

**Addendum to Supplement No. 1 dated June 19, 2009
to Official Statement dated April 27, 2005**

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

**\$148,110,00 GENERAL OBLIGATION VARIABLE RATE REFUNDING BONDS,
SERIES 2005B**

CUSIP No. 75914SAA3

Supplement No. 1 dated June 19, 2009 (“Supplement No. 1”) to the Official Statement dated April 27, 2005 with respect to the above-referenced bonds (the “Series 2005B Bonds”) is hereby supplemented as follows with capitalized terms not otherwise defined herein used as defined in Supplement No. 1.

The CUSIP number assigned to the Series 2005B Bonds while they bear interest at an ERS Monthly Rate is 75914SAA3.

The above CUSIP number has been assigned by an independent company not affiliated with the Authority and is included solely for the convenience of the holders of the Series 2005B Bonds while they bear interest at an ERS Monthly Rate. None of the Authority, the Remarketing Agent or the Trustee is responsible for the selection or uses of the CUSIP number, and no representation is made as to its correctness on the Series 2005B Bonds while they bear interest at an ERS Monthly Rate or as indicated in this Addendum to Supplement No. 1. The CUSIP number is subject to being changed after the remarketing of the Series 2005B Bonds at an ERS Monthly Rate as a result of various subsequent actions including, but not limited to, the exchange of such Series 2005B Bonds for Series 2005B Bonds bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate, a conversion in whole or in part of such Series 2005B Bonds to another Mode or to the ERS Weekly Rate, refunding in whole or in part of such Series 2005B Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by or on behalf of Registered Owners or Beneficial Owners of all or a portion of such Series 2005B Bonds.

Dated: June 25, 2009

REMARKETING - BOOK ENTRY ONLY

SUPPLEMENT NO. 1 DATED JUNE 19, 2009 TO OFFICIAL STATEMENT DATED APRIL 27, 2005

On May 2, 2005, the date of original issuance of the Series 2005B Bonds, Chapman and Cutler LLP delivered its opinion that, subject to the Authority's compliance with certain covenants, in the opinion of Bond Counsel, under then-existing law, interest on the Series 2005B Bonds was not includible in gross income of the owners thereof for federal income tax purposes and was not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but was taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Chapman and Cutler LLP will not update or confirm its opinion delivered in connection with the original issuance of the Series 2005B Bonds. In connection with the amendment of the bond documents and the reissuance of the Series 2005B Bonds in the ERS Monthly Mode, Chapman and Cutler LLP, Bond Counsel, will deliver its opinion that the amendment of the bond documents and the reissuance of the Series 2005B Bonds in the ERS Monthly Mode does not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2005B Bonds or the exclusion of interest on the Series 2005B Bonds as an item of tax preference in computing the Federal alternative minimum tax for individuals or corporations. Bond Counsel expresses no opinion as to whether interest on the Series 2005B Bonds is taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. See "TAX MATTERS" herein for a more complete discussion.

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



\$148,110,000 GENERAL OBLIGATION VARIABLE RATE REFUNDING BONDS, SERIES 2005B

Original Issuance Date: May 2, 2005

Date of Reissuance: July 1, 2009

This Supplement No. 1, dated June 19, 2009 ("Supplement No. 1") to an Official Statement dated April 27, 2005 (the "Original Official Statement") relates to the captioned bonds (the "Series 2005B Bonds") and is issued to supplement and amend the Original Official Statement. The Original Official Statement and Supplement No. 1 are referred to herein as the "Official Statement". This Supplement No. 1 is being prepared in connection with the reissuance of the Series 2005B Bonds. The Series 2005B Bonds were originally issued on May 2, 2005 pursuant to the Bond and Note General Ordinance No. 85-39, adopted by the Board on August 8, 1985, as supplemented and amended, a Series Ordinance No. 2005-37, adopted April 7, 2005 and an Indenture of Trust dated as of May 1, 2005 by and between the Authority and Amalgamated Bank of Chicago, as trustee (the "Trustee"). The Series 2005B Bonds are being reissued pursuant to an Amended and Restated Series Ordinance, adopted by the Board on May 21, 2009, and an Amended and Restated Indenture of Trust (the "Indenture"), dated as of July 1, 2009, between the Authority and the Trustee. The Series 2005B Bonds are being reissued as Extendible Reset Securities ("ERS") in the ERS Mode and will initially bear interest at an ERS Monthly Rate. All references in this Supplement No. 1 to the ERS refer to the Series 2005B Bonds while they bear interest at an ERS Monthly Rate or, if applicable, an ERS Extension Rate or ERS Alternate Extension Rate. Certain capitalized terms not otherwise defined in this Supplement No. 1 are defined in the Original Official Statement. The Series 2005B Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York.

The ERS will be delivered in authorized denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The ERS are subject to redemption prior to maturity and are subject to mandatory tender for purchase, as described herein.

The ERS will not be secured by any credit or liquidity support. The ERS are general obligations of the RTA to which its full faith and credit is pledged. The General Ordinance authorizing the ERS provides for the assignment and direct payment to the Trustee of the Sales Tax Revenues and Public Transportation Fund Revenues (each defined herein) to secure payment of principal of and interest on the ERS and parity obligations. The ERS are also secured by the Series 2005B Debt Service Reserve Account. **The RTA does not have the power to levy ad valorem property taxes.**

The Series 2005B Bonds are expected to be remarketed on July 1, 2009 by Morgan Stanley & Co., Incorporated ("Morgan Stanley") as Remarketing Agent, as described herein, subject to withdrawal or modification of the remarketing by the RTA without notice and the issuance of the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, a form of which is attached hereto as Appendix I.

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REGARDING THE USE OF THIS SUPPLEMENT NO. 1

No dealer, broker, salesperson, or other person has been authorized by the RTA or the Remarketing Agent to give any information or make any representations other than those contained in this Supplement No. 1 in connection with the offering of the ERS, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Supplement No. 1 does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the ERS by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the RTA and from other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Remarketing Agent. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RTA or the Service Boards since the date hereof.

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

THE ERS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE, THE 2005B SERIES ORDINANCE OR THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE ERS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE ERS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE ERS OR THE ACCURACY OR COMPLETENESS OF THIS SUPPLEMENT NO. 1.

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

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**SUPPLEMENT NO. 1 DATED JUNE 19, 2009
TO OFFICIAL STATEMENT DATED APRIL 27, 2005**

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

**\$148,110,000
GENERAL OBLIGATION VARIABLE RATE
REFUNDING BONDS, SERIES 2005B**

INTRODUCTION

PURPOSE OF THIS SUPPLEMENT NO. 1

This Supplement No. 1 to the Official Statement (this “*Supplement No. 1*”) supplements the Original Official Statement dated April 27, 2005 (the “Original Official Statement”), relating to the Series 2005B Bonds described above. Unless otherwise indicated in this Supplement No. 1, the information set forth in the Original Official Statement has not been amended, modified, supplemented or updated since April 27, 2005. *This Supplement No. 1 may not be delivered to any person unless accompanied by the Original Official Statement and should be read in conjunction therewith.*

Capitalized terms used herein and not otherwise defined herein have the meaning set forth in the Original Official Statement.

This Supplement No. 1 has been prepared in connection with the reissuance of the Series 2005B Bonds, currently outstanding in the amount of \$132,770,000 as Extendible Reset Securities (“ERS”) in the ERS Monthly Rate Period of the ERS Mode. After reissuance, the Series 2005B Bonds will initially bear interest at the ERS Monthly Rate. While the Series 2005B Bonds are in the ERS Mode they shall be defined as the “ERS”. Initially, the ERS will operate in the ERS Monthly Rate Period that commences on July 1, 2009 and ends on August 2, 2009.

This Supplement No. 1 is intended to provide information only with respect to the ERS while they bear interest at an ERS Monthly Rate or, if applicable, an ERS Extension Rate or ERS Alternate Extension Rate. If the Interest Mode applicable to the Series 2005B Bonds is converted to the Remarketing Window Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode, the Flexible Mode or the Fixed Rate Mode, or if the interest rate on the ERS is converted to an ERS Weekly Rate, the ERS described in this Supplement No. 1 shall be subject to mandatory tender for purchase and it is expected that the Authority will further supplement the Official Statement or deliver a new Official Statement or other disclosure document describing the Series 2005B Bonds bearing interest in such Modes.

THE SERIES 2005B BONDS

On May 2, 2005, the Regional Transportation Authority (the “*RTA*” or the “*Authority*”) issued its General Obligation Variable Rate Demand Refunding Bonds, Series 2005B in the original aggregate principal amount of \$148,110,000 (the “*Series 2005B Bonds*”), pursuant to the Regional Transportation Authority Act of the State of Illinois, as amended (the “*Act*”), the Local Government Debt Reform Act of the State of Illinois, as amended, the Local Government Credit Enhancement Act of the State of Illinois, as amended, the Bond and Note General Ordinance adopted by the Board of Directors of the RTA (the “*Board*”) on August 8, 1985, as supplemented and amended (the “*General Ordinance*”), the Series Ordinance adopted by the Board on April 7, 2005 (the “*Original 2005B Series Ordinance*”) and an Indenture of Trust dated as of May 1, 2005 (the “*Original Indenture*”) by and between the Authority and Amalgamated Bank of Chicago, as trustee (the “*Trustee*”). The Series 2005B Bonds are being reissued on July 1, 2009 pursuant to an Amended and Restated Series Ordinance, adopted by the Board on May 21, 2009 (the “*2005B Series Ordinance*”), amending and restating the Original 2005B Series Ordinance, and an Amended and Restated Indenture of Trust (the “*Indenture*”), dated as of July 1, 2009, between the Authority and the Trustee, amending and restating the Original Indenture.

SECURITY FOR THE ERS

The ERS will not be secured by any credit or liquidity support. The ERS are general obligations of the RTA, whose full faith and credit has been pledged to the payment of the principal of and interest on the ERS. The ERS are secured by a first lien on and security interest in all lawfully available Revenues (as hereinafter defined) and all other lawfully available funds received or held by the RTA. The RTA has the power to impose and cause to be collected, and has duly imposed, certain sales taxes (collectively, the “*RTA Sales Tax*”), as discussed below in the section captioned “**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues.**” The RTA Sales Tax is collected by the State on behalf of the RTA and, together with portions of certain sales taxes imposed by the State and all Public Transportation Fund Revenues (as hereinafter defined), is paid by the State to the Trustee, for deposit in the Debt Service Fund (as hereinafter defined) established to provide for payment of principal of and interest on the ERS and other Authority Obligations (as hereinafter defined). The ERS are also secured by the Series 2005B Debt Service Reserve Account (as hereinafter defined).

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

The Series 2005B Bonds were issued on a parity with the Authority’s Outstanding Bonds, and Additional Authority Obligations which may be issued in the future. See “**SECURITY FOR THE SERIES 2005B BONDS—AUTHORITY OBLIGATIONS—Additional Authority Obligations.**”

BOOK-ENTRY-ONLY SYSTEM

The ERS are issued through a book-entry-only system maintained by The Depository Trust Company (“*DTC*”) and not available for distribution to the public, evidencing ownership of the ERS in principal amounts of \$100,000 or any integral multiples of \$5,000 in excess thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest on the Series ERS will be payable as stated below, principal of the ERS will be paid, at maturity or upon earlier

redemption, and the purchase price will be paid when due, to DTC or its nominee as registered owner of the ERS. Transfer of principal and interest payments and the purchase price to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments and purchase price to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal and interest payments on the ERS by DTC to its participants will be the business day next preceding an Interest Payment Date. Accordingly, debt service will be payable to participants of DTC, shown on the records of DTC, at the close of business on the business day preceding such debt service payment date. Neither the Authority nor the Trustee will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See “**BOOK-ENTRY-ONLY SYSTEM**” in the Original Official Statement.

