional avenue for the State transit funding is through a legislative mandated bond program, generally for a five-year period. In response to the backlog of transit needs, in June 2019, the Illinois General Assembly passed and the Governor signed into law a new State Capital construction program known as "Rebuild Illinois". Prior to Rebuild Illinois, 2014 was the last year the State of Illinois funded a Public Transportation Bond program. The previous State funding consisted of two programs: Illinois Jump Start (2009) and Illinois Jobs Now (2010). The Authority's share of both programs was $1.4 billion. Due to State budget constraints the Authority did not receive $220 million of promise funds and an additional $58.9 million in funding cuts were made to existing awards, ultimately receiving only total of $1.11 billion out of those two programs. These actions resulted in the delay or downsizing of a number of construction projects.

The State funding under Rebuild Illinois provides $33.2 billion for transportation improvements over six years. The Chicago Regional Transportation Authority (RTA) region is expected to receive funding from two dedicated revenue programs that include State Bond proceeds funded by vehicle receipts and the $0.19 per gallon increase in the State's Motor Fuel Tax (MFT), which became effective July 1, 2019 and is currently assessed at the total rate of $0.38 per gallon. While the bonding series provides a onetime infusion of $2.7 billion State funds over a six year period, the MFT provides a transformative recurring funding source to meet some of the region's SOGR needs going forward.

RTA's annual MFT funding share (or annual Pay-As-You-GO Funds), based on first year receipt estimate, is $227 million; and RTA's share of the State bond program proceeds is estimated to be $2.7 billion over a five to six year period. The percent allocation to the Service Boards has been agreed upon by RTA and the Service Boards and the Authority's 2021 budget funding estimates for the Authority are $142 million of MFT annually indexed to inflation and a total of $1.1 billion of State bond proceeds in addition to the $141 million earmarked State bond funds.

RTA Bonds. Due to the increase in State capital funding, RTA bonds are not contemplated at this time for the 2021 Capital Improvement Program. Should the RTA issue bonds on behalf of the service boards after 2022, the Authority expects to receive its 50% historical share of the proceeds of that issuance. The bond proceeds will be used for needed projects such as the purchase of new railcars and buses as well as capital improvements to the Authority's rail track and infrastructure.

Transit TIF. The Illinois Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-1 et seq. (the "TIF Act") was amended, effective August 12, 2016, to allow a municipality to (i) establish a transit facility improvement area (a "TFIA") and (ii) establish, within a TFIA, a redevelopment project area (a "Transit TIF District" or "RPA") for purposes of financing rehabilitation or expansion of existing and/or development of new public transit passenger stations; public transit maintenance, storage or service facilities; and public rights of way for use in providing transit (collectively, "Transit Facilities") through the use of incremental property tax revenues generated within the Transit TIF District. A Transit TIF District has some important differences from other TIF districts established under the TIF Act. Most notably, in a Transit TIF

District, the incremental property tax revenues that would otherwise be paid to the local school district absent the establishment of a Transit TIF District are still paid to the school district. Further, of the remaining incremental property tax revenues, 80% is available to finance Transit Facilities, and 20% is distributed to the various local taxing districts other than the school district. Finally, a Transit TIF District can be established without the need to satisfy the various "blighted area" criteria that otherwise must be satisfied in connection with the establishment of TIF districts.

Pursuant to authority granted by the amended TIF Act, on November 30, 2016, the City of Chicago (i) established the Red and Purple Modernization Phase One TFIA, (ii) approved the Red and Purple Modernization Phase One Project Redevelopment Plan ("Redevelopment Plan"), and (iii) created the Red and Purple Modernization Phase One Project Redevelopment Project Area (the "RPM Phase One RPA") to finance, in part, the Red and Purple Modernization Phase One Project ("RPM Phase One Project"). On the same date, the City of Chicago and the Authority entered into a Redevelopment and Intergovernmental Agreement where under available incremental property tax revenues will be used (a) to pay principal and interest on up to $622.0 million of debt financing or pay-as-you-go costs incurred by the Authority with respect to the RPM Phase One Project, and (b) to reimburse the Authority up to $3.0 million for certain transaction costs. The $622.0 million in RPM Phase One Project costs represents a portion of the local match required to obtain an approximately $957.0 million full funding grant agreement from the FTA for the RPM Phase One Project under the FTA's 5309 Core Capacity program. See "—FEDERAL FUNDING–FTA Programs" above.

The Authority intends to apply for and obtain debt financing in the form of a TIFIA loan in the amount of up to $622.0 million. However, in the event that a TIFIA loan is ultimately not available, it may be necessary to secure alternative debt financing which may include the issuance of sales tax revenue bonds. Should such alternative debt financing become necessary, the Chicago Transit Board has authorized the issuance of sales tax revenue bonds in lieu of a TIFIA loan.

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

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

Authority Bonds for RPM and Ground Transportation Projects. Since fiscal year 2004, when the Authority issued its first series of capital bonds, Authority bonds have provided an internally generated source of capital funds for SOGR projects. The Authority bond financing program continues to be a strategically important supplement to the federal program. Through the issuance of bonds, supported by sales tax receipts, federal grants or other State and local sources, the Authority can advance critically important projects which otherwise would need to be deferred for years and significantly increase system maintenance costs with continual degradation of assets. The Capital Improvement Plan for 2021-2025 includes project revenues from bond financings.

Unfunded Capital Needs. The RTA's asset condition assessment originally prepared in 2010 and last updated in 2016 defines the Northeastern Illinois Transit Region's total capital reinvestment needs over a 10-year period estimated at $37.67 billion, which includes investment needs for the Authority, Metra, and Pace. According to the RTA's analysis, the Authority's share of this total 10-year reinvestment need is $23.08 billion or 61.3 percent of the total regional amount. This includes $12.46 billion to address existing backlog and an additional $10.62 billion to address normal reinvestment needs expected over the 10-year period. Approximately 54.0 percent of the Authority's reinvestment needs are to address assets that are past their useful life. The Authority's total 10-year reinvestment need of $23.08 billion is split between approximately 82.0 percent for rail and 18 percent for bus assets. The shortage of capital funds needed to support the region's systems will continue to present significant challenges for the region and specifically for the Authority to reduce the number of assets beyond their useful life benchmarks. The Authority continues investing in upgrading or replacing system assets, yet the unfunded capital need continues to grow with each year. Even if the entire capital backlog was funded, the Authority estimates a need of $1.06 billion annually just to keep the system in a SOGR.

Pension and Other Post-Employment Benefit Obligations

Retirement Plan. The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees (the "Retirement Plan"). The Retirement Plan was first established by an agreement between the Authority and its collective bargaining units in 1949 ("Plan Agreement"), which has since been amended and is currently governed by Section 22-101 of the Illinois Pension Code (40 ILCS 5/22-101) (the "Pension Code"). The Authority's contributions to the Retirement Plan and benefits for participants in the Retirement Plan are governed by the Plan Agreement and the Pension Code. Information relating to the Retirement Plan is set forth in APPENDIX D—"CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION, YEARS ENDED DECEMBER 31, 2020 AND 2019, Note 13–Employees' Retirement Plan Pension Disclosures" and APPENDIX F—"PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE." Capitalized terms, not otherwise defined in this heading, shall be as defined in Appendix F.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. The Retirement Plan's primary sources of funding come from the Authority's contributions, the employees' contributions, and investment income on the Retirement Plan's assets. The amount of benefits payable to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts, and certain other provisions of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code.

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

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%.

- If the Funded Ratio actually declines below 60% in any year prior to 2040, increased contributions will be required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

- Beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059.

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

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

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

As of the January 1, 2020 Actuarial Valuation (the "2020 Actuarial Valuation"), the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined ARC and have resulted in an Unfunded Actuarial Accrued Liability ("UAAL") of $1.70 billion and a Funded Ratio of 52.55%. See APPENDIX F—PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE–Background Information Regarding the Retirement Plan–*Determination of Authority's Contributions*."

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

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

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

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

CERTAIN INVESTMENT CONSIDERATIONS

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Authority to pay principal of and interest on the Series 2021 Bonds, and which could also affect the marketability of, or the market price for, the Series 2021 Bonds to an extent that cannot be determined.

The purchase of the Series 2021 Bonds involves certain investment considerations that are discussed throughout this Official Statement. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in the Official Statement. **Each prospective purchaser of any Series 2021 Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing investments such as the Series 2021 Bonds.**

Limited Obligations

The Series 2021 Bonds are limited obligations of the Authority issued pursuant to the Act and the Local Government Debt Reform Act. The Series 2021 5307 Bonds are payable solely from and secured solely by (i) 5307 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5307 Indenture (except the Rebate Fund established under the 5307 Indenture), including investment earnings thereon. The Series 2021 5337 Bonds are payable solely from and secured solely by (i) 5337 Grant Receipts, and (ii) amounts on deposit in the funds and accounts established under the 5337 Indenture (except the Rebate Fund established under the 5337 Indenture), including investment earnings thereon.

The Series 2021 Bonds are not general obligations of the Authority and the revenues of the Authority (other than as described above) are not pledged for the payment of the Series 2021 Bonds or the interest thereon. The Indentures create no liens upon any physical properties of the Authority. The Act provides that the Series 2021 Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the limited obligation of the Authority) or of any municipality within the State, nor shall any Series 2021 Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision. The Authority has no taxing power.

Uncertainties in Receipt of Sufficient Grant Receipts

There can be no assurance that sufficient 5307 Grant Receipts will be received by the Authority to pay the debt service on the 5307 Bonds, including the Series 2021 5307 Bonds, when due. There can be no assurance that sufficient 5337 Grant Receipts will be received by the Authority to pay the debt service on the 5337 Bonds, including the Series 2021 5337 Bonds, when due.

While the Authority believes that sufficient 5307 Grant Receipts and 5337 Grant Receipts will be received to pay debt service on the respective series of the 5307 Bonds and 5337 Bonds, including the Series 2021 Bonds, to their maturity, various factors beyond the control of the Authority may affect such receipts, including, without limitation non-reauthorization of future federal transportation legislative programs, federal budgetary limitations and other possible changes in the Federal Transit Program, the Authority's continued eligibility and application for such funding and changes in the allocation by the RTA of its Formula Funds among the Service Boards. In addition, the calculation of the annual apportionment under the Federal Transit Program from which the Grant Receipts are paid is based on a formula that takes into account, among other factors, transit properties, the transit services provided and the degree such services are utilized. Actions that the Authority may take as a result of its budgetary decisions, such as decreases in the amounts devoted to capital purposes, service cuts or fare increases, may have a negative impact on these components of the formula used to calculate the annual apportionment resulting in a decrease in the amount of federal transit funds available to the Authority for Grant Receipts. See **"FEDERAL TRANSIT PROGRAM."**

Uncertainties in Federal Transit Program and Funding

Legislative Authorization. Congressional authorization of the Federal Transit Program, historically has been provided on a multi-year basis to permit grant recipients more certainty in planning long-term transit projects. On December 4, 2015, President Obama signed the FAST Act, authorizing transit funds for federal fiscal years 2016 through fiscal year 2020. On October 1, 2020, President Trump signed into law the Continuing Appropriations Act, 2021 and Other Extensions Act, authorizing transit funds for Federal Fiscal Year 2021. Each year, new appropriation legislation must be passed to appropriate general federal revenues that will fund transit programs and set an obligation limitation that allows expenditure of funds from the MTA of the HTF for transit programs to fund grants under the federal transit programs, including the Section 5307 Program and the Section 5337 Program. As of the date of this Official Statement, the Authority has no assurance that the current authorizations and appropriations will be extended, that new authorizations and appropriations will be approved, or that additional fund transfers to the HTF and MTA will be authorized in the near term.

Dedicated Motor Fuel Tax Funding of Federal Transit Program. Historically, funding of the Federal Transit Program was provided by dedicated Motor Fuel Tax Revenues that are deposited in the MTA of the HTF in the federal treasury. Since 2008, dedicated Motor Fuel Tax Revenues have declined and have not been sufficient to fund the level of federal appropriations for the Federal Transit Program.

One significant factor affecting the availability of Motor Fuel Tax Revenues in the HTF is the decline in vehicle miles traveled (**"VMT"**) since 2007, which impacts revenue from gasoline and diesel fuel sales. Decline in VMT and increases in vehicle fuel economy will have an adverse impact on the HTF. On August 28, 2012 the USDOT and the U.S. Environmental Protection Agency implemented new corporate average fuel economy standards that increased the standard from the 2016 standard of 35.5 mpg to a standard of 54.5 mpg in 2025. The availability of Motor Fuel Tax Revenues in the HTF can also be affected by the rate of expenditure of moneys in the HTF as well as a number of other revenue-impacting factors.

General Fund Appropriations to HTF. In recent years total federal allocations for transportation projects has exceeded funding available from dedicated Motor Fuel Tax Revenues and other sources. Shortfalls have been made up from transfers from the federal General Fund. In response to shortfalls predicted by the Congressional Budget Office as well as other governmental entities, Congress transferred from the General Fund of the United States Treasury to the HTF in FFYs 2008, 2009 and 2010 an aggregate total of approximately $34.5 billion, of which approximately $5 billion was provided to the MTA within the HTF. These actions allowed state departments of transportation to continue to meet their financial obligations and sustain hundreds of millions of dollars of construction projects that had been put on hold after U.S. Secretary of Transportation Mary Peters announced on September 5, 2008 that federal-aid payments to the states would be partially withheld because of a shortage of funds. MAP-21 provided for additional transfers from the General Fund of the United States Treasury to the HTF of $6.2 billion in FFY 2013 and $12.8 billion in FFY 2014, of which $2.2 billion was provided to the MTA. In addition, MAP-21 transferred $2.4 billion from the Leaking Underground Storage Tank Trust Fund to the HTF. The FAST Act also transfers into the HTF additional funds to keep the Fund solvent through the end of FY 2020. These include transfers from the General Fund and from the Leaking Underground Storage Tank Trust Fund. The FAST Act includes other provisions and revenue raisers to offset the cost of the transfers made to the HTF. However, reform of the way highway programs are funded remains a challenge for the future. There is no assurance that subsequent transfers will continue.

Federal Budget Issues; Sequestration. The Budget Control Act of 2011 (the **"BCA"**) mandates significant reductions and spending caps on the federal budget for the federal fiscal years 2012-2021. The BCA also created a Joint Select Committee on Deficit Reduction (the **"Super Committee"**) to develop a plan by November 23, 2011 to further reduce the federal deficit in the amount of $1.5 trillion. As the Super Committee failed to act, the BCA mandated that a 2% reduction in certain governmental spending was triggered to take effect on January 2, 2013. Certain prior transfers from the General Fund of the United States Treasury to the HTF were subject to such reduction. See **"FEDERAL TRANSIT PROGRAM — Funding of Federal Transit Program - Sequestration"** herein.

Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have upon the Authority and its receipt of Grant Receipts, and its ability to pay debt service on the Series 2021 Bonds and Parity Obligations.

Terms of the Federal Transit Program. The terms and conditions of the Authority's participation in the Federal Transit Program are subject to change at the discretion of Congress. There can be no assurance that the laws and regulations now governing the program will not be changed in the future in a manner than could adversely affect the ability of the Authority to timely receive sufficient Grant Receipts in amounts sufficient to make payments of scheduled debt service on the 5307 Bonds and the 5337 Bonds, including the Series 2021 Bonds, when due.

Uncertainties Regarding the Authority's Participation in the Federal Formula Programs

Authority Actions Impacting Formula Funds. The annual apportionment under the Federal Transit Program of Section 5307 Formula Funds and Section 5337 Formula Funds to transit agencies, including the Authority, is based on a formula that takes into account, among other factors, transit properties, the transit services provided and the degree such services are utilized. Actions that the Authority may take as a result of its budgetary decisions, such as decreases in the amounts devoted to capital purposes, service cuts or fare increases, may have a negative impact on these components of the formula used to calculate the annual apportionment resulting in a decrease in the amount of federal transit funds available to the Authority for Grant Receipts. In addition, the receipt of Formula Funds is dependent on the funding of required matching funds for the Project by the Authority. The Authority expects to continue to receive transportation development credits to use as a "soft-match." See **"FEDERAL TRANSIT PROGRAM - Authority Participation in Section 5307 and Section 5337 Formula Programs**

Failure to Maintain Eligibility for Formula Funds. Failure to maintain general eligibility for the receipt of federal funds under the Section 5307 Program and the Section 5337 Program could prevent the Authority from receiving Grant Receipts sufficient to pay debt service on the 5307 Bonds and the 5337 Bonds, including the Series 2021 Bonds, when due. The Authority has covenanted in each Indenture to comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under the Section 5307 Program and the Section 5337 Program in order to be eligible to receive Grant Receipts for the payment of the Series 2021 Bonds and to facilitate the prompt receipt of such Grant Receipts.

RTA Allocation to the Authority

The RTA determines the allocation between the three Service Boards of the Section 5307 Formula Funds and Section 5337 Formula Funds annually available to Illinois from the Local Urbanized Area. While this allocation has been performed in accordance with a policy put in place by the RTA, no assurance can be given that this policy (i) will not be deviated from on an exception basis, (ii) will not change in the future, or (iii) would maintain, if changed, the proportionate share the Authority receives under the current policy.

Lockbox Amendment

On November 8, 2016, the voters of Illinois approved a ballot measure amending the Illinois Constitution (the **"Lockbox Amendment"**) that added a new section to the Revenue Article of the Illinois Constitution. The Lockbox Amendment provides that no moneys derived from taxes, fees, excises, or license taxes, relating to registration, titles, operation, or use of vehicles or public highways, roads, streets, bridges, mass transit, intercity passenger rail, ports, or airports, or motor fuels, including bond proceeds, shall be expended for other than costs of administering laws related to vehicles and transportation, costs for construction, reconstruction, maintenance, repair, and betterment of public highways, roads, streets, bridges, mass transit, intercity passenger rail, ports, airports, or other forms of transportation, and other statutory highway purposes, including the State or local share to match federal aid highway funds. At the present time, the Authority has no information upon which the Authority can assess whether the Lockbox Amendment will have any impact, positive or negative, on the Authority.

Bankruptcy

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

No Secondary Market

There can be no assurance that a secondary market for the Series 2021 Bonds will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Series 2021 Bonds to maturity.

Limitations on Remedies of Bondholders

The remedies available upon an event of default under either Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to the enforceability of the various documents by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

Neither Indenture contains a provision allowing for the acceleration of the series of the Series 2021 Bonds issued thereunder in the event of a default in the payment of principal of and interest on such series of the Series 2021 Bonds when due. In the event of a default under an Indenture, each Bondholder under such Indenture will have the right to exercise the remedies provided in such Indenture. See **APPENDIX A -- "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES – SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE - Events of Default and Remedies"** and **"- SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE – Events of Default and Remedies."**

Loss of Tax Exemption

Interest on the Series 2021 Bonds could become includable in federal gross income, possibly from the date of issuance of the Series 2021 Bonds, as a result of acts or omissions of the Authority subsequent to the issuance of the Series 2021 Bonds. Interest on the Series 2021 Bonds also could become subject to federal and/or State income tax as a result of changes of law. See **"TAX MATTERS"** herein. Should interest become includable in federal gross income, the Series 2021 Bonds are not subject to mandatory redemption by reason thereof and may remain outstanding until maturity.

Environmental Risks

The region is naturally susceptible to the effects of extreme weather events and natural disasters, which could result in negative economic impacts on the Authority. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising lake levels. The occurrence of such extreme weather events could damage local infrastructure. The economic impacts resulting from such extreme weather events could include a loss of revenue, interruption of service, and escalated recovery costs.

The Authority has potential liability under state and federal environmental statutes, laws and regulations if a release or threatened release of hazardous substances occurs. In addition to liability for release of hazardous substances, the Authority could be held liable for release of hazardous substances by previous owners. No assurance can be given that environmental conditions will not exist in the future that could become the subject of enforcement action by a governmental authority.

Cybersecurity Risks

In the last few years, the increase in reported customer or data breaches and other fraudulent activities/attacks, have heightened awareness of data security. Like many organizations, the Authority relies on digital technologies to conduct customary operations, therefore the Authority could be the target of cyber-attacks. Additionally, outside parties may attempt to fraudulently induce the Authority's employees, customers, business partners, service providers and other users of its services to disclose information in order to gain access to sensitive data and the Authority's systems. The Authority has enhanced its internal staff cybersecurity training and maintains a network security system that is designed to stop cyber-attacks by third parties and minimize its impact on operations.

However, the techniques used to obtain unauthorized access to, or to disable or degrade, electronic networks, computers, systems and solutions are rapidly evolving and have become increasingly complex and sophisticated. Such incidents are likely to continue and the Authority is unable to predict the direct or indirect impact of these future attacks and activities on the Authority.

COVID-19 and Related Risks

If the COVID-19 pandemic persists as a public health emergency or if other health epidemic conditions arise and persist, the operations and financial condition of the Authority and the level use of the Transportation System may be adversely impacted. It is not possible for the Authority to predict whether or to what extent COVID-19 or any other pandemic, epidemic or other health-related conditions will affect the Authority's operations, financial condition, system use or Grant Receipts.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2021 Bonds are subject to the approving opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel. The proposed forms of the opinions to be delivered by Bond Counsel are attached hereto as **APPENDIX F**. Approval of certain other legal matters will be passed upon for the Authority by its General Counsel, and by Charity & Associates, P.C., Chicago, Illinois, Disclosure Counsel, and for the Underwriters by Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, Underwriters' Counsel.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that, under existing law, interest on the Series 2021 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. The Internal Revenue Code of 1986 (the "Code") contains certain requirements that must be satisfied from and after the date of issuance of the Series 2021 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds. These requirements include restrictions on the use and investment of the proceeds of the Series 2021 Bonds, the required payment of certain amounts to the United States, and limitations on the security and source of payment of the Series 2021 Bonds and the use of the property financed with the proceeds of the Series 2021 Bonds. If there is continuing compliance with the applicable requirements of the Code, Bond Counsel is of the opinion that interest on the Series 2021 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2021 Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

Interest on the Series 2021 Bonds is not exempt from present Illinois income taxes.

Special Tax Treatment of the Series 2021 Bonds Issued at a Premium or Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2021 Bonds bearing the same interest rate is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2021 Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 2021 Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Series 2021 Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Series 2021 Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. A special rule applies for amortizing bond premium in respect of a Series 2021 Bond callable prior to its maturity date. No deduction is allowed for amortized bond premium and the amount of bond premium amortized during each period is subtracted from the owner's tax basis in the Series 2021 Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Series 2021 Bond for Federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 2021 Bond. The Series 2021 Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon disposition of the Series 2021 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2021 Bond).

Owners of Series 2021 Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Series 2021 Bonds. For example, under the laws of a State, original issue discount on the Series 2021 Bonds may be deemed to be received (and subject to tax) in the year of accrual even though there is no corresponding cash payment in that year.

Exclusions from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for Federal tax purposes of interest on the Series 2021 Bonds. These requirements are applied on a separate basis to the Series 2021 5307 Bonds and to the Series 2021 5337 Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Series 2021 Bond proceeds that may be used in the trade or business of, or used to make or finance loans to persons other than governmental units.

Investment Restrictions. Except during certain "temporary periods," proceeds of the Series 2021 Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as a part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" than the yield on the Series 2021 Bonds.

Rebate of Arbitrage Profit. Unless the Series 2021 Bonds qualify for one of several exemptions, earnings from the investment of the "gross proceeds" of the Series 2021 Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2021 Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Series 2021 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2021 Bonds.

Covenants to Comply

The Authority has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

Risks of Non-Compliance

In the event that the Authority fails to comply with the requirements of the Code in the case of the Series 2021 5307 Bonds or the Series 2021 5337 Bonds, interest on such series of the Series 2021 Bonds may become includable in the gross income of the owners thereof for Federal income tax purposes retroactively to the date of issue. In such event, the Indentures require neither acceleration of payment of principal of, or interest on, the Series 2021 Bonds nor payment of any additional interest or penalties to the owners of the Series 2021 Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 2021 Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2021 Bonds which may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable Federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2021 BONDS.

In General. Owners of the Series 2021 Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for Federal income tax purposes as incurred or continued to purchase or carry the Series 2021 Bonds.

Corporate Owners. Interest on the Series 2021 Bonds is generally taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Series 2021 Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for Federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Series 2021 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Series 2021 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Series 2021 Bonds.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2021 Bonds held by such a company is allocated to the shareholder.

Change in Law

The opinion of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based upon statutes, judicial decisions, regulations, rulings, and other official interpretations of the law in existence on the date the Series 2021 Bonds are issued. There can be no assurance that such law or the interpretations thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2021 Bonds are Outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2021 Bonds.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2021 Bonds, the application of the proceeds thereof in accordance with the Indentures, or the collection or application of Grant Receipts or other moneys to be pledged to pay the principal of and interest on the Series 2021 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2021 Bonds, the Indentures or any other agreement entered into in connection therewith, or in any way contesting the completeness or accuracy of this Official Statement or the powers of the Authority or its authority with respect to the Series 2021 Bonds, or the Indentures or any other agreement entered into in connection therewith.

RATINGS

The Series 2021 5307 Bonds have been assigned the ratings of "A" (positive outlook) by Standard & Poor's Global Ratings, and "BBB" (stable outlook) by Fitch Ratings. The Series 2021 5337 Bonds have been assigned the ratings of "A+" (stable outlook) by Standard & Poor's Global Ratings, and "BBB" (stable outlook) by Fitch Ratings. Previously, the Authority received ratings on capital grant bonds from a third rating agency. No other ratings other than those described in this paragraph have been sought in connection with the issuance of the Series 2021 Bonds. There is no assurance that any credit ratings given to the Series 2021 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies, if, in their judgment, circumstances so warrant. The Authority does not undertake any responsibility to oppose any downward revision or withdrawal of rating. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2021 Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from such rating agencies.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Chicago, Illinois, serves as Financial Advisor to the Authority with respect to the sale of the Series 2021 Bonds. The Financial Advisor has not conducted a detailed investigation of the affairs of the Authority to determine the completeness or accuracy of this Official Statement. Because of its limited participation, the Financial Advisor has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof. The Financial Advisor is a "municipal advisor" as defined in Rule 15Ba1-1 of the Securities Exchange Commission.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities Exchange Commission (the **"Rule"**), the Authority will enter into a Continuing Disclosure Undertaking for the benefit of the Bondholders (as defined in such agreement) from time to time of the Series 2021 Bonds. The form of the Continuing Disclosure Undertaking, including the nature of the information that the Authority has agreed to supply on an annual basis, is attached to this Official Statement as **APPENDIX G**. See **"APPENDIX G – FORM OF CONTINUING DISCLOSURE UNDERTAKING."**

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

In June 2020, the Authority made certain filings with EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Authority's outstanding sales tax receipts revenue bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2016, 2017 and 2018. In addition, on August 14, 2020, the Authority filed an amendment to the cover page of an Annual Disclosure, originally filed on June 28, 2020, that added one additional fiscal year to the previously filed list of years for which the Authority failed to file. Further, on August 16, 2020, the Authority made certain filings with EMMA to address previous incomplete filings and to fulfill previous continuing disclosure undertaking filing obligations for certain of the Public Building Commission of Chicago's outstanding building revenue bonds, including certain financial information and operating data (exclusive of Audited Financial Statements) for fiscal years 2015 through 2019. As of the date hereof, the Authority is in compliance with the continuing disclosure obligations related to its outstanding bonds. In order to ensure future compliance, the Authority has established certain procedures, including its development of a checklist and a tickler system, to ensure timely and complete filings.

UNDERWRITING

The Series 2021 Bonds are being purchased by the Underwriters listed on the cover hereof (the **"Underwriters"**), subject to certain conditions set forth in a bond purchase agreement relating to the Series 2021 Bonds (the **"Bond Purchase Agreement"**).

Pursuant to the Bond Purchase Agreement, the Underwriters have agreed to purchase the Series 2021 Bonds at a purchase price of $148,230,964.51 (representing the principal amount of the Series 2021 Bonds, less the Underwriters' discount of $590,200.99, plus an original issue premium of $27,846,165.50). The initial public offering prices of the Series 2021 Bonds may be changed from time to time by the Underwriters after the Series 2021 Bonds have been released for sale. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2021 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, among others, the approval of certain legal matters by the Underwriters' counsel.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

BofA Securities, Inc. ("BofA Securities"), an underwriter of the Series 2021 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2021 Bonds. Additionally, Bank of America, N.A. is the provider of a $150 million capital line of credit backed by the Authority's second lien sales tax receipts. BofA Securities is an affiliate of Bank of America, N.A.

Academy Securities, Inc., an underwriter of the Series 2021 Bonds, has entered into Third-Party Distribution Agreements with TD Ameritrade Inc., BNY Mellon Capital Markets LLC, Commonwealth Financial Network, R. Seelaus & Co., Intercoastal Capital Markets, Inc., Janney Montgomery Scott LLC, The GMS Group LLC, 280 Securities LLC, Mountainside Securities LLC, World Equity Group, Inc., and CINCaP Investment Group, Inc. for the retail distribution of certain municipal securities at the original issue prices. Pursuant to these Third-Party Distribution Agreements (if applicable to this transaction), Academy Securities may share a portion of its underwriting compensation with these firms.

Citigroup Global Markets Inc., an underwriter of the Series 2021 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

J.P. Morgan Securities LLC ("JPMS"), an underwriter of the Series 2021 Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2021 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2021 Bonds that such firm sells.

Rockfleet Financial Services, Inc., an underwriter of the Series 2021 Bonds, has entered into distribution agreements with other broker/dealers that have not been designated as Underwriters for the distribution of the Series 2021 Bonds at the original issue prices. Pursuant to the distribution agreements, Rockfleet will share a portion of its underwriting compensation with respect to the Series 2021 Bonds with such broker/dealers.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers, holders or beneficial owners of any of the Series 2021 Bonds. All of the summaries of the Series 2021 Bonds, each Indenture, applicable legislation, and other agreements and documents in this Official Statement are made subject to the provisions of the Series 2021 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CHICAGO TRANSIT AUTHORITY

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

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APPENDIX A

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

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The following sets forth definitions of certain terms used in the Indentures and certain provisions of the Indentures. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the Indentures for a complete statement of the provisions thereof.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Indentures.

"*Accountant*" means an independent certified public accountant or a firm of independent certified public accountants (who may be the accountants who regularly audit the books and accounts of the Authority) who are selected and paid by the Authority.

"*Accreted Amount*" means, with respect to any Capital Appreciation Bonds, the amount set forth in the Supplemental Indenture or Indenture authorizing such Bonds as the amount representing the initial public offering price thereof, plus the amount of interest that has accreted on such Bonds, compounded periodically, to the date of calculation, determined by reference to accretion tables contained in each such Bond or contained or referred to in any Supplemental Indenture authorizing the issuance of such Bonds. The Accreted Amounts for such Bonds as of any date not stated in such tables shall be calculated by adding to the Accreted Amount for such Bonds as of the date stated in such tables immediately preceding the date of computation a portion of the difference between the Accreted Amount for such preceding date and the Accreted Amount for such Bonds as of the date shown on such tables immediately succeeding the date of calculation, apportioned on the assumption that interest accretes during any period in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months.

"*Act*" means the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605, as the same may be amended and supplemented from time to time.

"*Additional Bonds*" means Bonds authenticated and delivered pursuant to the provisions of the Indentures summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and **"Summary of Certain Provisions of the 5337 Indenture – Additional Bonds for Construction Purposes"** in this Appendix A.

"*Additional Project*" means any Eligible Project that the Authority determines to finance in whole or in part by the issuance of Additional Bonds.

"*Annual Apportionment Amount*" means, (i) in reference to the 5307 Program, with respect to any Federal Fiscal Year, the amount of FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds that the Authority is entitled to receive from the FTA pursuant to appropriations designated for that Federal Fiscal Year, and, (ii) in reference to the 5337 Program, with respect to any Federal Fiscal Year, the amount of FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds that the Authority is entitled to receive from the FTA pursuant to appropriations designated for that Federal Fiscal Year.

"*Annual Debt Service Requirement*" means, with respect to any Bond Year, the aggregate of the Interest Requirement and the Principal Requirement for such Bond Year.

"*Authority*" means the Chicago Transit Authority, duly organized and existing under the Act.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof, or, in the case of Additional Bonds or Refunding Bonds, such other denominations as may be specified in the Supplemental Indenture authorizing the issuance thereof.

"*Authorized Officer*" means the Chairman of the Board, President or Treasurer of the Authority or any other officer or employee of the Authority authorized to perform specific acts or duties under the Indentures by ordinance duly adopted by the Authority.

"*Average Annual Debt Service Requirement*" means, as of any date of calculation, the mathematical mean of the Annual Debt Service Requirements for all Outstanding Parity Obligations.

"*Board*" means the Chicago Transit Board.

"*Bond*" or "*Bonds*" means, with respect to each Indenture, any bond or bonds, including the Series 2021 Bonds issued thereunder (presently, in the case of the 5307 Indenture, the 2008 5307 Bonds, the 2010 5307 Bonds, the 2011 5307 Bonds, the 2015 5307 Bonds and the 2017 5307 Bonds and in the case of the 5337 Indenture, the 2008 5309 Bonds, the 2008A 5309 Bonds, the 2010 5309 Bonds, the 2015 5337 Bonds and the 2017 5337 Bonds), Additional Bonds and Refunding Bonds, authenticated and delivered thereunder, other than Subordinated Indebtedness.

"*Bond Financed Projects*" means capital improvements to the Transportation System, each constituting an Eligible Project, financed with the proceeds of the Refunded Bonds.

"*Bond Insurance Policy*" means any municipal bond insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof as may be provided in the Supplemental Indenture authorizing such Series or as otherwise may be designated by the Authority. See **"RIGHTS OF BOND INSURERS."**

"*Bond Insurer*" means any person authorized under law to issue a Bond Insurance Policy, which in the case of the 5307 Indenture includes the issuers of the Bond Insurance Policies for the Outstanding 5307 Bonds and in the case of the 5337 Indenture includes the issuer of the Bond Insurance Policies for the Outstanding 5337 Bonds.

"*Bond Year*" means the 12-month period commencing on October 2 of a year, and ending on October 1 of the next succeeding year.

"*Business Day*" means any day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of any Fiduciary is located are authorized or required by law or executive order to close (and such Fiduciary is in fact closed).

"*Capital Appreciation and Income Bond*" means any Bond as to which accruing interest is not paid prior to the Interest Commencement Date specified therefor and is compounded periodically on certain designated dates prior to the Interest Commencement Date specified therefor, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation and Income Bond.

"*Capital Appreciation Bond*" means any Bond the interest on which (i) shall be compounded periodically on certain designated dates, (ii) shall be payable only at maturity or redemption prior to maturity and (iii) shall be determined by subtracting from the Accreted Amount the initial public offering price thereof, all as provided in the Supplemental Indenture authorizing the issuance of such Capital Appreciation Bond. The term "Capital Appreciation Bond" as used throughout the Indentures also includes any Capital Appreciation and Income Bond prior to the Interest Commencement Date specified therefor.

"*Code*" or "*Code and Regulations*" means the Internal Revenue Code of 1986, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"*Construction Fund*" means the Construction Fund established under each of the Indentures.

"*Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Authority (including the General Counsel of the Authority).

"*Credit Bank*" means, as to any particular Series of Bonds, the person (other than a Bond Insurer) providing a Credit Facility.

"*Credit Facility*" means, as to any particular Series of Bonds, a letter of credit, a line of credit, a guaranty, a standby bond purchase agreement or other credit or liquidity enhancement facility, other than a Bond Insurance Policy.

"*Current Funds*" means moneys which are immediately available in the hands of the payee at the place of payment.

"*Current Interest Bond*" means any Bond the interest on which is payable on the Interest Payment Dates provided therefor in the Supplemental Indenture authorizing such Bond. The term "Current Interest Bond" also includes any Capital Appreciation and Income Bond from and after the Interest Commencement Date specified therefor.

"*Debt Service Fund*" means the Debt Service Fund established under each of the Indentures.

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

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

"*Eligible Project*" means a capital improvement to the Transportation System the financing costs of which may be paid by the Authority from Grant Receipts.

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

"*Federal Fiscal Year*" means the annual period commencing on October 1 of a calendar year and ending September 30 of the next calendar year.

"*Fiduciary*" *or* "*Fiduciaries*" means the Trustee, the Registrar, and the Paying Agents under each Indenture and any depositary of moneys and securities held under the Indenture, or any or all of them, as may be appropriate.