CONTINUING DISCLOSURE

The Authority entered into a Continuing Disclosure Undertaking (an “*Undertaking*”) for the benefit of the beneficial owners of the Series 2005B Bonds. Pursuant to the Undertaking, the Authority agreed to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission (the “*Commission*”) under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth herein under the caption “**CONTINUING DISCLOSURE.**”

SUMMARIES

Descriptions of the Authority, the Series 2005B Bonds, the ERS and summaries of certain provisions of the Series 2005B Ordinance and the Indenture are included in this Supplement No. 1, including the APPENDICES attached hereto. Such information, summaries and descriptions do not purport to be comprehensive or definitive. All references in this Supplement No. 1 to the specified documents are qualified in their entirety by reference to each such document, copies of which are available from the Trustee, and all references to the ERS are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the aforesaid documents.

THE ERS

The following is a summary of certain provisions of the ERS while they bear interest at an ERS Monthly Rate or, if applicable, ERS Extension Rate or ERS Alternate Extension Rate. Reference is hereby made to the Indenture and to the summary of the Indenture included in this Supplement No. 1, as Appendix F attached hereto, for a more complete description of the ERS while they bear interest at an ERS Monthly Rate or, if applicable, ERS Extension Rate or ERS Alternate Extension Rate. The discussion herein is qualified by such reference.

SUMMARY OF TERMS RELATING TO ERS WHILE BEARING INTEREST
AT AN ERS MONTHLY RATE OR ERS EXTENSION RATE*

Interest Payment Dates and Interest Period	The first Business Day of each month computed on the basis of a 365/366-day year for the actual number of days elapsed.
Record Date	The Business Day preceding an Interest Payment Date.
Monthly Mandatory Purchase Date	Each Interest Payment Date unless (a) a timely ERS Retention Election has been delivered or (b) the Remarketing Agent has been unable to remarket the ERS at par.
Owners' Right to Retain ERS Subject to Monthly Mandatory Purchase	An owner may elect to retain ownership of an ERS bearing interest at the ERS Monthly Rate by providing notice of such intent to the Tender Agent on or before the ERS Retention Deadline.
Preliminary Rate Determination Date	A date selected by the Remarketing Agent no earlier than seven Business Days and no later than three Business Days prior to the ERS Retention Deadline.
ERS Retention Deadline	5:00 pm (Eastern) on the day that is four Business Days prior to an Interest Payment Date.
Rate Determination Date	A Business Day no earlier than the day following the ERS Retention Deadline and no later than the first Business Day of each month.
Interest Rate Determination for ERS in an ERS Monthly Rate	The greater of (i) the Preliminary Rate, or (ii) the minimum rate of interest per annum (up to the Maximum Rate) which, in the opinion of the Remarketing Agent, is necessary to remarket the ERS at a price equal to par on the Rate Determination Date.
ERS Extension Period	If on an Interest Payment Date the Remarketing Agent, despite its best efforts, has been unable to remarket a tendered ERS at par, the Trustee will deliver a replacement ERS to the owner with an ERS Extended Mandatory Purchase Date. Such replacement ERS will bear interest at the higher of the ERS Extension Rate or any ERS Alternate Extension Rate. Such ERS remains subject to remarketing on each Interest Payment Date, without an option to retain ownership if such remarketing can be effectuated.
ERS Extension Rate	An indexed rate, determined by the Calculation Agent, based on the ratings of the ERS and the number of Interest Payment Dates since no Series 2005B Bonds bore interest at an ERS Extension Rate.

ERS Extended Mandatory Purchase Date	The earlier of (i) the ninth Interest Payment Date occurring after the Interest Payment Date on which the applicable ERS started bearing interest at an ERS Extension Rate (or any ERS Alternate Extended Mandatory Purchase Date, if applicable) or (ii) any applicable ERS Purchase Acceleration Date. Nonpayment by the Authority of the purchase price of an ERS when due on an ERS Extended Mandatory Purchase Date or, if applicable, ERS Purchase Acceleration Date is an event of default under the General Ordinance.
ERS Alternate Extended Mandatory Purchase Date	An Interest Payment Date occurring no more than 397 days following the trade date for the purchase or retention of the applicable ERS. May be earlier or later date than ERS Extended Mandatory Purchase Date, as specified in notice mailed by Trustee to owners no less than 30 days before the proposed effective date. Conditions of effectiveness include remarketing on proposed effective date of all ERS except those for which retention election is made after notice of ERS Alternate Extended Mandatory Purchase Date is given.
ERS Purchase Acceleration Date	(i) For any Bond that has been bearing interest at an ERS Extension Rate for at least 90 days as of such date, any date that is an ERS Extended Mandatory Purchase Date for any other Bond if such other Bond has not been remarketed prior to such date and (ii) any day on which any indebtedness or termination payment of the Authority in excess of \$10 million that is secured under the General Ordinance becomes due and payable as a result of an event of default, as described more fully herein.
Notice of Mode or ERS Rate Period Change or Optional Redemption	Trustee to mail notice to owners no less than 15 days before (or in the case of an ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate, no later than the day of) a Mode Change Date or ERS Period Change Date or 30 days before (or, in the case of an ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate, no later than the day of) an optional redemption date, which can be any Business Day.
Maximum Rate	9% per annum.
Implementation of Mandatory Purchase	The Authority covenants to make commercially reasonable efforts commencing not later than 90 days prior to the occurrence of any ERS Extended Mandatory Purchase Date to refund ERS required to be purchased on such ERS Extended Mandatory Purchase Date, provide a Liquidity Facility under which sufficient funds may be drawn for such purchase of such ERS or convert and remarket the ERS in another Mode or the ERS Weekly Rate, in each case at least 30 days prior to the applicable ERS Extended Mandatory Purchase Date.

* The table is a brief summary of the ERS while bearing interest at an ERS Monthly Rate or ERS Extension Rate. This Supplement No. 1 should be read in its entirety for a description of the terms of the ERS while bearing interest at an ERS Monthly Rate or ERS Extension Rate. Reference is hereby made to the Indenture for the complete terms of the ERS.

GENERAL

The ERS are Variable Rate Bonds under the Indenture. The ERS are dated May 2, 2005, the date of their original issuance, and are fully registered bonds without coupons, will mature (unless redeemed prior to maturity) on June 1, 2025, and will be subject to optional and mandatory sinking fund redemption and mandatory tender for purchase before maturity as described below. The Series 2005B Bonds may be converted to and from the ERS Mode, the Remarketing Window Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode and the Flexible Mode and to the Fixed Rate Mode and, within the ERS Mode, to an ERS Weekly Rate Period.

This Supplement No. 1 generally describes the ERS, the term used to identify the Series 2005B Bonds while they bear interest at an ERS Monthly Rate or, if applicable, ERS Extension Rate or ERS Alternate Extension Rate. Prospective purchasers of the Series 2005B Bonds in a Mode other than the ERS Mode or while they bear interest at an ERS Weekly Rate should not rely on this Supplement No. 1.

The Interest Payment Dates for the ERS will be the first Business Day of each month, commencing on August 3, 2009. The Record Date for payment of interest on an ERS is the last Business Day before the Interest Payment Date.

DESCRIPTION OF THE ERS

General. The ERS will bear interest at the ERS Monthly Rate during each ERS Monthly Rate Period. After the initial ERS Monthly Rate Period, the ERS Monthly Rate will be determined as described below under “Interest Rate Determinations” by Morgan Stanley & Co., Incorporated, as Remarketing Agent (together with any successor thereto as Remarketing Agent, the “*Remarketing Agent*”), under the Remarketing Agreement by and between the Remarketing Agent and the Authority dated as of June 15, 2009 (the “*Remarketing Agreement*”). If a particular ERS for which an ERS Retention Election has not been delivered by the applicable ERS Retention Deadline is not remarketed by the Remarketing Agent on an Interest Payment Date (other than on an ERS Extended Mandatory Purchase Date) or purchased on such Interest Payment Date with funds provided by any Liquidity Facility that may be in effect at the time, such ERS will bear interest at the ERS Extension Rate or Alternate ERS Extension Rate, as described below under “Interest Rate Determinations” for the applicable ERS Extension Period described below under “ERS Extension Period.” On each monthly Interest Payment Date, the Remarketing Agent is required to exercise best efforts to remarket all ERS for which an effective ERS Retention Election has not been delivered, including any ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate.

Interest on the ERS will be paid on each Interest Payment Date to and including the respective Maturity Date, each Redemption Date, and or the date of any acceleration prior thereto. Interest accrued on the ERS will be computed on the basis of a 365/366-day year for the actual number of days elapsed.

At the option of the Authority, the ERS may be converted to another Mode, as described below, on any Business Day, provided notice of the Mode Change Date (as described herein) has been given, or the interest rate on the ERS may be changed to an ERS Weekly Rate, provided notice of the ERS Period Change Date (as described herein) has been given. As described under “*Mandatory Tender for Purchase*”, ERS are subject to a mandatory tender for purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, if the conditions for any such change in Mode or ERS Rate Period are satisfied. The ERS also are subject to mandatory tender for purchase on any applicable ERS Extended Mandatory Purchase Date and in other circumstances described under “*Mandatory Tender for Purchase*.”

During any period after an Event of Default under the Indenture has occurred and is continuing, interest on the ERS will bear interest at the Maximum Rate.

Interest Rate Determinations. The ERS described in this Supplement No. 1 may bear interest at any of three different rates; ERS Monthly Rate, ERS Extension Rate, or ERS Alternate Extension Rate.

ERS Monthly Rate

The Remarketing Agent shall establish the Preliminary Rate for each ERS Monthly Rate Period after the initial ERS Monthly Rate Period by 12:00 p.m. on each Preliminary Rate Determination Date, which will be no earlier than seven Business Days and no later than three Business Days prior to the ERS Retention Deadline immediately preceding the beginning of the applicable ERS Monthly Rate Period, as determined by the Remarketing Agent each month. The Preliminary Rate shall be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of the applicable Preliminary Rate Determination Date to remarket the ERS at a price equal to the principal amount thereof.

The ERS Monthly Rate will be determined by the Remarketing Agent by 12:00 p.m. on each Rate Determination Date, which shall be a Business Day no earlier than the day following the ERS Retention Deadline preceding the applicable ERS Monthly Rate Period, except that the initial ERS Monthly Rate will be determined by the Remarketing Agent on or prior to the date of issuance of the ERS, and no later than the first day of the applicable ERS Monthly Rate Period, as determined by the Remarketing Agent. The initial ERS Monthly Rate as so determined shall be in effect for the first ERS Monthly Rate Period, which will be the period from and including the date of reissuance of the ERS to but not including the first Business Day of the following month. Thereafter, the ERS Monthly Rate Period for each ERS Monthly Rate will be the period from and including the first Business Day of each month to but not including the first Business Day of the following month.

Each ERS Monthly Rate shall be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of the applicable Rate Determination Date to remarket the ERS at a price equal to the principal amount thereof, or if higher, the applicable Preliminary Rate. Under the Indenture and the Remarketing Agreement, the Remarketing Agent is required to exercise its best efforts to remarket any ERS available for

remarketing, which obligation includes the requirement that the Remarketing Agent offer such ERS for remarketing at an ERS Monthly Rate as high as the Maximum Rate if a lower interest rate is insufficient to remarket all such Bonds. In certain market conditions, the ERS Monthly Rate may exceed the ERS Extension Rate or ERS Alternate Extension Rate described below.