"*Fifth Supplemental Indenture*" means with respect to the 5307 Indenture, the Fifth Supplemental Indenture dated as of August 1, 2015, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Fifth Supplemental Indenture dated as of July 1, 2017, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*First Supplemental Indenture*" means with respect to the 5307 Indenture, the First Supplemental Indenture dated as of November 1, 2006, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the First Supplemental Indenture dated as of November 26, 2008, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

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

"*Fourth Supplemental Indenture*" means with respect to the 5307 Indenture, the Fourth Supplemental Indenture, dated as of November 4, 2011, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Fourth Supplemental Indenture dated as of August 1, 2015, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*FTA*" means the Federal Transit Administration of the United States Department of Transportation of the United States of America.

"*General Fund*" means the General Fund established under each Indenture.

"*Government Obligations*" means any direct obligations of the United States of America and any obligations guaranteed as to the timely payment of principal and interest by the United States of America or any agency or instrumentality of the United States of America, when such obligations are backed by the full faith and credit of the United States of America.

"*Grant Receipts*" means with respect to the 5307 Indenture, the 5307 Grant Receipts and with respect to the 5337 Indenture the 5337 Grant Receipts and, when referring to both Indentures, the 5307 Grant Receipts and the 5337 Grant Receipts, collectively.

"*Grant Receipts Deposit Fund*" means the Grant Receipts Deposit Fund established under each Indenture.

"*Indenture*" or *"Indentures"* means, individually, the 5307 Indenture or the 5337 Indenture, as applicable, and, collectively, the 5307 Indenture and the 5337 Indenture, in each case as from time to time amended and supplemented. References to the "Indenture" under "Summary of Certain Provisions of the 5307 Indenture" means the 5307 Indenture and references to the "Indenture" under "Summary of Certain Provisions of the 5337 Indenture" means the 5337 Indenture.

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

"*Interest Account*" means the account of that name in the Debt Service Fund established under each Indenture.

"*Interest Commencement Date*" means, with respect to any Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing the issuance of such Bond (which date must be prior to the maturity date for such Capital Appreciation and Income Bond) after which interest accruing on such Capital Appreciation and Income Bond shall be payable periodically, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"*Interest Payment Date*" means any Payment Date on which interest on any Parity Obligation is payable.

"*Interest Period*" means the period from the date of any Parity Obligation to and including the day immediately preceding the first Interest Payment Date and thereafter shall mean each period from and including an Interest Payment Date to and including the day immediately preceding the next Interest Payment Date.

"*Interest Requirement*" for any Bond Year or any Interest Period, as the context may require, as applied to Bonds of any Series then Outstanding and each Section 207 Obligation then Outstanding, means the total of the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year or Interest Period if the interest on the Bonds or Section 207 Obligations were deemed to accrue daily during such Bond Year or Interest Period in equal amounts, and employing the methods of calculation set forth (i) in the Indenture as described in this Appendix A under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture – Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Hedging Transactions**" and "**Summary of Certain Provisions of the 5337 Indenture – Hedging Transactions**" in the case of a Qualified Swap Agreement and (ii) as described in this Appendix A under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture – Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Optional Tender Bonds and Variable Rate Bonds**" in the cases of Optional Tender Bonds and Variable Rate Bonds; *provided, however,* that interest expense shall be excluded from the determination of Interest Requirement to the extent that such interest is to be paid from the proceeds of Bonds allocable to the payment of such interest as provided in the

Indenture or a Supplemental Indenture or other available moneys or from investment (but not reinvestment) earnings thereon if such proceeds shall have been invested in Investment Securities and to the extent such earnings may be determined precisely. Unless the Authority shall otherwise provide in a Supplemental Indenture, interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, except to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of Interest Requirement.

"*Investment Securities*" means any of the following securities or investments authorized by law as permitted investments of Authority funds at the time of purchase thereof:

(i) Government Obligations;

(ii) obligations of any of the following federal agencies, which obligations are fully guaranteed by the full faith and credit of the United States of America:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(iii) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- obligations of the Resolution Funding Corporation (REFCORP)
- senior debt obligations of the Federal Home Loan Bank System (FHLB)
- senior debt obligations of other government sponsored agencies approved by each Bond Insurer

(iv) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Service and "A-1" by Standard & Poor's Global Ratings and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(v) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's Investors Service and "A-1+" by Standard & Poor's Global Ratings and which matures not more than 270 calendar days after the date of purchase;

(vi) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Global Ratings and rated "Aaa" by Moody's Investors Service;

(vii) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's Investors Service and Standard & Poor's Global Ratings or any successors thereto; or (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(viii) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's Investors Service and Standard & Poor's Global Ratings;

(ix) investment agreements approved in writing by each Bond Insurer (supported by appropriate opinions of counsel); and

(x) other forms of investments (including repurchase agreements) approved in writing by each Bond Insurer.

"*Maximum Annual Debt Service Requirement*" means, as of any date of calculation, the largest Annual Debt Service Requirement occurring in the then current and any succeeding Bond Year.

"*Optional Tender Bonds*" means any Bonds with respect to which the Owners thereof have the option to tender to the Authority, to any Fiduciary or to any agent thereof, all or a portion of such Bonds for payment or purchase.

"*Outstanding,*" when used with reference to Parity Obligations, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the applicable Indenture, all Section 206 Obligations incurred under Qualified Swap Agreements and all Section 207 Obligations incurred under Credit Facilities except:

(i) Any Parity Obligations canceled by the Trustee or the Person entitled to payment of any Section 206 Obligation or Section 207 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Trustee or the Authority, as the case may be, for cancellation;

(ii) Parity Obligations (or portions of Parity Obligations) for the payment or redemption of which moneys and/or Defeasance Obligations, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or date fixed for redemption, are held in trust under the applicable Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Parity Obligations (or portions of Parity Obligations) are to be redeemed, notice of such redemption shall have been given as provided in the applicable Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the applicable Indenture as a result of transfer, exchange or redemption or in replacement of Bonds mutilated, destroyed, stolen or lost;

(iv) Parity Obligations deemed to have been paid as a result of defeasance in accordance with the applicable Indenture; and

(v) Optional Tender Bonds deemed to have been purchased in accordance with the provisions of the Supplemental Indenture authorizing their issuance in lieu of which other Bonds have been authenticated and delivered under such Supplemental Indenture.

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

"*Parity Obligation*" means any Bond, any Section 206 Obligation and any Section 207 Obligation.

"*Paying Agent*" means with respect to any Bonds, any bank, national banking association or trust company designated by ordinance of the Board or by an Authorized Officer as paying agent for the Bonds of any Series, and any successor or successors appointed by an Authorized Officer under the Indenture and with respect to a Qualified Swap Agreement, the Swap Provider.

"*Payment Date*" means any date on which the principal of (including any Sinking Fund Installment) or interest on any Series of Bonds is payable in accordance with its terms and the terms of the Indenture or the Supplemental Indenture creating such Series or, in the case of Section 207 Obligations or amounts that are payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Section 207 Obligation or such Qualified Swap Agreement.

"*Person*" means and includes an association, unincorporated organization, a corporation, a partnership, a limited liability corporation, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

"*Principal*" *or* "*principal*" means (i) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in the Indenture in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an event of default, in which case "*principal*" means the initial public offering price of a Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) but when used in connection with determining whether the Owners of the requisite principal amount of Bonds then Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or with respect to the Redemption Price of any Capital Appreciation Bond, "*principal amount*" means the Accreted Amount (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of a Sinking Fund Installment, if applicable, or at maturity or (iii) with respect to a Section 207 Obligation, the principal amount payable on each repayment date.

"*Principal Account*" means the account of that name in the Debt Service Fund established under each Indenture.

"*Principal Payment Date*" means any Payment Date upon which the principal of any Parity Obligation is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of a Sinking Fund Installment.

"*Principal Requirement*" for any Bond Year, as applied to the Bonds of any Series or any Section 207 Obligation, means, the last day of the Bond Year (the "Applicable Principal Payment Date") an amount calculated beginning

(i) on the preceding Principal Payment Date, if any, that occurs one year or less before each Applicable Principal Payment Date, or

(ii) one year prior to each Applicable Principal Payment Date if there is no prior Principal Payment Date or if the preceding Principal Payment Date is more than one year prior to the Applicable Principal Payment Date;

which amount shall equal the sums that would be deemed to accrue on such Bonds or Section 207 Obligations during such Bond Year of

(i) the principal of the Current Interest Bonds of such Series or Section 207 Obligations scheduled to mature or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date, and

(ii) the Accreted Amount of the Capital Appreciation Bonds of such Series, scheduled to become due or have a required Sinking Fund Installment on or prior to the Applicable Principal Payment Date,

determined by employing the methods of calculation set forth in the Indenture and summarized in this Appendix A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Optional Tender Bonds and Variable Rate Bonds**" in the cases of Optional Tender Bonds and Variable Rate Bonds, were each deemed to accrue daily during such year in equal amounts to but not including the Applicable Principal Payment Date; *provided,* *however,* that an amount of principal shall be excluded from the determination of Principal Requirement to the extent that such amount is to be paid from the proceeds of Bonds allocable to the payment of such principal as provided in the Supplemental Indenture authorizing the issuance of such Bonds or other available moneys or from the investment (but not reinvestment) earnings thereon if such proceeds or other moneys shall have been invested in Investment Securities and to the extent such earnings may be determined precisely.

"*Project Account*" means any project account within the Construction Fund established under each of the Indentures, including the accounts established in connection with the issuance of the Series 2021 Bonds to pay costs of issuance, and any additional project account established in connection with the issuance of a Series of Additional Bonds.

"*Purchase Price*" means the purchase price established in any Supplemental Indenture authorizing Optional Tender Bonds as the purchase price to be paid for such Bonds upon an optional or mandatory tender of all or a portion of such Bonds.

"*Qualified Swap Agreement*" means an agreement between the Authority and a Swap Provider under which the Authority agrees to pay the Swap Provider an amount calculated at an agreed-upon rate and/or index based upon a notional amount and the Swap Provider agrees to pay the Authority or the Authority agrees to pay the Swap Provider for a specified period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Service (if such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider, or of the person who guarantees the obligation of the Swap Provider to make its payments to the Authority, as of the date the swap agreement is entered into, a rating that is equal to or higher than "A" and (b) the Authority has notified each Rating Service (whether or not such Rating Service also rates the unsecured obligations of the Swap Provider or its guarantor) in writing at least 15 days prior to executing and delivering the swap agreement of its intention to enter into the swap agreement.

"*Rating Services*" means each and every one of the nationally recognized rating services that shall have assigned ratings to any Bonds Outstanding as requested by or on behalf of the Authority, and which ratings are then currently in effect.

"*Rebate Fund*" means the Rebate Fund established under each of the Indentures.

"*Redemption Price*" means, with respect to any Bond, the Principal thereof plus the applicable premium, if any, payable upon the date fixed for redemption.

"*Refunded Bonds*" means, for each Series, the portion of the Outstanding Bonds identified under "PLAN OF FINANCE" in this Official Statement.

"*Refunding Bonds*" means Bonds issued pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds**" and "**Summary of Certain Provisions of the 5337 Indenture – Refunding Bonds**" in this Appendix A.

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

"*RTA*" means the Regional Transportation Authority, a political subdivision of the State of Illinois organized and existing under the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615.

"*Second Supplemental Indenture*" means with respect to the 5307 Indenture, the Second Supplemental Indenture dated as of April 1, 2008, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Second Supplemental Indenture dated as of May 1, 2010, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*Section 206 Obligations*" means any payment obligations incurred by the Authority to any one or more Swap Providers pursuant to the provisions of the Indenture summarized in the first paragraph under the heading **"Summary of Certain Provisions of the 5307 Indenture – Hedging Transactions"** and "**Summary of Certain Provisions of the 5337 Indenture – Hedging Transactions**" in this Appendix A.

"*Section 207 Obligations*" means any obligations incurred by the Authority to reimburse the issuer or issuers of one or more Credit Facilities securing one or more Series of Bonds as described in the provisions of Section 207 of each Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture – Credit Facilities to Secure Bonds; Section 207 Obligations**" and "**Summary of Certain Provisions of the 5337 Indenture – Credit Facilities to Secure Bonds; Section 207 Obligations**" in this Appendix A, including any fees or other amounts payable to the issuer of any such Credit Facilities, whether such obligations are set forth in one or more reimbursement agreements entered into between the Authority and the Credit Bank, or in one or more notes or other evidences of indebtedness executed and delivered by the Authority pursuant thereto, or any combination thereof.

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

"*Series*" means all of the Bonds designated as a series and authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"*Series 2017 5307 Bonds*" means the $90,540,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2017 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), of the Authority authorized by the 2017 Bond Ordinance and the 5307 Indenture.

"*Series 2017 5337 Bonds*" means the $135,255,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2017 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), of the Authority authorized by the 2017 Bond Ordinance and the 5337 Indenture.

"*Series 2021 5307 Bonds*" means the $99,325,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) of the Authority authorized by the 2020 Bond Ordinance and the 5307 Indenture.

"*Series 2021 5337 Bonds*" means the $21,650,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), of the Authority authorized by the 2020 Bond Ordinance and the 5337 Indenture.

"*Series 2021 Bonds*" means, collectively, the Series 2021 5307 Bonds and the Series 2021 5337 Bonds.

"*Seventh Supplemental Indenture*" means the Seventh Supplemental Indenture dated as of June 1, 2021, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture.

"*Sinking Fund Installment*" means with respect to any Series of Additional Bonds or Refunding Bonds, each principal amount of Bonds scheduled to be redeemed through sinking fund redemption provisions by the application of amounts on deposit in the Principal Account, established pursuant to the Indenture.

"*Sixth Supplemental Indenture*" means with respect to the 5307 Indenture, the Sixth Supplemental Indenture dated as of July 1, 2017, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Sixth Supplemental Indenture dated as of June 1, 2021, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

"*SLG's*" means United States Treasury Certificates of Indebtedness, Notes and Bonds State and Local Government Series.

"*Subordinated Indebtedness*" means indebtedness permitted to be issued or incurred pursuant to the Indenture. See "**Summary of Certain Provisions of the 5307 Indenture – Subordinated Indebtedness**" and "**Summary of Certain Provisions of the 5337 Indenture – Subordinated Indebtedness**".

"*Subordinated Indebtedness Account*" means any subordinate indebtedness account established within the General Fund pursuant to a Supplemental Indenture.

"*Supplemental Indenture*" means any Supplemental Indenture authorized pursuant to the Indenture.

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

"*Term Bonds*" means the Bonds of a Series other than Serial Bonds which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

"*Third Supplemental Indenture*" means with respect to the 5307 Indenture, the Third Supplemental Indenture dated as of May 1, 2010, between the Authority and the 5307 Trustee, supplementing the 5307 Master Indenture and, with respect to the 5337 Indenture, the Third Supplemental Indenture dated as of January 1, 2013, between the Authority and the 5337 Trustee, supplementing the 5337 Master Indenture.

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

"*Trust Estate*" means, with respect to each Indenture, the Grant Receipts and all other property pledged to the Trustee pursuant therefore.

"*Trustee*" means, with respect to the 5307 Indenture, the 5307 Trustee and with respect to the 5337 Indenture, the 5337 Trustee, as applicable.

"*Variable Rate Bonds*" means any Bonds the interest rate on which is not established at the time of issuance thereof at a single numerical rate for the entire term thereof.

"*Variable Rate Stabilization Account*" means the account by that name in the Debt Service Fund.

"*Variable Rate Stabilization Account Requirement*" means, as of any date of computation, the higher of (1) the amount determined by the Authority in a certificate of an Authorized Officer filed with the Trustee or (2) an amount equal to 3.5 percent of the sum of (a) the principal amount of all Outstanding Variable Rate Bonds, exclusive of (i) the principal amount of Outstanding Variable Rate Bonds that bear interest at a fixed rate to maturity and (ii) the principal amount of Outstanding Variable Rate Bonds with respect to which the Authority has entered into a Qualified Swap Agreement which, as of such date of computation and for at least the period of one year following such date of computation, requires the Authority to pay a fixed interest rate, and (b) the notional amount of all Qualified Swap Agreements, relating to Bonds that are not Variable Rate Bonds, that as of such date require the Authority to pay interest based upon a variable interest rate or to make swap payments based upon a variable rate index.

"*2008 5307 Bonds*" means the $100,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2008 5309 Bonds*" means the $150,000,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2008A 5309 Bonds*" means the $127,260,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2008A (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2010 5307 Bonds*" means the $63,895,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Series 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2010 5309 Bonds*" means the $26,820,000 original principal amount of the Capital Grant Receipts Revenue Bonds, Series 2010 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2011 5307 Bonds*" means the $56,525,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2011 (Federal Transit Administration Section 5307 Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2015 5307 Bonds*" means the $131,270,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds), of the Authority authorized by the 5307 Indenture.

"*2015 5337 Bonds*" means the $45,650,000 original principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2015 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds), of the Authority authorized by the 5337 Indenture.

"*2020 Bond Ordinance*" means the ordinance adopted by the Board on April 8, 2020.

"*2021 Project Account*" means the account by that name in the Construction Fund established under the Indentures.

"*5307 Grant Receipts*" means all amounts received by the Authority from its share of FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds.

"5307 Indenture" means the 5307 Master Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, and as from time to time supplemented and amended.

"5307 Master Indenture" means the Trust Indenture dated as of November 1, 2004, between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

"*5307 Trustee*" means the Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the 5307 Indenture.

"*5337 Grant Receipts*" means all amounts received by the Authority from its share of FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds.

"5337 Indenture" means the 5337 Master Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, and as from time to time supplemented and amended.

"5337 Master Indenture" means the Trust Indenture dated as of April 1, 2008, between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

"*5337 Trustee*" means Amalgamated Bank of Chicago, Chicago, Illinois, and any successor or successors appointed under the 5337 Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE 5307 INDENTURE

The following summary sets forth certain provisions of the 5307 Indenture. The defined terms contained herein are to be read solely in reference to the 5307 Indenture. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the 5307 Indenture for a complete statement of the provisions thereof.

Pledge Effected by the Indenture; Limited Obligations

Pursuant to the Indenture, (i) the 5307 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the Indenture (except the Rebate Fund), subject, however, to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture – Covenants of the Authority - FTA Funds**" below and from the General Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - General Fund**" below, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds and the payment of Section 206 Obligations and Section 207 Obligations and a lien is granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture, *provided,* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture.

Pursuant to Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350/13, the 5307 Grant Receipts and the other moneys and securities pledged by the Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Parity Obligations are limited obligations of the Authority payable solely from the 5307 Grant Receipts pledged for their payment in accordance with the Indenture. The Parity Obligations are not, and shall not be or become, an indebtedness or obligation of the State of Illinois, the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Parity Obligation be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

No lien upon any physical properties of the Authority is created by the Indenture.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement under the provisions of the Indenture as summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds**" below and for the purpose of determining the amount to be deposited into the Interest Account pursuant to the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" below, interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the Bond Market Association Municipal Swap Index[2], (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus fifty basis points, and (e) the interest rate set forth in a certificate of an Authorized Officer filed with the Trustee.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Bonds constitute Optional Tender Bonds, then in determining the Interest Requirement and the Principal Requirement of a Series of Bonds, the options of the Owners of such Bonds to tender the same for payment prior to their stated Principal Payment Date shall be ignored. If any of the Bonds constitute Variable Rate Bonds, the interest rate used in determining the Interest Requirement for such Variable Rate Bonds shall be the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" above, or, if and so long as a Qualified Swap Agreement is in effect that provides for a fixed interest rate, the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Hedging Transactions.**" The conversion of Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the provisions of the Indenture, as summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5307 Indenture - Refunding Bonds.**" In determining the Interest Requirement or the Principal Requirement of any Section 207 Obligation, such Section 207 Obligation shall be deemed to be Outstanding only to the extent that, on the date of computation,

[2] Now known as the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index.

there are unpaid drawings or advances under the terms of the Credit Facility that created the Section 207 Obligation.

Funds and Accounts

The Authority under the Indenture establishes the Grant Receipts Deposit Fund, which shall be a special fund of the Authority held by the Authority as part of the Trust Estate, and the Construction Fund, the General Fund and the Debt Service Fund, each of which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate. Subject to use and application in accordance with the Indenture, all of the moneys and securities held in the Grant Receipts Deposit Fund, the Construction Fund, the Debt Service Fund and the General Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Parity Obligations and is subject to the lien of the Indenture. The Authority also establishes under the Indenture a Rebate Fund, which is not pledged to payment of the Bonds. The Interest Account, the Principal Account and the Variable Rate Stabilization Account are established as special accounts within the Debt Service Fund and the 2021 Project Account is established as a special account within the Construction Fund.

The Trustee shall withdraw from the appropriate Project Account in the Construction Fund and deposit into the Rebate Fund the amount specified by the Authority. The Trustee shall also withdraw moneys from the appropriate Project Account in the Construction Fund to pay costs of issuance of the Bonds in accordance with the directions of the Authority. All other payments from the Construction Fund shall be subject to the provisions and restrictions set forth in the Indenture.

Deposit and Application of 5307 Grant Receipts

All 5307 Grant Receipts received by the Authority shall be deposited promptly into the Grant Receipts Deposit Fund. On the first Business Day of each Bond Year, and (if required) on any subsequent Business Day during the Bond Year the Authority shall withdraw from the Grant Receipts Deposit Fund and pay over to the Trustee an amount sufficient to enable the Trustee to make payments into the following several Funds and Accounts, but as to each such Fund or Account only within the limitation indicated below with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

> FIRST: Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations for each remaining Interest Period that ends in the current Bond Year.
>
> SECOND: Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations for the current Bond Year.

THIRD: Into the Variable Rate Stabilization Account, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement.

FOURTH: Into the Rebate Fund, the amount specified in the certificate of an Authorized Officer filed with the Trustee pursuant to the Indenture.

FIFTH: Into the General Fund, the amount specified in a certificate of an Authorized Officer filed with the Trustee.

Debt Service Fund

The Trustee shall pay to the respective Paying Agents or to any Swap Provider, as applicable, in Current Funds (i) out of any capitalized interest account established with respect to any Series of Bonds on or before each Interest Payment Date specified in the Supplemental Indenture authorizing such Series, the applicable amount set forth in such Supplemental Indenture; (ii) out of the Interest Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i) above; (iii) out of the Variable Rate Stabilization Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i), or clause (ii) above; (iv) out of the Principal Account on or before each Principal Payment Date, an amount equal to the principal amount of the Outstanding Bonds and Section 207 Obligations, if any, which mature on such date; and (v) out of the Principal Account on or before each Principal Payment Date occasioned by redemption of Outstanding Bonds from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof. The Trustee shall also pay out of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment) the accrued interest included in the purchase price of Outstanding Bonds purchased for retirement.

Amounts in the Principal Account available for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds as provided below.

(1) Amounts deposited to the credit of the Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the

Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment). All such purchases of Outstanding Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. The principal amount of any Bonds so purchased shall be deemed to constitute part of the Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

(2) At any time up to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Authority may purchase with any available funds Outstanding Bonds for which such Sinking Fund Installment was established and surrender such Bonds to the Trustee at any time up to said date.

(3) After giving effect to the Outstanding Bonds purchased by the Trustee and Outstanding Bonds surrendered by the Authority as described in paragraphs (1) and (2) above, which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay out of the Principal Account to the appropriate Paying Agents, on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Outstanding Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(4) If the principal amount of Outstanding Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase or redemption from moneys other than from the Principal Account of Outstanding Bonds of any Series and maturity for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Authority establishes in a certificate delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

Moneys held in the Accounts of the Debt Service Fund shall be invested as provided in the Indenture. See "**Summary of Certain Provisions of the 5307 Indenture - Investment of Certain Moneys**" below in this APPENDIX A. Investment income earned as a result of such investment shall be retained in said Accounts.

The amount, if any, deposited in the Interest Account from the proceeds of Bonds shall be set aside in such Account and applied to the payment of the interest on the Bonds with respect to which such proceeds were deposited in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

If on any date, the amount held in the Variable Rate Stabilization Account exceeds the Variable Rate Stabilization Account Requirement, the Trustee, at the direction of the Authority, is required to transfer such excess to the General Fund.

General Fund

The Authority may establish within the General Fund one or more Debt Service Reserve Accounts for the purpose of providing additional security for the payment of one or more Series of Bonds. The Authority may provide for the application of moneys in the General Fund to maintain such Debt Service Reserve Account and for the use of moneys held in such Debt Service Reserve Account.

The Authority may establish one or more Subordinated Indebtedness Accounts within the General Fund for the purpose of securing the payment of Subordinated Indebtedness; *provided, however,* that in no event shall the administration of any such Account limit the application of moneys in the General Fund (including any Account therein) for the payment of interest or Principal due on Outstanding Bonds and Section 207 Obligations (or any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement).

If on any Interest Payment Date or Principal Payment Date the aggregate amount to the credit of the Debt Service Fund is less than the amount required to pay interest or Principal due on the Outstanding Bonds and Section 207 Obligations (and any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement), the Trustee is required to apply amounts from the General Fund (including any amount then held in a Debt Service Reserve Account or a Subordinated Indebtedness Account) to the extent necessary to cure such deficiency, in the following order of priority: first, to the credit of the Interest Account and then to the credit of the Principal Account; provided, however, that any withdrawal from a Debt Service Reserve Account shall be limited by the terms and conditions governing withdrawals from such Account.

Subject to any provisions limiting withdrawals from Debt Service Reserve Accounts and Subordinated Indebtedness Accounts, at the direction of the Authority, moneys held in the General Fund may be withdrawn from the General Fund and (i) transferred to any other Fund, Account or Sub-Account maintained under the Indenture or any Supplemental Indenture; (ii) used to purchase, pay, redeem or defease Outstanding Bonds; or (iii) used for any other purpose permitted by the Indenture.

Subject to the following paragraph, moneys in the General Fund shall be withdrawn promptly by the Trustee and paid over to the Authority free from the lien of the Indenture.

Any withdrawal of amounts held in a Debt Service Reserve Account or a Subordinated Indebtedness Account pursuant to the above paragraph shall be limited by the terms of administration of such Account. No withdrawal from the General Fund pursuant to the above paragraph shall be made unless, at the time of such withdrawal, (i) no deficiency exists with respect to the required deposits to the Interest Account and the Principal Account pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of**

the 5307 Indenture - Deposit and Application of 5307 Grant Receipts" above; (ii) the sum then held in the Variable Rate Stabilization Account shall be not less than the Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred and remain unremedied.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Accounts, the General Fund and its Accounts, the Rebate Fund and the Construction Fund and its Accounts shall be invested and reinvested by the Trustee at the oral direction of the Authority to the fullest extent practicable in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Funds or Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in subparagraph (vi) of the definition of Investment Securities, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Moneys held in any separate, segregated account of the Construction Fund held by the Authority in any depositary of moneys and securities held under the Indenture may be invested and reinvested by the Authority in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such accounts.

Investment Securities in any Fund, Account or Sub-Account created under the provisions of the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account.

Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee as often as may be necessary to determine the amounts held therein, except that valuations of Government Obligations held in the Debt Service Fund and its Accounts shall be made at least once each year on such dates as shall be determined by the Trustee.

The value of Investment Securities shall mean the fair market value thereof, *provided, however,* that all SLG's shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citibank.

Additional Bonds for Construction Purposes

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of paying the Cost of Construction of one or more Eligible Projects or refunding any Subordinated Indebtedness issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account under the Indenture. The Additional Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it of a certificate of an Authorized Officer:

(1) Setting forth the average Annual Apportionment Amount for the three completed Federal Fiscal Years immediately preceding the date of issuance of such Series of Additional Bonds; and

(2) Determining that the average Annual Apportionment Amount determined pursuant to clause (1) above is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding immediately following the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth and summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds.

The proceeds, including accrued interest, of Additional Bonds of each Series shall be applied upon their delivery as follows:

(a) there shall be deposited in any Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture providing for the issuance of such Bonds; and

(b) the remaining balance shall be deposited in the Project Account established in the Construction Fund for the Additional Project specified in such Supplemental Indenture.

Such Additional Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers to the Trustee upon the authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, and any or all Outstanding Section 207 Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account under the Indenture.

Refunding Bonds of a Series to refund or advance refund Outstanding Bonds or Section 207 Obligations shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to certain other documents, securities and moneys required by the Indenture) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Defeasance**" so that the Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - Defeasance.**"

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds and Section 207 Obligations to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case any be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds or the Persons entitled to payment of the Section 207 Obligations, as the case may be, to be refunded or advance refunded, or (ii) Defeasance Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the defeasance provisions of the Indenture.

(3) Either (i) the certificate of an Authorized Officer required under the Indenture in connection with the issuance of Additional Bonds as described under "**Summary of Certain Provisions of the 5307 Indenture - Additional Bonds for Construction Purposes**," as applied to the Refunding Bonds to be issued pursuant to the provisions of the Indenture summarized under this heading, or (ii) a certificate of an Authorized Officer evidencing that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding, after the issuance of such Refunding Bonds and the redemption of provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in the previous paragraph, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions of the Indenture summarized under the headings "**Summary of Certain Provisions of the 5307 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5307 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows:

(1) there shall be deposited in any other Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds;

(2) the amount of such proceeds needed for the refunding of the Bonds to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes; and

(3) any balance of such proceeds shall be applied in accordance with the written instructions of the Authority, signed by an Authorized Officer and filed with the Trustee.

Refunding Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers upon authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds and Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for the issuance thereof.

Hedging Transactions

If the Authority shall enter into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(1) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Authority under such Qualified Swap Agreement;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from 5307 Grant Receipts shall be made from amounts on deposit to the credit of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment); and

(3) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the Interest Account.

If the Authority shall enter into a swap agreement of the type generally described in the preceding paragraph that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(1) the interest rate adjustments or assumptions referred to in subparagraph (1) of the preceding paragraph shall not be made;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such swap agreement shall be made either (i) from sources other than 5307 Grant Receipts or (ii) if made from 5307 Grant Receipts, such payments, and any lien on 5307 Grant Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on 5307 Grant Receipts created by the Indenture as security for the payment of Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as 5307 Grant Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as 5307 Grant Receipts are to be deposited. See **"Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts."**

With respect to a Qualified Swap Agreement described in the first paragraph under this heading or a swap agreement described in the preceding paragraph, any termination payment required to be made by the Authority to the Swap Provider shall be made either (i) from sources other than 5307 Grant Receipts, or (ii) if made from 5307 Grant Receipts, such termination payment and any lien on 5307 Grant Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on 5307 Grant Receipts created by the Indenture as security for the payment of Parity Obligations.

Credit Facilities to Secure Bonds; Section 207 Obligations

The Authority reserves the right to provide one or more Credit Facilities, or a combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owner thereof. In connection with any such Credit Facility, the Authority may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility, and the method by which the Authority will reimburse the Credit Bank that issued such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Authority and such Credit Bank.

At the election of the Authority expressed in a certificate of an Authorized Officer filed with the Trustee, any such obligation of the Authority to reimburse or otherwise make payments to the Credit Bank shall constitute a Parity Obligation under the Indenture (a "Section 207 Obligation") to the same extent as any Series of Bonds, and any and all amounts payable by the Authority to reimburse such Credit Bank, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Parity Obligations.

Each Section 207 Obligation shall be repayable over a period of not less than five years. The principal amount of all Section 207 Obligations incurred under a Credit Facility reimbursement agreement and payable in any period of 365 consecutive days shall not exceed 15 percent of the principal amount of all such Section 207 Obligations then Outstanding under such Credit Facility reimbursement agreement.

Subordinated Indebtedness

Nothing in the Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority (to the extent now or hereafter permitted by law) from (i) issuing bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from 5307 Grant Receipts, or (ii) incurring contractual obligations that are payable from 5307 Grant Receipts, but only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all Parity Obligations issued and Outstanding under the Indenture.

Covenants of the Authority

Pledge of 5307 Grant Receipts. The Authority covenants that the 5307 Grant Receipts and other moneys, securities and funds so pledged, and subject to the lien of the Indenture, are and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the 5307 Grant Receipts and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

Indebtedness and Liens. The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements and Subordinated Indebtedness, which are secured by a pledge of or lien on the 5307 Grant Receipts or the moneys, securities or funds held or set aside by the Authority or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the 5307 Grant Receipts or such moneys, securities or funds; *provided, however,* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring (i) evidences of indebtedness payable from or secured by amounts that may be withdrawn from the General Fund free from the lien of the Indenture as provided by the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5307 Indenture - General Fund**" above or (ii) evidences of indebtedness payable from, or secured by the pledge of, 5307 Grant Receipts to be derived on and after such date as the pledge of 5307 Grant Receipts provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Construction of Project. To the extent that construction of the Bond Financed Projects is not complete as of the date of the Sixth Supplemental Indenture, the Authority shall forthwith proceed to complete the construction of the Bond Financed Projects as Eligible Projects in conformity with all requirements of all governmental authorities having jurisdiction thereover, and in accordance with and as more fully shown on the plans therefor, and the specifications relative thereto, subject to such modifications of such plans and specifications as may be approved from time to time by the Authority.

Payment of Lawful Charges. The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the 5307 Grant Receipts; *provided, however,* that this covenant shall not require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Accounts and Reports. The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the 5307 Grant Receipts and the Funds, Accounts and Sub-Accounts established by the Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. The Authority further covenants that it will keep an accurate record of the 5307 Grant Receipts received and of the payment thereof to the Trustee.

Not later than June 1 of each year the Authority will cause an independent audit to be made of its books and accounts for the preceding Fiscal Year, including its books and accounts relating to the 5307 Grant Receipts. Promptly thereafter reports of each such annual audit, signed by an Accountant, shall be mailed by the Authority to the Trustee and the Trustee shall make such reports available for inspection by the Owners of the Bonds.

Tax Covenants. The Authority shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2021 5307 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2021 5307 Bond to constitute a “private activity bond” within the meaning of Section 141 of the Code. The Authority shall not permit any of the proceeds of the Series 2021 5307 Bonds or other moneys to be invested in any manner that would cause any Series 2021 5307 Bond to constitute an “arbitrage bond” within the meaning of Section 148 of the Code or a “hedge bond” within the meaning of Section 149(g) of the Code. The Authority shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

FTA Funds. (a) The Authority shall comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under 49 United States Code Section 5307 in order to be eligible to receive 5307 Grant Receipts for the payment of Parity Obligations and to facilitate the prompt receipt by the Authority of 5307 Grant Receipts.

(b) Within 10 days of the date that any FTA Section 5307 (49 United States Code Section 5307) Urbanized Area Formula funds appropriated with respect to a Federal Fiscal Year become available for disbursement to the Authority for payment obligations then due, the Authority shall take all reasonable actions as shall be necessary or desirable to facilitate the prompt payment of such Section 5307 Urbanized Area Formula funds to the Authority. All of such moneys constituting 5307 Grant Receipts, when received by the Authority, shall be deposited promptly into the Grant Receipts Deposit Fund.

(c) For each Federal Fiscal Year, the Authority shall apply for the appropriation of FTA Section 5307 Urbanized Area Formula funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee required to be made under the provisions of the Indenture summarized in this APPENDIX A under the heading **"Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts"** above to the end of the next Bond Year, and shall cause such FTA Section 5307 Urbanized Area Formula funds to be obligated for such purposes on the earliest possible date in each Federal Fiscal Year.

(d) If as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the Trustee as described under this heading in subsection (c) above from the current Federal Fiscal Year appropriations have not been obtained, then the Authority shall reprogram available FTA Section 5307 Urbanized Area Formula funds appropriated in prior Federal Fiscal Years to the extent required to make such payments.

(e) Moneys held in the Grant Receipts Deposit Fund may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects; *provided*, *however*, that after the first Business Day of any Bond Year if any deficiency then exists in the deposits required to be made by the Trustee pursuant to the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" above, no such withdrawal shall be made unless the Authority shall have obligated from appropriations applicable from the current or prior Federal Fiscal Years a sum sufficient for the payments to the Trustee required to be made pursuant to the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5307 Indenture - Deposit and Application of 5307 Grant Receipts**" in the current Bond Year.

Events of Default and Remedies

Each of the following events is declared an "*Event of Default*" under the Indenture:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Parity Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Parity Obligation, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in the Parity Obligations contained, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or after written notice thereof to the Authority and to the Trustee by (a) the Owners of not less than a majority in principal amount of the Outstanding Bonds or (b) the Person entitled to payment under any other Outstanding Parity Obligation; or

(4) if the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Illinois.

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any Fund, Account or Sub-Account pursuant to the terms of the Indenture, and (ii) all 5307 Grant Receipts as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and 5307 Grant Receipts and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to the provisions summarized under this heading;

(2) to the payment of the principal of, Redemption Price of and interest on the Parity Obligations then due, as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Parity Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Parity Obligations which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Parity Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Authority under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Parity Obligations held by or for the account of the Authority have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

In the preceding three paragraphs, interest on Parity Obligations includes net payments to a Swap Provider under a Qualified Swap Agreement, as provided in the Indenture.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted therein, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name. All actions against the Authority under the Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then

Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, any Credit Bank, Swap Provider or Bond Insurer or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of the Indenture.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture relating to extension of payment of the Bonds.

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of its Bond from the sources provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer shall be treated as the Owner of Bonds upon which such Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to the provisions of the Indenture relating to events of default and remedies upon an event of default; *provided, however,* that (a) the Owners of the

Bonds shall retain the right to exercise all rights under such provisions related to the enforcement of the tax covenants of the Authority contained in the Indenture, and (b) such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, until the Authority has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest Payment Date or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Credit Bank or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Supplemental Indentures Not Requiring Consent of Owners

The Authority and the Trustee may without the consent of, or notice to, any of the Owners or any Credit Bank, Bond Insurer and Swap Provider, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(1) to authorize Additional Bonds and Refunding Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;

(2) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Parity Obligations, or of other notes, bonds, obligations or evidences of indebtedness;

(3) to impose additional covenants or agreements to be observed by the Authority;

(4) to impose other limitations or restrictions upon the Authority;

(5) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the 5307 Grant Receipts or any other moneys, securities or funds;

(7) authorize the issuance of Subordinated Indebtedness and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Indenture as then in effect;

(8) to cure any ambiguity, omission or defect in the Indenture;

(9) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;

(10) to provide for the appointment of any successor Fiduciary; and

(11) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

Supplemental Indentures Effective upon Consent of Owners

Except for Supplemental Indentures described under the preceding heading, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in the Indenture (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon or impair the exclusion from federal income taxation of interest on any Bond without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds. Any amendment or modification of the Indenture that adversely affects or diminishes the rights of any Credit Bank or Swap Provider with respect to the payment of any Section 206 Obligation or any Section 207 Obligation or the security provided by the Indenture with respect to the payment of any Section 206 Obligation or Section 207 Obligation shall not take effect unless such amendment of modification is consented to by such Credit Bank or Swap Provider (or in the event of an assignment of such Section 206 Obligation or Section 207 Obligation, the Person entitled to payment of such Section 206 Obligation or Section 207 Obligation).

Subject to the provisions of the Indenture summarized below under "**Summary of Certain Provisions of the 5307 Indenture - Termination of Rights of Bond Insurers,**" the rights of the Owner of an Insured Bond to consent to any amendment or modification of the Indenture are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose. Upon the authorization of a Supplemental Indenture making an amendment or modification to the Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in the Indenture provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Authority, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter provided under this heading. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the provisions described under this heading and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Authority a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given.

Required Consent of Bond Insurer

Any provision of the Indenture expressly recognizing or granting rights in or to a Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of such Bond Insurer.

The consent of the Bond Insurer shall be required in addition to the consent of the Owners of the Bonds insured by such Bond Insurer, when required.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any 5307 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall thereupon be discharged and satisfied and (ii) to the applicable Credit Banks and Swap Providers (or their assignees) all payments due upon the instruments creating Section 206 Obligations and Section 207 Obligations, then the pledge of any 5307 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and obligations of the Authority to the Credit Banks, the Swap Providers and any of their assignees with respect to payment of Section 206 Obligations and Section 207 Obligations shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Authority, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Authority for any year or part thereof requested, and shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption or for the payment of Section 206 Obligations and Section 207 Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture summarized under this heading and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the provisions of the Indenture summarized under this heading shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Authority, shall be applied by the Trustee to the purchase of such Bonds in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the Authority on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Authority shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Authority the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Termination of Rights of Bond Insurers

All rights of any Bond Insurer under the Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

SUMMARY OF CERTAIN PROVISIONS OF THE 5337 INDENTURE

The following summary sets forth certain provisions of the 5337 Indenture. The defined terms contained herein are to be read solely in reference to the 5337 Indenture. This summary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Reference is made to the 5337 Indenture for a complete statement of the provisions thereof.

Pledge Effected by the Indenture; Limited Obligations

Pursuant to the Indenture, (i) the 5337 Grant Receipts, (ii) amounts on deposit in all Funds, Accounts and Sub-Accounts established under the Indenture (except the Rebate Fund), subject, however, to the right of the Authority to make periodic withdrawals from the Grant Receipts Deposit Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture – Covenants of the Authority - FTA Funds**" below and from the General Fund as permitted under the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - General Fund**" below, and (iii) any and all other moneys and securities furnished from time to time to the Trustee by the Authority or on behalf of the Authority or by any other persons to be held by the Trustee under the terms of the Indenture are pledged for the payment of the principal and Redemption Price of, and interest on, the Bonds and the payment of Section 206 Obligations and Section 207 Obligations and a lien is granted for such purpose, subject only to the provisions of the Indenture permitting or requiring the application thereof for the purposes and on the terms and conditions set forth in the Indenture, *provided,* that the application of moneys to the payments due to a Swap Provider under a Qualified Swap Agreement is expressly limited to the extent provided in the Indenture.

Pursuant to Section 13 of the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350/13, the 5337 Grant Receipts and the other moneys and securities pledged by the Indenture shall immediately be subject to the lien and pledge thereof without any physical delivery or further act, and the lien and pledge thereof shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Parity Obligations are limited obligations of the Authority payable solely from the 5337 Grant Receipts pledged for their payment in accordance with the Indenture. The Parity Obligations are not, and shall not be or become, an indebtedness or obligation of the State of Illinois, the Regional Transportation Authority or any political subdivision of the State (other than the Authority) or of any municipality within the State nor shall any Parity Obligation be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

No lien upon any physical properties of the Authority is created by the Indenture.

Variable Interest Rates

In determining the Interest Requirement for the purpose of determining Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement under the provisions of the Indenture as summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5337 Indenture - Refunding Bonds**" below and for the purpose of determining the amount to be deposited into the Interest Account pursuant to the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" below, interest on variable rate indebtedness, including Variable Rate Bonds and variable rate interest payments for Section 207 Obligations or under Qualified Swap Agreements, shall be calculated at the lower of (1) the maximum rate of interest permitted for such variable rate indebtedness under the terms of the Variable Rate Bonds, Section 207 Obligations or the Qualified Swap Agreement and (2) the highest rate of (a) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (b) if the indebtedness has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, (c) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the average rate over the 12 months immediately preceding the date of calculation of the SIFMA Municipal Swap Index, (d) if interest is not so excludable, the interest rate on Government Obligations with comparable maturities plus fifty basis points, and (e) the interest rate set forth in a certificate of an Authorized Officer filed with the Trustee.

Optional Tender Bonds and Variable Rate Bonds

If any of the Outstanding Bonds constitute Optional Tender Bonds, then in determining the Interest Requirement and the Principal Requirement of a Series of Bonds, the options of the Owners of such Bonds to tender the same for payment prior to their stated Principal Payment Date shall be ignored. If any of the Bonds constitute Variable Rate Bonds, the interest rate used in determining the Interest Requirement for such Variable Rate Bonds shall be the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest Rates**" above, or, if and so long as a Qualified Swap Agreement is in effect that provides for a fixed interest rate, the interest rate determined pursuant to the provisions of the Indenture, as summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Hedging Transactions.**" The conversion of Variable Rate Bonds to bear interest at a different variable rate or a fixed rate or rates, in accordance with their terms, shall not constitute a new issuance of Bonds under the provisions of the Indenture, as summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**" and "**Summary of Certain Provisions of the 5337 Indenture - Refunding Bonds.**" In determining the Interest Requirement or the Principal Requirement of any Section 207 Obligation, such Section 207 Obligation shall be deemed to be Outstanding only to the extent that, on the date of computation, there are unpaid drawings or advances under the terms of the Credit Facility that created the Section 207 Obligation.

Funds and Accounts

The Authority under the Indenture establishes the Grant Receipts Deposit Fund, which shall be a special fund of the Authority held by the Authority as part of the Trust Estate, and the Construction Fund, the General Fund and the Debt Service Fund, each of which is a special fund of the Authority held in trust by the Trustee as part of the Trust Estate. Subject to use and application in accordance with the Indenture, all of the moneys and securities held in the Grant Receipts Deposit Fund, the Construction Fund, the Debt Service Fund and the General Fund are pledged as security for the payment of the principal of, redemption premium, if any, and interest on, the Parity Obligations and is subject to the lien of the Indenture. The Authority also establishes under the Indenture a Rebate Fund, which is not pledged to payment of the Bonds. The Interest Account, the Principal Account and the Variable Rate Stabilization Account are established as special accounts within the Debt Service Fund and the 2021 Project Account is established as a special account within the Construction Fund.

The Trustee shall withdraw from the appropriate Project Account in the Construction Fund and deposit into the Rebate Fund the amount specified by the Authority. The Trustee shall also withdraw moneys from the appropriate Project Account in the Construction Fund to pay costs of issuance of the Bonds in accordance with the directions of the Authority. All other payments from the Construction Fund shall be subject to the provisions and restrictions set forth in the Indenture.

Deposit and Application of 5337 Grant Receipts

All 5337 Grant Receipts received by the Authority shall be deposited promptly into the Grant Receipts Deposit Fund. On the first Business Day of each Bond Year, and (if required) on any subsequent Business Day during the Bond Year the Authority shall withdraw from the Grant Receipts Deposit Fund and pay over to the Trustee an amount sufficient to enable the Trustee to make payments into the following several Funds and Accounts, but as to each such Fund or Account only within the limitation indicated below with respect thereto and only after maximum payment within such limitation into every such Fund or Account previously mentioned in the following tabulation:

First: Into the Interest Account, to the extent, if any, necessary to increase the amount in the Interest Account so that it equals the sum of the Interest Requirements for all Outstanding Bonds and Section 207 Obligations for each remaining Interest Period that ends in the current Bond Year.

Second: Into the Principal Account, to the extent, if any, needed to increase the amount in the Principal Account so that it equals the Principal Requirements for all Outstanding Bonds and Section 207 Obligations for the current Bond Year.

Third: Into the Variable Rate Stabilization Account, to the extent, if any, needed to increase the amount in the Variable Rate Stabilization Account to the Variable Rate Stabilization Account Requirement.

Fourth: Into the Rebate Fund, the amount specified in the certificate of an Authorized Officer filed with the Trustee pursuant to the Indenture.

Fifth: Into the General Fund, the amount specified in a certificate of an Authorized Officer filed with the Trustee.

Debt Service Fund

The Trustee shall pay to the respective Paying Agents or to any Swap Provider, as applicable, in Current Funds (i) out of any capitalized interest account established with respect to any Series of Bonds, on or before each Interest Payment Date specified in the Supplemental Indenture authorizing such Series, the applicable amount set forth in such Supplemental Indenture; (ii) out of the Interest Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i) above; (iii) out of the Variable Rate Stabilization Account on or before each Interest Payment Date or redemption date, as applicable, for any of the Outstanding Bonds and Section 207 Obligations, the amount required for the interest payable on such date (including net payments required to be made by the Authority to a Swap Provider under a Qualified Swap Agreement) and not provided for pursuant to clause (i), or clause (ii) above; (iv) out of the Principal Account on or before each Principal Payment Date, an amount equal to the principal amount of the Outstanding Bonds and Section 207 Obligations, if any, which mature on such date; and (v) out of the Principal Account on or before each Principal Payment Date occasioned by redemption of Outstanding Bonds from Sinking Fund Installments, the amount required for the payment of the Redemption Price of such Outstanding Bonds then to be redeemed. Such amounts shall be paid to the Owners of the Outstanding Bonds by the Paying Agents for the aforesaid purposes on the due dates thereof. The Trustee shall also pay out of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment) the accrued interest included in the purchase price of Outstanding Bonds purchased for retirement.

Amounts in the Principal Account available for the payment of Sinking Fund Installments shall be applied to the purchase or redemption of Bonds as provided below.

(1) Amounts deposited to the credit of the Principal Account to be used in satisfaction of any Sinking Fund Installment may, and if so directed by the Authority shall, be applied by the Trustee, on or prior to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, to the purchase of Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established. That portion of the purchase price attributable to accrued interest shall be paid from the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment). All such purchases of Outstanding Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Authority shall determine. The principal amount of any Bonds so purchased shall be deemed to constitute part of the Principal Account until the Principal Payment Date on which such Sinking Fund Installment is due, for the purpose of calculating the amount on deposit in such Account.

(2) At any time up to the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Authority may purchase with any available funds Outstanding Bonds for which such Sinking Fund Installment was established and surrender such Bonds to the Trustee at any time up to said date.

(3) After giving effect to the Outstanding Bonds purchased by the Trustee and Outstanding Bonds surrendered by the Authority as described in paragraphs (1) and (2) above, which shall be credited against the Sinking Fund Installment at the applicable sinking fund Redemption Price thereof, and as soon as practicable after the forty-fifth day next preceding the next Principal Payment Date on which a Sinking Fund Installment is due, the Trustee shall proceed to call for redemption on such Principal Payment Date Outstanding Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied portion of such Sinking Fund Installment. The Trustee shall pay out of the Principal Account to the appropriate Paying Agents, on or before the day preceding such redemption date, the Redemption Price required for the redemption of the Outstanding Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(4) If the principal amount of Outstanding Bonds retired through application of amounts in satisfaction of any Sinking Fund Installment shall exceed such Sinking Fund Installment, or in the event of the purchase or redemption from moneys other than from the Principal Account of Outstanding Bonds of any Series and maturity for which Sinking Fund Installments have been established, such excess or the principal amount of Outstanding Bonds so purchased or redeemed, as the case may be, shall be credited toward future scheduled Sinking Fund Installments either (i) in the order of their due dates or (ii) in such order as the Authority establishes in a certificate delivered to the Trustee not more than 45 days after the payment in excess of such Sinking Fund Installment.

Moneys held in the Accounts of the Debt Service Fund shall be invested as provided in the Indenture. See "**Summary of Certain Provisions of the 5337 Indenture - Investment of Certain Moneys**" below in this APPENDIX A. Investment income earned as a result of such investment shall be retained in said Accounts.

The amount, if any, deposited in the Interest Account from the proceeds of Bonds shall be set aside in such Account and applied to the payment of the interest on the Bonds with respect to which such proceeds were deposited in accordance with the provisions of the Supplemental Indenture authorizing the issuance of such Bonds.

If on any date, the amount held in the Variable Rate Stabilization Account exceeds the Variable Rate Stabilization Account Requirement, the Trustee, at the direction of the Authority, is required to transfer such excess to the General Fund.

General Fund

The Authority may establish within the General Fund one or more Debt Service Reserve Accounts for the purpose of providing additional security for the payment of one or more Series of Bonds. The Authority may provide for the application of moneys in the General Fund to maintain such Debt Service Reserve Account and for the use of moneys held in such Debt Service Reserve Account.

The Authority may establish one or more Subordinated Indebtedness Accounts within the General Fund for the purpose of securing the payment of Subordinated Indebtedness; *provided, however,* that in no event shall the administration of any such Account limit the application of moneys in the General Fund (including any Account therein) for the payment of interest or Principal due on Outstanding Bonds and Section 207 Obligations (or any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement).

If on any Interest Payment Date or Principal Payment Date the aggregate amount to the credit of the Debt Service Fund is less than the amount required to pay interest or Principal due on the Outstanding Bonds and Section 207 Obligations (and any other net amounts payable by the Authority from the Interest Account to a Swap Provider under a Qualified Swap Agreement), the Trustee is required to apply amounts from the General Fund (including any amount then held in a Debt Service Reserve Account or a Subordinated Indebtedness Account) to the extent necessary to cure such deficiency, in the following order of priority: first, to the credit of the Interest Account and then to the credit of the Principal Account; provided, however, that any withdrawal from a Debt Service Reserve Account shall be limited by the terms and conditions governing withdrawals from such Account.

Subject to any provisions limiting withdrawals from Debt Service Reserve Accounts and Subordinated Indebtedness Accounts, at the direction of the Authority, moneys held in the General Fund may be withdrawn from the General Fund and (i) transferred to any other Fund, Account or Sub-Account maintained under the Indenture or any Supplemental Indenture; (ii) used to purchase, pay, redeem or defease Outstanding Bonds; or (iii) used for any other purpose permitted by the Indenture.

Subject to the following paragraph, moneys in the General Fund shall be withdrawn promptly by the Trustee and paid over to the Authority free from the lien of the Indenture.

Any withdrawal of amounts held in a Debt Service Reserve Account or a Subordinated Indebtedness Account pursuant to the above paragraph shall be limited by the terms of administration of such Account. No withdrawal from the General Fund pursuant to the above paragraph shall be made unless, at the time of such withdrawal, (i) no deficiency exists with respect to the required deposits to the Interest Account and the Principal Account pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" above; (ii) the sum then held in the Variable Rate Stabilization Account shall be not less than the Variable Rate Stabilization Account Requirement and (iii) no Event of Default shall have occurred and remain unremedied.

Investment of Certain Moneys

Moneys held in the Debt Service Fund and its Accounts, the General Fund and its Accounts, the Rebate Fund and the Construction Fund and its Accounts shall be invested and reinvested by the Trustee at the oral direction of the Authority to the fullest extent practicable in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such Funds or Accounts. In the event that no such directions are received by the Trustee, such amounts shall be invested in money market funds described in subparagraph (vi) of the definition of Investment Securities, pending receipt of investment directions. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries. Moneys held in any separate, segregated account of the Construction Fund held by the Authority in any depositary of moneys and securities held under the Indenture may be invested and reinvested by the Authority in Investment Securities which mature no later than necessary to provide moneys when needed for payments to be made from such accounts.

Investment Securities in any Fund, Account or Sub-Account created under the provisions of the Indenture shall be deemed at all times to be part of such Fund, Account or Sub-Account and any profit realized from the liquidation of such investment shall be credited to such Fund, Account or Sub-Account and any loss resulting from liquidation of such investment shall be charged to such Fund, Account or Sub-Account.

Valuations of Investment Securities held in the Funds, Accounts and Sub-Accounts established under the Indenture shall be made by the Trustee as often as may be necessary to determine the amounts held therein, except that valuations of Government Obligations held in the Debt Service Fund and its Accounts shall be made at least once each year on such dates as shall be determined by the Trustee.

The value of Investment Securities shall mean the fair market value thereof, *provided, however,* that all SLG's shall be valued at par, all Investment Securities maturing without 90 days shall be valued at par, and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citibank.

Additional Bonds for Construction Purposes

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of paying the Cost of Construction of one or more Eligible Projects or refunding any Subordinated Indebtedness issued for such purposes, to pay costs and expenses incident to the issuance of such Additional Bonds and to make deposits to any Fund, Account or Sub-Account under the Indenture. The Additional Bonds of any such Series shall be authenticated and delivered by the Trustee only upon receipt by it of a certificate of an Authorized Officer:

(1) Setting forth the average Annual Apportionment Amount for the three completed Federal Fiscal Years immediately preceding the date of issuance of such Series of Additional Bonds; and

(2) Determining that the average Annual Apportionment Amount determined pursuant to clause (1) above is not less than 150 percent of the Maximum Annual Debt Service Requirement determined as of the time immediately following the issuance of such Series of Additional Bonds.

In applying the foregoing test, if any of the Bonds Outstanding immediately following the issuance of the Additional Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions set forth and summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds.

The proceeds, including accrued interest, of Additional Bonds of each Series shall be applied upon their delivery as follows:

(a) there shall be deposited in any Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture providing for the issuance of such Bonds; and

(b) the remaining balance shall be deposited in the Project Account established in the Construction Fund for the Additional Project specified in such Supplemental Indenture.

Such Additional Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers to the Trustee upon the authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds or Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for their issuance.

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund or advance refund any or all Outstanding Bonds of one or more Series, and any or all Outstanding Section 207 Obligations, to pay costs and expenses incident to the issuance of such Refunding Bonds and to make deposits in any Fund, Account or Sub-Account under the Indenture.

Refunding Bonds of a Series to refund or advance refund Outstanding Bonds or Section 207 Obligations shall be authenticated and delivered by the Trustee only upon receipt by it (in addition to certain other documents, securities and moneys required by the Indenture) of:

(1) Such instructions to the Trustee as necessary to comply with all requirements set forth in the Indenture and summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Defeasance**" so that the Bonds and Section 207 Obligations to be refunded or advance refunded will be paid or deemed to be paid pursuant to the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - Defeasance.**"

(2) Either (i) moneys in an amount sufficient to effect payment of the principal and Redemption Price, if applicable, and interest due and to become due on the Bonds and Section 207 Obligations to be refunded or advance refunded on and prior to the redemption date or maturity date thereof, as the case any be, which moneys shall be held by the Trustee or any of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds or the Persons entitled to payment of the Section 207 Obligations, as the case may be, to be refunded or advance refunded, or (ii) Defeasance Obligations in such principal amounts, of such maturities, and bearing interest at such rates as shall be necessary, together with the moneys, if any, deposited with the Trustee at the same time, to comply with the defeasance provisions of the Indenture.

(3) Either (i) the certificate of an Authorized Officer required under the Indenture in connection with the issuance of Additional Bonds as described under "**Summary of Certain Provisions of the 5337 Indenture - Additional Bonds for Construction Purposes**," as applied to the Refunding Bonds to be issued pursuant to the provisions of the Indenture summarized under this heading, or (ii) a certificate of an Authorized Officer evidencing that for each Bond Year ending on or prior to the latest maturity date of any Bond Outstanding as of the time immediately prior to the issuance of such Series of Refunding Bonds, the Annual Debt Service Requirements for any such Bond Year on account of all Bonds and Section 207 Obligations Outstanding, after the issuance of such Refunding Bonds and the redemption of provision for payment of the Bonds and Section 207 Obligations to be refunded, shall not exceed the Annual Debt Service Requirements for the corresponding Bond Years on account of all the Bonds and Section 207 Obligations Outstanding, including the Bonds and Section 207 Obligations to be refunded, immediately prior to the issuance of such Refunding Bonds.

In applying the foregoing tests set forth in the previous paragraph, if any of the Bonds Outstanding immediately prior to or after the issuance of the Refunding Bonds to be issued constitute Optional Tender Bonds or Variable Rate Bonds, the provisions of the Indenture summarized under the headings "**Summary of Certain Provisions of the 5337 Indenture - Variable Interest Rates**" and "**Summary of Certain Provisions of the 5337 Indenture - Optional Tender Bonds and Variable Rate Bonds**" shall be applied in determining the Annual Debt Service Requirements of such Bonds and of any Outstanding Section 207 Obligations.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied upon their delivery as follows:

(1) there shall be deposited in any other Fund, Account or Sub-Account under the Indenture the amount, if any, required by the Supplemental Indenture authorizing such Series, including, but not limited to, an amount to be applied to the payment of costs and expenses incident to the issuance of such Refunding Bonds;

(2) the amount of such proceeds needed for the refunding of the Bonds to be refunded and for the payment of expenses incidental to such refunding shall be used for such purposes; and

(3) any balance of such proceeds shall be applied in accordance with the written instructions of the Authority, signed by an Authorized Officer and filed with the Trustee.

Refunding Bonds may be issued as Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Current Interest Bonds, Variable Rate Bonds, Optional Tender Bonds (provided the Authority delivers upon authentication of such Bonds a Credit Facility which the Trustee or another Fiduciary may draw upon to pay the Purchase Price of any such Bonds), Serial Bonds and Term Bonds or any combination thereof, all as provided in the Supplemental Indenture providing for the issuance thereof.

Hedging Transactions

If the Authority shall enter into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, or requiring the Authority to pay a variable interest rate on a notional amount, and the Authority has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Bonds of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of the Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(1) for purposes of any calculation of Interest Requirements, the interest rate on the Bonds of such maturity or maturities shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the Authority under such Qualified Swap Agreement;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such Qualified Swap Agreement from 5337 Grant Receipts shall be made from amounts on deposit to the credit of the Interest Account (or from the Variable Rate Stabilization Account to the extent that the amount then held in the Interest Account is not sufficient to make such payment); and

(3) any net payments received by the Authority from the Swap Provider pursuant to such Qualified Swap Agreement shall be deposited to the credit of the Interest Account.

If the Authority shall enter into a swap agreement of the type generally described in the preceding paragraph that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(1) the interest rate adjustments or assumptions referred to in subparagraph (1) of the preceding paragraph shall not be made;

(2) any net payments required to be made by the Authority to the Swap Provider pursuant to such swap agreement shall be made either (i) from sources other than 5337 Grant Receipts or (ii) if made from 5337 Grant Receipts, such payments, and any lien on 5337 Grant Receipts securing such payments, shall be junior and subordinate to the pledge of and lien on 5337 Grant Receipts created by the Indenture as security for the payment of Parity Obligations; and

(3) any net payments received by the Authority from the Swap Provider pursuant to such swap agreement may be treated as 5337 Grant Receipts at the option of the Authority, and if so treated shall be deposited in the same manner as 5337 Grant Receipts are to

be deposited. See "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts.**"

With respect to a Qualified Swap Agreement described in the first paragraph under this heading or a swap agreement described in the preceding paragraph, any termination payment required to be made by the Authority to the Swap Provider shall be made either (i) from sources other than 5337 Grant Receipts, or (ii) if made from 5337 Grant Receipts, such termination payment and any lien on 5337 Grant Receipts securing such termination payment, shall be junior and subordinate to the pledge of and lien on 5337 Grant Receipts created by the Indenture as security for the payment of Parity Obligations.

Credit Facilities to Secure Bonds; Section 207 Obligations

The Authority reserves the right to provide one or more Credit Facilities, or a combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more Series of Bonds, or in the event Owners of such Bonds have the right to require purchase thereof, to secure the payment of the purchase price of such Bonds upon the demand of the Owner thereof. In connection with any such Credit Facility, the Authority may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Facility, and the method by which the Authority will reimburse the Credit Bank that issued such Credit Facility for such drawings together with interest thereon at such rate or rates and otherwise make payments as may be agreed upon by the Authority and such Credit Bank.

At the election of the Authority expressed in a certificate of an Authorized Officer filed with the Trustee, any such obligation of the Authority to reimburse or otherwise make payments to the Credit Bank shall constitute a Parity Obligation under the Indenture (a "Section 207 Obligation") to the same extent as any Series of Bonds, and any and all amounts payable by the Authority to reimburse such Credit Bank, together with interest thereon, shall for purposes of the Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Parity Obligations.

Each Section 207 Obligation shall be repayable over a period of not less than five years. The principal amount of all Section 207 Obligations incurred under a Credit Facility reimbursement agreement and payable in any period of 365 consecutive days shall not exceed 15 percent of the principal amount of all such Section 207 Obligations then Outstanding under such Credit Facility reimbursement agreement.

Subordinated Indebtedness

Nothing in the Indenture shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority (to the extent now or hereafter permitted by law) from (i) issuing bonds, certificates or other evidences of indebtedness or contractual obligations payable as to principal and interest from 5337 Grant Receipts, or (ii) incurring contractual obligations that are payable from 5337 Grant Receipts, but only if such indebtedness or contractual obligation is junior and subordinate in all respects to any and all Parity Obligations issued and Outstanding under the Indenture.

Covenants of the Authority

Pledge of 5337 Grant Receipts. The Authority covenants that the 5337 Grant Receipts and other moneys, securities and funds so pledged, and subject to the lien of the Indenture, are and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created by the Indenture, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of and lien on the 5337 Grant Receipts and other moneys, securities and funds pledged under the Indenture and all the rights of the Owners under the Indenture against all claims and demands.

Indebtedness and Liens. The Authority shall not issue any bonds or other evidences of indebtedness or incur any indebtedness, other than the Parity Obligations, Qualified Swap Agreements and Subordinated Indebtedness, which are secured by a pledge of or lien on the 5337 Grant Receipts or the moneys, securities or funds held or set aside by the Authority or by the Trustee under the Indenture, and shall not, except as expressly authorized in the Indenture, create or cause to be created any lien or charge on the 5337 Grant Receipts or such moneys, securities or funds; *provided, however,* that nothing contained in the Indenture shall prevent the Authority from issuing or incurring (i) evidences of indebtedness payable from or secured by amounts that may be withdrawn from the General Fund free from the lien of the Indenture as provided by the provisions of the Indenture summarized under the heading "**Summary of Certain Provisions of the 5337 Indenture - General Fund**" above or (ii) evidences of indebtedness payable from, or secured by the pledge of, 5337 Grant Receipts to be derived on and after such date as the pledge of 5337 Grant Receipts provided in the Indenture shall be discharged and satisfied as provided in the Indenture.

Construction of Project. To the extent that construction of the Bond Financed Projects is not complete as of the date of the Fifth Supplemental Indenture, the Authority shall forthwith proceed to complete the construction of the Bond Financed Projects as Eligible Projects in conformity with all requirements of all governmental authorities having jurisdiction thereover, and in accordance with and as more fully shown on the plans therefor, and the specifications relative thereto, subject to such modifications of such plans and specifications as may be approved from time to time by the Authority.

Payment of Lawful Charges. The Authority shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all judgments and court orders, and all lawful claims and demands for labor, materials, supplies or other objects which, if unsatisfied or unpaid, might by law become a lien upon the 5337 Grant Receipts; *provided, however,* that this covenant shall not require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Accounts and Reports. The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the 5337 Grant Receipts and the Funds, Accounts and Sub-Accounts established by the Indenture and any Supplemental Indenture, and which, shall at all reasonable times be available for the inspection of the Trustee and the Owners of not less than 25 percent in principal amount of Outstanding Bonds or their representatives duly authorized in writing. The Authority further covenants that it will keep an accurate record of the 5337 Grant Receipts received and of the payment thereof to the Trustee.

Not later than June 1 of each year the Authority will cause an independent audit to be made of its books and accounts for the preceding Fiscal Year, including its books and accounts relating to the 5337 Grant Receipts. Promptly thereafter reports of each such annual audit, signed by an Accountant, shall be mailed by the Authority to the Trustee and the Trustee shall make such reports available for inspection by the Owners of the Bonds.

Tax Covenants. The Authority shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof. The Authority shall not permit any of the proceeds of the Series 2021 5337 Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Series 2021 5337 Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The Authority shall not permit any of the proceeds of the Series 2021 5337 Bonds or other moneys to be invested in any manner that would cause any Series 2021 5337 Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Code or a "hedge bond" within the meaning of Section 149(g) of the Code. The Authority shall comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

FTA Funds. (a) The Authority shall comply with all applicable laws of the United States of America and regulations of the FTA relating to the administration and disbursement of federal funds under 49 United States Code Section 5337 in order to be eligible to receive 5337 Grant Receipts for the payment of Parity Obligations and to facilitate the prompt receipt by the Authority of 5337 Grant Receipts.

(b) Within 10 days of the date that any FTA Section 5337 (49 United States Code Section 5337) State of Good Repair Formula funds appropriated with respect to a Federal Fiscal Year become available for disbursement to the Authority for payment obligations then due, the Authority shall take all reasonable actions as shall be necessary or desirable to facilitate the prompt payment of such 5337 State of Good Repair Formula funds to the Authority. All of such moneys constituting 5337 Grant Receipts, when received by the Authority, shall be deposited promptly into the Grant Receipts Deposit Fund.

(c) For each Federal Fiscal Year, the Authority shall apply for the appropriation of FTA Section 5337 State of Good Repair Formula funds on a priority basis for the payment of a sum sufficient to fund all of the payments to the Trustee required to be made under the provisions of the Indenture summarized in this APPENDIX A under the heading **"Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts"** above to the end of the next Bond Year, and shall cause such FTA 5337 State of Good Repair Formula funds to be obligated for such purposes on the earliest possible date in each Federal Fiscal Year.

(d) If as of the last Business Day of any Federal Fiscal Year, the grant approvals required to make the payments to the Trustee as described under this heading in subsection (c) above from the current Federal Fiscal Year appropriations have not been obtained, then the Authority shall reprogram available FTA 5337 State of Good Repair Formula funds appropriated in prior Federal Fiscal Years to the extent required to make such payments.

(e) Moneys held in the Grant Receipts Deposit Fund may be withdrawn from time to time by the Authority for the payment or reimbursement of the costs of Eligible Projects; *provided*, *however*, that after the first Business Day of any Bond Year if any deficiency then exists in the deposits required to be made by the Trustee pursuant to the provisions of the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" above, no such withdrawal shall be made unless the Authority shall have obligated from appropriations applicable from the current or prior Federal Fiscal Years a sum sufficient for the payments to the Trustee required to be made pursuant to the Indenture summarized in this APPENDIX A under the heading "**Summary of Certain Provisions of the 5337 Indenture - Deposit and Application of 5337 Grant Receipts**" in the current Bond Year.

Events of Default and Remedies

Each of the following events is declared an "*Event of Default*" under the Indenture:

(1) if a default shall occur in the due and punctual payment of the principal or Redemption Price of any Parity Obligation when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(2) if a default shall occur in the due and punctual payment of interest on any Parity Obligation, when and as such interest shall become due and payable;

(3) if a default shall occur in the performance or observance by the Authority of any other of the covenants, agreements or conditions in the Indenture or in the Parity Obligations contained, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or after written notice thereof to the Authority and to the Trustee by (a) the Owners of not less than a majority in principal amount of the Outstanding Bonds or (b) the Person entitled to payment under any other Outstanding Parity Obligation; or

(4) if the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States of America or of the State of Illinois.

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority in any Fund, Account or Sub-Account pursuant to the terms of the Indenture, and (ii) all 5337 Grant Receipts as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and 5337 Grant Receipts and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper charges and expenses of the Trustee, including the reasonable fees and expenses of counsel employed by it pursuant to the provisions summarized under this heading;

(2) to the payment of the principal of, Redemption Price of and interest on the Parity Obligations then due, as follows:

First: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on the Parity Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Parity Obligations which shall have become due, whether at maturity or by call for redemption in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Parity Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of principal and Redemption Price of and interest on all Parity Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other overdue sums payable by the Authority under the Indenture, including the overdue principal and Redemption Price of and accrued unpaid interest on all Parity Obligations held by or for the account of the Authority have been paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Parity Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority, the Trustee, the Credit Banks, Swap Providers, Bond Insurers and the Owners shall be restored, respectively, to their former positions and rights under the Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

In the preceding three paragraphs, interest on Parity Obligations includes net payments to a Swap Provider under a Qualified Swap Agreement, as provided in the Indenture.

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon identical written request of the Owners of not less than a majority in principal amount of the Bonds Outstanding and upon being indemnified to its satisfaction shall proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power granted therein, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Parity Obligations or the production thereof in any suit or other proceeding, and any such suit or other proceeding instituted by the Trustee shall be brought in its name. All actions against the Authority under the Indenture shall be brought in a state or federal court located in the County of Cook, Illinois.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the enforcement of any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Owners not parties to such direction.

Upon commencing any suit at law or in equity or upon commencement of other judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as may be necessary or expedient to prevent any impairment of the security under the Indenture and to preserve or protect its interests and the interest of the Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, any Credit Bank, Swap Provider or Bond Insurer or the Owners is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of the execution and delivery of the Indenture.

Restriction on Owners' Action

No Owner of any Bond shall have any right to institute any suit or proceeding at law or in equity for the enforcement or violation of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or by the laws of Illinois or to institute such suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or failed to comply with such request within 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture, except in the manner provided in the Indenture; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture relating to extension of payment of the Bonds.

Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of its Bond from the sources provided in the Indenture.

Rights of Credit Bank or Bond Insurer

Subject to the provisions of any applicable Supplemental Indenture, any Credit Bank or any Bond Insurer shall be treated as the Owner of Bonds upon which such Credit Bank or Bond Insurer is obligated pursuant to a Credit Facility or Bond Insurance Policy, as applicable, for the purposes of calculating whether or not the Owners of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Owners of the Bonds pursuant to the provisions of the Indenture relating to events of default and remedies upon an event of default; *provided, however,* that (a) the Owners of the Bonds shall retain the right to exercise all rights under such provisions related to the enforcement of the tax covenants of the Authority contained in the Indenture, and (b) such Credit Bank or Bond Insurer shall cease to be so regarded as Owner of such Bonds in the event such Credit Bank or Bond Insurer is in default of its obligations under the applicable Credit Facility or Bond Insurance Policy.

Notwithstanding anything contained in the Indenture to the contrary, but subject to the provisions of any applicable Supplemental Indenture, until the Authority has reimbursed a Credit Bank for amounts paid under a Credit Facility to pay the interest on or the principal of any Bonds on any Interest Payment Date or Principal Payment Date or to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, such Bonds shall be deemed to be Outstanding and such Credit Bank or Bond Insurer shall succeed to the rights and interests of the Owners to the extent of the amounts paid under the Credit Facility or as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed.