During any period in which the Remarketing Agent fails for any reason to determine the minimum rate required to remarket the ERS at a price equal to the principal amount thereof, the interest rate on ERS bearing interest at an ERS Monthly Rate shall be a rate per annum equal to 100% of the Municipal Swap Index rate most recently published by The Securities Industry and Financial Markets Association on or before the applicable Rate Determination Date, plus 25 basis points; provided, that, with respect to any Rate Determination Date, if the applicable rate is not published by The Securities Industry and Financial Markets Association, the S&P Weekly High Grade Index (plus 25 basis points) shall be used, and if neither such index is published, the Remarketing Agent (or if the Remarketing Agent fails or is unable to do so, the Trustee, as permitted in the Indenture) shall select such other publicly available rate as it shall deem most nearly equivalent thereto, and 25 basis points shall be added to such rate.

Notwithstanding the foregoing, the ERS Monthly Rate will not exceed the Maximum Rate.

ERS Extension Rate

Unless an ERS Alternate Extension Rate is in effect, the ERS Extension Rate during an ERS Extension Period will be the per annum interest rate determined by the Calculation Agent based, in the manner described below, on the ratings of the applicable ERS by Fitch, Moody's and S&P (collectively, the "Rating Agencies") on the applicable Rate Determination Date, as determined by the Calculation Agent in accordance with the Indenture, as follows:

<u>Short-Term Ratings</u>			<u>Interest Rate</u> <u>Number of Interest Payment Dates Since No Series 2005B</u> <u>Bonds Bore Interest at an ERS Extension Rate</u>		
<u>Fitch</u>	<u>Moody's</u>	<u>S&P</u>	<u>1-4</u>	<u>5-7</u>	<u>8+</u>
F1+	P-1	A-1+	Greater of (a) SIFMA Rate plus 100 basis points or (b) One Year MMD Rate plus 100 basis points	Greater of (a) SIFMA Rate plus 150 basis points or (b) One Year MMD Rate plus 150 basis points	Greatest of (a) SIFMA Rate plus 200 basis points or (b) One Year MMD Rate plus 200 basis points or (c) Thirty Year MMD Rate
F1	--	A-1	Greater of (a) SIFMA Rate plus 150 basis points or (b) One Year MMD Rate plus 150 basis points	Greater of (a) SIFMA Rate plus 200 basis points or (b) One Year MMD Rate plus 200 basis points	Greatest of (a) SIFMA Rate plus 250 basis points or (b) One Year MMD Rate plus 250 basis points or (c) Thirty Year MMD Rate
F2	P-2	A-2	Greatest of (a) SIFMA Rate plus 250 basis points or (b) One Year MMD Rate plus 250 basis points or (c) 8.00%	Greatest of (a) SIFMA Rate plus 300 basis points or (b) One Year MMD Rate plus 300 basis points or (c) 8.00%	Greatest of (a) SIFMA Rate plus 350 basis points or (b) One Year MMD Rate plus 350 basis points or (c) 8.00% or (d) Thirty Year MMD Rate
F3	P-3	A-3	Greatest of (a) SIFMA Rate plus 350 basis points or (b) One Year MMD Rate plus 350 basis points or (c) 9.00%	Greatest of (a) SIFMA Rate plus 350 basis points or (b) One Year MMD Rate plus 350 basis points or (c) 9.00%	Greatest of (a) SIFMA Rate plus 350 basis points or (b) One Year MMD Rate plus 350 basis points or (c) 9.00% or (d) Thirty Year MMD Rate
Lower than F3 (or insufficient number of ratings)	Lower than P-3 (or insufficient number of ratings)	Lower than A-3 (or insufficient number of ratings)	Maximum Rate	Maximum Rate	Maximum Rate

The Calculation Agent will make the ERS Extension Rate available to the Trustee, the Authority and any Beneficial Owner or Notice Party requesting same, after 2:00 p.m. on the date on which an ERS Extension Period commences.

For purposes of determining any ERS Extension Rate other than the Maximum Rate, a short-term rating on the applicable ERS shall be required from at least two Rating Agencies, and the interest rate during the applicable ERS Extension Period shall be the highest interest rate set forth above (in the grid box corresponding, as of the Interest Payment Date on which the applicable ERS Extension Period begins, to the number of Interest Payment Dates that have occurred since the last Interest Payment Date on which no ERS bore interest at an ERS Extension Rate) opposite a line that contains any of the short-term ratings in effect for the applicable ERS at the time of determination by the Calculation Agent of the applicable ERS Extension Rate. Although the ERS Extension Rate may change from ERS Extension Period to ERS Extension Period, during any specific ERS Extension Period all ERS bearing interest at an ERS Extension Rate will bear interest at the same ERS Extension Rate.

Each ERS Extension Rate shall be in effect for the ERS Extension Period, which shall (a) begin on any Interest Payment Date on which (i) an ERS bearing interest at an ERS Monthly Rate for which an ERS Retention Election has not been timely delivered is not remarketed or purchased from moneys drawn on any applicable Liquidity Facility or (ii) an ERS that bore interest at an ERS Extension Rate in the immediately preceding Interest Period is not remarketed or purchased from moneys drawn on any applicable Liquidity Facility and (b) end on the day preceding the earliest to occur of (i) the next Interest Payment Date, (ii) the next Mandatory Purchase Date; (iii) the date on which such ERS is redeemed, (iv) a Mode Change Date or Conversion Date of such ERS or (v) the Maturity Date.

Notwithstanding the foregoing, the ERS Extension Rate will not exceed the Maximum Rate.

ERS Alternate Extension Rate

The Indenture permits the Authority to raise, or change the methodology for calculating, the ERS Extension Rate by implementing an ERS Alternate Extension Rate. Such option is provided in the event the Authority determines that, due to factors such as changes in market conditions or the Authority's financial or operating condition, the potential application of the ERS Extension Rate to ERS being remarketed is impeding such remarketing and/or increasing the ERS Monthly Rate beyond the level that would be applicable if an ERS Alternate Extension Rate was used. The Authority may implement an ERS Alternate Extension Rate by written notice delivered to the Remarketing Agent and the Trustee on or before the effective date thereof. Such notice shall indicate the applicable ERS Alternate Extension Rate (which may be any fixed or variable rate selected by the Authority) and the ERS Alternate Extension Rate Effective Date for such ERS Alternate Extension Rate, and may indicate a termination date for the applicable ERS Alternate Extension Rate. The ERS Alternate Extension rate specified in such notice shall become effective only if, together with such notice, the Authority delivers to the Trustee and the Remarketing Agent a Favorable Opinion of Bond Counsel with respect to the implementation of such ERS Alternate Extension Rate. Within one Business Day after receipt of such written notice and opinion, the Trustee shall mail, in the name of the Authority, a notice to the Bondowners, which notice shall state that the Authority has selected an ERS Alternate Extension Rate and shall specify the details of such ERS Alternate Extension Rate, the

applicable ERS Alternate Extension Rate Effective Date and, if applicable, the termination date of such ERS Alternate Extension Rate. Any such ERS Alternate Extension Rate shall be applicable in determining the ERS Extension Rate during any ERS Extension Period commencing on or after the applicable ERS Alternate Extension Rate Effective Date and before any applicable termination date for such ERS Alternate Extension Rate, provided that in the event the ERS Alternate Extension Rate so determined on a Rate Determination Date by the Calculation Agent would be lower than the ERS Extension Rate determined by the Calculation Agent pursuant to the above table, the ERS Extension Rate determined pursuant to the above table shall apply.

Conversion. The ERS may be converted, in whole or in part, to a different Mode as directed by the Authority, in a written notice to the Trustee, the Remarketing Agent and any Rating Agency then rating the ERS, delivered at least 20 days prior to the proposed effective date of the conversion to a different Mode. Upon satisfaction of the conditions in the Indenture for a conversion from the ERS Mode, the ERS are subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest on the effective date of such Change in Mode. (See “Mandatory Tender for Purchase—Mandatory Tender Upon a Mode Change Date or ERS Period Change Date” below.) The Trustee is required to mail notice of the proposed change in Mode to the registered owners of the ERS no less than 15 days prior to the proposed effective date of the change in Mode. A change in Mode may only be effected on a Business Day.

Change to ERS Weekly Rate. The ERS may be converted, in whole or in part, to ERS bearing interest at an ERS Weekly Rate as directed by the Authority, in a written notice to the Trustee, the Remarketing Agent and any Rating Agency then rating the ERS, delivered at least 20 days prior to the proposed effective date of the conversion to an ERS Weekly Rate. Upon satisfaction of the conditions in the Indenture for a conversion to the ERS Weekly Rate, the ERS are subject to mandatory tender for purchase at a price equal to the principal amount thereof, plus accrued interest, on the applicable ERS Period Change Date. (See “Mandatory Tender for Purchase—Mandatory Tender Upon a Mode Change Date or ERS Period Change Date” below.) The Trustee is required to mail notice of the proposed change in the ERS Rate Period to the registered owners of the ERS no less than 15 days prior to the proposed ERS Period Change Date. An ERS Period Change Date must be a Business Day.

Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of the duties and obligations by giving at least 45 days’ notice to the Notice Parties and each Rating Agency. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the Remarketing Agent and the Trustee and upon at least 30 days’ notice to the Remarketing Agent and each Rating Agency. The Authority’s delivery to the Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed and (ii) such successor has been appointed and is qualified to act as Remarketing Agent. The Trustee shall provide notice of such successor Remarketing Agent to the Bondowners within 10 days of such appointment.

Authority Covenant re Efforts to Refund or Convert. In the Indenture, the Authority covenants to make commercially reasonable efforts commencing not later than 90 days prior to the occurrence of any ERS Extended Mandatory Purchase Date to (i) issue, at least 30 days prior to the applicable ERS Extended Mandatory Purchase Date, obligations to refund the ERS that are subject to mandatory tender for purchase on such ERS Extended Mandatory Purchase Date, (ii) provide, at least 30 days prior to the applicable ERS Extended Mandatory Purchase Date, a Liquidity Facility under which sufficient funds may be drawn in connection with such mandatory tender for purchase, or (iii) effect, at least 30 days prior to the applicable ERS Extended Mandatory Purchase Date, a Mode Change Date or ERS Period Change Date in such manner as to provide sufficient remarketing proceeds to provide for payment of the Purchase Price of the applicable ERS upon such mandatory tender for purchase.

MANDATORY TENDER FOR PURCHASE

Mandatory Tender on Monthly Interest Payment Date. Each ERS bearing interest at the ERS Monthly Rate will be subject to mandatory tender for purchase on each Interest Payment Date, unless the beneficial owner has made an ERS Retention Election for the applicable ERS by the applicable ERS Retention Deadline, as described under “ELECTION TO RETAIN ERS OTHERWISE SUBJECT TO MANDATORY TENDER FOR PURCHASE” below, provided that no such purchase shall be required if the Remarketing Agent is unable to remarket the applicable ERS on such Interest Payment Date and such ERS is not purchased with funds available under any Liquidity Facility that may be in effect at such time. **No Liquidity Facility is currently in effect for the ERS and the Authority is under no obligation to provide a Liquidity Facility.** Any such ERS that is not remarketed or purchased on an Interest Payment Date will be exchanged for an ERS with a different CUSIP number bearing interest at the ERS Extension Rate and returned to the tendering beneficial owner. See “ERS Extension Period” below.