Supplemental Indentures Not Requiring Consent of Owners

The Authority and the Trustee may without the consent of any of the Owners or any Credit Bank, Bond Insurer and Swap Provider, enter into a Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

(1) to authorize Additional Bonds and Refunding Bonds and to specify, determine or authorize any matters and things concerning any such Bonds which are not contrary to or inconsistent with the Indenture;

(2) to close the Indenture against, or impose additional limitations or restrictions on, the issuance of Parity Obligations, or of other notes, bonds, obligations or evidences of indebtedness;

(3) to impose additional covenants or agreements to be observed by the Authority;

(4) to impose other limitations or restrictions upon the Authority;

(5) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Indenture;

(6) to confirm, as further assurance, any pledge of or lien upon the 5337 Grant Receipts or any other moneys, securities or funds;

(7) authorize the issuance of Subordinated Indebtedness and in connection therewith, specify and determine any matters and things relative thereto which are not contrary to or inconsistent with the Indenture as then in effect;

(8) to cure any ambiguity, omission or defect in the Indenture;

(9) to provide for the appointment of a successor securities depository in the event any Series of Bonds is held in book-entry only form;

(10) to provide for the appointment of any successor Fiduciary; and

(11) to make any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

Supplemental Indentures Effective upon Consent of Owners

Except for Supplemental Indentures described under the preceding heading, any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture with the written consent given as provided in the Indenture (i) of the Owners of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; *provided, however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds, or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon or impair the exclusion from federal income taxation of interest on any Bond without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be adversely affected or diminished by any such modification or amendment, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds. Any amendment or modification of the Indenture that adversely affects or diminishes the rights of any Credit Bank or Swap Provider with respect to the payment of any Section 206 Obligation or any Section 207 Obligation or the security provided by the Indenture with respect to the payment of any Section 206 Obligation or Section 207 Obligation shall not take effect unless such amendment of modification is consented to by such Credit Bank or Swap Provider (or in the event of an assignment of such Section 206 Obligation or Section 207 Obligation, the Person entitled to payment of such Section 206 Obligation or Section 207 Obligation).

Subject to the provisions of the Indenture summarized below under "**Summary of Certain Provisions of the 5337 Indenture - Termination of Rights of Bond Insurers,**" the rights of the Owner of an Insured Bond to consent to any amendment or modification of the Indenture are abrogated and the Bond Insurer may exercise the rights of the Owner of any Insured Bond that is entitled to the benefits of the Bond Insurance Policy issued by the Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose. Upon the authorization of a Supplemental Indenture making an amendment or modification to the Indenture, a copy thereof shall be delivered to and held by the Trustee for the inspection of the Owners. A copy of such Supplemental Indenture (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be mailed to the Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as in the Indenture provided. Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (i) the written consents of the Owners of the required principal amount of Outstanding Bonds, and (ii) a Counsel's Opinion stating that the execution and delivery of such Supplemental Indenture has been duly authorized by the Authority in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and, when effective, will be valid and binding upon the Authority, the Owners and the Trustee, and (b) a notice shall have been mailed as hereinafter provided under this heading. A certificate or certificates by the Trustee delivered to the Authority that consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee shall be conclusive. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof; *provided, however*, that any consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement hereafter described is filed, a written revocation, with proof that such Bonds are held by the signer of such revocation. The fact that a consent has not been revoked may be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing or publication required by the provisions described under this heading and shall not be deemed ineffective by reason of such prior delivery or filing. Within 30 days of any date on which the consents on file with the Trustee and not theretofore revoked shall be sufficient, the Trustee shall make and deliver to the Authority a written statement that the consents of the Owners of the required principal amount of Outstanding Bonds have been filed with the Trustee. Such written statement shall be conclusive that such consents have been so filed.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified or amended in any respect by a Supplemental Indenture effecting such modification or amendment and with the consents of the Owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given.

Required Consent of Bond Insurer

Any provision of the Indenture expressly recognizing or granting rights in or to a Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of such Bond Insurer.

The consent of the Bond Insurer shall be required in addition to the consent of the Owners of the Bonds insured by such Bond Insurer, when required.

Defeasance

If the Authority shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any 5337 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners shall thereupon be discharged and satisfied and (ii) to the applicable Credit Banks and Swap Providers (or their assignees) all payments due upon the instruments creating Section 206 Obligations and Section 207 Obligations, then the pledge of any 5337 Grant Receipts and other moneys and securities pledged under the Indenture and all covenants, agreements and obligations of the Authority to the Credit Banks, the Swap Providers and any of their assignees with respect to payment of Section 206 Obligations and Section 207 Obligations shall thereupon be discharged and satisfied. In such event, the Trustee, upon request of the Authority, shall provide an accounting of the assets managed by the Trustee to be prepared and filed with the Authority for any year or part thereof requested, and shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of Bonds not previously surrendered for such payment or redemption or for the payment of Section 206 Obligations and Section 207 Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, maturity within a Series or portion of any maturity within a Series (which portion shall be selected by lot by the Trustee in the manner provided in the Indenture for the selection of Bonds to be redeemed in part), the principal or Redemption Price, if applicable, thereof and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds and to the Trustee shall thereupon be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and held in trust by the Trustee at or prior to their maturity or redemption date shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if the Authority shall have delivered to or deposited with the Trustee (i) irrevocable instructions to pay or redeem all of said Bonds in specified amounts no less than the respective amounts of, and on specified dates no later than the respective due dates of, their principal, (ii) irrevocable instructions to publish or mail the required notice of redemption of any Bonds so to be redeemed, (iii) either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to each specified redemption date or maturity date thereof, as the case may be, and (iv) if any of said Bonds are not to be redeemed within the next succeeding 60 days, irrevocable instructions to mail to all Owners of said Bonds a notice that such deposit has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the provisions of the Indenture summarized under this heading and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds. The Defeasance Obligations and moneys deposited with the Trustee pursuant to the provisions of the Indenture summarized under this heading shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds. No payments of principal of any such Defeasance Obligations or interest thereon shall be withdrawn or used for any purpose other than the payment of such principal or Redemption Price of, or interest on, said Bonds unless after such withdrawal the amount held by the Trustee and interest to accrue on Defeasance Obligations so held shall be sufficient to provide fully for the payment of the principal of or Redemption Price and interest on such Bonds, at maturity or upon redemption, as the case may be.

Amounts deposited with the Trustee for the payment of the principal of and interest on any Bonds deemed to be paid pursuant to the Indenture, if so directed by the Authority, shall be applied by the Trustee to the purchase of such Bonds in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased on or prior to the forty-fifth day preceding the redemption date. The principal amount of Bonds to be redeemed shall be reduced by the principal amount of Bonds so purchased. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. All such purchases shall be made at prices not exceeding the applicable principal amount or Redemption Price established pursuant to the Indenture, plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. No purchase shall be made by the Trustee pursuant to this paragraph if such purchase would result in the Trustee holding less than the moneys and Defeasance Obligations required to be held for the payment of all other Bonds deemed to be paid pursuant to the Indenture.

The Authority may purchase with any available funds any Bonds deemed to be paid pursuant to the Indenture in accordance with this paragraph. Bonds for which a redemption date has been established may be purchased by the Authority on or prior to the forty-fifth day preceding the redemption date. On or prior to the forty-fifth day preceding the redemption date the Authority shall give notice to the Trustee of its intention to surrender such Bonds on the redemption date. The Trustee shall proceed to call for redemption the remainder of the Bonds due on the redemption date and shall pay to the Authority on the redemption date the Redemption Price of and interest on such Bonds upon surrender of such Bonds to the Trustee. Bonds which mature on a single future date may be purchased at any time prior to the maturity date. The Trustee shall pay to the Authority the principal amount of and interest on such Bonds upon surrender of such Bonds on the maturity date.

Termination of Rights of Bond Insurers

All rights of any Bond Insurer under the Indenture, or any Supplemental Indenture shall cease and terminate if: (i) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; (ii) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy; (iii) a petition has been filed and is pending against such Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within sixty days after such filing; (iv) such Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for such Bond Insurer under the insurance laws of any jurisdiction.

APPENDIX B

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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INFORMATION CONCERNING DTC

The following information concerning DTC and the Book-Entry System has been obtained from DTC. The Authority take no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each Series 2021 Bond of like tenor as to series, type, maturity, interest rate and redemption provisions in the aggregate principal amount of such Series 2021 Bond, and will be deposited with DTC.

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

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond *("Beneficial Owner")* is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity of a subseries of Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments (including redemption proceeds) on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest (including redemption proceeds) to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Series 2021 Bonds 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, certificates for the affected Series 2021 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Series 2021 Bonds will be printed and delivered.

APPENDIX C

SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

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SELECTED ECONOMIC AND DEMOGRAPHIC INFORMATION

The Authority's revenue is affected by various economic and demographic factors, including population, economic conditions, employment, fuel costs and consumer and producer prices. Chicago is the third largest economy ranked by GDP in the U.S.[1] Set forth below are selected and comparative statistics demonstrating trends in population, economic activity and prices for the sectors and years cited. Information presented for the Northeastern Illinois Transit Region is for Cook County and the Collar Counties of DuPage, Kane, Lake, McHenry and Will, collectively. The Chicago Metropolitan Statistical Area ("Chicago MSA") represents the Northeastern Illinois Transit Region and the Counties of DeKalb, Grundy, and Kendall in Illinois, the Counties of Jasper, Lake, Newton and Porter in Indiana, and the County of Kenosha in Wisconsin. Chicago MSA information is presented where no comparable information is available for the Northeastern Illinois Transit Region. Data provided in each table is the most recently available data from the applicable source.

[*] (Source: https://www.statista.com/statistics/183827/gdp-of-the-chicago-metro-area/)

Population
1980-2019

Year	Northeastern Illinois Transit Region	Cook County	City of Chicago	State of Illinois
1980	7,103,624	5,253,655	3,005,072	11,426,518
1990	7,261,176	5,105,067	2,783,726	11,430,602
2000	8,091,720	5,377,175	2,895,995	12,419,231
2010	8,316,650	5,194,675	2,695,598	12,830,632
2019 Est.	8,345,010	5,150,233	2,693,976	12,671,821

Source: U.S. Census Bureau, www.census.gov/quickfacts/fact/table (accessed May 20, 2021).

Gross Domestic Product
Percent Change from Preceding Period
2009-2018

Year	United States	State of Illinois	Chicago MSA
2009	-2.5%	-2.4%	-3.3%
2010	2.6%	1.8%	1.7%
2011	1.6%	1.7%	1.4%
2012	2.2%	1.9%	2.6%
2013	1.8%	0.5%	0.9%
2014	2.5%	1.4%	1.7%
2015	2.9%	1.3%	2.3%
2016	1.6%	0.4%	0.9%
2017	2.4%	0.9%	1.1%
2018	2.9%	2.1%	1.9%

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Annual percent change in Real GDP from prior year based on chained 2012 dollars. www.bea.gov/national, www.bea.gov/regional (accessed May 20, 2021).

Per Capita Personal Income
2009 - 2019

Year	United States	State of Illinois	Chicago MSA	Cook County
2009	$ 39,284	$ 41,042	$ 43,320	$ 43,394
2010	40,546	42,093	44,207	44,150
2011	42,735	44,140	46,247	45,831
2012	44,599	46,050	48,752	48,473
2013	44,851	47,124	49,644	49,813
2014	47,058	49,461	52,658	53,586
2015	48,978	51,541	55,275	56,270
2016	49,870	52,299	56,086	56,961
2017	51,885	53,974	58,014	59,046
2018	54,446	56,919	61,089	62,205
2019	56,663	58,935	NA	NA

Source: Bureau of Economic Analysis, www.bea.gov (accessed May 20, 2021)

Educational Attainment
2018

	United States	State of Illinois	Cook County	City of Chicago
High School Graduate	26.9%	26.1%	23.3%	22.9%
Bachelor's Degree	20.0%	21.1%	22.6%	22.7%
Graduate or Professional Degree	12.6%	14.0%	15.4%	15.6%
Bachelor's Degree or Higher	32.6%	35.1%	38.0%	38.3%

Source: U.S. Census Bureau; 2018: ACS 5-Year Estimates Data Profile
https://www.census.gov/topics/education/educational-attainment/data/tables.html (accessed May 20, 2021)

Employment
2009–2019
(in thousands)

Calendar Year-End	State of Illinois	Chicago MSA	Cook County	City of Chicago
2009	5,943	4,381	2,330	1,174
2010	5,937	4,358	2,356	1,206
2011	5,948	4,378	2,361	1,208
2012	5,991	4,438	2,398	1,228
2013	5,957	4,461	2,415	1,236
2014	6,052	4,542	2,457	1,258
2015	6,119	4,597	2,481	1,271
2016	6,162	4,646	2,500	1,282
2017	6,159	4,653	2,498	1,285
2018	6,185	4,668	2,494	1,285
2019	6,191	4,676	2,497	1,286

Source: Bureau of Labor Statistics, www.bls.gov/regions/Midwest/il_chicago_md.htm (accessed June 30, 2020). State level data was revised on March 4, 2020. MSA, County and City level data was revised on April 17, 2020.

Annual Unemployment Rates
2009-2019

Calendar Year	United States	State of Illinois	Chicago MSA	Cook County	City of Chicago
2009	9.3%	10.2%	10.2%	10.5%	11.1%
2010	9.6%	10.4%	10.6%	10.9%	11.2%
2011	8.9%	9.7%	9.9%	10.4%	10.8%
2012	8.1%	9.0%	9.1%	9.6%	10.0%
2013	7.4%	9.0%	9.1%	9.6%	10.0%
2014	6.2%	7.1%	7.1%	7.5%	7.8%
2015	5.3%	6.0%	5.9%	6.2%	6.6%
2016	4.9%	5.8%	5.7%	6.0%	6.4%
2017	4.3%	4.9%	4.8%	5.1%	5.4%
2018	3.9%	4.3%	4.1%	4.1%	4.3%
2019	3.7%	4.0%	3.8%	3.8%	4.0%

Source: Bureau of Labor Statistics, https://www.bls.gov/lau/home.htm (accessed May 20, 2021). State level data was revised on March 4, 2020. MSA, County and City level data was revised on April 17, 2020.

Percentage of Total Non-Farm Employment by Major Industry Sector
June 2020

Sector	United States	Illinois	Chicago MSA	MSA Jobs by Sector (000's)
Trade, Transportation and Utilities	11.4%	20.5%	20.6%	896.60
Education and Health Services	17.7%	15.9%	15.9%	690.00
Government	16.7%	14.4%	11.6%	506.10
Professional and Business Services	15.6%	15.8%	17.9%	780.20
Leisure and Hospitality	9.8%	6.3%	7.7%	333.50
Manufacturing	9.6%	10.0%	9.2%	401.50
Financial Activities	6.8%	7.5%	7.1%	311.20
Construction	5.8%	3.9%	4.1%	178.70
Other Services	4.1%	3.9%	4.1%	178.10
Information	2.0%	1.6%	1.7%	75.40
Mining and Logging	0.5%	0.1%	0.0%	1.70
				4,353.0

Source: U.S. Bureau of Labor Statistics, (accessed May 20,2021)
https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm

Largest Non-Government Employers in Chicago Area[(1)]
(As of 12/31/19)

Employer	Number of Employees
Advocate Aurora Health	25,917
Northwestern Memorial Healthcare	21,264
Amita Health	20,046
University of Chicago	18,276
Amazon.com	14,610
United Continental Holdings Inc.	14,520
JP Morgan Chase & Co	13,742
Walgreens Boots Alliance Inc.	12,200
WalMart	11,549
Jewel-Osco	10,410

Source: Crain's Chicago Business, Crain Communications, Inc. www.chicagobusiness.com (accessed May 20, 2021).
(1) Includes Northeastern Illinois Transit Region and Lake County, Indiana.

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

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

Source: Choose Chicago,
http://www.choosechicago.com/articles/view/research-statistics/927/?fmid=1748 (accessed May 20, 2021).

Retail Fuel Prices
2009-2019
($ per gallon)

Year	Gasoline (Unleaded regular)	On-Highway Diesel Fuel
2009	$2.35	$2.47
2010	2.79	2.99
2011	3.53	3.84
2012	3.64	3.97
2013	3.53	3.92
2014	3.37	3.83
2015	2.45	2.71
2016	2.14	2.30
2017	2.41	2.65
2018	2.74	3.18
2019	2.64	3.06

Source: U.S. Department of Labor, Bureau of Labor Statistics; US City Average per Gallon; U.S. Energy Information Administration, https://www.eia.gov/totalenergy/data/monthly/#prices
(accessed May 20, 2021)

Consumer Price Index (All Urban Consumers)
Year-to-Year Changes[(1)]
2009-2019

Year	U.S. City Average	Chicago MSA
2009	-0.4%	-1.2%
2010	1.6%	1.4%
2011	3.2%	2.7%
2012	2.1%	1.5%
2013	1.5%	1.1%
2014	1.6%	1.7%
2015	0.1%	-0.3%
2016	1.3%	0.7%
2017	2.1%	1.9%
2018	2.4%	1.8%
2019	1.8%	1.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/cpi (accessed May 20, 2021)
(1) Not seasonally adjusted.

Producer Price Index
Year-to-Year Changes
2009-2019

Year	Industrial Commodities	Gasoline	Diesel Fuel (No. 2)
2009	-8.8%	-41.4%	-44.1%
2010	6.8%	35.2%	29.0%
2011	8.9%	26.0%	35.5%
2012	0.5%	-0.7%	3.2%
2013	0.6%	2.8%	-2.6%
2014	0.9%	-7.8%	-5.7%
2015	-7.3%	-50.0%	-39.4%
2016	-2.6%	-14.1%	-21.1%
2017	4.4%	24.5%	29.5%
2018	4.0%	31.5%	33.2%
2019	-1.1%	-13.3%	-10.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/ppi (accessed May 20, 2021)

Fortune 500 Companies Headquartered in the Chicago MSA

Fortune Rank	Company	Headquarters Location
19	Walgreens Boots Alliance	Deerfield IL
40	Boeing	Chicago, IL
52	Archer Daniels Midland	Chicago, IL
62	Caterpillar	Deerfield IL
72	Allstate	Northbrook, IL
76	United Continental Holdings	Chicago, IL
95	Exelon	Chicago, IL
99	AbbVie	North Chicago, IL
104	Abbott Laboratories	Abbott Park, IL
116	US Foods Holdings	Rosemont, IL
117	Mondelez International	Deerfield IL
156	McDonald's	Chicago, IL
178	CDW	Lincolnshire, IL
179	Jones Lang LaSalle	Chicago, IL
185	Tenneco	Lake Forest, IL
229	Illinois Tool Works	Glenview, IL
231	Discover Financial Services	Riverwoods, IL
257	LKQ	Chicago, IL
278	W.W. Grainger	Lake Forest, IL
282	Baxter International	Deerfield IL
284	Navistar International	Lisle, IL
334	Conagra Brands	Chicago, IL
339	Univar	Downers Grove, IL
359	Anixter International	Glenview, IL
403	Motorola Solutions	Chicago, IL
418	Ulta Beauty	Bolingbrook, IL
427	Old Republic International	Chicago, IL
429	Arthur J. Gallagher	Rolling Meadows, IL
433	Dover	Downers Grove, IL
437	Packaging Corp. of America	Lake Forest, IL
440	Northern Trust	Chicago, IL
471	R.R. Donnelley & Sons	Chicago, IL
475	Ingredion	Westchester, IL
494	Fortune Brands Home & Security	Deerfield, IL

Source: https://fortune.com/fortune500/search/?hqcity=Chicago&hqstate=IL
(accessed May 20, 2021)

APPENDIX D

CHICAGO TRANSIT AUTHORITY FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION YEARS ENDED DECEMBER 31, 2020 AND 2019

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CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019
(With Independent Auditor's Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the CTA, as of December 31, 2020 and 2019, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 29, 2021 on our consideration of the CTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CTA's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Chicago, Illinois
April 29, 2021

Introduction

The following discussion and analysis of the financial performance and activity of the Chicago Transit Authority (CTA) provide an introduction and understanding of the basic financial statements of the CTA for the fiscal years ended December 31, 2020 and 2019. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2020

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

Financial Highlights for 2019

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

The Financial Statements

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

Overview of the Financial Statements for Business-Type Activities

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

Statements of Net Position

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Statements of Cash Flows

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

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the basic financial statements and describe the organization, budget, significant accounting policies, related-party transactions, deposits and investments, restrictions on deposits and investments, capital assets, capital lease obligations, bonds payable, long-term liabilities, defined-benefit pension plans, other post-employment benefits, derivative financial instruments, and the commitments and contingencies. The reader is encouraged to review the notes in conjunction with the management discussion and analysis and the financial statements.

Financial Analysis of the CTA's Business-Type Activities

Statements of Net Position

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

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

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

Year Ended December 31, 2020

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

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

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

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, decreased 0.41% over the prior year.

Year Ended December 31, 2019

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

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

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

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets.

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, increased 2.81% over the prior year.

Statements of Revenues, Expenses, and Changes in Net Position

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

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

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

Year Ended December 31, 2020

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

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

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

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

Year Ended December 31, 2019

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

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

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

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

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

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

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

Capital Asset and Debt Administration

Capital Assets

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

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

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

Debt Administration

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

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

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

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

2021 Budget and Economic Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Major projects completed or substantially underway in 2020:

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

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

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

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

Legislation

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

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

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

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue $640 million in pension obligation bonds to fund the healthcare trust. Subsequent to the 2008 legislation, the Board of Trustees of the Retiree Healthcare Trust amended the eligibility requirements to receive postemployment health benefits. Effective January 1, 2018, employees will be eligible for retiree healthcare at or after the age of 65 with 10 years of continuous service or at or after age 55 or at pension start date (whichever is later) with 20 years of continuous service.

The pension and retiree healthcare bonds were issued on August 6, 2008 and $1.1 billion was deposited in the pension trust and $528.8 million was deposited in the healthcare trust.

Contacting the CTA's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the CTA's finances and to demonstrate the CTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chicago Transit Authority's Chief Financial Officer, 567 W. Lake Street, Chicago, IL 60661.

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

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

(Continued)

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

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

See accompanying notes to financial statements.

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

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

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

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

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

	2020	2019
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	$ (1,686,145)	$ (1,298,060)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	500,980	500,475
(Increase) decrease in assets:		
Accounts receivable	14,449	(5,602)
Materials and supplies	(1,634)	1,569
Prepaid expenses and other assets	(226)	(267)
Deferred outflow - pension	120,676	20,094
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	20,201	(17,607)
Accrued payroll, vacation pay, and related liabilities	56,928	(5,636)
Self-insurance reserves	1,189	(6,719)
Unearned passenger revenue	1,968	568
Other unearned revenue	(2)	(15)
Advances, deposits, and other	(9,006)	(8,127)
Net pension liability	(80,342)	187,364
Total OPEB liability	733	69
Deferred inflow - pension	1,914	(130,380)
Net cash flows used in operating activities	$ (1,058,317)	$ (762,274)
Noncash investing and financing activities:		
Retirement of fully depreciated capital assets	$ 20,128	$ 73,604
Purchases of capital assets in accounts payable at year-end	106,289	116,506
RTA operating assistance not received	209,178	325,674
Unbilled work in progress	287,081	142,821
Bonds refunded with proceeds going directly to escrow agents	513,611	-

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

The Chicago Transit Authority (CTA) was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois Legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) “separate and apart from all other government agencies” to consolidate Chicago’s public and private mass transit carriers. The City Council of the City of Chicago has granted the CTA the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago.

The Regional Transportation Authority Act (the Act) provides for the funding of public transportation in the six-county region of Northeastern Illinois. The Act established a regional oversight board, the Regional Transportation Authority (RTA), and designated three service boards (CTA, Commuter Rail Board, and Suburban Bus Board). The Act requires, among other things, that the RTA approve the annual budget of the CTA, that the CTA obtain agreement from local governmental units to provide an annual monetary contribution of at least $5,000,000 for public transportation, and that the CTA (collectively with the other service boards) finance at least 50% of its operating costs, excluding depreciation and certain other items, from system-generated sources on a budgetary basis.

Financial Reporting Entity: As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit’s board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the CTA is not a component unit of any other entity.

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

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

(Continued)

NOTE 1 - ORGANIZATION (Continued)

The CTA administers supplemental retirement plans that are separate, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board), (2) closed (Non-Qualified) supplemental plan for members retired or terminated from employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for members retiring or terminating after March 2005. The CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Qualified Supplemental Retirement Plan). The Qualified plan is administered by a committee that is appointed by the Board of Directors of the CTA. In addition, there is a financial burden as the CTA has the obligation to make contributions to the Qualified plan. Based on this, the trust for the Qualified plan is reported as a fiduciary component unit. Whereas the activities for the Non-Qualified and Board Plans are included in the financial statements of the CTA's business-type activities.

The CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board, comprising four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois, the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA's financial statements, but is combined in pro forma statements with the RTA, as statutorily required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The basic financial statements provide information about the CTA's business-type and fiduciary (Qualified Supplemental Retirement Plan) activities. Separate statements for each category, business-type and fiduciary, are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from operating activities are recognized in the fiscal year that the operations are provided; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements for the fiduciary activities are used to account for the assets held by the CTA in trust for the payment of future retirement benefits under the Qualified Supplemental Retirement Plan. The assets of the Qualified Supplemental Retirement Plan cannot be used to support CTA operations.

<u>Cash and Cash Equivalents</u>: Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities when purchased of three months or less.

<u>Cash and Cash Equivalents Restricted for Damage Reserve</u>: The CTA maintained cash and investment balances to fund the annual injury and damage obligations that are required to be designated under provisions of Section 39 of the Metropolitan Transportation Authority Act.

<u>Investments</u>: Investments, including the supplemental retirement plan assets, are reported at fair value based on quoted market prices and valuations provided by external investment managers.

Chapter 30, Paragraph 235/2 of the Illinois Compiled Statutes authorizes the CTA to invest in obligations of the United States Treasury and United States agencies, direct obligations of any bank, repurchase agreements, commercial paper rated within the highest classification set by two standard rating services, or money market mutual funds investing in obligations of the United States Treasury and United States agencies.

<u>Unbilled Work In Progress</u>: Unbilled work in progress represents grant expense that has not been billed to the funding agencies as of year-end. This would include contract retentions, accruals and expenditures for which, due to requisitioning restrictions of the agencies or the timing of the expenditures, reimbursement is requested in a subsequent period.

<u>Materials and Supplies</u>: Materials and supplies are stated at average cost and consist principally of maintenance supplies and repair parts.

<u>Other Noncurrent Assets</u>: Other noncurrent assets include (a) cash and claims to cash that are restricted as to withdrawal or use for other than current operations, (b) resources that are designated for expenditure in the acquisition or construction of noncurrent assets, or (c) resources that are segregated for the liquidation of long-term debts.

> *Bond proceeds held by trustee*: During various fiscal years, the CTA issued Capital Grant Receipt Revenue Bonds. The proceeds from each sale were placed in trust accounts restricted for financing the costs of capital improvement projects associated with each issuance. For more detailed information see Note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

	Years
Buildings	10-40
Elevated structures, tracks, tunnels, and power system	20-40
Transportation vehicles:	
Bus	7-12
Rail	25
Signal and communication	10-20
Other equipment	3-10

A full month’s depreciation is taken in the month after an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded.

The transportation system operated by the CTA includes certain facilities owned by others. The CTA has the exclusive right to operate these facilities under the terms of the authorizing legislation and other agreements.

Included with the CTA’s *other equipment* capital assets, the CTA has capitalized an intangible asset, computer software. The CTA follows the same capitalization policy and estimated useful life for its intangible asset as it does for its *other equipment* capital assets. The CTA also amortizes the intangible asset utilizing the straight-line method.

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

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

Self-insurance: The CTA is self-insured for various risks of loss, including public liability and property damage, workers’ compensation, and health benefit claims, as more fully described in note 16. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate or vest.

Under GASB Statement No. 16, *Accounting for Compensated Absences*, applicable salary-related employer obligations are accrued in addition to the compensated absences liability. This amount is recorded as a portion of the accrued payroll, vacation pay, and related liabilities on the Statements of Net Position.

Bond Premiums: Bond premiums are amortized over the life of the bonds using the bonds outstanding method, which is materiality consistent with the effective interest method.

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

Net Position: Net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of legally restricted assets by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the CTA’s policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This component of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Retirement Plan: The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense is recorded on an annual basis based on the results of an actuarial valuation in conformity with GASB 67 and 68. For more detailed information see Note 13.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues: The CTA has classified its revenues as either operating or nonoperating. Operating revenues include activities that have the characteristics of exchange transactions, including bus and rail passenger fares, rental fees received from concessionaires, the fees collected from advertisements on CTA property, and miscellaneous operating revenues. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or change in net position.

Implementation of New Accounting Standards:

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

Future Pronouncements:

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with GAAP, except for the exclusion of certain income and expenses. For 2020 and 2019, these amounts include provision for injuries and damage in excess of (or under) budget, depreciation expense, pension expense in excess of pension contributions, actuarial adjustments, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

The Act requires that expenditures for operations and maintenance in excess of budget cannot be made without approval of the Chicago Transit Board. All annual appropriations lapse at fiscal year-end. The RTA, in accordance with the RTA Act, has approved for budgetary basis presentation the CTA’s recognition of the amount of the injury and damage reserve and pension contribution, funded by the RTA in the approved annual budget. Provisions in excess of the approved annual budget that are unfunded are excluded from the recovery ratio calculation.

Prior to 2009, the RTA funded the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Under this funding policy favorable variances from budget remain as unearned operating assistance to the CTA, and can be used in future years with RTA approval. At the end of 2009, the RTA changed the funding policy to reflect actual collections rather than the budgeted funding marks. This new policy shifts the risk of shortfalls from actual collections to the respective service boards.

The RTA approves the proposed budget based on a number of criteria:

- That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the costs of providing services and funding operating deficits;
- That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;
- That the budget provides for the CTA to meet its required system-generated revenue recovery ratio; and
- That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

The RTA monitors the CTA’s performance against the budget on a quarterly basis. If, in the judgment of the RTA, this performance is not substantially in accordance with the CTA’s budget for such period, the RTA shall so advise the CTA and the CTA must within the period specified by the RTA, submit a revised budget to bring the CTA into compliance with the budgetary requirements listed above.

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

Most of the CTA’s public funding for operating needs is funneled through the RTA. The RTA allocates funds to the service boards based on a formula included in the 1983 Regional Transportation Authority Act and the 2008 Legislation (P.A. 95-0708) approved by Illinois lawmakers to provide increased operating funds to the Northeastern Illinois Transit System. Other funds are allocated based on the RTA’s discretion.

The funding “marks” represent the amount of funds that each Service Board can expect to receive from the RTA and other sources.

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

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

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

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

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NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments of the Business-type Activities

Cash, cash equivalents, and investments are reported in the Statements of Net Position of the business-type activities as follows as of December 31, 2020 and 2019 (in thousands of dollars):

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

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

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

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

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan or the Retiree Healthcare Trust, which are separate legal entities. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee. In accordance with the Act and the Investment Policy, CTA can invest in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). CTA may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. CTA may invest in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC) and no more than 33.33% of the maximum portfolio percentage amount allowed by the chart in Section 2B of the Investment Policy for investment in Certificates of Deposit may be invested in Certificates of Deposit of a single issuer of such Certificates.
4. Commercial Paper. CTA may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding $500 million, provided that: (a) such obligations are at the time of purchase at the highest classification for short-term obligations and one of the three highest classifications for long-term obligations established by at least two standard rating services and which mature no later than 3 years from the date of purchase; (b) such purchases do not exceed 10% of the corporation’s outstanding obligations; (c) no more than one-third of the Authority’s funds may be invested in short term obligations of corporations; and (d) no more than 25% of the maximum portfolio percentage allowed by the chart in Section 2B of the Investment Policy for all Corporate Obligations may be invested in Corporate Obligations of a single issuer.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Investment Pool. CTA may invest in a Public Treasurers’ Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).
7. Repurchase Agreements. CTA may invest in repurchase agreements for securities that are authorized investments under the Investment Policy, subject to all of the requirements of the Act, provided that: (a) the securities shall be held by a custodial bank authorized by the Chicago Transit Board; and (b) each transaction must be entered into under terms of a master repurchase agreement in a form authorized by the Chicago Transit Board.

(Continued)

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

8. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the Authority or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, no lower than 'A' category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (8) shall, at the time of purchase, not exceed 5 years; provided that a longer maturity is authorized if the Authority has a put option on the bonds to demand early repayment on the bonds within 5 years from the date of purchase. These securities shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within five years from the date of purchase.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the CTA's deposits may not be returned. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the CTA will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The Investment Policy requires that investment securities be held by an authorized custodial bank pursuant to a written custodial agreement.

In addition, the Investment Policy requires that whenever funds are deposited in a financial institution in an amount which causes the total amount of the Authority's funds deposited with such institution to exceed the amount which is protected by the FDIC, all deposits which exceed the amount insured be collateralized, at the rate of 102% of such deposit, by: bonds, notes, certificates of indebtedness, Treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America. As of December 31, 2020 and 2019, the CTA's bank balances were fully insured or collateralized.

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

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

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

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

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

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

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

Credit Risk: Credit risk is the risk that the CTA will not recover its investments due to the failure of the counterparty to fulfill its obligation. To address this risk, the CTA invests in accordance with its Investment Policy which states investments held by CTA are backed by the United States Government, which are valued at AAA, municipal bonds that shall be rated, at the time of purchase, no lower than 'A' category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions, and commercial paper that are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than three years from the date of purchase.

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

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

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

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

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

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

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

(Continued)

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

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

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

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

Cash, Cash Equivalents, and Investments of the Fiduciary Activities

Cash, cash equivalents, and investments are reported in the Fiduciary Fund as follows as of December 31, 2020 and 2019 (in thousands of dollars):

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

(Continued)

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

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Qualified Supplemental Retirement Plan, including the responsibility for allocating the assets of the trust fund among the separate accounts, for monitoring the diversification of the investments of the trust fund, for determining the propriety of investments of the trust fund in foreign securities and of maintaining the custody of foreign investments abroad, for assuring that the plan does not violate any provisions of applicable law limiting the acquisition or holding of certain securities or other property, and for the appointment and removal of an investment fiduciary. The Qualified Supplemental Retirement Plan is a qualified plan that is not subject to the Public Funds Investment Act.

In March 2005 the Employee Retirement Review Committee engaged a registered investment adviser under the Investment Advisers Act of 1940. The Employee Retirement Review Committee engaged a new registered investment adviser in October 2015. The investment adviser is authorized to invest and reinvest the assets of the Qualified Supplemental Retirement Plan and keep the same invested, without distinction between principal and income, in any property, real, personal or mixed or share or part thereof, or part interest thereof, or part interest therein, wherever situated, and whether or not productive of income, including: capital, common and preferred stock, and short-term investments.

Interest Rate Risk: Interest rate risk is the risk that the fair value of the Qualified Supplemental Retirement Plan investments will decrease as a result of an increase in interest rates. The Employee Retirement Review Committee mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines as of December 31, 2020 and 2019:

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

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

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 80	$ 80	$ -
U.S. fixed income	9,369	9,369	-
Total	$ 9,449	$ 9,449	$ -

(Continued)

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

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

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 93	$ 93	$ -
U.S. fixed income	10,394	10,394	-
Total	$ 10,487	$ 10,487	$ -

Credit Risk: Credit risk is the risk that the Qualified Supplemental Retirement Plan will not recover its investments due to the failure of the counterparty to fulfill its obligation.

As of December 31, 2020, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	Government Secured	Not Rated
Short-term investment funds	$ 80	$ -	$ 80
U.S. fixed income	9,369	-	9,369
Total	$ 9,449	$ -	$ 9,449

As of December 31, 2019, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

		Credit ratings	
	Fair value	Government Secured	Not Rated
Short-term investment funds	$ 93	$ -	$ 93
U.S. fixed income	10,394	-	10,394
Total	$ 10,487	$ -	$ 10,487

Custodial Credit Risk – Investments: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Qualified Supplemental Retirement Plan will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. The investment securities are held in trust pursuant to a written trust agreement.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. There was no foreign currency risk as of December 31, 2020 or 2019.

(Continued)

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

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

	Fair Value Measurements as of December 31, 2020			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ -	$ -	$ -	$ -
Common Stock	-	-	-	-
Total investments by fair value level	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	9,369			
Common Stock	14,801			
Common Stock - Global	8,245			
Real Estate	3,993			
Total investments	$ 36,408			

	Fair Value Measurements as of December 31, 2019			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ -	$ -	$ -	$ -
Common Stock	-	-	-	-
Total investments by fair value level	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	10,394			
Common Stock	13,751			
Common Stock - Global	7,914			
Real Estate	4,217			
Total investments	$ 36,276			

Investment in Certain Entities that Calculate Net Asset Value Per Share

CTA measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. The Real Estate, Common Stock – Global, and the U.S. Fixed Income and Common Stock are generally structured as limited partnerships, limited liability corporations, or collective trusts, respectively, with an investment manager and are created by raising pools of capital from investors that will be invested according to one or more specific investment strategies. Investors commit capital to the fund, and as the investment manager identifies investment opportunities, the committed capital is called to purchase the investments.

(Continued)

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

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement as of December 31, 2020 and 2019 (in thousands of dollars):

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2020	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 9,369	$ -	N/A	N/A
Common Stock	14,801	-	N/A	N/A
Common Stock - Global	8,245	-	N/A	30 Days
Real Estate	3,993	-	Quarterly on a Calendar Basis.	60 Days

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2019	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 10,394	$ -	N/A	N/A
Common Stock	13,751	-	N/A	N/A
Common Stock - Global	7,914	-	N/A	30 Days
Real Estate	4,217	-	Quarterly on a Calendar Basis.	60 Days

NOTE 6 - CAPITAL ASSETS

The CTA has capital grant contracts with federal, state, and regional agencies, including the U.S. Department of Transportation, Federal Transit Administration (FTA), the State of Illinois Department of Transportation (IDOT), established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid-transit cars, buses, and equipment and is constructing, renewing, and improving various portions of track structures and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of the federal projects, with the balance of the cost being financed principally by IDOT, the RTA, and CTA bonds. Commitments of approximately $1,216,139,000 and $410,404,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2020 and 2019, respectively.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, FEMA, IEMA, or a capital line of credit. Commitments of approximately $1,542,785,000 and $462,605,000 have been entered into for these state and local capital grants as of December 31, 2020 and 2019, respectively. Changes in capital assets for the year ended December 31, 2020 are as follows (in thousands of dollars):

	January 1, 2020	Increase	Decrease	December 31, 2020
Capital assets not being depreciated:				
Land	$ 173,028	$ -	$ (1)	$ 173,027
Construction in process	601,571	614,876	(280,308)	936,139
Total capital assets not being depreciated	774,599	614,876	(280,309)	1,109,166
Capital assets being depreciated:				
Land improvements	172,248	39,435	-	211,683
Buildings	3,309,706	60,660	-	3,370,366
Transportation vehicles	3,911,688	81,472	(19,434)	3,973,726
Elevated structure track	2,687,208	50,561	-	2,737,769
Signal and communication	1,517,702	12,794	(132)	1,530,364
Other equipment	831,660	35,386	(593)	866,453
Total capital assets being depreciated	12,430,212	280,308	(20,159)	12,690,361
Less accumulated depreciation for:				
Land improvements	59,942	38,930	-	98,872
Buildings	1,791,619	120,239	-	1,911,858
Transportation vehicles	2,666,485	176,782	(19,424)	2,823,843
Elevated structure track	1,797,127	70,664	-	1,867,791
Signal and communication	1,116,895	48,450	(132)	1,165,213
Other equipment	712,814	45,915	(572)	758,157
Total accumulated depreciation	8,144,882	500,980	(20,128)	8,625,734
Total capital assets being depreciated, net	4,285,330	(220,672)	(31)	4,064,627
Total capital assets, net	$ 5,059,929	$ 394,204	$ (280,340)	$ 5,173,793

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2019 are as follows (in thousands of dollars):

	January 1, 2019	Increase	Decrease	December 31, 2019
Capital assets not being depreciated:				
Land	$ 171,201	$ 1,827	$ -	$ 173,028
Construction in process	633,054	623,856	(655,339)	601,571
Total capital assets not being depreciated	804,255	625,683	(655,339)	774,599
Capital assets being depreciated:				
Land improvements	63,642	108,672	(66)	172,248
Buildings	3,068,849	252,002	(11,145)	3,309,706
Transportation vehicles	3,843,953	94,554	(26,819)	3,911,688
Elevated structure track	2,609,703	77,901	(396)	2,687,208
Signal and communication	1,454,561	65,386	(2,245)	1,517,702
Other equipment	809,590	54,999	(32,929)	831,660
Total capital assets being depreciated	11,850,298	653,514	(73,600)	12,430,212
Less accumulated depreciation for:				
Land improvements	37,835	22,173	(66)	59,942
Buildings	1,675,899	126,865	(11,145)	1,791,619
Transportation vehicles	2,524,840	168,464	(26,819)	2,666,485
Elevated structure track	1,716,619	80,904	(396)	1,797,127
Signal and communication	1,063,533	55,607	(2,245)	1,116,895
Other equipment	699,281	46,462	(32,929)	712,814
Total accumulated depreciation	7,718,007	500,475	(73,600)	8,144,882
Total capital assets being depreciated, net	4,132,291	153,039	-	4,285,330
Total capital assets, net	$ 4,936,546	$ 778,722	$ (655,339)	$ 5,059,929

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2020 are as follows (in thousands of dollars):

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 256,527	$ 235,425	$ (234,236)	$ 257,716	$ 194,437	$ 63,279
Bonds payable:						
Bonds payable (note 9)	4,016,015	901,900	(578,745)	4,339,170	4,223,480	115,690
Premium on bonds payable	92,351	43,580	(22,804)	113,127	113,127	-
Total bonds payable	4,108,366	945,480	(601,549)	4,452,297	4,336,607	115,690
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	67,867	-	(9,537)	58,330	55,105	3,225
Premium on capital lease obligation	2,676	-	(339)	2,337	2,337	-
Total capital lease obligations	70,543	-	(9,876)	60,667	57,442	3,225
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	83,283	25,512	(1,552)	107,243	105,636	1,607
Certificates of participation (note 10)	7,751	-	(7,751)	-	-	-
Fare system purchase agreement (note 11)	46,717	-	(10,887)	35,830	24,432	11,398
Total direct borrowings	208,294	25,512	(30,066)	203,740	187,510	16,230
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,879,038	-	(80,342)	1,798,696	1,798,696	-
Total OPEB liability (note 15)	9,820	733	-	10,553	10,553	-
Capital line of credit - note purchase agreement (note 17)	208,165	181,835	(179,800)	210,200	105,700	104,500
Other	20	-	-	20	20	-
Total other long-term liabilities	2,097,043	182,568	(260,142)	2,019,469	1,914,969	104,500
Total	$ 6,670,230	$ 1,388,985	$ (1,125,993)	$ 6,933,222	$ 6,633,523	$ 299,699

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Changes in long-term obligations for the year ended December 31, 2019 are as follows (in thousands of dollars):

	Balance at January 1, 2019	Additions	Reductions	Balance at December 31, 2019	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 263,246	$ 158,362	$ (165,081)	$ 256,527	$ 185,625	$ 70,902
Bonds payable:						
Bonds payable (note 9)	4,113,875	-	(97,860)	4,016,015	3,914,175	101,840
Premium on bonds payable	103,909	-	(11,558)	92,351	92,351	-
Total bonds payable	4,217,784	-	(109,418)	4,108,366	4,006,526	101,840
Direct Borrowings:						
Capital lease obligations:						
Capital lease obligations (note 8)	83,518	-	(15,651)	67,867	58,330	9,537
Premium on capital lease obligation	3,033	-	(357)	2,676	2,676	-
Total capital lease obligations	86,551	-	(16,008)	70,543	61,006	9,537
Transportation Infrastructure Finance and Innovation Act (TIFIA) bonds payable (note 12)	80,443	2,840	-	83,283	81,731	1,552
Certificates of participation (note 10)	15,294	-	(7,543)	7,751	-	7,751
Fare system purchase agreement (note 11)	57,113	-	(10,396)	46,717	35,831	10,886
Total direct borrowings	239,401	2,840	(33,947)	208,294	178,568	29,726
Other long-term liabilities:						
Net pension liability (note 13 & 14)	1,691,674	187,364	-	1,879,038	1,879,038	-
Total OPEB liability (note 15)	9,751	69	-	9,820	9,820	-
Capital line of credit - note purchase agreement (note 17)	49,250	196,815	(37,900)	208,165	119,000	89,165
Other	20	-	-	20	20	-
Total other long-term liabilities	1,750,695	384,248	(37,900)	2,097,043	2,007,878	89,165
Total	$ 6,471,126	$ 545,450	$ (346,346)	$ 6,670,230	$ 6,378,597	$ 291,633

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Capital Lease – 2008 Bus Lease: During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty-foot New Flyer articulated hybrid buses and certain related parts and equipment with a book value of $1,891,000 and $13,563,000 at December 31, 2020 and 2019, respectively. The terms of the 2008 agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year. During 2013, CTA terminated the 2008 agreement and entered into a 2013 lease-purchase agreement with the same term and reduced rental payments. A deferred loss on refunding of $3,207,000 was recorded at the time of the 2013 transaction. The remaining unamortized loss of $30,000 is recorded as deferred outflows of resources as of December 31, 2019. There is no unamortized loss remaining as of December 31, 2020. The present value of the future payments to be made by the CTA under the lease of approximately $6,472,000 is reflected in the accompanying December 31, 2019 Statements of Net Position, as a capital lease obligation. No capital lease obligation is reflected as of December 31, 2020.

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

This lease contains a provision that in the event of a termination event, the total amount of unpaid principal and accrued interest become due immediately or Lessor can demand the return or repossess the buses as defined in the Lessor Remedies Upon Termination Event section.

Capital Lease – Public Building Commission: In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111,120,000.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to an including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over 27 years by approximately $388,000, resulting in an economic gain of approximately $20,404,000. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2,395,000. The remaining unamortized portion of $305,000 and $418,000 are recorded as deferred outflows of resources in the accompanying Statements of Net Position as of December 31, 2020 and 2019, respectively.

The bonds are payable from and secured by the lease entered into between the Commission and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. The bond premium related to this transaction is presented as such on the Statements of Net Position. The present value of the future payments to be made by the CTA under the lease of approximately $58,330,000 and $61,395,000 is reflected in the accompanying December 31, 2020 and 2019 Statements of Net Position, respectively, as a capital lease obligation.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2020 are as follows (in thousands of dollars):

2020	Beginning balance	Additions	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 6,472	$ -	$ (6,472)	$ -	$ -	$ -
2006 PBC lease	61,395	-	(3,065)	58,330	3,122	3,225
Total capital lease obligation	$ 67,867	$ -	$ (9,537)	$ 58,330	$ 3,122	$ 3,225

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2019 are as follows (in thousands of dollars):

2019	Beginning balance	Additions	Principal paid	Ending balance	Interest paid	Due in one year
2008 Bus Lease	$ 19,208	$ -	$ (12,736)	$ 6,472	$ 350	$ 6,472
2006 PBC lease	64,310	-	(2,915)	61,395	3,272	3,065
Total capital lease obligation	$ 83,518	$ -	$ (15,651)	$ 67,867	$ 3,622	$ 9,537

Future Minimum Lease Payments: As of December 31, 2020 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2021	$ 3,225
2022	3,390
2023	3,565
2024	3,760
2025	3,960
2026 - 2030	23,250
2031 - 2033	17,180
Total minimum lease payments	58,330
Less interest	-
	$ 58,330

NOTE 9 - BONDS PAYABLE

2008A Series (Pension Funding) and 2008B Series (Retiree Health Care Funding) Sales and Transfer Tax Receipts Revenue Bonds: On July 30, 2008, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds in the amount of $1,936,855,000 to fund the employee retirement plan and to create a retiree health care trust. The bonds were sold in two tranches, a $1.3 billion Series A to fund the employee's retirement plan and a $640 million Series B to fund a permanent trust that was established to cover other postemployment benefits for retirees' health care. The bonds are secured primarily by a pledge of and lien on the Sales Tax Receipts Fund and the Transfer Tax Receipts Fund deposits. The bonds were issued pursuant to the pension and retiree health care reform requirements set forth in Public Acts 94-839 and 95-705.

Public Act 94-839 required the CTA to make contributions to its retirement system in an amount which, together with the contributions of its participants, interest earned on investments and other income, were sufficient to bring the total assets of the retirement system up to 90% of its total actuarial liabilities by the end of fiscal year 2058. Additionally, Public Act 94-839 required that the Retirement Plan's pension and retiree health care programs be separated into two distinct trusts by December 31, 2008.

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust will be created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions.

NOTE 9 - BONDS PAYABLE (Continued)

Fourth, Public Act 95-708 authorized the CTA to issue $1.9 billion in pension obligation bonds to fund the pension and retiree health care. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding. In accordance with Public Act 95-708, all retiree healthcare benefits are now paid from the newly established Retiree Health Care Trust.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay any amounts remaining in the Sales Tax Receipt Fund and the Transfer Tax Receipts Fund, as defined by the bond agreement, and all tax receipts as promptly as practicable after receipt.

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.9%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2013 through June 1, 2040.

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

	Principal	Interest	Total
2021	$ 41,465	$ 115,109	$ 156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	$ 1,672,085	$ 1,459,401	$ 3,131,486

NOTE 9 - BONDS PAYABLE (Continued)

2010A Sales Tax Receipts Revenue Bonds and Taxable Series 2010B Sales Tax Receipts Revenue Bonds (Build America Bonds): On March 23, 2010, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B Build America Bonds, in the amount of $550,000,000, along with a premium of $5,186,000. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to the purchase of new rail cars, overhaul and rehabilitation of existing rail cars, and the purchase and installation of upgrades for rail system components. The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) Program. This program allows state and local governments to issue taxable bonds for capital projects and to receive a federal subsidy payment from the U.S. Treasury Department for a portion of their borrowing costs.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2010A and 2010B bonds bear interest ranging from 4.0% to 6.2%. Scheduled interest on the 2010 bonds was funded through December 1, 2010 with proceeds of the 2010 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2015 through June 1, 2040.

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

		2010B	
	Principal	**Interest**	**Total**
2021	$ 12,095	$ 30,214	$ 42,309
2022	12,720	29,583	42,303
2023	13,405	28,900	42,305
2024	14,135	28,167	42,302
2025	14,930	27,372	42,302
2026	15,855	26,447	42,302
2027	16,835	25,464	42,299
2028	17,880	24,420	42,300
2029	18,985	23,311	42,296
2030	20,155	22,134	42,289
2031	21,400	20,885	42,285
2032	22,725	19,558	42,283
2033	24,135	18,149	42,284
2034	31,820	16,653	48,473
2035	33,785	14,680	48,465
2036	35,875	12,585	48,460
2037	38,090	10,361	48,451
2038	40,455	7,999	48,454
2039	42,955	5,491	48,446
2040	45,610	2,828	48,438
Total	$ 493,845	$ 395,201	$ 889,046

There are no bond debt service requirements on the Series 2010A bonds as of December 31, 2020 and 2019.

NOTE 9 - BONDS PAYABLE (Continued)

2010 (5307 Urbanized Area Formula Program & 5309 Fixed Guideway Modernization Program) Refunding Series Capital Grant Receipts Revenue Bonds: On May 6, 2010, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program and 5309 Fixed Guideway Modernization Program Funds, in the amount of $90,715,000, along with a premium of $1,876,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5309 Grant Receipts as promptly as practicable after receipt.

The Series 2010 bonds bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially on June 1, 2027 and June 1, 2028.

Net proceeds of $45,778,000 were deposited into an irrevocable trust with an escrow agent to provide for 2011 debt service payments on the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the 2011 liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2010 Series bonds which increased its total debt service payments over the next 19 years by $78,528,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,099,000. The defeased debt had a zero balance as of December 31, 2020 and 2019.

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

	2010 5307		2010 5309		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ -	$ 3,195	$ -	$ 1,341	$ -	$ 4,536
2022	-	3,195	-	1,341	-	4,536
2023	-	3,195	-	1,341	-	4,536
2024	-	3,195	-	1,341	-	4,536
2025	-	3,195	-	1,341	-	4,536
2026	-	3,195	-	1,341	-	4,536
2027	31,170	2,415	13,085	1,014	44,255	3,429
2028	32,725	818	13,735	343	46,460	1,161
Total	$ 63,895	$ 22,403	$ 26,820	$ 9,403	$ 90,715	$ 31,806

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2011 (5307 Urbanized Area Formula Program) Refunding Series Capital Grant Receipts Revenue Bonds: On October 26, 2011, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program, in the amount of $56,525,000, along with a premium of $1,806,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004B and 2006A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 Grant Receipts as promptly as practicable after receipt .

The Series 2011 bonds bear interest ranging from 4.5% to 5.25%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially from June 1, 2022 to June 1, 2029.

Net proceeds of $57,535,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2011 Series bonds which increased its total debt service payments over the next 18 years by $34,252,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $9,214,000. The defeased debt had a zero balance as of December 31, 2020 and 2019.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2011 of $6,794,000 was deferred and is being amortized over 18 years. The deferred amount ending balance for the years ended December 31, 2020 and 2019 was $2,499,000 and $2,968,000, respectively, and recorded as a deferred outflow of resources in the accompanying Statements of Net Position. Amortization of the deferred amount on the refunding was $469,000 and $468,000 for the years ended December 31, 2020 and 2019, respectively.

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

	Principal	Interest	Total
2021	$ -	$ 2,865	$ 2,865
2022	6,595	2,700	9,295
2023	6,920	2,353	9,273
2024	7,285	1,980	9,265
2025	7,665	1,594	9,259
2026	8,060	1,187	9,247
2027	-	975	975
2028	-	975	975
2029	20,000	488	20,488
Total	$ 56,525	$ 15,117	$ 71,642

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2011 Sales Tax Receipts Revenue Bonds: On October 26, 2011, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2011, in the amount of $476,905,000, along with a premium of $21,392,000. The bonds were issued to pay for, or reimburse the CTA for prior expenditures relating to (i) the purchase of rail cars to replace existing cars and (ii) the finance of any other capital project designated by the CTA Board as part of the 2011 Project.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2011 bonds bear interest ranging from 5.0% to 5.25%. Scheduled interest on the 2010 bonds will be funded through December 1, 2015 with proceeds of the 2011 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on December 1, 2021 through December 1, 2040.

The Sales Tax Receipts Revenue Bonds, Refunding Series 2020B bonds refunded the maturities dated December 1, 2021 through December 1, 2040.

There are no bond debt service requirements on the Series 2011 bonds as of December 31, 2020.

2014 Sales Tax Receipts Revenue Bonds: On July 10, 2014, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds, Series 2014 in the amount of $550,000,000, along with a premium of $45,154,000. The bonds were issued to provide funds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2014 bonds bear interest ranging from 5.0% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2049.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 28,597	$ 28,597
2022	-	28,597	28,597
2023	-	28,597	28,597
2024	-	28,597	28,597
2025	-	28,597	28,597
2026	-	28,597	28,597
2027	-	28,597	28,597
2028	-	28,597	28,597
2029	-	28,597	28,597
2030	-	28,597	28,597
2031	-	28,597	28,597
2032	-	28,597	28,597
2033	-	28,597	28,597
2034	-	28,597	28,597
2035	-	28,597	28,597
2036	-	28,597	28,597
2037	-	28,597	28,597
2038	-	28,597	28,597
2039	-	28,597	28,597
2040	-	28,597	28,597
2041	50,180	28,597	78,777
2042	52,690	26,088	78,778
2043	55,325	23,453	78,778
2044	58,090	20,687	78,777
2045	60,995	17,783	78,778
2046	64,195	14,580	78,775
2047	67,565	11,210	78,775
2048	71,115	7,663	78,778
2049	74,845	3,929	78,774
Total	$ 555,000	$ 725,930	$ 1,280,930

NOTE 9 - BONDS PAYABLE (Continued)

2015 Refunding Series Capital Grant Receipts Revenue Bonds: On September 16, 2015, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $176,920,000 along with a premium of $21,569,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund a portion of the outstanding 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2015 bond bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2015 and the bonds mature serially June 1, 2018 through June 1, 2026.

The remaining net proceeds of $197,159,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2015 Series bonds which reduced its total debt service payments over the next 10 years by $10,043,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9,856,000. The defeased debt had a zero balance as of December 31, 2020 and December 31, 2019.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 of $12,281,000 was deferred and is being amortized over the next 10 years. The deferred amount ending balance for the years ended December 31, 2020 and 2019 was $2,621,000 and $3,835,000, respectively. Amortization of the deferred amount on the refunding was $1,214,000 and $1,592,000 for the years ended December 31, 2020 and 2019, respectively.

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

	2015 (5307)		2015 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 41,410	$ 1,035	$ 335	$ 2,228	$ 41,745	$ 3,263
2022	-	-	350	2,211	350	2,211
2023	-	-	370	2,193	370	2,193
2024	-	-	13,855	1,838	13,855	1,838
2025	-	-	14,550	1,128	14,550	1,128
2026	-	-	15,275	382	15,275	382
Total	$ 41,410	$ 1,035	$ 44,735	$ 9,980	$ 86,145	$ 11,015

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2017 Second Lien Sales Tax Receipts Revenue Bonds: On January 10, 2017, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, in the amount of $296,220,000, along with a premium of $18,108,000. The bonds were issued to (i) finance certain capital projects contemplated by the CTA's capital improvement plan, (ii) capitalize interest on the 2017 Second Lien Bonds and (iii) pay costs in connection with the issuance of the 2017 Second Lien Bonds.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds and on the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2017 bonds was funded through December 1, 2018 with proceeds of the 2017 bonds and interest thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2051.

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 14,711	$ 14,711
2022	-	14,711	14,711
2023	-	14,711	14,711
2024	-	14,711	14,711
2025	-	14,711	14,711
2026	-	14,711	14,711
2027	-	14,711	14,711
2028	-	14,711	14,711
2029	-	14,711	14,711
2030	-	14,711	14,711
2031	-	14,711	14,711
2032	-	14,711	14,711
2033	-	14,711	14,711
2034	-	14,711	14,711
2035	-	14,711	14,711
2036	-	14,711	14,711
2037	-	14,711	14,711
2038	-	14,711	14,711
2039	-	14,711	14,711
2040	-	14,711	14,711
2041	20,910	14,711	35,621
2042	21,945	13,681	35,626
2043	23,025	12,599	35,624
2044	24,160	11,464	35,624
2045	25,350	10,273	35,623
2046	26,600	9,023	35,623
2047	27,910	7,712	35,622
2048	29,310	6,316	35,626
2049	30,775	4,851	35,626
2050	32,310	3,312	35,622
2051	33,925	1,696	35,621
Total	$ 296,220	$ 389,858	$ 686,078

NOTE 9 - BONDS PAYABLE (Continued)

2017 Refunding Series Capital Grant Receipts Revenue Bonds: On July 18, 2017, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $225,795,000 along with a premium of $31,279,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund the Series 2008A 5307 bonds maturing June 1, 2022 through 2026 as well as refunding the Series 2008 5337 bonds maturing June 1, 2019 through 2026 and the Series 2008A 5337 bonds maturing June 1, 2019 through 2023.

This bond contains a provision that in the event of default, the CTA upon demand of the Trustee shall pay all moneys, securities, and funds held by the CTA in a fund, account, or sub-account pursuant to the terms of the Indenture and all 5307 and 5337 Grant Receipts as promptly as practicable after receipt.

The Series 2017 bonds bear interest ranging from 2.0% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially June 1, 2018 through June 1, 2026.

Net proceeds of $255,396,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2008A) and 5337 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2017 Series bonds which resulted in a difference of cash flows of debt service payments on the old and new debt of $30,456,000 and an economic gain (present value of the difference in debt service cash flows payments) of $27,099,000. The defeased debt had a balance of zero as of December 31, 2020 and 2019.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2017 of $4,929,000 was deferred and is being amortized over the next 9 years. The deferred amount ending balance for the years ended December 31, 2020 and 2019 was $2,157,000 and $2,902,000, respectively. Amortization of the deferred amount on the refunding was $745,000 and $817,000 for the years ended December 31, 2020 and 2019, respectively

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

	2017 (5307)		2017 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ -	$ 4,527	$ 20,385	$ 4,810	$ 20,385	$ 9,337
2022	16,385	4,527	21,405	3,791	37,790	8,318
2023	17,205	3,708	22,475	2,720	39,680	6,428
2024	18,065	2,848	10,130	1,597	28,195	4,445
2025	18,970	1,944	10,635	1,090	29,605	3,034
2026	19,915	996	11,165	558	31,080	1,554
Total	$ 90,540	$ 18,550	$ 96,195	$ 14,566	$ 186,735	$ 33,116

2020A Second Lien Sales Tax Receipts Revenue Bonds: On September 3, 2020, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2020A, in the amount of $367,895,000, along with a premium of $43,580,000. The bonds were issued to pay for projects included in the Capital Improvement Plan and repay a portion of CTA's Second Lien Sales Tax Receipts Capital Improvement Notes.

NOTE 9 - BONDS PAYABLE (Continued)

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds and on the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2020A bonds bear interest ranging from 4.0% to 5.0%. Scheduled interest on the 2020A bonds was funded through September 1, 2023 with proceeds of the 2020A bonds and interest thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature on December 1, 2041 through December 1, 2055.

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

	Principal	Interest	Total
2021	$ -	$ 16,279	$ 16,279
2022	-	16,279	16,279
2023	-	16,279	16,279
2024	-	16,279	16,279
2025	-	16,279	16,279
2026	-	16,279	16,279
2027	-	16,279	16,279
2028	-	16,279	16,279
2029	-	16,279	16,279
2030	-	16,279	16,279
2031	-	16,279	16,279
2032	-	16,279	16,279
2033	-	16,279	16,279
2034	-	16,279	16,279
2035	-	16,279	16,279
2036	-	16,279	16,279
2037	-	16,279	16,279
2038	-	16,279	16,279
2039	-	16,279	16,279
2040	-	16,279	16,279
2041	17,590	16,279	33,869
2042	18,470	15,399	33,869
2043	19,395	14,476	33,871
2044	20,360	13,506	33,866
2045	21,380	12,488	33,868
2046	22,450	11,419	33,869
2047	23,345	10,521	33,866
2048	24,280	9,587	33,867
2049	25,250	8,616	33,866
2050	26,265	7,606	33,871
2051	27,315	6,556	33,871
2052	28,515	5,355	33,870
2053	29,765	4,103	33,868
2054	31,075	2,794	33,869
2055	32,440	1,427	33,867
Total	$ 367,895	$ 465,712	$ 833,607

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

2020B Taxable Series Sales Tax Receipts Revenue Refunding Bonds: On September 3, 2020, the CTA issued the Taxable Sales Tax Receipts Revenue Refunding Bonds, Series 2020B, in the amount of $534,005,000. The bonds were issued to refund the outstanding Sales Tax Receipts Revenue Bonds Series 2011 and to repay a portion of CTA's Second Lien Sales Tax Receipts Capital Improvement Notes.

This bond contains a provision that in the event of default, the CTA, upon demand of the Trustee shall pay, after payment is made on the 2008A and 2008B Pension and Retiree Health Care Funding bonds, any amounts remaining in the Sales Tax Receipts Fund, as defined by the bond agreement, and all Sales Tax Receipts as promptly as practicable after receipt.

The Series 2020B bonds bear interest ranging from 1.7% to 3.9%. Scheduled interest on the 2020B bonds was funded through June 1, 2021 with proceeds of the 2020B bonds and interest thereon. Interest on the 2020 bonds is payable semiannually on June 1 and December 1 and the bonds mature on December 1, 2022 through December 1, 2040.

Net proceeds of $513,611,000 were deposited into an irrevocable trust with an escrow agent to provide for debt services payments on the Sales Tax Receipts Revenue (Series 2011) bonds. As a result, a portion of the Sales Tax Receipts Revenue (Series 2011) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the Series 2011 bonds using the proceeds from the 2020B Series bonds which resulted in a difference of cash flows of debt service payments on the old and new debt of $47,604,000 and an economic gain (present value of the difference in debt service cash flow payments) of $46,991,000. The defeased debt had a balance of $476,905,000 as of December 31, 2020.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Taxable Sales Tax Receipts Revenue Bonds, Refunding Series 2020B of $17,927,000 was deferred and is being amortized over the next 20 years. The deferred amount ending balance for the year ended December 31, 2020 was $17,440,000. Amortization of the deferred amount on the refunding was $487,000 for the year ended December 31, 2020.

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2021	$ -	$ 17,214	$ 17,214
2022	21,795	17,214	39,009
2023	22,170	16,842	39,012
2024	22,590	16,435	39,025
2025	23,060	15,968	39,028
2026	23,565	15,458	39,023
2027	24,160	14,873	39,033
2028	24,825	14,213	39,038
2029	25,560	13,481	39,041
2030	26,345	12,700	39,045
2031	27,175	11,883	39,058
2032	28,075	10,986	39,061
2033	29,030	10,031	39,061
2034	30,055	9,014	39,069
2035	31,130	7,947	39,077
2036	32,255	6,825	39,080
2037	33,525	5,564	39,089
2038	34,845	4,252	39,097
2039	36,210	2,889	39,099
2040	37,635	1,472	39,107
Total	$ 534,005	$ 225,261	$ 759,266

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

	Principal	Interest	Total
2021	$ 115,690	$ 242,125	$ 357,815
2022	123,330	236,645	359,975
2023	129,665	230,294	359,959
2024	136,430	223,193	359,623
2025	143,655	215,949	359,604
2026 - 2030	709,635	957,652	1,667,287
2031 - 2035	740,470	759,452	1,499,922
2036 - 2040	1,021,180	497,347	1,518,527
2041 - 2045	489,865	251,484	741,349
2046 - 2050	546,215	116,345	662,560
2051 - 2055	183,035	21,931	204,966
Total	$ 4,339,170	$ 3,752,417	$ 8,091,587

NOTE 9 - BONDS PAYABLE (Continued)

Future Revenue Pledges: The CTA has pledged the following future revenues to secure outstanding balances of bond issuances as of December 31, 2020 and 2019 in accordance with bond security requirements:

- Real Estate Transfer Tax (RETT) Receipts received from the City of Chicago are pledged to secure the Series 2008A and 2008B Sales and Transfer Tax Receipts Revenue Bonds; Sales Tax Receipts received from the Regional Transportation Authority (RTA) are pledged to secure remaining debt service unpaid by RETT receipts. Debt service for the bonds outstanding were $3,131,486,000 and $3,288,062,000 as of December 31, 2020 and 2019, respectively. Total real estate transfer tax funds were approximately $51,023,000 and $62,373,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	Principal	Interest
2020	$ 39,010	$ 117,566
2019	36,695	119,878

- Sales Tax Receipts are also pledged to secure the First Lien Series 2010A, 2010B, 2011, 2014, and 2020B as well as Second Lien Series 2017 and 2020A Sales Tax Receipts Revenue Bonds and 2017 Tax-Exempt Note Purchase Agreement (NPA). Sales Tax Receipts secure balances due on the Second Lien Series 2017 and 2020A Sales Tax Receipts Revenue Bonds and the 2017 Tax-Exempt Note NPA after satisfying balances due on First Lien Obligations. Debt service for the bonds outstanding were $4,448,927,000 and $3,748,233,000 as of December 31, 2020 and 2019, respectively. Total sales tax receipts funds were approximately $683,287,000 and $749,711,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010A		2010B		2011	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ -	$ 11,510	$ 30,798	$ 476,905	$ 12,483
2019	10,915	536	-	30,798	-	24,965

	2014		2017	
	Principal	Interest	Principal	Interest
2020	$ -	$ 28,597	$ -	$ 14,711
2019	-	28,597	-	14,711

	2020A		2020B	
	Principal	Interest	Principal	Interest
2020	$ -	$ -	$ -	$ -
2019	-	-	-	-

NOTE 9 - BONDS PAYABLE (Continued)

- Federal Transit Authority (FTA) Section 5307 Urbanized Area Formula funds received from the FTA are pledged to secure the Series 2010, 2011, 2015, and 2017 FTA Section 5307 Urbanized Area Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $309,475,000 and $354,507,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5307 Urbanized Area Formula funds were approximately $616,629,000 and $160,330,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010		2011		2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 3,195	$ -	$ 2,865	$ 31,585	$ 2,860
2019	-	3,195	-	2,865	31,275	4,432

	2017	
	Principal	Interest
2020	$ -	$ 4,527
2019	-	4,527

- MAP-21 restructured the Federal Transit Program in 2015 to end the FTA Section 5309 Formula Program and created a broader formula program in FTA Section 5337 that incorporates the rail modernization formula program formerly included in FTA Section 5309. Debt service for the bonds outstanding were $36,223,000 and $37,564,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5309 Fixed Guideway Modernization Formula funds were approximately $122,635,000 and $91,988,000 as of December 31, 2020 and 2019, respectively.

- As such, FTA Section 5337 State of Good Repair Federal Funds also received from the FTA are pledged to secure the Series 2010 FTA Section 5309 Fixed Guideway Modernization Capital Grant Receipts Revenue Bonds as well as the Series 2015 and 2017 FTA Section 5337 State of Good Repair Formula Funds Capital Grant Receipts Revenue Bonds. Debt service for the bonds outstanding were $165,476,000 and $193,237,000 as of December 31, 2020 and 2019, respectively. Total Federal Transit Authority Section 5337 State of Good Repair Formula funds were approximately $166,622,000 and $167,664,000 as of December 31, 2020 and 2019, respectively. The following principal and interest bond payments were made during December 31, 2020 and 2019 (in thousands of dollars):

	2010 (5309)		2015 (5337)		2017 (5337)	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ -	$ 1,341	$ 320	$ 2,245	$ 19,415	$ 5,781
2019	-	1,341	305	2,260	18,670	6,527

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, Certificates of Participation (COP) totaling $78,430,000 were issued on behalf of the CTA. The COPs were used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments which are remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. During 2013, CTA terminated the original 2008 agreement and entered into three new agreements with the same terms and reduced interest rates. Principal and interest paid in 2020 and 2019 was approximately $7,911,000 and $7,912,000, respectively.

There are no debt service requirements as of December 31, 2020.

NOTE 11 - FARE COLLECTION SYSTEM PURCHASE AGREEMENT

CTA entered into a purchase agreement to finance a fare collection system with a value of $102,900,000. Under the purchase agreement, the CTA will make monthly payments of approximately $1,067,600 over the ten-year term to finance the design, acquisition and installation of the open standards fare system. The present value of the future payments to be made by the CTA under the purchase agreement of approximately $35,830,000 is reflected in the accompanying December 31, 2020 Statements of Net Position as an other long-term liability.

As of September 2019, CTA has entered into another purchase agreement to replace the majority of the fare collection system equipment. No amounts are due and payable under the agreement for the new system until it is delivered and operational, which is not anticipated to occur for several years. The payment for such replacement system will be a separate capital cost to be paid in addition to the foregoing financed amounts.

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

	Principal	Interest	Total
2021	$ 11,398	$ 1,412	$ 12,810
2022	11,935	876	12,811
2023	12,497	314	12,811
	$ 35,830	$ 2,602	$ 38,432

NOTE 12 - TIFIA LOANS

2014 TIFIA Loan

On April 24, 2014, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's 95th Street Terminal Improvement Project.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

NOTE 12 – TIFIA LOANS (Continued)

The principal amount of the TIFIA Loan shall not exceed $79,200,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender a registered fare box receipts revenue bonds in the amount of $79,200,000 dated April 24, 2014 with a maturity date of December 1, 2050 bearing an interest rate of 3.5%, with a loan amortization schedule.

CTA borrowed $79,200,000 in 2018 and is capitalizing interest through 2020. Total capitalized interest of $5,298,000 will be added to the principal repayments over the life of the loan. As of December 31, 2020 and 2019, CTA had accrued $5,298,000 and $4,083,000 of capitalized interest, respectively.

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

	Principal*	Interest	Total
2021	$ 1,607	$ 2,903	$ 4,510
2022	1,663	2,847	4,510
2023	1,721	2,789	4,510
2024	1,782	2,728	4,510
2025	1,844	2,666	4,510
2026 - 2030	10,233	12,317	22,550
2031 - 2035	12,153	10,394	22,547
2036 - 2040	14,436	8,114	22,550
2041 - 2045	17,145	5,405	22,550
2046 - 2050	20,362	2,187	22,549
Total	$ 82,946	$ 52,350	$ 135,296

* Includes capitalized interest

2015 TIFIA Loan

On February 3, 2015, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's "Your New Blue" capital improvement program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The principal amount of the TIFIA Loan shall not exceed $120,000,000; provided the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans

NOTE 12 – TIFIA LOANS (Continued)

and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender two fare box receipts revenue bonds in the amounts of $42,600,000 with a maturity date of December 1, 2029, bearing an interest rate of 2.02%, and $77,400,000 with a maturity date of December 1, 2052, bearing an interest rate of 2.31%.

As of December 31, 2020 CTA had drawn down $24,180,000 on the 2015 TIFIA loan. Total capitalized interest of $117,000 will be added to the principal repayments over the life of the loan. As of December 31, 2020, CTA had accrued $117,000 of capitalized interest. The payment schedule below assumes that the entire balance will be drawn down and will require payment. As a result, the payment schedule includes amounts that have not yet been drawn down and that the CTA is not yet obligated to pay.