Each ERS bearing interest at the ERS Extension Rate or ERS Alternate Extension Rate will be subject to mandatory tender for purchase on each Interest Payment Date, provided that no such purchase shall be required if the Remarketing Agent is unable to remarket the applicable ERS on such Interest Payment Date and such ERS is not purchased with funds available under any Liquidity Facility that may be in effect at such time. **No Liquidity Facility is currently in effect for the ERS and the Issuer is under no obligation to provide a Liquidity Facility.** Any such ERS that is not remarketed or purchased on an Interest Payment Date will be retained by the Beneficial Owner and will continue to bear interest at the ERS Extension Rate or ERS Alternate Extension Rate, as applicable. No ERS Retention Election may be made for an ERS bearing interest at the ERS Extension Rate or ERS Alternate Extension Rate.

If the Remarketing Agent is able to remarket some but not all ERS eligible for remarketing on a particular Interest Payment Date, the remarketed ERS shall be selected in the following order of priority: (i) first, ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate; if the Remarketing Agent has found purchasers for some but not all of such ERS, ERS with an earlier ERS Extended Mandatory Purchase Date, as described below (treating, for this purpose, the original ERS Extended Mandatory Purchase Date as the applicable ERS Extended Mandatory Purchase Date for ERS subject to mandatory purchase on an ERS

Purchase Acceleration Date, as described below) shall be selected for remarketing prior to ERS with a later ERS Extended Mandatory Purchase Date, and if less than all ERS with an identical ERS Extended Mandatory Purchase Date (treating, for this purpose, the original ERS Extended Mandatory Purchase Date as the applicable ERS Extended Mandatory Purchase Date for ERS subject to mandatory purchase on an ERS Purchase Acceleration Date) can be remarketed, the Trustee shall determine by lot which of the ERS with the applicable ERS Extended Mandatory Purchase Date shall be remarketed (provided that if the ERS are in the Book-Entry-Only-System, such determination shall be made in accordance with the procedures of DTC or any other applicable Securities Depository); and (ii) ERS bearing interest at an ERS Monthly Rate for which an ERS Retention Election has not been timely delivered, and from such ERS the Trustee shall determine by lot which of ERS shall be remarketed (provided that if the ERS are in the Book-Entry-Only System, such determination shall be made in accordance with the procedures of DTC or any other applicable Securities Depository.)

Mandatory Tender on ERS Extended Mandatory Purchase Date. Each ERS bearing interest at the ERS Extension Rate will be subject to mandatory tender for purchase on the applicable ERS Extended Mandatory Purchase Date. The applicable ERS Extended Mandatory Purchase Date will be the ninth Interest Payment Date occurring after the Interest Payment Date on which the applicable ERS begins bearing interest at an ERS Extension Rate, or any ERS Purchase Acceleration Date, as discussed in the next paragraph, or any ERS Alternate Extended Mandatory Purchase Date that has been designated by the Authority and has become effective, as discussed below. **No Liquidity Facility is currently in effect for the ERS and the Authority is under no obligation to provide a Liquidity Facility.** The Authority's failure to purchase or cause an ERS to be purchased on the applicable ERS Extended Mandatory Purchase Date is an Event of Default under the Indenture, and during any period in which any such Event of Default has occurred and is continuing, an ERS shall bear interest at the Maximum Rate.

Mandatory Tender on Accelerated ERS Extended Mandatory Purchase Date. If any ERS has not been remarketed prior to its ERS Extended Mandatory Purchase Date (the "*ERS Purchase Acceleration Date*"), any later-occurring ERS Extended Mandatory Purchase Date for any other ERS that has been bearing interest at an ERS Extension Rate for 90 days or longer as of the applicable ERS Purchase Acceleration Date will be accelerated to such ERS Purchase Acceleration Date, with the result that each ERS for which such acceleration has occurred shall be subject to mandatory tender for purchase on the applicable ERS Purchase Acceleration Date. The Authority's failure to purchase or cause an ERS to be purchased on the applicable Purchase Acceleration Date is an Event of Default under the Indenture, and during any period in which any such Event of Default has occurred and is continuing, an ERS shall bear interest at the Maximum Rate. The Trustee is required to mail a notice of the occurrence of an ERS Purchase Acceleration Date to the Bondholders within one Business Day after such occurrence, and the Authority is required to cause a notice of the occurrence of an ERS Purchase Acceleration Date to be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access service ("*EMMA*"), no later than one Business Day after the applicable ERS Purchase Acceleration Date.

ERS Alternate Extended Mandatory Purchase Date. The Indenture permits the Authority to shorten or increase the length of the period during which an ERS may bear interest at an ERS

Extension Rate or ERS Alternate Extension Rate prior to becoming subject to mandatory tender for purchase by permitting the Authority to implement an ERS Alternate Extended Mandatory Purchase Date. Such option is provided in the event the Authority determines that, due to factors such as changes in market conditions or the Authority's financial or operating condition, the marketability of the ERS would be enhanced by shortening the period until a mandatory tender for purchase is required or that a longer period until a mandatory tender for purchase is advisable in order to provide additional opportunities for the Authority to refund or remarket ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate. Any ERS Alternate Extended Mandatory Purchase Date selected by the Authority must be an Interest Payment Date occurring no more than 397 days following the date of the most recent ERS Retention Deadline for the applicable ERS on which an ERS Retention Election was timely delivered or, if there is no such date for the applicable ERS, an Interest Payment Date occurring no more than 397 days following the trade date for the purchase of such ERS that immediately preceded the initial ERS Monthly Rate Period of the then current ERS Mode.

In order to implement an ERS Alternate Extended Mandatory Purchase Date, the Authority shall deliver written notice specifying such Alternate Extended Mandatory Purchase Date to the Remarketing Agent and the Trustee and file such with EMMA at least 35 days before the proposed effective date of the applicable ERS Alternate Extended Mandatory Purchase Date. Such proposed effective date must be an Interest Payment Date. The Trustee is required to mail a copy of such notice to the Bondholders at least 30 days before the proposed effective date of the ERS Alternate Extended Mandatory Purchase Date. Except in the case of an ERS for which, following such notice, the beneficial owner has made an ERS Retention Election by the applicable ERS Retention Deadline, as described under "ELECTION TO RETAIN ERS OTHERWISE SUBJECT TO MANDATORY TENDER FOR PURCHASE" below, all ERS must be remarketed (or purchased with funds available under any Liquidity Facility that may be in effect at such time) on the proposed effective date of the ERS Alternate Extended Mandatory Purchase Date as a condition to the effectiveness thereof. In addition, the specified ERS Alternate Extended Mandatory Purchase Date will become effective only if, as of the proposed effective date, the Authority has delivered to the Trustee and the Remarketing Agent: (i) a Favorable Opinion of Bond Counsel with respect to the implementation of such ERS Alternate Extended Mandatory Purchase Date and (ii) if the period during which an ERS could bear interest at an ERS Extension Rate until the specified ERS Alternate Extended Mandatory Purchase Date would be a shorter period than the corresponding period in effect under the terms of the then applicable ERS Extended Mandatory Purchase Date, a Rating Confirmation Notice from the Rating Agencies, or, if only two such Rating Agencies are then rating the Bonds, from such two Rating Agencies.

The Authority is required to cause a notice stating whether the conditions for the effectiveness of the ERS Alternate Extended Mandatory Purchase Date have been satisfied to be filed with EMMA no later than one Business Day after the proposed effective date of the ERS Alternate Extended Mandatory Purchase Date, and is required to deliver a copy of such notice to the Remarketing Agent and the Trustee. The Trustee is required to promptly mail a copy of such notice to the Bondholders.

Mandatory Tender After Certain Defaults. Each ERS will be subject to mandatory tender for purchase on any date on which any indebtedness of the Authority in an amount in excess of \$10,000,000 that is secured under the General Ordinance, or any termination payment by the Authority in an amount in excess of \$10,000,000 under a rate protection agreement, interest rate swap or similar derivative agreement that is secured under the General Ordinance, becomes due and payable, in either case as a result of an event of default under any agreement pursuant to which the applicable indebtedness or termination payment is incurred or secured.

Mandatory Tender Upon a Mode Change Date or ERS Period Change Date. Each ERS will be subject to mandatory tender for purchase on any date on which the conditions set forth in the Indenture for the effectiveness of a change to a Mode other than the ERS Mode or for a change in the ERS Rate Period to an ERS Weekly Rate Period are satisfied and a Mode Change Date or ERS Period Change Date, as applicable, occurs.

Notice of Mandatory Tender. Notice of mandatory tender for purchase or potential mandatory tender for purchase, when required by the Indenture, shall be given by the Trustee or the Tender Agent, as specified in the Indenture. Any such notice of mandatory tender for purchase or potential mandatory tender for purchase shall be given by the Trustee or the Tender Agent by the date and to the parties such notice is required to be given under the Indenture. The Tender Agent is required to give notice of the occurrence of an ERS Extended Mandatory Purchase Date no less than 15 days prior to such date. Notice of the occurrence of a mandatory purchase (other than on any applicable ERS Extended Mandatory Purchase Date) is required to be given no later than the Business Day after the applicable Mandatory Purchase Date. No prior notice of mandatory tender for purchase or potential mandatory tender for purchase is required to be given in the case of (i) an ERS Purchase Acceleration Date or (ii) except as described above for an ERS Extended Mandatory Purchase Date, a potential mandatory tender or mandatory tender of an ERS bearing interest at an ERS Extension Rate or ERS Alternate Extension Rate. The failure to mail any notice of mandatory tender for purchase or potential mandatory tender for purchase with respect to any ERS shall not affect the validity of the mandatory purchase of such ERS or of any other ERS subject to such mandatory purchase.

Purchase Price. The purchase price of any ERS purchased upon a mandatory tender shall be the principal amount thereof and, if such ERS is purchased on a date other than a regularly scheduled Interest Payment Date, any accrued but unpaid interest. Unless an Event of Default has occurred, accrued interest on any ERS purchased upon a mandatory tender on a regularly scheduled Interest Payment Date shall be paid to the Registered Owner of such ERS as of the applicable record date.

Book-Entry Bonds. For so long as the ERS are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of ERS shall be given to DTC and not to any Beneficial Owners of the ERS, and the Authority, the Trustee, the Tender Agent and the Remarketing Agent shall have no responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the ERS.

For so long as the ERS are registered in the name of Cede & Co., as nominee for DTC, delivery of ERS required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable purchase date of a book entry credit to the account of the Trustee of a beneficial interest in such ERS or portions thereof required to be tendered for purchase on that date.

For so long as the ERS are registered in the name of Cede & Co., as nominee for DTC, payment of the purchase price upon a mandatory tender of an ERS shall be paid directly to DTC. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants. See APPENDIX G- **CERTAIN PROVISIONS RELATING TO GLOBAL BOOK ENTRY ONLY SYSTEM** herein.

ELECTION TO RETAIN ERS OTHERWISE SUBJECT TO MANDATORY TENDER FOR PURCHASE

A Beneficial Owner may elect to retain ownership of an ERS bearing interest at the ERS Monthly Rate by providing written notice (including notice by Electronic Means) of such intent to the Tender Agent (with a copy to the Trustee and the Remarketing Agent) on or before the ERS Retention Deadline preceding the applicable Interest Payment Date. Any notice given through DTC must comply with DTC's then applicable procedure for such notices. The Tender Agent shall deliver notice of each ERS Retention Deadline to DTC on the 14th Business Day preceding the applicable Interest Payment Date, with instructions that DTC forward such notice to its Direct Participants. The ERS Retention Deadline is 5:00 p.m. (Eastern time) on the day that is four Business Days prior to the applicable Interest Payment Date. The retention notice submitted by the Beneficial Owner must specify the principal amount of ERS for which such election is made. The Tender Agent, the Trustee or the Remarketing Agent may, but shall be under no obligation to, require such additional authentication of such written notice as the Tender Agent, the Trustee or Remarketing Agent shall consider necessary or appropriate. A Beneficial Owner shall have the right to rescind any such election by providing written notice of such rescission to the Tender Agent (with a copy to the Trustee and the Remarketing Agent) on or before the applicable ERS Retention Deadline. Notwithstanding the foregoing, an ERS Retention Election shall not affect the mandatory tender for purchase of an ERS in connection with any mandatory tender for purchase other than a mandatory tender for purchase described under "MANDATORY TENDER FOR PURCHASE—Mandatory Tender on Monthly Interest Payment Date" above.

If prior to the commencement of a new Interest Period in the ERS Mode the Remarketing Agent facilitates a sale of an ERS bearing interest at an ERS Monthly Rate from a Beneficial Owner that has not filed an ERS Retention Election by the applicable ERS Retention Deadline to another Beneficial Owner, the new Beneficial Owner may deliver an ERS Retention Election to the Tender Agent (with a copy to the Trustee and the Remarketing Agent) on or prior to the commencement date of such new Interest Period, provided that the new Beneficial Owner certifies that it purchased the ERS being retained during the period between the applicable ERS Retention Deadline and such commencement date. Any ERS Retention Election so delivered shall be irrevocable and binding on any subsequent owner of the ERS to which the ERS

Retention Election relates and shall be deemed delivered prior to the applicable ERS Retention Deadline.

ERS EXTENSION PERIOD

If by 10:30 A.M. on an Interest Payment Date for an ERS bearing interest at the ERS Monthly Rate, the Remarketing Agent despite its best efforts has been unable to remarket such ERS at par, the Remarketing Agent is required to notify the Trustee, the Tender Agent, the Calculation Agent and the Authority that it has been unable to remarket all the tendered ERS. If the Remarketing Agent has remarketed some but not all of such ERS, the Trustee is required to determine by lot which of the tendered ERS have been remarketed (provided that if the ERS are in the Book-Entry-Only System, such determination shall be made in accordance with the procedures of DTC). For each unremarketed ERS, the Trustee is required to authenticate a replacement bond with a CUSIP number that differs from the CUSIP numbers of all ERS that do not have the same ERS Extended Mandatory Purchase Date in a principal amount equal to the principal amount of such unremarketed ERS, register such replacement bond in the name in which the applicable unremarketed ERS is registered, cancel the applicable unremarketed ERS, and deliver the applicable replacement ERS to the owner of such unremarketed ERS. Such replacement ERS will bear interest at the applicable ERS Extension Rate during each applicable ERS Extension Period. With respect to such ERS held in the Book Entry-Only System, the Trustee is required to instruct DTC to reduce the applicable positions of the applicable DTC Participants in the unremarketed ERS by the applicable principal amount of unremarketed ERS and credit a commensurate principal amount of the replacement ERS bearing interest at the applicable ERS Extension Rate for the applicable ERS Extension Period to the applicable DTC Participants.

REDEMPTION PROVISIONS

Optional Redemption. The ERS are subject to redemption prior to their stated maturity date at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a redemption price equal to the principal amount of the ERS or portion thereof to be redeemed plus interest accrued thereon to the date fixed for redemption, provided that no ERS shall be optionally redeemed in whole or in part unless all Bonds bearing interest at an ERS Extension Rate on or as of the date notice of such optional redemption is given are redeemed and that if less than all ERS are optionally redeemed, ERS bearing interest at an ERS Extension Rate shall be selected for redemption before ERS that will bear interest at an ERS Monthly Rate immediately following the applicable optional redemption date.

Mandatory Sinking Fund Redemption. The ERS will be subject to mandatory redemption at a redemption price equal to the principal amount to be redeemed plus accrued interest to the redemption date, on June 1 of each of the years and in the principal amounts as follows:

YEAR	PRINCIPAL AMOUNT
2010	\$ 6,850,000
2011	7,210,000
2012	7,590,000
2013	7,960,000
2014	8,425,000
2015	3,910,000
2016	685,000
2017	720,000
2018	4,735,000
2019	4,955,000
2020	12,555,000
2021	13,190,000
2022	13,885,000
2023	14,615,000
2024	15,380,000
2025	10,105,000 (final maturity)

Notice of Redemption. When ERS are to be redeemed, the Trustee shall give notice in the name of the Authority, which notice shall identify the ERS to be redeemed, state that the proposed redemption is conditioned on there being on deposit in the Redemption Fund on the redemption date sufficient money to pay the full redemption price of the ERS to be redeemed and state that such ERS will be redeemed at the corporate trust office of the Trustee. The notice shall further state that on such date there shall become due and payable upon each ERS to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that moneys therefor having been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue. The Trustee shall mail the redemption notice not more than 60 days nor less than 30 days prior to the redemption date (or, in the case of ERS bearing interest at an ERS Extension or an ERS Alternate Extension Rate not more than 60 days prior to the redemption date nor later than the redemption date), to the registered owners of any ERS which are to be redeemed, at their addresses shown on the registration books maintained by the Trustee. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of any other ERS.

Partial Redemption. If less than all of the ERS are to be redeemed, the Trustee shall credit such redemption to particular sinking fund installments as directed by the Authority.

SECURITY FOR THE ERS

SECURITY AND SOURCES OF PAYMENT

The ERS are general obligations of the RTA to which the full faith and credit of the RTA is pledged.

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

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

The ERS and other Authority Obligations are secured by an assignment of and lien on Sales Tax Revenues and Public Transportation Fund Revenues (each as hereinafter defined). Sales Tax Revenues are collected by the State of Illinois Department of Revenue (the “*Department of Revenue*”) and paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See “**THE REGIONAL TRANSPORTATION AUTHORITY--RTA FINANCES--Sales Tax Revenues.**” Public Transportation Fund Revenues are paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See “**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Public Transportation Fund Revenues.**” The ERS are also secured by a separate debt service reserve account established under the Debt Service Reserve Fund. See “**SECURITY FOR THE ERS—DEBT SERVICE RESERVE FUND.**”

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

Obligations for payment made under such an instrument, or investment earnings on amounts held by such a trustee to pay debt service on or to secure Separate Ordinance Obligations. See “**SECURITY FOR THE ERS—AUTHORITY OBLIGATIONS.**”

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

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

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

DEBT SERVICE FUND

The General Ordinance creates a Debt Service Fund to be maintained by the Trustee and used to pay debt service on the ERS and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of obligations. The 2005B Series Ordinance establishes an account in the Debt Service Fund for the ERS (the “*Series 2005B Account*”).

The 2005B Series Ordinance establishes a monthly deposit requirement for the Series 2005B Bonds, including while in the ERS Mode, in the Series 2005B Account. The General Ordinance provides that each month, any amounts in the Debt Service Fund in excess of the required deposits therein (other than in any Rebate Accounts created thereunder) are required to be transferred to the Debt Service Reserve Fund until the amount in each Account in the Debt Service Reserve Fund equals the Reserve Requirement (as hereinafter defined) for such Account, are then used to make required deposits to the Rebate Accounts, and are then paid by the Trustee to the RTA or upon the RTA’s direction for its corporate purposes.

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

DEBT SERVICE RESERVE FUND

The General Ordinance establishes a Debt Service Reserve Fund to be maintained by the Trustee as additional security for Bonds issued under the General Ordinance. The Authority may create separate accounts in the Debt Service Reserve Fund relating to particular series of Bonds.

A Series 2005B Bonds Debt Service Reserve Fund Account is established by the 2005B Series Ordinance for the purpose of securing the Series 2005B Bonds including while in the ERS Mode (the “*Series 2005B Debt Service Reserve Account*”). Eighteen other Debt Service Reserve Fund Accounts, each securing one of the eighteen series of Outstanding Authority Obligations, exist in the Debt Service Reserve Fund and future Series Ordinances may create additional accounts in the Debt Service Reserve Fund to secure future series of Bonds. Holders of Bonds of a particular series have no claim against any Debt Service Reserve Fund Account securing another series of Outstanding Bonds.

In connection with the issuance of any series of Bonds, the General Ordinance requires an amount, if any, to be deposited in the Debt Service Reserve Fund Account securing such series of Bonds so that the value of such Account at least equals the Reserve Requirement for such Account calculated immediately after the delivery of such series of Bonds. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit in such Account is less than the Reserve Requirement for such Account, all amounts in the Debt Service Fund in excess of the amounts required to be on deposit in the Debt Service Fund. See “**SECURITY FOR THE ERS—DEBT SERVICE FUND.**” If in any month, after the required deposits to the Debt Service Fund (other than to any Rebate Accounts) have been made, and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have been made (as described in the preceding sentence), the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the RTA is required immediately to deposit with the Trustee any and all other money which it has on hand and is lawfully available to make up the deficiency. Transfers or deposits to the Debt Service Reserve Fund shall be made proportionately to the respective Accounts therein on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit.

All amounts on deposit in the Series 2005B Debt Service Reserve Account shall be held in trust for the sole benefit of the Holders of the Series 2005B Bonds (including while in the ERS Mode), and shall be transferred by the Trustee to the Debt Service Fund to the credit of the 2005B Bonds Account at the times and in the amounts as required in order to pay principal of the Series 2005B Bonds (including while in the ERS Mode), at maturity or on Sinking Fund Installment dates, and to pay interest on the Series 2005B Bonds (including while in the ERS Mode), as it falls due, if there are not sufficient amounts in the 2005B Bonds Account for that purpose; provided, however, no funds held in the Series 2005B Debt Service Reserve Account shall be used to pay any amounts due and owing for the Purchase Price due on an ERS Extended Mandatory Purchase Date or other Mandatory Purchase Date.

All or any part of the Reserve Requirement for any Debt Service Reserve Account may be met by the deposit with the Trustee of a Reserve Fund Credit Instrument. See Appendix E--“SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2005B SERIES ORDINANCE--Debt Service Reserve Fund.”

Reserve Fund Credit Instruments provided by Ambac Assurance Corporation (“*AMBAC*”), Financial Guaranty Insurance Company (“*Financial Guaranty*” or “*FGIC*”), MBIA Insurance Corporation (“*MBIA*”), Financial Security Assurance Inc. (“*FSA*”) or Assured

Guaranty Corp. (“*Assured Guaranty*”) (each a “*Credit Provider*”) are held in all of the Debt Service Reserve Accounts. The Reserve Requirements for the Series 1990A and Series 1991A Debt Service Reserve Accounts are funded in part by cash deposits in the amount of \$56,151 and \$17,568, respectively. Each Reserve Fund Credit Instrument was fully qualified for deposit in the Debt Service Reserve Fund on the date of such deposit. The Authority makes no representation as to the current financial condition of any Credit Provider nor does it perform any on-going evaluation of the financial condition of any Credit Provider. Set forth in the following table is the Credit Instrument Coverage amount for each Debt Service Reserve Account satisfied by a Reserve Fund Credit Instrument.