	Principal*	Interest	Total
2021	$ -	$ 1,358	$ 1,358
2022	-	2,162	2,162
2023	-	2,184	2,184
2024	5,570	2,184	7,754
2025	5,682	2,071	7,753
2026 - 2030	23,901	8,589	32,490
2031 - 2035	-	7,370	7,370
2036 - 2040	-	7,370	7,370
2041 - 2045	24,480	6,264	30,744
2046 - 2050	27,441	3,303	30,744
2051 - 2052	11,884	414	12,298
Total	$ 98,958	$ 43,269	$ 142,227

* Includes capitalized interest

2016 TIFIA Loan

On March 30, 2016, CTA entered into a third definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administration under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are part of the Authority's Rail Car Purchase Program.

This loan contains a provision that in the event of default, all obligations relating to the disbursement of undisbursed Loan amounts shall automatically be deemed terminated. The unpaid principal amount of the loan, together with all interest accrued, fees, costs, expenses, indemnities and other amounts payable under the loan shall automatically become immediately due and payable.

The aggregate principal amount of the loan shall not exceed $254,930,000, (excluding any interest that is capitalized in accordance with the terms of the loan); provided, however, in no event shall the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA Act, cannot exceed thirty-three percent (33%) of reasonable anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loan and all federal direct or indirect grants, shall not exceed eighty percent (80%) of reasonably eligible project costs.

NOTE 12 - TIFIA LOANS (Continued)

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender registered receipts revenue bonds in the aggregate principal amount not to exceed $254,930,000, comprising two (2) tranches in the principal amounts of $147,018,000 ("Tranche A-1") and $107,912,000 ("Tranche A-2") and bearing an interest rate of 2.64%, with corresponding loan amortization schedules for each tranche. The final maturity date for the Tranche A-1 is December 1, 2049 and the earlier of (a) the last semi-annual payment date occurring no later than thirty-four (34) years from the substantial completion date and (b) December 1, 2056.

As of December 31, 2020 no drawdown had occurred on the 2016 TIFIA loan. No balance is presented for this loan on the Statements of Net Position as of December 31, 2020 or 2019.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES

General Information about the Retirement Plan for Chicago Transit Authority Employees

Plan Description. The CTA participates in a single employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees. The Retirement Plan for Chicago Transit Authority Employees (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101). Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employees' Plan. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Contributions. Prior to 2008, contribution requirements of the Employees' Plan were governed by collective bargaining agreements. After 2008, contribution requirements are governed by Illinois state statute (40 ILCS 5/22-101).

Actual contributions made to the Employees' Plan during the years ended December 31, 2020 and 2019 are as follows (in thousands of dollars):

	Employees' Plan	
	2020	2019
Employer contributions	$ 135,830	$ 121,668
Employee contributions	87,539	79,721
Total	$ 223,369	$ 201,389

	Employees' Plan	
	2020	2019
Employer contribution rate	20.647%	18.019%
Employee contribution rate	13.324%	12.010%

(Continued)

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Benefit terms. Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employee Plan. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, not to exceed 70%, of their average annual compensation in the highest four of the 10 preceding years. For employees retiring on or after January 1, 2001, the percentage is 2.15% multiplied by the employee's number of continuous years of participating service. The Employee Plan permits early retirement at age 55 with three years of service, generally with reduced benefits. However, in the event of early retirement by an employee who has 25 years or more of continuous service, regardless of their age, benefits will not be reduced. In accordance with Public Act 095-0708, for all employees hired on or after January 18, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service and early retirement is age 55 with 10 years of service. Benefits are paid monthly equal to one-twelfth of the annual benefit for the retiree's lifetime. Married employees can elect to receive their pension benefits in the form of a joint and survivor option. In addition to retirement benefits, the Employee Plan also provides disability and death benefits.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2019 and January 1, 2018:

	Employees' Plan
Participants as of January 1, 2019	
Retirees and beneficiaries currently receiving benefits	10,482
Terminated employees entitled to but not yet receiving benefits	113
Active plan members	8,159
Total	18,754
Participants as of January 1, 2018	
Retirees and beneficiaries currently receiving benefits	10,387
Terminated employees entitled to but not yet receiving benefits	106
Active plan members	8,192
Total	18,685

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Net Pension Liability

The CTA's net pension liability was measured as of December 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and 2018.

Actuarial assumptions and calculations. The total pension liability was determined using the following actuarial assumptions, applied to the periods included in the measurement:

	Employee Plan
January 1, 2020 Actuarial Valuation	
Acturial valuation date	January 1, 2019
Measurement date	December 31, 2019. Census data was collected as of January 1, 2019. Liabilities measured as of the census date were projected to December 31, 2019, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.10% per annum
Salary increases	Service graded table starting at 11% with 3.5% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	SOA Public Mortality General Below Median generational with Improvement Scale MP-2018
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

	Employee Plan
January 1, 2019 Actuarial Valuation	
Acturial valuation date	January 1, 2018
Measurement date	December 31, 2018. Census data was collected as of January 1, 2018. Liabilities measured as of the census date were projected to December 31, 2018, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.10% per annum
Salary increases	Service graded table starting at 11% with 3.5% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	SOA Public Mortality General Below Median generational with Improvement Scale MP-2018
Early retirement age	Employees hired before January 17, 2008, can retire at age 55 with reduced benefits. However,if the employee has 25 years or more of continuous service, regardless of age, the employee can retire with full benefits. Employees hired after January 17, 2008, are eligible for an unreduced pension benefit at age 64 with 25 years of service.
Normal retirement age	65
Actuarial cost method	Entry age normal - level percentage of pay
Asset valuation method	5-year smoothed actuarial value of assets
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2017.

From 2018 to 2019, the mortality tables changed from the RP-2000 Blue Collar Table, generational from 2000 based on Scale BB to the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Employees' Plan target asset allocation as of January 1, 2020 and 2019 are summarized in the following tables (note that the rates shown below include the inflation components):

	Employees' Plan			
	December 31, 2019		December 31, 2018	
	Target Allocation	Estimate of expected long-term rate of return	Target Allocation	Estimate of expected long-term rate of return
Fixed income	15%	1.83%	17%	2.33%
Domestic equities	30	9.04	28	8.77
International equities	26	8.45	21	7.77
Venture capital and partnerships	10	12.80	10	11.70
Real estate	12	4.76	12	4.60
Hedge funds	-	4.32	7	3.80
Infrastructure	7	6.17	5	5.66

The long-term expected rate of returns on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of returns by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 8.25% for both 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that Employees' Plan members and employer contributions will continue to follow the current funding policy. Based on those assumptions, the Employees' Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Changes in Net Pension Liability (in thousands of dollars):

	Employees' Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/17	$ 3,522,803	$ 1,865,901	$ 1,656,902
Change for the year:			
Service cost	54,814	-	54,814
Interest	283,757	-	283,757
Difference between expected and actual experience	7,455	-	7,455
Changes in assumptions	(24,727)		(24,727)
Benefit payments	(281,868)	(281,868)	-
Contributions - Employer	-	117,115	(117,115)
Contributions - Employee	-	78,340	(78,340)
Net investment income, net of expenses	-	(61,343)	61,343
Administrative expenses	-	(2,918)	2,918
Net changes	39,431	(150,674)	190,105
Balance at 12/31/18	3,562,234	1,715,227	1,847,007
Change for the year:			
Service cost	53,967	-	53,967
Interest	286,687	-	286,687
Difference between expected and actual experience	41,530	-	41,530
Changes in assumptions	-	-	-
Benefit payments	(288,113)	(288,113)	-
Contributions - Employer	-	121,668	(121,668)
Contributions - Employee	-	81,298	(81,298)
Net investment income, net of expenses	-	263,201	(263,201)
Administrative expenses	-	(2,815)	2,815
Net changes	94,071	175,239	(81,168)
Balance at 12/31/19	$ 3,656,305	$ 1,890,466	$ 1,765,839

Plan fiduciary net position as a percentage of the total net pension liability - 12/31/19	51.70%
Plan fiduciary net position as a percentage of the total net pension liability - 12/31/18	48.15%

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Employees' Plan, calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate (in thousands of dollars):

	Employees' Plan		
	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Employees' Plan net pension liability - 2020	$ 2,112,391	$ 1,765,839	$ 1,468,250
Employees' Plan net pension liability - 2019	$ 2,184,641	$ 1,847,007	$ 1,557,002

(Continued)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CTA Employees' Retirement Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2020 and 2019, CTA recognized pension expense of $176,837,000 and $197,854,000, respectively. At December 31, 2020 and 2019, CTA reported net deferred outflows of resources related to pensions from the following sources:

	Employee Plan 2020	
	Deferred Outflow of Resources (in thousands)	Deferred Inflow of Resources (in thousands)
Difference between projected and actual earnings on pension plan	$ -	$ (7,055)
Difference between expected and actual experience	45,596	-
Changes in assumptions	-	(13,614)
Employer contribution made after measurement date	135,830	-
Balance as of 12/31	$ 181,426	$ (20,669)

	Employee Plan 2019	
	Deferred Outflow of Resources (in thousands)	Deferred Inflow of Resources (in thousands)
Difference between projected and actual earnings on pension plan	$ 148,563	$ -
Difference between expected and actual experience	31,871	-
Changes in assumptions	-	(19,170)
Employer contribution made after measurement date	121,668	-
Balance as of 12/31	$ 302,102	$ (19,170)

NOTE 13 - EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

CTA reported $135,830,000 and $121,668,000 as deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

Employees' Plan		
Year Ended December 31:	2020 Amortization per year (in thousands)	2019 Amortization per year (in thousands)
2020	$ -	$ 67,610
2021	17,260	32,254
2022	5,817	20,813
2023	25,593	40,587
2024	(23,743)	-
Total Amortization	$ 24,927	$ 161,264

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

General Information about the Supplemental Plans

Plan Description. The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board) (2) closed (Non-Qualified) supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for active employees and members retiring after March 2005. All plans are closed to new entrants. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Qualified Supplemental Retirement Plan). The Qualified Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the Non-Qualified and Board plans are included in the financial statements of the CTA's business-type activities. There are no separate stand-alone financial reports issued for any of the Supplemental Plans.

Each of the Supplemental plans are administered by the Employee Retirement Review Committee (ERRC) of the CTA, whose members are appointed by the Board of Directors of the CTA, which retains oversight of the plan administration. The plans are each established by CTA ordinances, which grant the ERRC operational authority and can be modified by the CTA Board. The Board and Non-Qualified plans do not have assets accumulated in a trust.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Contributions. The Board and Non-Qualified plans are administered on a pay as you go basis. The CTA contributes to the Qualified plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

The CTA's annual pension cost for the current year and related information for fiscal years ended December 31, 2020 and 2019 for each plan are as follows (in thousands of dollars):

	Qualified Supplemental	Non-Qualified Supplemental	Board Plan
Actual 2020 contributions:			
CTA	$870	$2,175	$347
Plan members	$0	$0	$7
Actual 2019 contributions:			
CTA	$1,120	$2,340	$326
Plan members	$29	$0	$9

Benefit terms

Qualified and Non-Qualified Plans: Employees of the CTA in certain employment classifications established by Board ordinance are eligible to participate based on age and service credit, generally as follows: at age 65, at age 55 with three years of pensionable service or with twenty-five years of pensionable service. Disability and death benefits are provided to employees.

Benefits are based on the highest average annual compensation ("AAC") over any four calendar years out of the final ten years prior to retirement. For normal retirement and disability retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees. For early retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, with this benefit commencing at age 65. Benefits can commence prior to age 65 under certain conditions, generally as follows: any time after age 55 with a 5% reduction for each year under age 65 or with twenty-five years of service with no reduction. A minimum benefit is payable to an employee under normal, early or disability retirement equal to one-sixth of 1% of AAC multiplied by years of service limited to a maximum of 5% of AAC, with the minimum benefit commencing at early retirement. Termination benefits available to employees who complete ten years of service are as follows: the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees, with the benefit commencing at age 65.

Qualified and Non-Qualified participants who retire on or after February 1, 1984 may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions. In addition to the increased supplemental benefits attributable to such "bridged" service, the Supplemental Plan is responsible for paying any additional benefits that the employees would be eligible for under the Retirement Plan for CTA Employees had they received this additional bridged service under both plans.

Board Plan: Individuals appointed to the Chicago Transit Board are eligible to participate based on age and service credit, generally as follows: at age 65 with completion of two years of service or at age 50 with completion of five years of service.

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Benefits are based, generally, on provisions of the Retirement Plan for CTA Employees and the Supplemental Plan, to provide benefits to members of the Board comparable to what they would receive if employees of the CTA participating in those plans – with certain additional conditions and provisions, including specified minimum benefits, intended to take into account the anticipated periods of service by individuals as members of the Board.

Participants in the Board Plan may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions – generally on terms similar to those applying to Qualified and Non-Qualified Plan participants receiving credit for bridged service.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2021 and January 1, 2020:

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2021				
Retirees and beneficiaries currently receiving benefits	126	283	18	427
Terminated employees entitled to but not yet receiving benefits	10	2	5	17
Active plan members	8	-	1	9
Total	144	285	24	453
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	-	2	10
Total	142	305	24	471

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Net Pension Liabilities

Actuarial assumptions and calculations. The total pension liabilities in the December 31, 2020 and 2019 actuarial valuation were determined using the following actuarial assumptions, applied to the periods included in the measurement:

2020 Actuarial Assumptions	
Acturial valuation date	December 31, 2020
Measurement date	December 31, 2020
Investment return	
Qualified	6.75% per year
Non-Qualified and Board	2.00%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2020 based on Scale MP2020
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal
2019 Actuarial Assumptions	
Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	2.75%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2014 Mortality projected to 2019 based on Scale MP2019
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in assumptions from 2019-2020 include: investment return decreases for the Qualified Plan from 7.00% to 6.75% and Non-Qualified and Board Plans from 2.75% to 2.00% and change in mortality table from RP-2014 mortality projected to 2019 based on Scale MP-2019 to RP-2014 mortality projected to 2020 based on Scale MP-2020.

Changes in assumptions from 2018-2019 include: investment return decrease for the Non-Qualified and Board Plans from 4.10% to 2.75% and change in mortality table from RP-2014 mortality projected to 2018 based on Scale MP-2018 to RP-2014 mortality projected to 2019 based on Scale MP-2019.

Best estimates of arithmetic real rates of return for each major asset class included in the Supplemental Plans target asset allocation as of December 31, 2020 and 2019 are summarized in the following tables (note that the rates shown below include the inflation components):

	2020 Target Allocation	2020 Estimate of expected rate of return	2019 Target Allocation	2019 Estimate of expected rate of return
U.S. Large Size Company Equities	20.0%	6.9%	20.0%	7.2%
U.S. Mid Size Company Equities	5.0%	7.2%	5.0%	7.4%
U.S. Small Size Company Equities	5.0%	7.7%	5.0%	7.8%
Developed Non-U.S. Size Company Equities	15.0%	7.5%	15.0%	7.2%
Emerging Markets Company Equities	5.0%	8.1%	5.0%	8.0%
Total Equities	50.0%		50.0%	
U.S. Fixed Income	30.0%	1.7%	30.0%	2.3%
Total Fixed Income	30.0%		30.0%	
Real Estate	10.0%	5.6%	10.0%	6.0%
Total Real Estate	10.0%		10.0%	
Open-End Private Equity	10.0%	11.3%	10.0%	10.8%
Total Private Equity	10.0%		10.0%	
Total Assets	100.0%		100.0%	

(Continued)

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected long-term future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected long-term future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rates used to measure the total pension liabilities in 2020 were 6.75% for the Qualified and 2.00% for the Non-Qualified and Board. The Qualified discount rate of 6.75% is a change from 7.00% that was used to measure the total pension liabilities as of December 31, 2019. The Non-Qualified and Board discount rate of 2.00% is a change from 2.75% that was used to measure the total pension liabilities as of December 31, 2019. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The discount rates used to measure the total pension liabilities in 2019 were 7.0% for the Qualified and 2.75% for the Non-Qualified and Board. The Non-Qualified and Board discount rate of 2.75% is a change from 4.10% that was used to measure the total pension liabilities as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's Qualified Plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

NOTE 14 - SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Qualified			
Balance as of 12/31/18	$ 42,116	$ 34,441	$ 7,675
Change for the year:			
Service cost	64	-	64
Interest	2,789	-	2,789
Differences between expected and actual experience	1,346	-	1,346
Changes in assumptions	(7)	-	(7)
Benefit payments	(4,192)	(4,192)	-
Contributions - Employer	-	1,120	(1,120)
Contributions - Employee	-	29	(29)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	-	2,246	(2,246)
Balance as of 12/31/19	$ 42,116	$ 36,687	$ 5,429
Change for the year:			
Service cost	68	-	68
Interest	2,793	-	2,793
Differences between expected and actual experience	771	-	771
Changes in assumptions	855	-	855
Benefit payments	(4,093)	(4,093)	-
Contributions - Employer	-	870	(870)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	3,293	(3,293)
Administrative expenses	-	(215)	215
Net changes	394	(145)	539
Balance as of 12/31/20	$ 42,510	$ 36,542	$ 5,968

Plan fiduciary net position as a percentage of the total pension liability - 2020	85.96%
Plan fiduciary net position as a percentage of the total pension liability - 2019	87.11%

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease) Total Pension Liability
Non-Qualified	
Balance as of 12/31/18	$ 22,839
Change for the year:	
Service cost	-
Interest	884
Differences between expected and actual experience	(1,237)
Changes in assumptions	1,979
Benefit payments	(2,340)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	(714)
Balance as of 12/31/19	$ 22,125
Change for the year:	
Service cost	-
Interest	576
Differences between expected and actual experience	(351)
Changes in assumptions	1,176
Benefit payments	(2,175)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	(774)
Balance as of 12/31/20	$ 21,351

Plan fiduciary net position as a percentage of the total pension liability - 2020	0.00%
Plan fiduciary net position as a percentage of the total pension liability - 2019	0.00%

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Board			
Balance as of 12/31/18	$ 4,361	$ 103	$ 4,258
Change for the year:			
Service cost	32	-	32
Interest	172	-	172
Differences between expected and actual experience	(221)	-	(221)
Changes in assumptions	571	-	571
Benefit payments	(326)	(326)	-
Contributions - Employer	-	326	(326)
Contributions - Employee	-	9	(9)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	228	9	219
Balance as of 12/31/19	$ 4,589	$ 112	$ 4,477
Change for the year:			
Service cost	23	-	23
Interest	121	-	121
Differences between expected and actual experience	839	-	839
Changes in assumptions	432	-	432
Benefit payments	(347)	(347)	-
Contributions - Employer	-	347	(347)
Contributions - Employee	-	7	(7)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	1,068	7	1,061
Balance as of 12/31/20	$ 5,657	$ 119	$ 5,538

Plan fiduciary net position as a percentage of the total pension liability - 2020	2.09%
Plan fiduciary net position as a percentage of the total pension liability - 2019	2.42%

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Total			
Balance as of 12/31/18	$ 69,315	$ 34,543	$ 34,772
Change for the year:			
Service cost	96	-	96
Interest	3,845	-	3,845
Differences between expected and actual experience	(112)	-	(112)
Changes in assumptions	2,543	-	2,543
Benefit payments	(6,858)	(6,858)	-
Contributions - Employer	-	3,786	(3,786)
Contributions - Employee	-	38	(38)
Net investment income, net of expenses	-	5,518	(5,518)
Administrative expenses	-	(229)	229
Net changes	(486)	2,255	(2,741)
Balance as of 12/31/19	$ 68,829	$ 36,798	$ 32,031
Change for the year:			
Service cost	91	-	91
Interest	3,490	-	3,490
Differences between expected and actual experience	1,259	-	1,259
Changes in assumptions	2,463	-	2,463
Benefit payments	(6,615)	(6,615)	-
Contributions - Employer	-	3,392	(3,392)
Contributions - Employee	-	7	(7)
Net investment income, net of expenses	-	3,293	(3,293)
Administrative expenses	-	(215)	215
Net changes	688	(138)	826
Balance as of 12/31/20	$ 69,517	$ 36,660	$ 32,857

Plan fiduciary net position as a percentage of the total pension liability - 2020	52.74%
Plan fiduciary net position as a percentage of the total pension liability - 2019	53.46%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Qualified, Non-qualified, and Board plans, calculated using the discount rates disclosed above for each plan, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate (in thousands of dollars):

Plan	1% Decrease	Current Discount Rate	1% Increase
Qualified Discount Rate			
Qualified Plan - 2020 - 6.75%	$ 9,620	$ 5,968	$ 2,818
Qualified Plan - 2019 - 7.00%	$ 8,997	$ 5,429	$ 2,348
Non-Qualified Discount Rate			
Non-Qualified Plan - 2020 - 2.00%	$ 23,103	$ 21,351	$ 19,828
Non-Qualified Plan - 2019 - 2.75%	$ 23,867	$ 22,125	$ 20,602
Board Discount Rate			
Board Plan - 2020 - 2.00%	$ 6,209	$ 5,538	$ 4,980
Board Plan - 2019 - 2.75%	$ 4,990	$ 4,477	$ 4,046

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.</u>

For the years ended December 31, 2020 and 2019, CTA recognized pension expense and reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands of dollars):

	December 31, 2020		
	Qualified	Non-Qualified	Board
Pension expense	$ 1,824	$ 1,401	$ 1,408
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ (1,339)	$ -	$ -
Total Deferred Inflows	$ (1,339)	$ -	$ -

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

	December 31, 2019		
	Qualified	**Non-Qualified**	**Board**
Pension expense	$ 2,507	$ 1,626	$ 544
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan:	$ (924)	$ -	$ -
Total Deferred Inflows	$ (924)	$ -	$ -

CTA did not report a deferred outflow of resources related to pensions resulting from contributions paid subsequent to the measurement dates for any Supplemental Plan for December 31, 2020 and 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows for December 31, 2020 and 2019 (in thousands of dollars):

	December 31, 2020		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2021	$ (442)	$ -	$ -
2022	122	-	-
2023	(832)	-	-
2024	(187)	-	-
Total Amortization	$ (1,339)	$ -	$ -

	December 31, 2019		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2020	$ (332)	$ -	$ -
2021	(255)	-	-
2022	308	-	-
2023	(645)	-	-
Total Amortization	$ (924)	$ -	$ -

GASB Statements No. 67 *Financial Reporting for Pensions Plans—an amendment of GASB Statement No. 25*

Investments. The Board and Non-Qualified plans are administered on a pay as you go basis. The Non-Qualified plan does not have any associated assets. The Board plan has a limited reserve held in cash or cash equivalents, which is not actively managed or associated with an investment policy. The Qualified plan's investment policy is established and may be amended by the CTA's Employment Retirement Review Committee. The primary objective of the policy is to provide a documented structure for the implementation of investment strategies which suggests the highest probability of maximizing the level of investment return within acceptable parameters for the total Fund's volatility and risk.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on Qualified plan assets, net of pension plan investment expense, was 8.73% and 16.12%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2020 and 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

	12/31/2020	12/31/2019
Inflation	2.50% per year	2.50% per year
Salary increases	3.50% per year	3.50% per year
Investment rate of return (Discount rate)		
Qualified Plan	6.75% per year	7.00% per year
Non-Qualified and Board Plan	2.00% per year	2.75% per year

Mortality rates were based on the RP-2014 Mortality projected to 2020 based on Scale MP2020 and the RP-2014 Mortality projected to 2019 based on Scale MP2019 for the years ended December 31, 2020 and 2019, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 and 2019 (see the discussion of the pension plan's investment policy). The 2.00% and 2.75% rates used for the Non-qualified and Board plans represents the 20-year municipal bond rate as determined by the 20-year bond buyer index as of December 31, 2020 and 2019, respectively.

Summary (in thousands of dollars):

	December 31, 2020		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,765,839	$ 32,857	$ 1,798,696
Deferred Outflows of Resources	181,426	-	181,426
Deferred Inflows of Resources	20,669	1,339	22,008
Pension Expense	176,837	4,633	181,470

	December 31, 2019		
	Employees' Plan	Supplemental Plan	Total
Net Pension Liability	$ 1,847,007	$ 32,031	$ 1,879,038
Deferred Outflows of Resources	302,102	-	302,102
Deferred Inflows of Resources	19,170	924	20,094
Pension Expense	197,854	4,677	202,531

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – Other Postemployment Benefits (OPEB)

Employees' Plan – Retiree Healthcare Benefits: In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust (RHCT), a single employer defined benefit plan. The RHCT was established in May 2008 and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the RHCT. Members are eligible for health benefits based on their age and length of service with CTA. The legislation provides that CTA will have no future responsibility for retiree healthcare costs. The RHCT issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Supplemental and Board Plans – Retiree Healthcare Benefits: Employees of the CTA in certain employment classifications are eligible to participate in the supplemental retirement plan, a single employer defined benefit plan. Members of the Supplemental Plan with bridged service or service purchased through the Voluntary Termination Program are eligible for Supplemental Healthcare benefits if they retired under the Supplemental Plan and do not immediately qualify for healthcare benefits under the CTA RHCT. Supplemental Healthcare Plan benefits are administered through the CTA's healthcare program covering active members. Supplemental healthcare benefits cease when the member becomes eligible for healthcare coverage under the RHCT. Certain members not eligible for benefits under the RHCT will continue to receive benefits through the CTA's healthcare program covering active members. The benefits are dependent on the amount of bridged service and the amount of service at the CTA that is credited in the Employees Plan.

Chicago Transit Board members participate in a separate Board Member Retirement Plan, a single employer defined benefit plan, and a Supplemental Plan. Board members with greater than five years of service are eligible for healthcare benefits immediately after termination or retirement.

The Supplemental and Board Plans do not issue separate stand-alone financial reports and do not have assets accumulated in a trust.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Covered Participants – The following participants were covered by the benefit terms as of January 1, 2021 and January 1, 2020:

	Supplemental & Board Plans
Participants as of January 1, 2021	
Retirees and beneficiaries currently receiving benefits	56
Terminated employees entitled to but not yet receiving benefits	6
Active plan members	4
Total	66
Participants as of January 1, 2020	
Retirees and beneficiaries currently receiving benefits	54
Terminated employees entitled to but not yet receiving benefits	7
Active plan members	5
Total	66

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions – Funding for the Supplemental and Board Retiree Healthcare Plans are on a pay-as-you-go basis. CTA's contribution rate was 131.15% and 114.03% of covered employee payroll for the years ended December 31, 2020 and 2019, respectively. Retirees also make monthly contributions to the healthcare plan. Such contributions are determined annually by the plan administrator based on expected annual cost.

Total OPEB Liability – CTA's total OPEB liability was measured as of December 31, 2020 and 2019 and the total OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions – Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations were performed for the OPEB Plan as of December 31, 2020 and 2019. The following table shows a summary of significant actuarial assumptions:

2020 Actuarial Assumptions	
Acturial valuation date	December 31, 2020
Measurement date	December 31, 2020
Discount rate	2.00%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.00%
Health care cost trend rate	Starts with 7.75% in year 2022 and goes down to 5.0% in year 2028 and after.
Mortality	RP-2014 base rates projected to 2020 using Scale MP2020
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

2019 Actuarial Assumptions	
Acturial valuation date	December 31, 2019
Measurement date	December 31, 2019
Discount rate	2.75%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.75%
Health care cost trend rate	Starts with 8.25% in year 2020 and goes down to 5.0% in year 2027 and after.
Mortality	RP-2014 base rates projected to 2019 using Scale MP2019
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.
Actuarial cost method	Entry Age Normal Actuarial Cost Method

Changes in assumptions from 2019 to 2020 include: investment return decrease from 2.75% to 2.00%.

Discount rate. The discount rate used to measure the total OPEB liability in 2020 and 2019 was 2.00% and 2.75%, respectively. The single discount rate was determined by the 20-year municipal bonds rates based on an index of 20-year obligation bonds with an average AA credit rating. The contribution policy assumed for this valuation was pay-as-you-go.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Net OPEB Liability: The changes in the total OPEB liability for the plan are as follows:

	Increase (Decrease) Total OPEB Liability
Supplemental & Board Plans	
Balance as of 12/31/18	$ 9,751
Change for the year:	
Service cost	54
Interest	385
Benefit changes	-
Differences between expected and actual experience	(982)
Changes in assumptions	1,310
Benefit payments	(698)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	69
Balance as of 12/31/19	$ 9,820
Change for the year:	
Service cost	41
Interest	260
Benefit changes	(99)
Differences between expected and actual experience	374
Changes in assumptions	886
Benefit payments	(729)
Contributions - Employer	-
Contributions - Employee	-
Net investment income, net of expenses	-
Administrative expenses	-
Net changes	733
Balance as of 12/31/20	$ 10,553

*Sensitivity of the total OPEB liability to changes in discount rate***.** The following presents the net OPEB liability of CTA as well as what CTA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Plan	1% Decrease	Current Discount Rate	1% Increase
Supplemental & Board Plans - 2020 - 2.00%	$ 11,970	$ 10,553	$ 9,413
Supplemental & Board Plans - 2019 - 2.75%	$ 11,068	$ 9,820	$ 8,812

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of CTA, as well as what the CTA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan	1% Decrease	Current Trend Rates	1% Increase
Supplemental & Board Plans - 2020 - 7.75%	$ 9,480	$ 10,553	$ 11,851
Supplemental & Board Plans - 2019 - 8.25%	$ 8,865	$ 9,820	$ 10,972

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the years ended December 31, 2020 and 2019, CTA recognized OPEB expense of $1,462,000 and $767,000, respectively. At December 31, 2020 and 2019, CTA reported no deferred inflows/outflows of resources related to OPEB.

NOTE 16 - RISK MANAGEMENT

The CTA is exposed to various types of risk of loss, including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risks of loss associated with providing health, dental, and life insurance benefits to employees.

The CTA provides health insurance benefits to employees through a self-insured comprehensive PPO plan. The CTA provides dental insurance benefits through an insured dental maintenance organization and a self-insured dental indemnity plan. The CTA does not purchase stop-loss insurance for its self-insured comprehensive PPO plan. The CTA provides life insurance benefits for active employees through an insured life insurance program.

CTA purchases property insurance for damage to CTA property including rolling stock. This insurance program is effective July 29, 2020 to July 29, 2021. Property limit of liability is $180,000,000 per occurrence, and is purchased in three layers. The first/primary layer provides a $25,000,000 limit. The first excess layer provides a $105,000,000 limit excess and above the primary. The second excess layer provides the final $50,000,000 limit excess. The basic policy deductible is $1,000,000 per each occurrence, with a $5,000,000 deductible for each rail car collision or derailment claim.

The CTA is also self-insured for general liability, workers' compensation, employee accidents, environmental, automotive liability losses, employment-related suits, including discrimination and sexual harassment, and management liability of board members, directors, and officers of the CTA.

The RTA provides excess liability insurance to protect the self-insurance programs for general liability and terrorism currently maintained by the CTA. There are five insurance policies in effect from June 15, 2020 to June 15, 2021. The first policy provides $10,000,000 in excess of the $15,000,000 self-insured retention and $20,000,000 in the aggregate. The second policy provides $5,000,000 in excess of the $25,000,000 and $10,000,000 in the aggregate. The third policy provides $10,000,000 in excess of $30,000,000 and $20,000,000 in the aggregate. The fourth policy provides $10,000,000 in excess of $40,000,000 and $20,000,000 in the aggregate. The fifth policy provides $50,000,000 in excess of $50,000,000 and $100,000,000 in the aggregate. In 2020 and 2019, no CTA claim existed that is expected to exceed the $15,000,000 self-insured retention under this insurance policy.

NOTE 16 - RISK MANAGEMENT (Continued**)**

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2,500,000 per occurrence up to the total balance in the Fund or a maximum of $47,500,000. The CTA is obligated to reimburse the Fund for the principal amount borrowed plus a floating interest rate. However, the CTA is not obligated to make reimbursement payments, including interest, in excess of $3,500,000 in any one year. No borrowings were made from the Fund in fiscal years 2020 or 2019.

Settlements did not exceed coverage for any of the past three years, and there has been no significant reduction in coverage during that period.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 3.4% and 2.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.0% and 2.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	Injury and damage	Group health and dental	Workers' compensation	Total
Balance at January 1, 2018	$ 74,897	$ 18,956	$ 166,547	$ 260,400
Funded	5,000	159,769	53,644	218,413
Funding (excess)/deficiency per actuarial requirement	30,648	-	(1,482)	29,166
Payments	(31,882)	(159,207)	(53,644)	(244,733)
Balance at December 31, 2018	78,663	19,518	165,065	263,246
Funded	7,500	98,924	51,938	158,362
Funding (excess)/deficiency per actuarial requirement	21,236	-	(6,165)	15,071
Payments	(22,112)	(106,102)	(51,938)	(180,152)
Balance at December 31, 2019	85,287	12,340	158,900	256,527
Funded	22,000	160,536	52,889	235,425
Funding (excess)/deficiency per actuarial requirement	865	-	(2,770)	(1,905)
Payments	(12,868)	(166,574)	(52,889)	(232,331)
Balance at December 31, 2020	$ 95,284	$ 6,302	$ 156,130	$ 257,716

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued**)**

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance, and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See Note 5 regarding cash and investment amounts maintained in this account.

NOTE 17 - LINE OF CREDIT – NOTE PURCHASE AGREEMENT

2018 Line of Credit

On July 10, 2018, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with Bank of America, N.A. in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the LIBOR rate. The Notes had an initial commitment expiration date of July 10, 2020, which was extended to September 30, 2021.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $104.5 million and $89.2 million as of December 31, 2020 and 2019, respectively. The unused line of credit was $45.5 million and $60.8 million as of December 31, 2020 and 2019, respectively.

2019 Line of Credit

On July 12, 2019, the Chicago Transit Authority entered into a tax-exempt Note Purchase Agreement (NPA) with PNC Bank, National Association in a not-to-exceed amount of $150,000,000. The Notes are secured by a pledge of sales tax revenue receipts on parity with the existing Second Lien Sales Tax Receipts Revenue Bonds and may be drawn upon at any time for Capital Projects, the payment of costs of issuance related to this Note, and to refund short-term obligations issued pursuant to this Note. Interest on the Notes is based upon the LIBOR rate. The Notes have an initial commitment expiration date of July 11, 2022.

This line of credit contains a provision that in the event of default the obligation is to become immediately due and payable in full as the result of acceleration as defined in the Events of Default section.

The principal of outstanding Notes was $105.7 million and $119.0 million as of December 31, 2020 and 2019, respectively. The unused line of credit was $44.3 million and $31.0 million as of December 31, 2020 and 2019, respectively.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Litigation: The CTA has been named as a defendant in various other legal proceedings arising in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of the CTA that resolution of these matters will not have a material adverse impact on the CTA's financial statements.

NOTE 18 - COMMITMENTS AND CONTINGENCIES (Continued**)**

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt as of December 31, 2020 and 2019 was $27,250,000 and $35,450,000, respectively.

NOTE 19 – COVID-19 PANDEMIC

The United States and the State of Illinois declared a state of emergency in March 2020 due to the COVID-19 global pandemic. During this evolving situation, CTA continues to analyze the impact on its financial position. Below is a summary of the federal funding that has supplemented the lower fare and public funding revenues due to the pandemic.

Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES)
On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The regional share of CARES Act funding to the RTA and Service Boards was $1.438 billion. CTA has been allocated approximately $817.5 million in CARES Act funding.

Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA)
On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law. The regional share of CRRSAA funding to the RTA and Service Boards was $486 million. CTA has been allocated approximately $361.3 million in CRRSAA funding and the application is in progress as of April 29, 2021.

American Rescue Plan Act of 2021 (ARP)
On March 11, 2021, the American Rescue Plan Act of 2021 was signed into law. The regional share of ARP Act funding to the urbanized area, including RTA and Service Boards was $1.496 billion. CTA has not yet received the allocation amount for ARP funding as of April 29, 2021.

The funding provided through the CARES Act; CRRSAA; and ARP allowed for changes in how recipients use FTA funds. The most significant of these changes has been allowing recipients to charge operating expenses to FTA grants with no matching requirements.

The RTA approved a provision to allow the CARES Act funding which was provided to replace fare revenue lost due to the COVID-19 pandemic to be included as operating revenue for purposes of the recovery ratio calculation.