DEBT SERVICE RESERVE FUND CREDIT INSTRUMENTS

ACCOUNT	CREDIT INSTRUMENT COVERAGE	CREDIT PROVIDER
Series 1990A	\$ 8,156,338	AMBAC
Series 1991A	7,830,099	FGIC
Series 1992A&B	18,205,744	AMBAC
Series 1994A&B	20,934,198	AMBAC
Series 1994C&D	16,307,673	FGIC
Series 1997	9,838,500	FGIC
Series 1999	29,872,500	FSA
Series 2000A	19,920,033	MBIA
Series 2001A	7,228,281	FGIC
Series 2001B	3,771,500	FGIC
Series 2002A	11,566,188	MBIA
Series 2002B	19,029,838	FGIC
Series 2003A	18,676,093	FGIC
Series 2003B	10,596,325	MBIA
Series 2003C	1,905,500	FGIC
Series 2004A	18,315,038	FSA
Series 2005B	14,811,000	Assured Guaranty
Series 2006A	25,035,000	MBIA

RESERVE FUND CREDIT INSTRUMENT FOR SERIES 2005B BONDS

Upon the original issuance of the Series 2005B Bonds, the RTA purchased from Assured Guaranty a Reserve Fund Credit Instrument for deposit in the Series 2005B Debt Service Reserve Account. Assured Guaranty issued a financial guaranty insurance policy for the debt service reserve fund with respect to the Series 2005B Bonds (the “*Debt Service Reserve Fund Policy*”), effective as of May 2, 2005. Under the terms of the Debt Service Reserve Fund Policy, Assured Guaranty unconditionally and irrevocably guarantees to pay that portion of the scheduled principal and interest on the Series 2005B Bonds (including ERS) that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the “*Insured Payments*”). Insured Payments shall not include (i) any amounts owing by the Authority on any

ERS Extended Mandatory Purchase Date or other Mandatory Purchase Date (other than regularly scheduled interest payments); or (ii) any additional amounts owing by the Authority solely as a result of the failure by the Trustee to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or default interest rates, amounts in respect of indemnification, or any other additional amounts payable by the Trustee by reason of such failure.

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee, as beneficiary of the Debt Service Reserve Fund Policy on behalf of the holders of the Series 2005B Bonds (including ERS) on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives notice of claim therefor in accordance with the terms of the Debt Service Reserve Fund Policy.

No payment shall be made under the Debt Service Reserve Fund Policy in excess of the debt service reserve fund requirement established for the Series 2005B Bonds (the “*Debt Service Reserve Fund Policy Limit*”). The amount available at any particular time to be paid to the Trustee under the terms of Debt Service Reserve Fund Policy shall automatically be reduced to the extent of any payment made under the Debt Service Reserve Fund Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the Debt Service Reserve Fund Policy shall be reinstated in full or in part, in an amount not to exceed the Debt Service Reserve Fund Policy Limit. For a description of Assured Guaranty, see Appendix J to this Supplement No. 1.

Assured Guaranty has provided the consent required under the Original Indenture for the amendments implementing the ERS Mode described in this Supplement No. 1 and incorporated in the Indenture.

REBATE ACCOUNT

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

AUTHORITY OBLIGATIONS

The RTA is authorized under the Act (i) to issue up to \$1.8 billion of bonds to finance public transportation projects (“*SCIP Bonds*”) which have been approved by the Governor of the State as part of the RTA’s Strategic Capital Improvement Program (“*SCIP Program*”) and (ii) to issue and have outstanding from time to time \$800 million of notes and bonds to finance public transportation projects not part of the SCIP Program (the “*non-SCIP Bonds*”)

The RTA is also authorized to issue and have outstanding from time to time working cash notes. The RTA is authorized to issue and have outstanding \$100 million in working cash notes. In addition, until June 30, 2009 the RTA is authorized to issue an additional \$300 million in working cash notes, which notes must mature no later than June 30, 2011.

Currently the Authority has \$1,577,225,000 of SCIP Bonds Outstanding and has \$650,350,000 of non-SCIP Bonds Outstanding. Currently, the Authority has no SCIP Bonds Outstanding or non-SCIP Bonds Outstanding that bear interest at a variable rate, other than the Series 2005B Bonds. The RTA issued and has outstanding \$80 Million in Working Cash Notes, Series 2008-2009A (the “*Series 2008 Notes*”) which mature on August 23, 2009.

On or about June 25, 2009 the RTA is expected to issue \$260 million in working cash notes (the “*Series 2009B Notes*”) to repay the existing Series 2008 Notes and to meet any cash flow deficits of the Authority and the Service Boards, provided that no funds in the Series 2009B Working Cash Account in excess of \$100 million may be disbursed unless an Authorized Officer determines that the funds will be used to meet cash flow deficits caused by delays of the State in making payments of Public Transportation Fund Revenues and other State Assistance funds to the RTA, or the RTA Board authorizes the disbursement of such funds to cover other cash flow deficits of the Authority and the Service Boards. The RTA will provide for payment of principal and interest on the Series 2009B Notes from lawfully available Revenues and as required by the Act will reduce amounts otherwise to be paid to the Service Boards to whom proceeds from the Series 2009B Notes have been disbursed in an amount necessary to repay principal and interest on the Series 2009B Notes. The proceeds from the Series 2009B Notes will not be available to fund capital projects of the Service Boards.

At the time of sale and delivery of the Series 2009B Notes, the RTA will agree to make monthly installments in the amount of \$65,000,000 to the Trustee beginning February 1, 2011, to provide for the payment of principal on Series 2009B Notes at maturity.

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

Additional Authority Obligations. Under the General Ordinance, the RTA may issue Additional Authority Obligations from time to time for any lawful purpose, which Additional Authority Obligations shall be on a parity with the Outstanding Bonds and the ERS. Continued funding of the RTA’s capital program at recent levels will require the issuance of Additional Authority Obligations. See “**RTA CAPITAL PROGRAM—GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM.**”

Generally, Additional Authority Obligations may be issued only if (i) there is no default in payment of Outstanding Authority Obligations or in making required deposits to the Debt Service Fund, (ii) upon the issuance of Additional Authority Obligations which are Bonds, the

value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account, and (iii) the “Revenues test” is met.

The “Revenues test” is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed the Authority’s obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Fund Policies deposited into the respective Debt Service Reserve Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1994C&D Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds, the Series 2004A Bonds, the Series 2005B Bonds and the Series 2006A Bonds.

For purposes of the “Revenues test,” “Sales Tax Revenues” shall be an amount equal to one-half of the Sales Tax Revenues for the most recently completed 24 months for which the RTA has financial statements available, shall be calculated consistent with generally accepted accounting principles and shall be evidenced either by an accountants’ certificate (or for months for which audited financial statements are not available) by a certificate of an Authorized Officer of the RTA). See “**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues.**”

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

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

Rate Protection Contracts. Both the Act and the Bond Authorization Act of the State of Illinois, as amended, authorize the Authority to enter into rate protection contracts. The Act authorizes the Authority to enter into such contracts to reduce the risk of loss to the Authority, to

protect, preserve or enhance the value of its assets or to provide compensation for losses resulting from changes in interest rates. The Bond Authorization Act authorizes the Authority to enter into such contracts for the benefit of providing (i) an interest rate, cash flow or other basis different from that provided in such bonds for the payment of interest, or (ii) with respect to a future delivery of bonds, one or more of a guaranteed interest rate, interest rate basis, cash flow basis, or purchase price.

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

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

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

In August 2003, the Authority entered into a rate protection contract with UBS and a rate protection contract with Merrill Lynch Capital Services, Inc. ("*Merrill Lynch*"), in which the Authority pays UBS and Merrill Lynch a variable rate equal to SIFMA and UBS and Merrill Lynch pay the Authority a variable rate equal to 78.25% of the LIBOR index with respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount of each of these rate protection contracts was \$197,214,000 and declines as the applicable Authority Obligations mature. These two rate protection contracts are scheduled to terminate on June 1, 2024.

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

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

The Authority’s obligations under the aforesaid agreements, if any, are payable from its general fund, but are subordinate to the Series 2005B Bonds and other Outstanding Authority Obligations. The Authority may enter into other rate protection contracts in the future. The Authority’s obligations under any rate protection contract do not constitute bonds or notes within the meaning of the Act.

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

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

Debt Service Reserve Fund Policy Agreements. In connection with the issuance of each series of Outstanding Authority Obligations, including the Series 2005B Bonds the Authority acquired a Reserve Fund Credit Instrument to satisfy the Reserve Requirement for such series of Bonds. In the event of a payment under any of the Reserve Fund Credit Instruments, the Authority is obligated to reimburse the policy issuer for such payment, together with interest

thereon until paid. The Authority's obligation to pay such interest is subordinate to the Authority's obligation to pay Authority Obligations and to replenish the Debt Service Reserve Fund.

AGREEMENTS OF THE STATE

In the Act, the State pledges to and agrees with the Holders of the Authority Obligations (including the Series 2005B Bonds) that the State will not limit or alter the rights and powers vested in the RTA by the Act so as to impair the terms of any contract made by the RTA with such Holders, or in any way to impair the rights and remedies of such Holders, until the Authority Obligations (including the Series 2005B Bonds), together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the Holders thereof, are fully met and discharged. In addition, in the Act the State pledges to and agrees with the Holders of the Authority Obligations (including the Series 2005B Bonds) that the State will not limit or alter the basis on which State funds are to be paid to the RTA, as provided in the Act, or the use of such funds, so as to impair the terms of any such contract.

ANNUAL DEBT SERVICE

The annual debt service (representing payments to the Bondholders, rather than payments by the RTA to the Debt Service Fund) for the Outstanding Bonds and the Series 2005B Bonds for each calendar year is set forth below:

YEAR	ERS		OUTSTANDING BONDS	
	PRINCIPAL	INTEREST	PRINCIPAL AND INTEREST ^{(1) (2)}	TOTAL DEBT SERVICE ^{(1) (2)}
2009	\$ 6,535,000	\$ 5,666,823	\$ 185,706,228	\$ 197,908,050
2010	6,850,000	3,233,625	189,933,978	200,017,603
2011	7,210,000	3,057,875	445,347,742	455,615,617
2012	7,590,000	2,872,875	182,026,600	192,489,475
2013	7,960,000	2,678,500	181,912,975	192,551,475
2014	8,425,000	2,473,688	181,777,018	192,675,705
2015	3,910,000	2,319,500	186,471,990	192,701,490
2016	685,000	2,262,063	189,491,010	192,438,073
2017	720,000	2,244,500	189,368,599	192,333,099
2018	4,735,000	2,176,313	185,532,932	192,444,244
2019	4,955,000	2,055,188	185,418,024	192,428,212
2020	12,555,000	1,836,313	161,561,006	175,952,319
2021	13,190,000	1,514,500	153,375,889	168,080,389
2022	13,885,000	1,176,063	152,740,456	167,801,519
2023	14,615,000	819,813	130,215,231	145,650,044
2024	15,380,000	444,875	128,965,400	144,790,275
2025	10,105,000	126,313	114,696,038	124,927,350
2026			110,456,994	110,456,994
2027			110,524,106	110,524,106
2028			110,600,044	110,600,044
2029			97,821,856	97,821,856
2030			86,049,869	86,049,869
2031			72,443,450	72,443,450
2032			59,932,806	59,932,806
2033			47,432,719	47,432,719
2034			42,931,125	42,931,125
2035			13,109,525	13,109,525

⁽¹⁾ For 2009, interest includes the period in which Series 2005B Bonds were purchased by the liquidity provider with moneys provided to the Trustee by the liquidity provider pursuant to the provisions of the indenture relating thereto.

⁽²⁾ For periods beginning July 1, 2009, interest cost of 2.5% is assumed on variable-rate Series 2005B Bonds.