NOTE 20 - SUBSEQUENT EVENTS

Line of Credit
On April 14, 2021, the CTA drew down $8,000,000 on the 2019 capital line of credit. Additional information on the capital lines of credit can be found in Note 17.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

	2020	2019	2018	2017	2016	2015
Employees' Plan						
Total Pension Liability	$ 3,656,305	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position	1,890,466	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
Plan's Net pension Liability	$ 1,765,839	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	51.70%	48.15%	52.97%	50.23%	52.00%	56.53%
Covered Payroll	$ 645,799	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,828
Plan's Net pension Liability as a percentage of Covered Payroll	273.43%	296.45%	278.45%	299.01%	280.50%	252.69%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

Note 1: 2016 used the RP Blue Collar Table, generational to 2016 based on Scale BB. Also the asset valuation changed to 5 year smoothed actuarial value of assets.
Note 2: 2017 used the RP Blue Collar Table, generational to 2017 based on Scale BB.
Note 3: 2018 used the RP Blue Collar Table, generational to 2000 based on Scale BB.
Note 4: 2019 used the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.
Note 5: 2020 used the SOA Public Mortality General Below Median generational with Improvement Scale MP-2018.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

	2020	2019	2018	2017	2016	2015	2014
Supplemental Qualified Plan							
Total Pension Liability	$ 42,510	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position	36,542	36,687	34,441	40,250	37,805	37,875	42,046
Plan's Net Pension Liability	$ 5,968	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.96%	87.11%	81.78%	91.35%	78.75%	76.77%	80.67%
Covered Payroll	$ 1,214	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443
Plan's Net Pension Liability as a percentage of Covered Payroll	491.40%	443.34%	629.84%	347.13%	841.07%	845.71%	697.92%
Supplemental Non-Qualified Plan							
Total Pension Liability	$ 21,351	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 29,926	$ 28,105
Covered Employee Payroll	-	-	-	-	-	-	-
Plan's Total Pension Liability as a percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Board Member Plan							
Total Pension Liability	$ 5,657	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position	119	112	103	88	77	68	88
Plan's Net Pension Liability	$ 5,538	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	2.09%	2.42%	2.34%	1.84%	1.69%	1.52%	1.72%
Covered Employee Payroll	$ 25	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125
Plan's Net Pension Liability as a percentage of Covered-Employee Payroll	22149.74%	5746.55%	5676.97%	6191.50%	5978.83%	5883.44%	4031.43%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Employees' Retirement Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

Employees' Plan	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Total Pension Liability - Beginning	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154	$ 3,220,533
Service Cost	53,967	54,814	50,433	50,111	51,358	49,066
Interest	286,687	283,757	278,184	269,899	264,579	259,593
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	41,530	7,455	13,679	51,518	13,082	-
Changes of Assumptions	-	(24,727)	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(288,113)	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Net Change in Total Pension Liability	94,071	39,431	65,811	104,961	68,877	62,621
Total Pension Liability - Ending	$ 3,656,305	$ 3,562,234	$ 3,522,803	$ 3,456,992	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position						
Plan Fiduciary Net Position - Beginning	$ 1,715,227	$ 1,865,901	$ 1,736,369	$ 1,743,216	$ 1,855,912	$ 1,892,715
Contributions - Employer	121,668	117,115	104,523	83,855	82,800	82,268
Contributions - Member	81,298	78,340	70,286	59,561	58,993	58,566
Net Investment Income	263,201	(61,343)	233,739	118,613	8,230	71,524
Benefit Payments, Including Refunds of Member Contributions	(288,113)	(281,868)	(276,485)	(266,567)	(260,142)	(246,038)
Administrative Expense	(2,815)	(2,918)	(2,531)	(2,309)	(2,577)	(3,123)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	175,239	(150,674)	129,532	(6,847)	(112,696)	(36,803)
Plan Fiduciary Net Position - Ending	1,890,466	1,715,227	1,865,901	1,736,369	1,743,216	1,855,912
CTA Net Pension Liability - Ending	$ 1,765,839	$ 1,847,007	$ 1,656,902	$ 1,720,623	$ 1,608,815	$ 1,427,242

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Qualified	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118	$ 53,464
Service Cost	68	64	60	60	56	52	61
Interest	2,793	2,789	2,929	3,204	3,296	3,488	3,578
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual E	771	1,346	(1,310)	(3,170)	(611)	(2,145)	(554)
Changes of Assumptions	855	(7)	480	62	71	67	-
Benefit Payments	(4,093)	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Net Change in Total Pension Liability	394	-	(1,946)	(3,942)	(1,331)	(2,783)	(1,346)
Total Pension Liability - Ending	$ 42,510	$ 42,116	$ 42,116	$ 44,062	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position							
Plan Fiduciary Net Position - Beginning	$ 36,687	$ 34,441	$ 40,250	$ 37,805	$ 37,875	$ 42,046	$ 43,503
Contributions - Employer	870	1,120	550	1,300	1,380	1,164	1,130
Contributions - Member	-	29	72	-	8	34	82
Net Investment Income	3,293	5,518	(2,080)	5,357	2,942	(878)	2,073
Benefit Payments	(4,093)	(4,192)	(4,105)	(4,098)	(4,143)	(4,245)	(4,431)
Refunds of Member Contributions	-	-	-	-	(17)	-	-
Administrative Expense	(215)	(229)	(246)	(114)	(240)	(237)	(311)
Other	-	-	-	-	-	(9)	-
Net Change in Plan Fiduciary Net Position	(145)	2,246	(5,809)	2,445	(70)	(4,171)	(1,457)
Plan Fiduciary Net Position - Ending	$ 36,542	$ 36,687	$ 34,441	$ 40,250	$ 37,805	$ 37,875	$ 42,046
CTA Net Pension Liability - Ending	$ 5,968	$ 5,429	$ 7,675	$ 3,812	$ 10,199	$ 11,460	$ 10,072

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Non-Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Non-Qualified	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105	$ 27,205
Service Cost	-	-	-	-	-	-	-
Interest	576	884	792	903	911	949	1,209
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(351)	(1,237)	141	90	369	498	341
Changes of Assumptions	1,176	1,979	26	655	(315)	57	2,373
Benefit Payments	(2,175)	(2,340)	(2,500)	(2,542)	(2,617)	(2,683)	(3,023)
Net Change in Total Pension Liability	(774)	(714)	(1,541)	(894)	(1,652)	(1,179)	900
Total Pension Liability - Ending	$ 21,351	$ 22,125	$ 22,839	$ 24,380	$ 25,274	$ 26,926	$ 28,105

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Board Supplemental Plan (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Board	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Total Pension Liability - Beginning	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128	$ 4,698
Service Cost	23	32	34	33	33	46	45
Interest	121	172	157	166	153	176	216
Changes of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	839	(221)	(45)	125	310	(514)	(64)
Changes of Assumptions	432	571	(202)	166	(90)	3	566
Benefit Payments	(347)	(326)	(315)	(319)	(326)	(358)	(333)
Net Change in Total Pension Liability	1,068	228	(371)	171	80	(647)	430
Total Pension Liability - Ending	$ 5,657	$ 4,589	$ 4,361	$ 4,732	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position							
Plan Fiduciary Net Position - Beginning	$ 112	$ 103	$ 88	$ 77	$ 68	$ 88	$ 75
Contributions - Employer	347	326	321	321	327	328	334
Contributions - Member	7	9	9	9	8	10	12
Net Investment Income	-	-	-	-	-	-	-
Benefit Payments	(347)	(326)	(315)	(319)	(326)	(358)	(333)
Administrative Expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	7	9	15	11	9	(20)	13
Plan Fiduciary Net Position - Ending	$ 119	$ 112	$ 103	$ 88	$ 77	$ 68	$ 88
CTA Net Pension Liability - Ending	$ 5,538	$ 4,477	$ 4,258	$ 4,644	$ 4,484	$ 4,413	$ 5,040

Note 1: 2016 used the mortality table from RP-2000 projected to 2016 based on Scale AA.
Note 2: 2017 used the mortality table from RP-2000 projected to 2017 based on Scale AA.
Note 3: 2018 used the mortality table from RP-2014 projected to 2018 based on Scale MP 2018.
Note 4: 2019 used the mortality table from RP-2014 projected to 2019 based on Scale MP 2019.
Note 5: 2020 used the mortality table from RP-2014 projected to 2020 based on Scale MP 2020.
Note 6: The investment return was the following for the Board and Non-Qualified Plan:
2020 - 2.00%
2019 - 2.75%
2018 - 4.10%
2017 - 3.44%
2016 - 3.78%

There are no assets accumulated in a trust to pay related benefits for the Non-Qualified and Board Plans.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 68

Employees' Plan	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Statutorily determined contribution	N/A *	$ 116,367	$ 112,265	$ 106,662	$ 82,001	$ 81,731	$ 80,488	$ 102,800	$ 61,982	$ 55,976
Contributions in relation to the statutorily determined contribution	135,830	121,668	117,115	104,523	83,855	82,800	82,268	79,518	62,788	60,318
Contribution deficiency (excess)	N/A *	$ (5,301)	$ (4,850)	$ 2,139	$ (1,854)	$ (1,069)	$ (1,780)	$ 23,282	$ (806)	$ (4,342)
Covered payroll	N/A *	$ 645,799	$ 623,037	$ 595,047	$ 575,444	$ 573,548	$ 564,827	$ 550,616	$ 548,515	$ 541,354
Contributions as a percentage of covered payroll	N/A *	18.02%	18.02%	17.93%	14.25%	14.25%	14.25%	18.67%	11.30%	10.34%

N/A * - Information not available

Notes to Schedule

Valuation date:	January 1, 2019
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The difference between projected and actual earnings is amortized over a closed period of five years.
Remaining amortization period	5 Years - Closed
Asset valuation method	5-year Smoothed Actuarial Value of Assets
Inflation	3.10%
Salary increases	11% for 1 year of service, 12% for 2 years of service, 16% for 3 years of service, 8% for 4 years of service, and 3.5% thereafter.
Investment rate of return	8.25%

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Qualified Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 871	$ 1,118	$ 550	$ 1,299	$ 1,380	$ 1,164	$ 1,130	$ 1,926	$ 2,267	$ 2,207
Contributions in relation to the actuarially determined contribution	870	1,120	550	1,300	1,380	1,164	1,130	1,927	2,267	2,210
Contribution deficiency (excess)	$ 1	$ (2)	$ -	$ (1)	$ -	$ -	$ -	$ (1)	$ -	$ (3)
Covered payroll	$ 1,214	$ 1,225	$ 1,219	$ 1,098	$ 1,213	$ 1,355	$ 1,443	$ 1,647	$ 2,282	$ 2,486
Contributions as a percentage of covered payroll	71.64%	91.46%	45.13%	118.37%	113.81%	85.90%	78.30%	117.02%	99.33%	88.90%

Non-qualified Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 2,215	$ 2,430	$ 2,501	$ 2,542	$ 2,571	$ 2,678	$ 4,595	$ 4,295	$ 4,116	$ 4,041
Contributions in relation to the actuarially determined contribution	2,175	2,340	2,500	2,542	2,617	2,683	3,023	3,114	3,299	3,447
Contribution deficiency (excess)	$ 40	$ 90	$ 1	$ -	$ (46)	$ (5)	$ 1,572	$ 1,181	$ 817	$ 594
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 67/68

Board Member Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 331	$ 348	$ 360	$ 358	$ 323	$ 379	$ 324	$ 331	$ 348	$ 372
Contributions in relation to the actuarially determined contribution	347	326	321	321	327	328	333	338	323	323
Contribution deficiency (excess)	$ (16)	$ 22	$ 39	$ 37	$ (4)	$ 51	$ (9)	$ (7)	$ 25	$ 49
Covered payroll	$ 25	$ 78	$ 75	$ 75	$ 75	$ 75	$ 125	$ 139	$ 150	$ 175
Contributions as a percentage of covered payroll	1386.99%	418.52%	427.63%	427.63%	436.37%	437.23%	266.66%	242.12%	215.19%	184.45%

Notes to Schedule

Valuation date:	Actuarially determined contribution rates are calculated as of December 31, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Method
Amortization method	Level Dollar
Remaining amortization period	20 year level dollar closed period (effective January 1, 2009) Qualified: 9 Years remaining as of January 1, 2020 - Closed Qualified: 8 Years remaining as of December 31, 2020 - Closed
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3.5% per year
Investment rate of return	Qualified: 6.75% per year Non-qualified: 2.00% per year Board: 2.00% per year

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedule of Investment Returns (Unaudited)
Year Ended December 31, 2020

	Year	Qualified Supplemental Plan
Annual Money-Weighted Rate of Return, Net of Investment Expense	2020	8.73%
	2019	16.12%
	2018	-5.85%
	2017	14.40%
	2016	7.38%
	2015	-2.69%
	2014	4.20%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Changes in the Total OPEB Liability (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan	2020	2019	2018
Total OPEB Liability			
Total OPEB Liability - Beginning	$ 9,820	$ 9,751	$ 11,649
Service Cost	41	54	54
Interest	260	385	390
Changes of Benefit Terms	(99)	-	(478)
Differences Between Expected and Actual Experience	374	(982)	(606)
Changes of Assumptions	886	1,310	(664)
Benefit Payments, Including Refunds of Member Contributions	(729)	(698)	(594)
Net Change in Total OPEB Liability	733	69	(1,898)
Total OPEB Liability - Ending	$ 10,553	$ 9,820	$ 9,751
Covered-employee payroll	557	612	410
The total OPEB liability as a percentage of covered-employee payroll	1894.61%	1604.58%	2378.29%

Note: There is no separate Trust established for OPEB benefits.
Note: The discount rate is 2.00% for December 31, 2020. The discount rate in the prior measurement period was 2.75%, this represents a decrease of 0.75%.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2020
(In thousands of dollars)
as required by GASB 75

Total OPEB Plan

	2020	2019	2018
Actuarially determined contribution	$ 730	$ 698	$ 594
Contributions in relation to the actuarially determined contribution	730	698	594
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 557	$ 612	$ 410
Contributions as a percentage of covered-employee payroll	131.15%	114.03%	145.07%

Notes to Schedule

Valuation date:	December 31, 2020
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Discount rate	2.00%
Inflation	2.50%
Salary increases	5.50%
Investment return	2.00%
Health care cost trend rate	Starts with 7.75% in year 2022 and goes down to 5.0% in year 2028 and after.
Mortality	RP-2014 base rates projected to 2020 using Scale MP2020
Future participation	For future eligible retirees, 100% are assumed to elect medical coverage.
Dependent coverage	75% of employees were assumed to have spouses. Females were assumed to be 3 years younger than males. Of those covered under the provisions providing single coverage at no cost with higher dependent premium rates, 62.5% are assumed to elect single coverage and 37.5% are assumed to elect single and dependent coverage. Of those covered under the VTP healthcare provisions, 15.0% are assumed to elect single coverage and 85.0% are assumed to elect single and dependent coverage. Supplemental deferred vested members are assumed to elect single and dependent coverage. 50% of Board deferred vested members are assumed to elect single coverage and 50% are assumed to elect single and dependent coverage. 50% of spouses covered under the healthcare plan during retirement are assumed to continue coverage after the death of the retiree.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2020
(In thousands of dollars)

	Original budget	Final budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:				
Labor and fringe benefits	$ 1,133,287	$ 1,136,251	$ 1,135,354	$ 897
Materials and supplies	74,686	76,280	74,800	1,480
Fuel	44,376	40,941	37,125	3,816
Electric power	32,639	29,229	24,656	4,573
Purchase of security services	20,445	20,228	19,976	252
Other	243,032	267,194	223,915	43,279
Provision for injuries and damages	22,000	22,000	22,000	-
Total operating expenses	1,570,465	1,592,123	1,537,826	54,297
System-generated revenues:				
Fares and passes	585,660	210,605	232,830	22,225
Reduced-fare subsidies	14,606	14,606	14,829	223
Advertising and concessions	39,852	23,520	20,898	(2,622)
Investment income	3,000	1,870	1,221	(649)
Contributions from local governmental units	5,000	5,000	5,000	-
Other revenue	47,538	36,253	39,286	3,033
Total system-generated revenues	695,656	291,854	314,064	22,210
Operating expenses in excess of system-generated revenues	874,809	1,300,269	1,223,762	76,507
Public funding:				
RTA operating assistance	874,809	610,169	739,933	129,764
FTA operating assistance - CARES	-	690,100	483,829	(206,271)
	874,809	1,300,269	1,223,762	(76,507)
Change in net position – budgetary basis	$ -	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:				
Provision for depreciation			(495,975)	
Pension expense in excess of pension contributions			(2,729)	
Supplemental Retirement			(1,778)	
Incentive Retirement			536	
Workers Compensation			2,770	
Provision for injuries and damages			(865)	
Interest expense on bond transactions			(121,673)	
Interest expense on TIFIA bond transactions			1,686	
Interest revenue on bond transactions			2,771	
Interest expense from sale/leaseback			(2,933)	
Capital contributions			635,252	
Change in net position – GAAP basis			$ 17,062	
CTA recovery ratio:				
Total operating expenses			$ 1,537,826	
Less mandated security costs			(19,976)	
Less security camera contracts			(1,298)	
Less CSA Labor			(52,324)	
Less CTA security department costs			(1,479)	
Less ICE operating funds			(5,623)	
Less depreciation expense			(5,006)	
Less Pension Obligation Bond debt service			(156,576)	
Plus City of Chicago in-kind services			22,000	
Total operating expenses for recovery ratio calculation (B)			1,317,544	
Total system-generated revenues			$ 314,064	
Plus FTA operating assistance - CARES			348,954	
Plus differential between loss in system-generated revenue and CARES funding			32,640	
Plus Senior Free Rides			19,015	
Plus City of Chicago in-kind services			22,000	
Total system-generated revenues for recovery ratio calculation (A)			$ 736,673	
Recovery ratio (A/B)			55.91%	

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2019
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,084,100	$ 1,093,922	$ (9,822)
Materials and supplies	80,064	67,652	12,412
Fuel	44,084	40,396	3,688
Electric power	34,372	31,560	2,812
Purchase of security services	19,307	14,920	4,387
Other	282,685	259,438	23,247
Provision for injuries and damages	7,500	7,500	-
Total operating expenses	1,552,112	1,515,388	36,724
System-generated revenues:			
Fares and passes	588,012	585,297	(2,715)
Reduced-fare subsidies	28,321	14,606	(13,715)
Advertising and concessions	38,758	38,987	229
Investment income	2,100	3,822	1,722
Contributions from local governmental units	5,000	5,000	-
Other revenue	45,555	49,465	3,910
Total system-generated revenues	707,746	697,177	(10,569)
Operating expenses in excess of system-generated revenues	844,366	818,211	26,155
Public funding from the RTA:			
RTA operating assistance	844,366	818,211	(26,155)
	844,366	818,211	(26,155)
Change in net position – budgetary basis	$ -	-	$ -
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(495,532)	
Pension expense in excess of pension contributions		(38,185)	
Supplemental Retirement		(1,391)	
Incentive Retirement		499	
Workers Compensation		6,165	
Provision for injuries and damages		(21,236)	
Interest expense on bond transactions		(73,934)	
Interest revenue on bond transactions		9,361	
Interest expense from sale/leaseback		(3,193)	
Capital contributions		502,238	
Change in net position – GAAP basis		$ (115,208)	
CTA recovery ratio:			
Total operating expenses		$ 1,515,388	
Less mandated security costs		(14,920)	
Less security camera contracts		(2,617)	
Less CSA Labor		(20,579)	
Less CTA security department costs		(1,374)	
Less ICE operating funds		(6,206)	
Less depreciation expense		(4,943)	
Less Pension Obligation Bond debt service		(156,576)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		1,330,173	
Total system-generated revenues		$ 697,177	
Plus Senior Free Rides		29,212	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 748,389	
Recovery ratio (A/B)		56.26%	

APPENDIX E

PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

PENSION PLANS AND POST-EMPLOYMENT HEALTHCARE

General Overview

Retirement Plan. The Authority contributes to the Retirement Plan for Chicago Transit Authority Employees, a trusted, single-employer defined benefit pension plan covering substantially all full-time permanent union and non-union Authority employees (the "Retirement Plan"). The Retirement Plan was first established by an agreement between the Authority and its collective bargaining units in 1949 ("Plan Agreement"), which has since been amended and is currently governed by Section 22-101 of the Illinois Pension Code (40 ILCS 5/22-101) (the "Pension Code"). The Authority's contributions to the Retirement Plan and benefits for participants in the Retirement Plan are governed by the Plan Agreement and the Pension Code. This appendix describes, among other things, the current provisions of the Pension Code applicable to the Authority's funding of the Retirement Plan; however, no assurance can be made that the Pension Code will not be amended in the future by the General Assembly.

The Retirement Plan is governed by an 11-member Board of Trustees (the "Retirement Board") established under the Pension Code, which is separate and distinct from the Chicago Transit Board and the RTA Board. More information about the Retirement Board can be found below under the heading "Background Information Regarding the Retirement Plan" below.

The Retirement Plan's primary sources of funding come from the Authority's contributions, the employees' contributions, and investment income on the Retirement Plan's assets. The amount of benefits payable to participating employees under the Retirement Plan and the calculation of the Authority and employee contribution amounts and certain other provisions of the Retirement Plan are established under and governed by the Plan Agreement and the Pension Code. The Authority's minimum contributions and the employee contributions, determined pursuant to statutorily prescribed formulas under the Pension Code, do not equal the Annual Required Contribution (or "ARC," as defined below) as determined by the independent actuary engaged by the Retirement Plan. As of the January 1, 2020 Actuarial Valuation (the "2020 Actuarial Valuation"), the contributions made by the Authority and its employees have been in compliance with the Pension Code, but the Pension Code's contribution requirements are at a level below the actuarially determined ARC and have resulted in an Unfunded Actuarial Accrued Liability (or "UAAL," as defined below) of $1.70 billion and a Funded Ratio (as defined below) of 52.55%. (*See* "Determination of Authority's Contributions," "The Actuarial Valuation – Authority's Contributions Not Related to GASB Standards" and "Funded Status" below.)

Under the Pension Code, the funding of the Retirement Plan is subject to the following requirements:

- For each year through 2039, the estimated "Funded Ratio" of the Retirement Plan, which is the actuarial value of assets divided by the actuarial accrued liability, expressed as a percentage, must be at least 60%. If the Funded Ratio is projected to decline below 60% in any year before 2040, increased contributions will be required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%.

- If the Funded Ratio actually declines below 60% in any year prior to 2040, increased contributions will be required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

- Beginning in 2040, the minimum annual contribution to the Retirement Plan must be sufficient to bring the Funded Ratio to 90% by the end of 2059.

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

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

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

Supplemental Pension Plans. The Authority also maintains three other separate, non-statutory, single-employer defined benefit pension plans for a limited number of selected employees (collectively, the "Supplemental Pension Plans"): (i) a Chicago Transit Board member plan (the "Board Plan") for Chicago Transit Board members; (ii) a supplemental pension plan for certain employees who retired or terminated employment prior to March 2005 (the "Supplemental Non-Qualified Plan"); and (iii) a supplemental pension plan for certain employees retiring after March 2005 (the "Supplemental Qualified Plan"). The Board Plan and the Closed Supplemental Plan are funded on a pay-as-you-go basis. The Supplemental Qualified Plan is a trusted plan funded on an actuarially determined basis.

It should be noted that pursuant to legislation in 2008 (*see* "Legislative Changes Impacting the Retirement Plan" below), the Retirement Plan is the sole pension plan for Authority employees and all supplemental pension plans were closed to any new participants. In 2013, the Authority, although not required to by state law, closed the Board Plan to any new participants and the members subsequently appointed to the Chicago Transit Board have accordingly been informed that they will not be eligible to join the Board Plan. However, the Authority could in the future reverse or modify its decision to close the Board Plan. Additional information with respect to the Supplemental Pension Plans is presented below under the heading "Supplemental Pension Plans."

Retiree Health Care Trust. Prior to 2009, health care benefits for retirees and their dependents were administered by the Retirement Plan. Pursuant to amendments to the Pension Code enacted in 2008, the retiree health care benefits formerly administered by the Retirement Plan were transferred to a separate and newly created Retiree Health Care Trust ("RHCT"). The Authority does not have any obligation to provide or fund health care benefits for current or future retirees. However, Authority employees are required to contribute no less than three percent annually to the RHCT, which contributions are deducted from their paychecks and remitted by the

Authority to the RHCT. Additional information with respect to the RHCT is presented below under the heading "Retiree Health Care Trust."

Pension Bonds. On August 6, 2008, the Authority issued its Pension and Retirement Debt Obligations ("Pension Bonds") in two series in an aggregate amount of $1,936.9 million. Proceeds of the Pension Bonds in the amount of approximately $1,110.5 million were deposited in the Retirement Plan, and proceeds in the amount of approximately $529.0 million were deposited into the RHCT. As a result of 2008 amendments to the Pension Code, the Authority's required annual contributions to the Retirement Plan are reduced by the amount of yearly debt service paid on the Pension and Retirement Debt Obligations up to a maximum of 6% of total employee compensation paid by the Authority for the year.

Sources of Information

Much of the information presented in this appendix regarding the Retirement Plan and the RHCT comes from and is prepared in reliance on public information made available by the Retirement Plan and the RHCT; documents produced by the Retirement Plan and the RHCT, including their respective actuarial valuations (the "Actuarial Valuations") prepared by independent actuaries (the "Actuary" or "Actuaries") and their respective financial statements (the "Financial Statements") prepared by independent auditors; and the 2019 Annual Review by the State of Illinois Office of Auditor General's "2019 Annual Review of Information Submitted by the Retirement Plan for the CTA Employees" and its "2019 Annual Review of Information Submitted by the Retiree Health Care Trust."

Much of the information presented in this Appendix regarding the Supplemental Pension Plans comes from and is prepared in reliance on information contained in the Authority's audited financial statements for the years ended December 31, 2017, 2018, 2019 and 2020.

Such information is referred to collectively as the "Source Information." With the exception of the Authority's own financial statements, the Authority has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy or completeness of the Source Information, and such Source Information is not incorporated herein by reference. Any discussion herein with respect to actuarial assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority. To the Authority's knowledge, the Financial Statements for (i) the Retirement Plan for the year ended December 31, 2018 and the Actuarial Valuations as of January 1, 2020 and (ii) the RHCT for the year ended December 31, 2018 and the Actuarial Valuations as of January 1, 2020, are the most recent financial statements and actuarial valuations available.

Cautionary Statement

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

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

Legislative Changes Impacting the Retirement Plan

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

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

- established the Retirement Plan as the exclusive retirement plan, other than employee self-funded deferred compensation plans, for Authority employees hired after the effective date of the 2008 Pension Reform, thereby closing the Supplemental Qualified Plan to new participants;

- established the RHCT as a separate entity and provided that the Authority shall have no responsibility to make contributions to the RHCT after the issuance of the Pension and Retirement Debt Obligations (defined below);

- established minimum contribution requirements to the Retirement Plan for the Authority and participating employees of 12% (subject to a reduction of up to 6% for debt service paid on outstanding pension funding bonds) and 6% of employee compensation, respectively;

- requires that the Funded Ratio of the Retirement Plan be at least 60% by the end of fiscal year 2009 through 2039, with adjustments in Authority and employee contribution levels as may be necessary to achieve 60% within ten years in the event that the Funded Ratio falls below 60% in a given year;

- changed the requirement that the Retirement Plan's Funded Ratio be at least 90% from the end of fiscal year 2058 to the end of fiscal year 2059;

- established new minimum eligibility requirements for employees hired after the effective date of the 2008 Pension Reform to receive benefits under the Retirement Plan; and

- requires a Funded Ratio of at least 80% for any future early retirement incentive program.

2013 Pension Reform. In 2013, the General Assembly passed legislation known as Public Act 098-0599 (the "2013 Pension Reform") that provided for a series of changes to pension benefits and contributions affecting four pension plans covering employees of the State of Illinois. Section 5 of Article XIII of the Illinois Constitution (the "Pension Protection Clause") provides as follows: "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." Several groups filed lawsuits (the "2013 Pension Reform Lawsuits") challenging the constitutionality of the 2013 Pension Reform, including on the basis that it violated the Pension Protection Clause. The 2008 Pension Reform was not the subject of these lawsuits. *See* "Litigation, Investigation and Labor Relations - Litigation" below. Ultimately a circuit court entered a decision declaring Public Act 098-0599 to be unconstitutional and permanently enjoining its enforcement, which decision was later affirmed on appeal to the Illinois Supreme Court.

Background Information Regarding the Retirement Plan

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

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

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

Benefits and Membership. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, multiplied by the number of years of continuous participating service, of their average annual compensation in the highest four of the 10 calendar years prior to retirement. As discussed below, the multiplier has been raised from time to time and ranges from 1.65% to 2.40% depending on the year in which individual participants retired. For employees retiring before December 1, 1987, the multiplier percentage was 1.65%. An amendment to the Plan Agreement between the Authority and its unions, signed September 1987, raised the multiplier percentage to 1.70% and 1.75% for retirements on or after December 1, 1987 and 1989, respectively. Another amendment to the Plan Agreement between the Authority and its unions, signed August 1993, raised the multiplier percentage to 1.80% and 1.85% for retirements on or after January 1, 1993 and January 1, 1995, respectively. The Arbitration Award of November 12, 2003, increased the multiplier percentage for service after June 1, 1949, to 2.00% from 1.85% for employees retiring from January 1, 2000 to December 31, 2000, and to 2.15% for employees retiring on and after January 1, 2001. The multiplier percentage for employees retiring before January 1, 2000 remained at 1.85%. During 1995, a Voluntary Early Retirement Incentive Program was offered, which provided a multiplier percentage of 2.05% for employees retiring after January 1, 1994. During 1997, the Retirement Plan offered a Voluntary Early Retirement Program to eligible employees who had 25 years of continuous service on or before December 31, 1999, and had not retired prior to January 1, 1997, in the form of a multiplier percentage of 2.40% for each year of continuous service, with a maximum retirement payment of 70% of the employee's annual compensation. All eligible employees who elected to participate were allowed to retire as soon as possible but no later than December 31, 1999. As stated above, the 2008 Pension Reform now requires a Funded Ratio of at least 80% for any future early retirement incentive program.

The Retirement Plan also permits early retirement for certain participants at age 55, generally with reduced benefits. The early retirement benefit of an employee hired before January 17, 2008, who has 25 years or more of continuous service, regardless of age, is not reduced; however, in accordance with the 2008 Pension Reform, for all employees hired after January 17, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service. Participants with at least ten years of continuous participation in the Retirement Plan who retire or leave employment with the Authority before age 65 are eligible to defer payment of pension benefits until they reach age 65. Participants who leave the Authority prior to vesting for benefits receive a refund of their contributions with 3% interest, but they receive no refund of the Authority's contributions made on their behalf. Married employees can elect to receive their pension benefits in the form of a joint and survivor annuity. Pension benefits are paid in monthly installments. The Retirement Plan also provides lump-sum death benefits ranging from $2,000 to $8,000, based on age and years of service. In addition, any excess of the employee's contributions, plus interest, on such contributions over the amount of pension benefits paid by the Retirement Plan to the retiree prior to death (and the death of the spouse in case of a survivorship option) is paid to the designated beneficiary. Employees satisfying certain eligibility requirements are eligible for a disability allowance based on compensation and service to date of disability with a minimum benefit of $400 per month.

The following Table 1 provides membership information for the Retirement Plan as of January 1, 2020, the date of the latest Actuarial Valuation.

TABLE 1
Membership of Retirement Plan

Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Total
8,057	151	9,257	17,465

Source: Actuarial Valuation Report as of January 1, 2020 prepared by Buck Consultants, LLC

Governance. The Retirement Plan is governed by the 11-member Retirement Board appointed as follows: (i) five trustees are appointed by the Chicago Transit Board; (ii) three trustees are appointed by Amalgamated Transit Union, Local 241; (iii) one trustee is appointed by Amalgamated Transit Union, Local 308; (iv) one trustee is appointed by the recognized coalition of representatives of participants who are not represented by the Amalgamated Transit Union; and (v) one trustee is selected by the RTA Board. Trustees serve on the Retirement Board until a successor has been appointed, or until resignation, death, incapacity or disqualification. Under the Pension Code, each trustee casts individual votes and a simple majority vote is required for action by the Retirement Board, provided that the Retirement Board may require a supermajority vote with respect to the investment of assets of the Retirement Plan. All trustees have alternates who are authorized to vote on their behalf if they are unavailable for a meeting.

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

The Retirement Board has adopted a formal investment policy for the Retirement Plan. This investment policy is separate from the investment policy adopted for the RHCT. According to Note 3 of the Financial Statements for the Retirement Plan for the year ended December 31, 2018 the primary objective of the Retirement Plan's investment policy is to provide a structured approach in implementing the Plan's investment strategies to achieve above average returns consistent with prudent risk and investment volatility. Any discussion herein with respect to assumptions, methodology, results or projections are strictly from the sources cited and should not be construed as statements or information from the Authority. The Retirement Plan's assumed rate of return is currently 8.25%. According to the Auditor General's Report released November 2019, the State of Illinois Office of the Auditor General (the "Auditor General") concluded that, although the Plan's assumptions, including the interest rate, are "not unreasonable in the aggregate," the assumed rate of return and assumed rate of inflation "should continue to be monitored and justified on an annual basis."

The following Table 2 provides information on the actual investment returns experienced by the Retirement Plan for the period 2008 through 2018.

TABLE 2
Historical Investment Returns

Fiscal Year	Total Rate of Return
2009	8.6
2010	12.6
2011	3.5(1)
2012	11.3
2013	19.5
2014	5.2
2015	(0.2)
2016	7.2
2017	14.9
2018	(3.2)

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2008 through 2018.

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

Determination of Employee Contributions. Authority employees who are members of the Retirement Plan are required to contribute to the Retirement Plan as provided in the Pension Code. The Pension Code requires participating employees to contribute 6% of compensation, subject to adjustment as described in the "Determination of Authority's and Employees' Contributions" below. Beginning January 1, 2020, the employee contribution rate was 13.324% of compensation. In the 2020 Actuarial Report, the Actuaries stated that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there was no need to increase the employee contribution rate, which shall remain at 13.324%.

Determination of Authority's Contributions. Contributions from the Authority to the Retirement Plan are based on requirements under the Pension Code. Under the Pension Code, the Authority's required contributions are reduced by a credit of up to 6% for debt service on bonds issued by the Authority for the purposes of funding contributions to the Retirement Plan. Beginning January 1, 2020, the Authority contribution rate was 26.647% of compensation, less a 6% credit for debt service on Pension Bonds, for a net contribution rate of 20.647%. The dollar amounts contributed by the Authority for the years ended December 31, 2016, 2017, 2018 and 2019 were $83,855,000, $104,523,000, $117,115,000 and $121,668,000, respectively. The following Table 3 provides information on the annual contributions made by the Authority to the Retirement Plan for the period 2009 through 2019.

In the 2020 Actuarial Report, the Actuaries state that the Funded Ratio has met the standards set forth in ILCS 5/22-101(e) and that there is no need to increase the Authority's required contributions, which shall remain at 26.647% or 20.647% after taking into account the 6% credit, beginning January 1, 2021.

Under the Pension Code, by September 15 of each year for the years 2009 through 2039, the Retirement Board is required to determine the estimated Funded Ratio of the Retirement Plan. If the Funded Ratio is projected to decline below 60% in any year before 2040, the Retirement Board is required to determine the increased contribution required each year as a level percentage of payroll over the years remaining until 2040 so that the Funded Ratio does not decline below 60%. If the Funded Ratio actually declines below 60% in any year prior to 2040, the Retirement Board must also determine the increased contribution required each year as a level percentage of payroll during the years after the then current year so that the Funded Ratio is projected to reach at least 60% no later than 10 years after the then current year.

As of the January 1, 2020 Actuarial Valuation, the Funded Ratio meets the standard set forth in ILCS 5/22-101(e). Therefore, the Retirement Board determined that there is no need to increase the Authority's required contribution rates to comply with the requirements under the Pension Code as described in the previous paragraph. The current contribution rates adopted by the Retirement Board pursuant to its ten-year plan now exceed the minimum requirements under the Pension Code to restore the Funded Ratio to 60%; however, the contribution rates are still less than the actuarially determined Annual Required Contribution.

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

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

Under provisions of the RTA Act, the RTA is required to continually review the Authority's payment of the required contributions to the Retirement Plan. If the RTA determines that the Authority's payment of any portion of the required contributions to the Retirement Plan is more than one month overdue, the RTA is required to pay, upon notice to the Authority, the Mayor of the City of Chicago, the Governor, the Auditor General and the General Assembly, those overdue contributions to the Retirement Board out of moneys otherwise payable to the Authority. To date, the RTA has not taken any of the foregoing actions.

The Actuarial Valuation

General. In addition to the process outlined above, the Pension Code requires that the Retirement Board annually submit to the Governor, General Assembly, the Auditor General, the Board of the Regional Transportation Authority and the Authority the amount of the required contributions for the next retirement system fiscal year and a copy of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Annual Required Contribution of the Retirement Plan for reporting purposes pursuant to GASB Statement No. 67 ("GASB 67") which is applicable for fiscal years ending 2014 and later and GASB Statement No. 68 ("GASB 68") which is applicable for the fiscal years beginning after 2014. GASB 67 replaces GASB 25 which is applicable for fiscal years ending prior to 2014. GASB 68 replaces GASB 27 which is applicable for the fiscal years ending prior to 2015.