ESTIMATED DEBT SERVICE COVERAGE

The RTA's 2009 Budget adopted in December, 2008 is based upon estimates of projected Sales Tax Revenues and projected Public Transportation Fund Revenues. These two projections taken together constitute the projected revenues available in any year for the payment of debt service. See "**THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES—Sales Tax Revenues,**" "**—Public Transportation Fund Revenues**" and "**—2009 BUDGET AND 2010-11 FINANCIAL PLAN.**" Should 2009 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could affect the projections for calendar years 2009 and beyond. In April, due to the economic downturn, the RTA revised the projections for calendar year 2009 downward and forwarded such projections to the Service Boards. The Service Boards were then asked to revise their budgets based on these new projections. For the first quarter of 2009, Sales Tax Revenues were materially less than the revised 2009 projection. The RTA's projections for calendar years 2010 and 2011 assume an annual compound growth rate of 2.0%. After calendar year 2011, projections were computed using an annual growth rate of 3.0%. See Appendix A—"**RTA HISTORICAL AND PROJECTED SALES TAX REVENUES.**"

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

DEBT SERVICE COVERAGE
(Dollars in Thousands)

CALENDAR YEAR	TOTAL DEBT SERVICE ⁽²⁾	PROJECTED SALES TAX REVENUES	TIMES COVERAGE BY SALES TAX REVENUES ⁽²⁾	PROJECTED AVAILABLE REVENUES ⁽¹⁾	TIMES COVERAGE BY PROJECTED AVAILABLE REVENUES ⁽²⁾
2009	\$ 197,908	\$ 932,148	4.71%	\$ 1,211,792	6.12%
2010	200,018	942,401	4.71	1,225,121	6.13
2011	455,616	962,192	2.11	1,250,849	2.75
2012	192,489	988,171	5.13	1,284,622	6.67
2013	192,551	1,018,804	5.29	1,324,445	6.88
2014	192,676	1,050,387	5.45	1,365,503	7.09
2015	192,701	1,082,949	5.62	1,407,834	7.31
2016	192,438	1,116,520	5.80	1,451,476	7.54
2017	192,333	1,151,132	5.99	1,496,472	7.78
2018	192,444	1,186,818	6.17	1,542,863	8.02
2019	192,428	1,223,609	6.36	1,590,692	8.27
2020	175,952	1,261,541	7.17	1,640,003	9.32
2021	168,080	1,300,649	7.74	1,690,843	10.06
2022	167,802	1,340,969	7.99	1,743,259	10.39
2023	145,650	1,382,539	9.49	1,797,300	12.34
2024	144,790	1,425,397	9.84	1,853,017	12.80
2025	124,927	1,469,585	11.76	1,910,460	15.29
2026	110,457	1,515,142	13.72	1,969,684	17.83
2027	110,524	1,562,111	14.13	2,030,745	18.37
2028	110,600	1,610,537	14.56	2,093,698	18.93
2029	97,822	1,660,463	16.97	2,158,602	22.07
2030	86,050	1,711,938	19.89	2,225,519	25.86
2031	72,443	1,765,008	24.36	2,294,510	31.67
2032	59,933	1,819,723	30.36	2,365,640	39.47
2033	47,433	1,876,134	39.55	2,438,975	51.42
2034	42,931	1,934,295	45.06	2,514,583	58.57
2035	13,110	1,994,258	152.12	2,592,535	197.76

(1) Sales Tax and Public Transportation Funds related to Sales Tax.

(2) For 2009, interest includes the period in which Series 2005B Bonds were purchased by the liquidity provider with moneys provided to the Trustee by the liquidity provider pursuant to the provisions of the indenture relating thereto. For periods beginning July 1, 2009, interest cost of 2.5% is assumed on variable rate Series 2005B Bonds.

THE REGIONAL TRANSPORTATION AUTHORITY

GENERAL POWERS

The Illinois Constitution recognizes that public transportation is an essential public purpose for which public funds may be expended. To implement that public policy, the State has enacted legislation creating government entities to operate and fund public transportation and providing funding from State resources for the operating and capital needs of public transportation. Those services are available for the 8.4 million residents of the Region (as defined below). Public transportation is vital to the economic well-being of the Region.

The RTA was created by law enacted in 1973 and approved at a referendum held in Cook, DuPage, Kane, Lake, McHenry and Will Counties (the “*Region*”). Originally, the RTA was authorized both to operate service and to provide public subsidies to local government entities, principally the Chicago Transit Authority (the “*CTA*”) and private bus and rail carriers serving the Region. In 1983, the Act was amended to create three separate operating entities—the CTA, the Commuter Rail Division (“*Metra*”) and the Suburban Bus Division (“*Pace*” and together, with the CTA and Metra, each a “*Service Board*” and collectively, the “*Service Boards*”) to operate public transportation in the Region. The RTA was charged with allocating public funds as subsidies for those entities and overseeing their financial performance.

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

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

The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. The CTA provides bus and rail service in Chicago and those suburbs close to Chicago. Metra provides commuter rail service between the Chicago Central Business District and 228 Chicago and suburban locations. Pace provides bus service throughout the

suburbs and to the City of Chicago. As of 2007 Pace also provides ADA paratransit service throughout the region. The public transportation services operated by the Service Boards, as coordinated by the RTA to the extent provided in the Act, are referred to herein as the “*System*.”

The Act requires the RTA to adopt and regularly update a Strategic Plan that identifies goals and objectives with respect to increasing usage of transit services, coordinating the provision of and investment in those services by the Service Boards, coordinating fare policy to promote transfers among transit modes, achieving a state of good repair of System assets, providing improved access to the services by transit-dependent persons, preserving the financial viability of the System, limiting road congestion, and in general advancing the policy of the State to provide adequate, efficient and coordinated public transportation in the Region. The RTA has adopted a strategic plan as required, and has and will continue to adopt enhancements and updates to this plan.

Central to funding and oversight responsibilities, the Act requires the RTA to prepare and adopt each year an annual operating budget and two-year financial plan for the System balancing the anticipated revenues from all sources with anticipated expenditures. See “**THE REGIONAL TRANSPORTATION AUTHORITY—2009 BUDGET AND 2010-11 FINANCIAL PLAN.**” Further, the RTA and the Service Boards are required by the Act to maintain a “system generated revenue recovery ratio” of 50% (the “*System Generated Revenue Recovery Ratio*”), *i.e.* at least 50% of the System’s operating costs must be recovered through 1) revenues generated by the System, including fare box receipts, 2) revenues from certain other sources, such as investment income and concessions, and 3) reduced fare reimbursements by the State. A separate revenue recovery ratio of 10% has been established by the Act for ADA paratransit services. It is the RTA’s responsibility to ensure that these ratios are maintained through the review and approval of each Service Board’s budgets and ratios. On an on-going basis, the RTA monitors the budgetary and operational performance of the Service Boards to ensure compliance with their budgets and the ratios. See “**THE REGIONAL TRANSPORTATION AUTHORITY—FINANCIAL CONTROLS OVER SERVICE BOARDS.**”

The Act designates the RTA as the primary public body in the Region to secure funds for public transportation. The RTA is authorized to impose taxes in the Region and to issue debt to provide funding for public transportation facilities. The RTA is also responsible for the allocation of certain federal, state and local funds to finance both the operating and capital needs of public transportation in the Region. The Act also requires the RTA to prepare and adopt each year a Five-Year Capital Program. The Service Boards are prohibited from undertaking any capital project in excess of \$250,000, unless the project has been incorporated in that Program.

ORGANIZATION AND MANAGEMENT

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

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

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

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

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

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

The RTA maintains a staff of approximately 98 transportation professionals.

James Reilly has served as Chairman since 2005. Mr. Reilly has previously served as the chief operating officer of the State of Illinois under two Governors, the CEO of the Metropolitan Pier and Exposition Authority and the head of the Chicago Convention and Tourism Bureau. Mr. Reilly served as an elected member of the Illinois House of Representatives from 1977-1983. Mr. Reilly received his undergraduate degree from Illinois College and a J.D. from the University of Chicago.

Stephen Schlickman has served as Executive Director since 2005. Prior to his appointment, Mr. Schlickman served in the transportation field, with particular emphasis on public transit, for more than twenty-five years and most recently was self-employed as a consultant advising many transit interests on transit funding policy. Prior to that he managed a major rail project for the City of Chicago, was the Director of the City of Chicago's Washington, DC Office, and managed the government affairs offices for both the RTA and the CTA. He is currently an adjunct professor at the University of Illinois at Chicago teaching a graduate course in transportation project funding and finance. Mr. Schlickman received his law degree from DePaul University and is a graduate of Georgetown University with a major in Government.

Joseph G. Costello has served as Chief Financial Officer since February, 1995. Prior to that he was a Financial Controller for a multinational transport and logistics company. Previously, Mr. Costello held various management positions with two multinational manufacturing concerns after serving as an auditor with Price Waterhouse (now

PriceWaterhouseCoopers). Mr. Costello received a B.S. degree in accounting from the University of Illinois at Chicago and an M.B.A. from the University of Chicago. Mr. Costello has his C.P.A. Certificate from the State of Illinois, and its government equivalent, a Certified Public Finance Officer certification, from the Government Finance Officers Association.

Leanne Redden has served as the Senior Deputy Executive Director of Planning and Regional Programs since November, 2005. Ms. Redden is managing the development of the new strategic plan for the RTA. She also manages the Planning, Regional Services and External Affairs departments. From 2003 through November 2005 she was the Chief of Planning at the Illinois State Toll Highway Authority, where she oversaw the Planning Department and was integral in developing the 2004 \$5.3 billion Congestion Relief Capital Plan. She was responsible for capital planning, traffic and revenue forecasting. Prior to that, Ms. Redden was the Director of Transportation for the Village of Schaumburg. Ms. Redden received her Masters Degree in Urban and Regional Planning from the University of Illinois Urbana-Champaign and a Bachelors Degree from the University of New South Wales, Australia.

Grace Gallucci has served as the Deputy Executive Director of Research, Analysis and Policy Development since June, 2007. Ms. Gallucci is managing the department that is responsible for conducting research, performance analysis and developing policy to facilitate effective programmatic, operational and financial decision-making. Ms. Gallucci has more than 20 years experience in public transportation. She previously served as the Executive Director of the Office of Management & Budget at the Greater Cleveland Regional Transit Authority. While there, she also served as Manager of Financial Analysis & Budgets and Director of Finance. Ms. Gallucci received her Masters Degree in Urban Studies from Cleveland State University and also received both a Master of Public Administration degree and Bachelor of Science degree in Business Administration from the University of Dayton.

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

Andrew S. Gruber has served as the RTA's Senior Deputy Executive Director for Legal and Governmental Affairs since January of 2006. He served as General Counsel during 2004 and 2005. As the RTA's chief governmental affairs officer, he directs all activities related to promoting the RTA's State and federal legislative and regulatory agendas. As the RTA's chief legal counsel, he provides advice regarding regulatory and statutory powers and requirements, oversees contracting and litigation, and coordinates the drafting and adoption of ordinances and resolutions by the RTA Board. Prior to joining the RTA, Mr. Gruber was an attorney at the Chicago law firm of Mayer, Brown, Rowe & Maw, where he advised his clients (including the RTA) in areas including governance, public finance, legislation and lobbying, and general corporate and tax matters. He received a bachelor's degree from the University of Wisconsin-Madison, and a law degree from Northwestern University School of Law in Chicago.

RIDERSHIP TRENDS

System ridership for the year 2008 was 654.5 million, which reflects an increase of 5.1% over the year 2007. As required by the Amendatory Legislation, the Service Boards began to provide free fixed route transportation service to persons 65 years and older and to disabled persons who fall within statutory income limits. Those riders are included in the 2008 data.