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

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

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

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

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

In producing the Actuarial Valuations, the Retirement Plan's Actuary uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability, the Actuarial Value of Assets (defined below), and the actuarial present values for the Retirement Plan. The Retirement Plan's Actuary uses this data to determine the following fiscal year's Annual Required Contribution.

The Actuarial Accrued Liability is an estimate of the present value of the benefits the Retirement Plan must pay as a result of current and retired employees past employment with the Authority and participation in the Retirement Plan. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by the Retirement Plan. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Plan's Actuarial Accrued Liability and Actuarial Value of Assets, see "Actuarial Methods" and "Actuarial Assumptions" below.

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

Authority's Contributions Not Related to GASB Standards. The Authority's contributions to the Retirement Plan are not based on the Annual Required Contribution calculated pursuant to the Actuarial Valuation. Instead, the Authority's contributions are based on the formulas and amounts established in the Pension Code, as described in "Determination of Authority's Contributions" above. The Retirement Plan's Actuary has recommended that the Retirement Board consider, as appropriate, moving towards a contribution of the Annual Required Contribution over the next several years. The contribution rates adopted by the Retirement Board pursuant to its ten-year plan are higher than the minimum required by the Pension Code. The Retirement Board anticipates an annual review of contribution rates during the ten-year period.

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

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

Some of the key changes imposed by the new Statements include: (1) requiring governments for the first time to recognize the difference between the total pension liability (i.e., the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) as a liability of the employer; (2) immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms; (3) the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements.

Actuarial Methods

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

Actuarial Value of Assets. The Retirement Plan calculates its Actuarial Value of Assets by using the smoothing method which smoothes investment gains and losses over a period of five years.

The 2020 Actuarial Valuation for the year ended December 31, 2019 states that the Funded Ratio of the Retirement Plan decreased from 52.62% at December 31, 2018 to 52.55% at December 31, 2019. See "Funded Status" below.

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

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

Actuarial Assumptions. The Actuarial Valuation of the Retirement Plan uses a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. The assumptions are based on past and anticipated future experience. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Plan. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Annual Required Contribution. Additional information on the Retirement Plan's actuarial assumptions is available in the 2020 Actuarial Valuation. See "Source Information" above.

The actuarial assumptions used by the Retirement Plan are determined by the Retirement Board. The Retirement Plan periodically has an experience study performed to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of a pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness. Traditionally, the Retirement Plan has commissioned an experience study once in every five year period. The Retirement Plan's most recent experience study was based on the period from January 1, 2013 to December 31, 2017 and was first used with the January 1, 2019 Actuarial Valuation. In the 2020 Actuarial Valuation, the Actuary stated that the actuarial assumptions developed are, in the aggregate, reasonable and appropriate and that assumptions and methods used for financial reporting purposes fulfill the requirements of GASB 67 and GASB 68. Any changes in assumptions as a result of future experience studies may have an effect on the Annual Required Contribution, Actuarial Accrued Liability, UAAL and Funded Ratio, as well as the Projections (as defined below) and such effects may be material.

Assumed Investment Rate of Return. As described under the heading "Background Information Regarding the Retirement Plan – Investments" above, the Actuarial Valuation assumes an investment rate of return on the assets of the Retirement Plan. The assumed investment rate of return is used by the Retirement Plan's Actuary as the discount rate to determine the present value of future payments to the Retirement Plan's members. Such a determination is part of the Actuary's process to develop the Actuarial Accrued Liability. The Retirement Plan assumes an average long-term investment rate of return of 8.25%. There can be no assurance that the actual rate of return earned by the Retirement Plan on its assets in any year will not be lower than the assumed rate of return. As shown in the table under the heading "Background Information Regarding the Retirement Plan – Investments" above, actual investment rates of return have varied substantially over the previous ten years. Changes in the Retirement Plan's assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio.

The Retirement Plan's assumed rate of return has been reduced by the Retirement Board in recent years. The assumed investment rate of return was 8.50% prior to January 1, 2013, 8.75% prior to January 1, 2011 and was 9% prior to January 1, 2008. A reduction in the assumed investment rate of return, independent of other changes, produces a larger Actuarial Accrued Liability, which, independent of other changes, increases the UAAL, decreases the Funded Ratio and increases the Annual Required Contribution. Any future decreases in the Retirement Plan's assumed rate of return may increase the UAAL, decrease the Funded Ratio and increase the Annual Required Contribution, which may require the Authority to increase its contributions to the Retirement Plan under the Pension Code, which could put additional financial strain on the Authority.

Funded Status

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

According to the 2020 Actuarial Valuation, the Retirement Plan had a UAAL of approximately $1.70 billion as of January 1, 2020. The 2020 Actuarial Valuation shows that the UAAL as of January 1, 2020 increased by approximately $47.3 million from the UAAL as of January 1, 2019. The 2020 Actuarial Valuation states that Funded Ratio of the Retirement Plan decreased by .07% during this time.

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

TABLE 3
Annual Employer Contribution Status
($ in thousands)

Fiscal Year Ended December 31	Annual Employer Required Contribution	Actual Employer Contribution	Percentage of Annual Employer Required Contribution Contributed
2009	34,030	41,448	121.8
2010	56,474	56,216	99.5
2011	55,976	60,318	107.8
2012	61,982	62,788	101.3
2013	102,800	79,518	77.4
2014	80,488	82,268	102.2
2015	81,731	82,800	101.3
2016	82,001	83,855	102.3
2017	106,662	104,523	98.0
2018	112,265	117,115	104.3
2019	116,367	121,668	104.6

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2008 through 2018 and the Retirement Plan's 2020 Actuarial Valuation, prepared by Buck Consultants, LLC.

TABLE 4
Historical Funding Progress
($ in thousands)

Fiscal Year	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
2009	**2,632,556**	**1,995,953**	**636,403**	**76.82**
2010	2,588,462	1,936,849	651,613	74.83
2011(1)	2,724,191	1,909,967	814,224	70.11
2012(2)	2,808,184	1,662,196	1,145,988	59.19
2013	2,867,335	1,702,789	1,164,546	59.39
2014(3)	3,105,567	1,892,714	1,212,853	60.95
2015	3,186,187	1,855,912	1,330,275	58.25
2016	3,267,121	1,743,216	1,523,904	53.36
2017	3,338,641	1,752,473	1,586,168	52.49
2018(4)	3,423,218	1,802,216	1,621,002	52.65
2019	3,488,955	1,835,792	1,653,163	52.62
2020	3,583,859	1,883,411	1,700,448	52.55

Source: The Retirement Plan's 2020 Actuarial Valuation, prepared by Buck Consultants, LLC and The Retirement Plan's audited financial statements for the years ended December 31, 2008 through 2018.

(1) Effective January 1, 2011, the assumed investment rate of return was changed from 8.75% to 8.50%.

(2) Effective January 1, 2012, the actuarial value of assets was changed from being valued using the Asset Smoothing Method to using the market value method.

(3) Effective January 1, 2013, the assumed investment rate of return was changed from 8.50% to 8.25%.

(4) Effective January 1, 2017, the actuarial value of assets was changed from being valued using the market value method to using the Asset Smoothing Method.

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

As stated in the 2020 Actuarial Valuation, the Funded Ratio decreased slightly from fiscal year 2019 to fiscal year 2020 for two reasons: (i) the rate of return on the actuarial value of plan assets of 7.57% being less than the assumed rate of return of 8.25% and (ii) demographic experience.

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

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Beginning Net Assets	$1,743,266	$1,716,317	$1,794,742	$1,662,196	$1,702,789	$1,892,714	$1,855,912	$1,743,216	$1,736,369	$1,865,900
Additions										
Net Investment income (loss)	$113,250	$197,317	$(13,018)	$168,193	$299,510	$78,661	$ 8,230	$118,613	$ 233,738	$ (61,343)
Employer contributions	41,448	56,216	60,318	62,788	79,518	82,269	82,800	83,855	104,523	117,115
Employee contributions.......	25,666	45,212	47,169	48,342	56,792	58,566	58,993	59,560	70,286	78,340
Other income	-	-	4	-						
Total Additions	$ 180,364	$ 298,745	$ 94,473	$ 279,323	$ 435,820	$ 219,496	$ 150,023	$ 262,028	$408,547	$134,112
Deductions										
Benefit payments................	$ 203,109	$ 216,164	$ 221,732	$ 232,433	$ 238,539	$ 245,746	$ 253,436	$ 261,389	$ 269,141	274,465
Contribution refunds, including interest	2,051	2,128	2,879	4,022	4,932	7,137	6,354	4,840	7,344	7,402
Administrative expenses......	2,153	2,028	2,408	2,275	2,424	3,415	2,929	2,646	2,531	2,918
Total	$ 207,313	$ 220,320	$ 227,019	$ 238,730	$ 245,895	$ 256,298	$ 262,719	$ 268,875	$ 279,016	$ 284,785
Net Increase (Decrease).......	(26,949)	78,425	(132,546)	40,593	189,925	(36,802)	(112,696)	(6,847)	129,531	(150,673)
Ending Net Assets	$1,716,317	$1,794,742	$1,662,196	$1,702,789	$1,892,714	$1,855,912	$1,743,216	$1,736,369	$1,865,900	$1,715,227

Source: The Retirement Plan's audited financial statements for the years ended December 31, 2009 through 2018. Amounts in the table above may not sum due to rounding.

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

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Projection of Funded Status. The following Table 6 contains projections regarding the funding of the Retirement Plan (the "Projections") that are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Plan's actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Plan are made as required. *See* "Cautionary Statement" above. The Projections also assume stable membership and assume that all actuarial assumptions described in the 2020 Actuarial Valuation are exactly realized each year. No representation or assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection. Further, the benefits provided under the Retirement Plan and the minimum funding requirements of the Retirement Plan are established under the Pension Code, which statutory provisions are subject to change by the State legislature.

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

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The following table sets forth the projected funded status of the Retirement Plan based on the 2020 Actuarial Valuation.

TABLE 6
Projected Actuarial Results

	Board Adopted Contribution Rates			Board Adopted Contributions					
Fiscal Year	**Employee Contribution Percent**	**Employer Contribution Percent**	**Total Percent**	**Employee Contribution**	**Employer Contribution**	**Total Contribution**	**Actuarial Accrued Liability**	**Actuarial Value of Assets**	**Funded Ratio**
2020	13.324	20.647	33.971	84,001,463	130,175,044	214,176,507	3,547,344,618	1,845,863,086	52.04
2021	13.324	20.647	33.971	85,094,957	131,869,606	216,964,563	3,603,849,313	1,878,572,953	52.13
2022	13.324	20.647	33.971	86,463,236	133,989,995	220,453,231	3,656,006,468	1,913,624,265	52.34
2023	13.324	20.647	33.971	88,510,140	137,162,032	255,672,172	3,703,937,466	1,929,165,286	52.08
2024	13.324	20.647	33.971	90,860,705	140,804,646	231,665,351	3,748,641,945	1,989,298,435	53.07
2025	13.324	20.647	33.971	93,231,576	144,478,727	237,710,303	3,790,133,606	2,052,854,801	54.16
2026	13.324	20.647	33.971	95,685,985	148,282,266	243,968,251	3,828,366,797	2,120,248,104	55.38
2027	13.324	20.647	33.971	98,179,822	152,146,906	250,326,728	3,863,110,086	2,192,122,164	56.75
2028	13.324	20.647	33.971	100,870,333	156,316,326	257,186,659	3,894,822,425	2,269,800,118	58.28
2029	13.324	20.647	33.971	103,831,018	160,904,427	264,735,445	3,922,469,493	2,353,481,699	60.00
2030	13.324	20.647	33.971	106,989,278	165,798,707	272,787,985	3,947,755,976	2,446,364,309	61.97
2031	13.324	20.647	33.971	110,413,549	171,105,218	281,518,767	3,972,128,954	2,550,769,469	64.22
2032	13.324	20.647	33.971	114,030,435	176,710,219	290,740,654	3,997,131,252	2,669,661,776	66.79
2033	13.324	20.647	33.971	117,699,667	182,396,339	300,096,006	4,024,011,499	2,805,563,701	69.72
2034	13.324	20.647	33.971	121,513,419	188,306,419	309,819,838	4,053,812,716	2,960,611,435	73.03
2035	13.324	20.647	33.971	125,504,756	194,491,698	319,996,454	4,087,940,557	3,137,626,968	76.75
2036	13.324	20.647	33.971	129,705,592	201,001,632	330,707,224	4,128,332,087	3,339,939,226	80.90
2037	13.324	20.647	33.971	134,054,104	207,740,416	341,794,520	4,176,837,947	3,571,067,300	85.50
2038	13.324	20.647	33.971	138,439,257	214,535,983	352,975,240	4,234,652,482	3,833,976,037	90.54
2039	13.324	20.647	33.971	142,887,699	221,429,625	364,317,324	4,302,648,039	4,131,188,543	96.02
2040	13.324	20.647	33.971	147,430,780	228,469,929	375,900,709	4,381,340,781	4,465,327,814	101.92

Source: The Retirement Plan's 2020 Actuarial Valuation, prepared by Buck Consultants, LLC.

As shown in Table 6 above, the Actuary is projecting that Funded Ratio of the Retirement Plan will reach 107.1% by 2040 based on current assumptions, which include the assumption that the Authority will make contributions to the Retirement Plan equal to 20.647% from 2020 to 2040, which is higher than the minimum required by the Pension Code. As discussed above, under the Pension Code, the Retirement Plan is required to be at least 60% funded by 2040 and at least 90% funded by 2060 (see "Determination of Authority's Contributions" above).

Supplemental Pension Plans

As described under the heading "General Overview" above, in addition to the Retirement Plan, the Authority maintains three separate single-employer, defined benefit supplemental pension plans for a limited number of participants, and all three plans are currently closed to new participants. Information related to the Supplemental Pension Plans is presented in the Authority's audited financial statements. This section summarizes the Supplemental Pension Plans based on the information in the Authority's financial statements for the years ended December 31, 2019 and 2020. The Supplemental Pension Plans do not issue separate stand-alone financial reports. Additional information related to the Supplemental Pension Plans is available in the Authority's audited financial statements. See "Sources of Information" above.

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

The following Table 7 shows the membership in the Supplemental Pension Plans as of January 1, 2020 and January 1, 2019:

TABLE 7
Membership of Supplemental Pension Plans

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2020				
Retirees and beneficiaries currently receiving benefits	125	302	17	444
Terminated employees entitled to but not yet receiving benefits	9	3	5	17
Active plan members	8	0	2	10
Total	142	305	24	471
Participants as of January 1, 2019				
Retirees and beneficiaries currently receiving benefits	125	323	17	465
Terminated employees entitled to but not yet receiving benefits	11	3	6	20
Active plan members	8	0	2	10
Total	144	326	25	495

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

The Authority funds the Supplemental Pension Plans on a “pay-as-you-go” basis.

The following table shows the actual Authority contribution levels for the Supplemental Pension Plans for the years ended December 31, 2017 through 2020:

TABLE 8
Annual Employer Contribution
($ in thousands)

Pension Plan	Year Ended December 31	Annual Employer Contribution
Supplemental Qualified Plan	2017	1,300
	2018	550
	2019	1,120
	2020	870
Supplemental Non-Qualified Plan	2017	2,542
	2018	2,500
	2019	2,340
	2020	2,175
Board	2017	321
	2018	321
	2019	326
	2020	347

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

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

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

Pension Plan	Valuation Date December 31	Actuarial Accrued Liability	Actuarial Value of Assets	UAAL	Funded Ratio
Supplemental Qualified Plan					
	2014	52,118	42,046	10,072	80.67
	2015	49,335	37,875	11,460	76.77
	2016	48,004	37,805	10,199	78.75
	2017	44,062	40,250	3,812	91.35
	2018	42,116	34,441	7,675	81.78
	2019	42,116	36,687	5,429	87.11
	2020	42,510	36,542	5,968	85.96
Supplemental Non-Qualified Plan					
	2014	28,103	0	28,103	0
	2015	29,926	0	29,926	0
	2016	25,274	0	25,274	0
	2017	24,380	0	24,380	0
	2018	22,839	0	22,839	0
	2019	22,125	0	22,125	0
	2020	21,351	0	21,351	0
Board					
	2014	5128	88	5,040	1.72
	2015	4,481	68	4,413	1.52
	2016	4,561	77	4,484	1.69
	2017	4,732	88	4,644	1.84
	2018	4,361	103	4,258	2.34
	2019	4,589	112	4,477	2.42
	2020	5,657	119	5,538	2.09

Source: Financial Statements of the Authority for the years ended December 31, 2019 and 2020.

Retiree Health Care Trust

As discussed in "General Overview" above, prior to 2009, retiree healthcare benefits were included as part of the Retirement Plan. The 2006 Pension Reform required the Authority to separate the funding of retiree healthcare benefits from the funding of its pension system by no later than January 1, 2009. The 2008 Pension Reform provided for the establishment of the RHCT, which is solely responsible for providing health care benefits to eligible Authority retirees and their dependents and survivors. The RHCT is established and administered under Section 22-101B of the Illinois Pension Code (40 ILCS 5/22-101B).

As discussed above, on August 6, 2008, the Authority issued the Pension Bonds and used $528.8 million of the proceeds to fund the RHCT. Under the Pension Code, the RHCT was required to assume financial responsibility for health care benefits of retirees (and the dependents and survivors of retirees) no later than July 1, 2009. Further, the Pension Code provides that, after the issuance of the Pension Bonds, the Authority has no further obligation to provide or fund health care benefits for current or future retirees, dependents and survivors. As noted in General Overview above, Authority employees are required to contribute not less than three percent of their compensation to the RHCT. The most recent Actuarial Valuation Report dated January 1, 2020 and Financial Statements for the RHCT dated December 31, 2018 show a Funded Ratio well exceeding 100% for each of the past two years. Due to the Authority having no financial obligation to the RHCT under the Pension Code, no additional information is presented in this Official Statement regarding the RHCT. See, however, "Cautionary Statement" above, regarding possible future changes in legislation affecting the Pension Code.

Other Post-Employment Benefits

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

Benefits under the OPEB Plan are available for certain participants in the Supplemental Pension Plans with bridged service or service purchased through the Authority's Voluntary Termination Program who are not yet, or might not be, eligible for healthcare benefits under the RHCT. Benefits under the OPEB Plan cease once the member becomes eligible for coverage under the RHCT or may continue, depending on the amount of service by the participant, for members who do not become eligible for benefits under RHCT. Members of the Chicago Transit Board are eligible for benefits under the OPEB Plan after five years of service. OPEB Plan benefits are administered through the Authority's healthcare program for employees and, as such, the Authority funds the OPEB Plan on a self-insured "pay-as-you-go" basis. As of January 1, 2016, the OPEB Plan was not funded, resulting in a UAAL of $12.1 million and no Funded Ratio.

Information related to the OPEB Plan is presented in the Authority's audited financial statements. The OPEB Plan does not issue separate stand-alone financial reports. This section summarizes the OPEB Plan based on the information in the Authority's audited financial statements for the years ended December 31, 2019 and 2020. Additional information related to the OPEB Plan is available in the Authority's audited financial statements. *See* "Sources of Information" above.

The following Table 10 shows the actuarially determined Annual Required Contribution and actual Authority contribution levels for the OPEB Plan for the years ended December 31, 2013 through 2019:

TABLE 10
Annual Employer Contribution
($ in thousands)

Year Ended December 31	Annual Required Contribution	Actual Employer Contribution	Percentage of Annual Required Contribution Contributed
2013	$1,141	$810	71.0%
2014	1,061	802	75.7
2015	1,138	521	45.7
2016	1,101	450	40.9
2017	1,119	703	62.8
2018	594	594	100.0
2019	698	698	100.0

Source: Financial Statements of the Authority for the years ended December 31, 2013 through 2020.

Litigation, Investigations and Labor Relations

Litigation. In 2013, the Retirement Plan filed a claim against the Authority in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking an accounting and damages of approximately $7 million. (*Retirement Plan for Chicago Transit Authority Employees v. The Chicago Transit Authority*, Case No. 13 CH 14414). The Retirement Plan claimed that, for a period of time prior to the establishment of the RHCT, the Authority administered the prescription drug program for retirees and that the Authority billed the Retirement Plan for the costs of the drugs but did not share in rebates from the prescription drug providers. The Retirement Plan later amended its complaint to seek additional damages in excess of $1 million based on its claim that the Authority had billed the Retirement Plan for healthcare costs of certain ineligible individuals. On June 1, 2016, the Authority filed a motion for summary judgment, that was granted in part and denied in part and in August 2018, the circuit court held a four-day bench trial on the remaining claims. On November 2, 2018, the circuit court issued its trial order entering judgment in favor of the Authority that the Retirement Plan appealed. On March 30, 2020, the First District of the Illinois Appellate Court issued a published opinion affirming the judgment in favor of the Authority. The Retirement Plan has not sought to appeal the appellate court's decision, and the deadline for further appeal has lapsed.

In addition to the lawsuit described above, in 2017, the Retirement Plan filed a claim against three former trustees, and one former alternate trustee, of the Plan in the Chancery Division of the Circuit Court of Cook County, Illinois, seeking damages of approximately $7 million. (Retirement Plan for Chicago Transit Authority Employees v. Dorval Carter, et. al., Case No. 17 CH 08090). The Retirement Plan claimed that, the Defendants failed to inform the Retirement Plan that the Authority received prescription drug rebates which it did not share with the Retirement Plan. In October, 2019, the parties filed cross-motions for summary judgment. On

February 10, 2020, the Court entered judgment in favor of the Defendants. The Retirement Plan filed an appeal. On April 12, 2021, the First District of the Illinois Appellate Court issued an opinion affirming the judgment in favor of the Defendants. The Retirement Plan has not sought to appeal the appellate court's decision.

Health Care Benefits. Prior to 2008, retiree health care benefits were administered by the Retirement Plan pursuant to collective bargaining agreements ("CBAs") between the Authority and the labor unions representing Authority employees ("Unions"). In 2007, the Authority and its Unions agreed as part of an interest arbitration award (the "2007 CBA") that the responsibility for retiree health care benefits would be transferred to a separate and newly-created Retiree Health Care Trust. This agreement was codified in 2008 amendments to the Pension Code. As required by the parties' agreement, the Authority contributed $529.0 million in seed money to the RHTC from proceeds of the Pension Bonds, and the parties to the 2007 CBA confirmed that the obligation of the Authority and the Retirement Plan to provide or fund retiree health care benefits was terminated. Thereafter, the RHCT required subsidy of healthcare premiums from retirees. In *Williams et al. v. Chicago Transit Authority et al.*, 11 CH 15446 (2014), a group of retirees and Authority employees claimed that, due to changes in retiree healthcare arising under the 2007 CBA, the Authority, the Retirement Plan and the RHCT breached certain contractual and constitutional obligations to provide retiree healthcare benefits. In May 2015, the parties argued all issues in the case before the Illinois Supreme Court, which issued its opinion on May 5, 2016 holding that Class I retirees (hired before September 5, 2001 and retired before January 1, 2007) have standing to challenge the enforceability of the 2007 CBA as it relates to retiree healthcare benefits but that other employees lacked such standing. The Court dismissed any remaining claims against the Authority, while the claims against the Retirement Plan and RHCT were remanded to the Circuit Court for further proceedings. Any judgment against the RHCT would have no impact against the Authority. The Circuit Court recently ruled that the RHCT must fully indemnify the Retirement Plan for any losses related to the litigation, including the Retirement Plan's attorneys' fees. *See* "—Background Information Regarding the Retirement Plan—*Determination of Authority's Contributions*."

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

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

APPENDIX F

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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June 10, 2021

The Chicago Transit Board
of the Chicago Transit Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of $99,325,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the "Bonds") of the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the "Authority") duly organized and existing under the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605 (the "Act"). The Bonds are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number 020-27 adopted by the Chicago Transit Board on April 8, 2020 (the "Bond Ordinance"). The Bonds are issued and secured under the Trust Indenture dated as of November 1, 2004, as amended (the "Indenture") by and between the Authority and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the Seventh Supplemental Indenture dated as of June 1, 2021 (the "Seventh Supplemental Indenture") by and between the Authority and the Trustee. The Bonds are a Series of Refunding Bonds and Parity Obligations under the Indenture.

The Bonds are dated June 10, 2021 and bear interest from their date payable on December 1, 2021 and semiannually thereafter on each June 1 and December 1. The Bonds mature on June 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
2022	$7,810,000	5.00 %
2023	8,070,000	5.00
2024	8,475,000	5.00
2027	22,295,000	5.00
2028	32,700,000	5.00
2029	19,975,000	5.00

The Bonds are not subject to redemption prior to maturity.

The Bonds are payable from the Authority's share of Section 5307 Urbanized Area Formula funds ("Section 5307 Funds") to be received by the Authority from the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Grant Receipts") pursuant to 49 United States Code Section 5307. The payment of Section 5307 Funds is not a contractual obligation of the United States of America and the eligibility of the Authority to receive Section 5307 Funds for the payment of the Bonds is subject to the Authority's continuing compliance with the provisions of 49 United States Code Section 5307 and applicable regulations of the Federal Transit Administration. We express no opinion as to the rights or remedies of the Authority with respect to the payment of Section 5307 Funds.

Pursuant to the Indenture the Authority has previously issued bonds (the "Outstanding Bonds") that are Parity Obligations and are currently outstanding. The Bonds, the Outstanding Bonds and all other Parity Obligations hereafter issued or incurred under the Indenture shall be entitled equally to the benefits and security of the Indenture, including the pledge of Grant Receipts and other moneys and securities herein mentioned.

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

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Ordinance, to enter into the Indenture and the Seventh Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Seventh Supplemental Indenture in those respects.

2. The Indenture and the Seventh Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and the Seventh Supplemental Indenture, and are enforceable in accordance with their terms.

4. The Bonds are payable solely from Grant Receipts and other moneys and securities pledged therefor under the Indenture and the Seventh Supplemental Indenture. The Indenture and the Seventh Supplemental Indenture create a valid pledge of the Grant Receipts and other moneys and securities held thereunder for the benefit and security of the Bonds, subject to application thereof in the manner provided in the Indenture and the Seventh Supplemental Indenture. The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

5. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax

purposes. Interest on the Bonds does not constitute an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Bonds. The Authority has covenanted in the Seventh Supplemental Indenture to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

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

Respectfully yours,

June 10, 2021

The Chicago Transit Board
of the Chicago Transit Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of $21,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the "Bonds") of the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the "Authority") duly organized and existing under the Metropolitan Transit Authority Act, 70 Illinois Compiled Statutes 3605 (the "Act"). The Bonds are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number 020-27 adopted by the Chicago Transit Board on April 8, 2020 (the "Bond Ordinance"). The Bonds are issued and secured under the Trust Indenture dated as of April 1, 2008, as amended (the "Indenture") by and between the Authority and Amalgamated Bank of Chicago, as trustee (the "Trustee"), as supplemented by the Sixth Supplemental Indenture dated as of June 1, 2021 (the "Sixth Supplemental Indenture") by and between the Authority and the Trustee. The Bonds are a Series of Refunding Bonds and Parity Obligations under the Indenture.

The Bonds are dated June 10, 2021 and bear interest from their date payable on December 1, 2021 and semiannually thereafter on each June 1 and December 1. The Bonds mature on June 1 in each of the following years in the respective principal amount set opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
2022	$285,000	5.00 %
2023	270,000	5.00
2024	285,000	5.00
2025	300,000	5.00
2026	315,000	5.00
2027	6,465,000	5.00
2028	13,730,000	5.00

The Bonds are not subject to redemption prior to maturity.

The Bonds are payable from the Authority's share of Section 5337 State of Good Repair Formula funds ("Section 5337 Funds") to be received by the Authority from the United States of America, acting through the Department of Transportation, Federal Transit Administration (the "Grant Receipts") pursuant to 49 United States Code Section 5337. The payment of Section 5337 Funds is not a contractual obligation of the United States of America and the eligibility of the Authority to receive Section 5337 Funds for the payment of the Bonds is subject to the Authority's continuing compliance with the provisions of 49 United States Code Section 5337 and applicable regulations of the Federal Transit Administration. We express no opinion as to the rights or remedies of the Authority with respect to the payment of Section 5337 Funds.

Pursuant to the Indenture the Authority has previously issued bonds (the "Outstanding Bonds") that are Parity Obligations and are currently outstanding. The Bonds, the Outstanding Bonds and all other Parity Obligations hereafter issued or incurred under the Indenture shall be entitled equally to the benefits and security of the Indenture, including the pledge of Grant Receipts and other moneys and securities herein mentioned.

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

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the Bond Ordinance, to enter into the Indenture and the Sixth Supplemental Indenture, to issue the Bonds thereunder, and to perform all of its obligations under the Bond Ordinance, the Indenture and the Sixth Supplemental Indenture in those respects.

2. The Indenture and the Sixth Supplemental Indenture have been duly authorized, executed and delivered by the Authority and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the Authority, are entitled to the benefits and security of the Indenture and the Sixth Supplemental Indenture, and are enforceable in accordance with their terms.

4. The Bonds are payable solely from Grant Receipts and other moneys and securities pledged therefor under the Indenture and the Sixth Supplemental Indenture. The Indenture and the Sixth Supplemental Indenture create a valid pledge of the Grant Receipts and other moneys and securities held thereunder for the benefit and security of the Bonds, subject to application thereof in the manner provided in the Indenture and the Sixth Supplemental Indenture. The Act provides that the Bonds are not, and shall not be or become, an indebtedness or obligation of the State of Illinois or any political subdivision of the State (other than the Authority) or of any municipality within the State, nor shall any Bond be or become an indebtedness of the Authority within the purview of any constitutional limitation or provision.

5. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. Interest on the Bonds does not constitute an item of tax preference for purposes of computing alternative minimum taxable income.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Bonds. The Authority has covenanted in the Sixth Supplemental Indenture to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

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

Respectfully yours,

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the **"Agreement"**) is executed and delivered by the Chicago Transit Authority, a political subdivision, body politic and municipal corporation of the State of Illinois (the **"Authority"**), in connection with the issuance by the Authority of $99,325,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5307 Urbanized Area Formula Funds) (the **"Series 2021 5307 Bonds"**) and $21,650,000 aggregate principal amount of Capital Grant Receipts Revenue Bonds, Refunding Series 2021 (Federal Transit Administration Section 5337 State of Good Repair Formula Funds) (the **"Series 2021 5337 Bonds"** and, collectively with the Series 2021 5307 Bonds, the **"Series 2021 Bonds"**). The Series 2021 Bonds are being issued pursuant to the laws of the State of Illinois, including the Metropolitan Transit Authority Act (70 ILCS 3605) and the Local Government Debt Reform Act (30 ILCS 350). The Series 2021 Bonds are authorized by an ordinance adopted by the Chicago Transit Board of the Authority on April 8, 2020. The Series 2021 5307 Bonds are being issued pursuant to the Trust Indenture dated as of November 1, 2004 (the **"5307 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5307 Trustee"**), as heretofore supplemented and as further supplemented by the Seventh Supplemental Indenture, dated as of June 1, 2021 (the **"Seventh Supplemental Indenture"**), and, together with the 5307 Master Trust Indenture as heretofore supplemented, the **"5307 Indenture"**) between the Authority and the 5307 Trustee. The Series 2021 5337 Bonds are being issued pursuant to the Trust Indenture dated as of April 1, 2008 (the **"5337 Master Trust Indenture"**), between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the **"5337 Trustee"** and, together with the 5307 Trustee, the **"Trustee"**), as heretofore supplemented and as further supplemented by the Sixth Supplemental Indenture dated as of June 1, 2021 (the **"Sixth Supplemental Indenture"** and, together with the 5337 Master Trust Indenture as heretofore supplemented, the **"5337 Indenture"** and, together with the 5307 Indenture, the **"Indentures"**) between the Authority and the 5337 Trustee.

In consideration of the issuance of the Series 2021 Bonds by the Authority and the purchase of such Series 2021 Bonds by the beneficial owners thereof, the Authority covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Authority as of the date set forth below, for the benefit of the beneficial owners of the Series 2021 Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Authority represents that it will be the only obligated person with respect to the Series 2021 Bonds at the time the Series 2021 Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Series 2021 Bonds.

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

"Annual Financial Information" means financial information and operating data described in Exhibit I hereto.

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

"Audited Financial Statements" means the audited financial statements of the Authority as described in Exhibit I hereto.

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

"Event" means the occurrence of any of the events set forth in Exhibit II hereto.

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

"*Financial Obligation*" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2021 Bonds as defined in the Rule.

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

"SEC" means the Securities and Exchange Commission.

"State" means the State of Illinois.

"Undertaking" means the obligations of the Authority pursuant to Sections 4 and 5 hereof.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Series 2021 Bonds are as set forth in Exhibit III hereto. The Official Statement relating to the Series 2021 Bonds dated June 2, 2021 is referred to herein as the *"Final Official Statement."*

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

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

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to

EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the Authority hereby covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the Event, notice of the occurrence of an Event to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the SEC at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2021 Bonds or defeasance of any Series 2021 Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders under the Indenture.

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

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

In the event of a failure of the Authority to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order to cause the Authority to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be initiated in the Circuit Court of Cook County, Illinois. A default under this Agreement shall not be deemed a default under the Series 2021 Bonds, the Indentures, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Authorized Officers (as defined in the Indenture), pursuant to authorization granted in the Indenture, may amend this Agreement, and any provision of this Agreement may be waived, if:

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

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

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2021 Bonds, as determined by parties unaffiliated with the Authority (such as the Trustee), or by approving vote of the beneficial owners of the Series 2021 Bonds pursuant to the terms of the Indenture at the time of the amendment; or

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

9. TERMINATION OF UNDERTAKING. The Undertaking of the Authority shall be

terminated hereunder if the Authority shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2021 Bonds under the Indentures.

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

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

12. BENEFICIARIES. This Agreement has been executed to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Authority and the beneficial owners of the Series 2021 Bonds, and shall create no rights in any other person or entity.

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

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

IN WITNESS WHEREOF, the party hereto has caused this Continuing Disclosure Undertaking in connection with the Series 2021 Bonds to be executed by its duly Authorized Officer as of the date below written.

CHICAGO TRANSIT AUTHORITY

By ____
Name: ______________________________________
Title: _______________________________________

Date: ______________ , 2021

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

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

I. Annual Financial Information:

(a) The information detailing the annual Formula Funds apportioned to Chicago, Illinois, Northwestern Indiana Urbanized Area Allocated to Illinois for further allocation by RTA and allocated to the Authority appearing in the tables in the Final Official Statement entitled as follows:

- "Section 5307 Formula Funds Apportioned to Chicago, Illinois – Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA"
- "Section 5309/5337 Formula Funds Apportioned to Chicago, Illinois - Northwestern Indiana Urbanized Area Allocated to Illinois for Further Allocation by RTA"

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

II. Audited Financial Statements:

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

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

EXHIBIT II

EVENTS WITH RESPECT TO THE SERIES 2021 BONDS FOR WHICH EVENTS DISCLOSURE IS REQUIRED

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) modifications to rights of Bondholders, if material;

(h) bond calls, if material, and tender offers (other than scheduled mandatory redemptions);

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Authority (such an event will be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if the jurisdiction of the Authority has been assumed by leaving the Chicago Transit Board and the Authority's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);

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

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bondholders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

EXHIBIT III

CUSIP NUMBERS

SERIES 2021 5307 BONDS

MATURITY DATE (JUNE 1)	PRINCIPAL AMOUNT	CUSIP†
2022	$7,810,000	167723GZ2
2023	8,070,000	167723HA6
2024	8,475,000	167723HB4
2027	22,295,000	167723HC2
2028	32,700,000	167723HD0
2029	19,975,000	167723HE8

SERIES 2021 5337 BONDS

MATURITY DATE (JUNE 1)	PRINCIPAL AMOUNT	CUSIP†
2022	$285,000	167723HF5
2023	270,000	167723HG3
2024	285,000	167723HH1
2025	300,000	167723HJ7
2026	315,000	167723HK4
2027	6,465,000	167723HL2
2028	13,730,000	167723HM0

* CUSIP is a registered trademark of the 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 Global Market Intelligence. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of sale of the Series 2021 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the sale of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

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CHICAGO TRANSIT AUTHORITY • Capital Grant Receipts Revenue Bonds, Refunding Series 2021
Federal Transit Administration Section 5307 Urbanized Area Formula Funds and Section 5337 State of Good Repair Formula Funds