YEARLY RIDERSHIP UNLINKED PASSENGER TRIPS (IN MILLIONS)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA Bus	300.2	303.3	303.1	304.8	293.7	296.2	305.6	299.6	309.3	328.2
CTA Rail ⁽¹⁾	<u>166.5</u>	<u>176.2</u>	<u>181.7</u>	<u>180.4</u>	<u>181.1</u>	<u>178.7</u>	<u>186.8</u>	<u>195.2</u>	<u>190.3</u>	<u>198.1</u>
Total CTA	<u>466.7</u>	<u>479.5</u>	<u>484.8</u>	<u>485.2</u>	<u>474.8</u>	<u>474.9</u>	<u>492.4</u>	<u>494.8</u>	<u>499.5</u>	<u>526.3</u>
METRA	76.6	78.8	79.2	76.8	74.8	74.6	77.0	80.8	84.3	86.8
PACE	<u>40.2</u>	<u>38.6</u>	<u>37.0</u>	<u>34.8</u>	<u>33.7</u>	<u>34.1</u>	<u>36.9</u>	<u>38.0</u>	36.6	37.8
Regional ADA Paratransit ⁽²⁾									<u>2.5</u>	<u>2.7</u>
SYSTEM TOTAL	585.5	596.9	601.0	596.8	583.3	583.6	606.3	613.6	622.9	653.5
PERCENT CHANGE	4.4%	2.3%	0.7%	(0.7%)	(2.3%)	0.0%	3.9%	1.2%	1.5%	5.1%

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

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

RTA FINANCES

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

Sales Tax Revenues. Proceeds of the RTA Sales Tax are pledged as security for the ERS and other Authority Obligations and are assigned by the RTA and paid directly by the State to the Trustee for payment of debt service on Authority Obligations, including the ERS. Before enactment of the Amendatory Legislation in 2008, the RTA Sales Tax was imposed at the following rates: (i) in Cook County, a tax of 1.00% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a “Food and Drug Tax”); (ii) a tax of 0.75% in Cook County, and 0.25% in the Collar Counties, of the gross receipts from all other taxable retail sales (a “General Sales Tax”); (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in the Collar Counties, of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a “Use Tax”); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of

tangible personal property or in the form of real estate is transferred incident to a sale of a service (a “*Service Occupation Tax*”). (The proceeds of the RTA Sales Tax at these rates are referred to as the “*Original Sales Tax Proceeds*”).

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

The RTA Sales Tax, net of applicable retailers’ discount, is collected by the Department of Revenue and paid to the Treasurer of the State to be held in trust for the RTA outside the State Treasury in the RTA Tax Fund created under the Act (the “*RTA Tax Fund*”). Except as provided in the next sentence, RTA Sales Tax proceeds in the RTA Tax Fund are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller directly to the Trustee for any necessary payments of debt service on the ERS or other Authority Obligations, before being paid to the RTA. See “**SECURITY FOR THE ERS—SECURITY AND SOURCES OF PAYMENT.**” One-third of the RTA Sales Tax collected in the Collar Counties is not available for payment of debt service on ERS nor is it security therefor. It is paid directly by the State to the Collar Counties based on the point of collection and is used by those counties to fund operating and capital costs of public safety and transportation services or facilities. (The proceeds of the RTA Sales Tax, less the amounts distributed to the Collar Counties as described in the previous sentence, less the Original Sales Tax Proceeds, are referred to as the “*Increased Sales Tax Proceeds*”).

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

In order to compensate local governments, including the RTA, for any revenues lost by a 1990 legislative simplification of the rate structures and tax base for sales taxes imposed by the State and local governments, including the RTA, the State provided for additional annual payments to local governments from receipts collected under the State Retailers Occupation Tax, State Service Occupation Tax and State Use Taxes (collectively, the “*State Sales Tax*”). As a result, specified percentages from State Sales Tax receipts (the “*Replacement Revenues*”) are paid monthly into the RTA Occupation and Use Tax Replacement Fund and RTA Tax Fund held by the State Treasurer to offset RTA revenue loss resulting from that restructuring. Replacement Revenues are paid monthly by the State Treasurer to or on behalf of the RTA. The State has pledged that it will not limit or alter the basis on which State funds are paid to the RTA in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See “**SECURITY FOR THE ERS—AGREEMENTS OF THE STATE**” above.

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

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

Public Transportation Fund Revenues. The Public Transportation Fund Revenues are pledged as security for the ERS and other Authority Obligations and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the ERS. Each month the State Comptroller orders and the State Treasurer transfers from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 30% of the net revenues realized from the RTA Sales Tax, but not including the portion of the RTA Sales Tax paid directly to the Collar Counties, 30% of the net Replacement Revenues and 30% of the net revenues realized by the CTA as financial assistance from the City of Chicago from the proceeds of the Chicago Real Estate Transfer Tax imposed by the City (these amounts are collectively referred to as “*Public Transportation Fund Revenues*”).

The Amendatory Legislation provides that the provisions directing the distributions of Public Transportation Fund Revenues to the RTA constitute an irrevocable and continuing appropriation of those revenues. However, by law Public Transportation Fund Revenues may not be paid to the RTA until the RTA has certified to the Governor, the State Comptroller and the Mayor of the City of Chicago that it has adopted for that Fiscal Year a budget and financial plan meeting the requirements of the Act. In each year since the RTA has been statutorily required to do so, it has certified that its budget has met the requirements of the Act. The State has recently been delayed in making transfers of Public Transportation Fund Revenues to the RTA and during calendar year 2008 the State was as much as six months delinquent in transferring the Public Transportation Fund Revenues to the RTA. In January, 2009 the State became current on the Public Transportation Fund Revenues transfers to the RTA for calendar year 2008, but shortly thereafter again became delinquent in transfers to the RTA. See “**THE REGIONAL TRANSPORTATION AUTHORITY—2009 BUDGET AND 2010-11 FINANCIAL PLAN**” for a discussion of how the RTA has accounted for this in its 2009 Budget. The State has pledged that it will not limit or alter the basis on which State funds are paid to the RTA in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See “**SECURITY FOR THE ERS—AGREEMENTS OF THE STATE**” above.

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

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

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

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

With respect to the SCIP Bonds issued prior to calendar year 2000, the annual statutory ceiling for State Assistance is \$55 million. However, the formula described below effectively limits State Assistance with respect to those SCIP Bonds to \$40 million. With respect to the \$1.3 billion in SCIP Bonds authorized to be issued after January 1, 2000, the annual statutory ceiling for State Assistance after 2005 is \$100 million.

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

The RTA has filed its certification with respect to State fiscal year 2009 and the State has made the necessary appropriations with respect to payment of State Assistance for that fiscal year. The RTA intends to continue to file the required certifications for each State fiscal year in order to obtain State Assistance payments in the amounts available under the Act. Although the amount of State Assistance the RTA may receive is measured in part by the debt service on the RTA’s SCIP Bonds, State Assistance is not pledged for payment of or as security for any Authority Obligations, including any SCIP Bonds.

Miscellaneous Revenues. Miscellaneous Revenues include (i) revenues from certain other sources, such as investment income and revenues from concessions and advertisements, and (ii) additional operating assistance from the State to the RTA for distribution to the Service Boards representing partial reimbursements to the Service Boards for discounts provided to students, elderly and disabled riders mandated by law (“*Reduced Fare Reimbursements*”). The

proceeds of Reduced Fare Reimbursements are not pledged as security for and are not available for payment of debt service on Authority Obligations, including the ERS.

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

Expenditures. The RTA has five principal objects of expenditure: (i) operating grants to the Service Boards for general transit services, (ii) operating grants to Pace for ADA Paratransit Service, (iii) capital grants to the Service Boards, (iv) administrative and regional expenses of the RTA, and (v) debt service.

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

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

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

The Amendatory Legislation fully allocates the Increased Sales Tax Proceeds to the Service Boards or for specific programs as follows: (i) 20% of the taxes collected in Cook County at the rate of 1.25%, (ii) 25% of the taxes collected in Cook County at the rate of 1%, and (iii) 50% of the taxes collected in the Collar Counties, together with that portion of the

Public Transportation Fund Revenues measured by those amounts are allocated as follows: after depositing \$100,000,000 in the ADA Paratransit Fund, \$20 Million in the Suburban Community Mobility Fund and \$10 Million in the Innovation, Coordination and Enhancement Fund, the balance of the moneys from the Increased Sales Tax Proceeds are allocated 48% to the CTA, 39% to Metra and 13% to Pace. The RTA must pay all of the Public Transportation Fund Revenues measured by the Chicago Real Estate Transfer Tax to the CTA. The fixed dollar amounts are required by the Amendatory Legislation to be deposited in the named funds in 2008 and increase or decrease in subsequent years based on the growth or decline in RTA Sales Tax Revenues in the previous year.

The amounts of such funds allocated to the Service Boards are payable as soon as may be practicable upon their receipt, provided that (i) the RTA has adopted a balanced budget pursuant to the Act; and (ii) the Service Board which is to receive these funds is in compliance with the budget requirements imposed upon the Service Boards pursuant to the Act.

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

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

Capital Grants. From its revenues, the RTA makes discretionary capital grants to the Service Boards. These amounts are separate from the proceeds of bonds issued by the RTA. A portion of the funds used by Metra for its capital projects originates from the amount of RTA Sales Tax allocated to Metra by the Act.

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

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

FINANCIAL CONTROLS OVER SERVICE BOARDS

The Act vests responsibility for financial oversight in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. The RTA’s financial oversight responsibility is implemented principally through the budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. The Act sets criteria by which proposed budgets and financial plans are to be reviewed and requires that the System Generated Revenue Recovery Ratio equals or exceeds 50% and the ADA paratransit revenue recovery ratio equals or exceeds 10%. On a quarterly basis, the Service Boards must report their financial condition and results of operations to the RTA. The RTA Board, by the affirmative vote of 12 of its Directors, must determine whether the results are substantially in accordance with the adopted budget and if so, certify that determination to the Governor, the Mayor of the City of Chicago and the Auditor General of the State. If a Service Board is found not to be substantially in compliance with its budget, the RTA may direct that Service Board to submit a revised budget meeting the mandated criteria. If a Service Board’s budget does not meet the criteria, the RTA must withhold 25% of the Service Board’s allocation of RTA Sales Taxes and 25% of the Public Transportation Fund Revenues estimated to be available to that Service Board until a compliant budget and financial plan is approved. See “**THE REGIONAL TRANSPORTATION AUTHORITY—2009 BUDGET AND 2010-11 FINANCIAL PLAN.**”

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

The Amendatory Legislation requires the RTA to conduct audits of each of the Service Boards no less than every five years. Those audits may include management, performance, financial, and infrastructure condition audits. Similar audits may be conducted of transportation agencies that provide services on behalf of a Service Board.

On August 8, 2008, the CTA issued its \$1,297,175,000 Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008A (Pension Funding) (the “CTA Pension Bonds”), and its \$639,680,000 aggregate principal amount Sales and Transfer Tax Receipts Revenue Bonds, Taxable Series 2008B (Retiree Health Care Funding) (the “CTA Healthcare Bonds”). A portion of the proceeds of the CTA Pension Bonds were used to make a deposit in the amount of \$1,110,500,000 to the “Retirement Plan for Chicago Transit Authority Employees” (the “CTA Retirement Plan”), a defined benefit pension plan covering substantially all full-time permanent union and nonunion employees of the CTA. The CTA is responsible for additional contributions

in the future in order to maintain the required funded ratio of the CTA Retirement Plan. Upon the deposit of said proceeds, the funded ratio of the total assets of the CTA Retirement Plan was approximately 80%. It is not possible to definitively state what the market value of assets in the CTA Retirement Plan is as of the date of this Official Statement. However, due to market fluctuations since August 2008, the market value of such assets as of the date of this Official Statement is expected to be lower than the value as of the date the proceeds of the CTA Pension Bonds were deposited in the CTA Retirement Fund.

A portion of the proceeds of the CTA Healthcare Bonds were used to make a deposit to a “Retiree Health Care Trust” in the amount of \$528,800,000 in order to fund the health care benefits for CTA retirees and their dependents and survivors. Following the deposit to the Retiree Health Care Trust, the Retiree Health Care Trust was funded to the level required by law. Thereafter, any required contributions to the Health Care Trust will be made by the beneficiaries of the Health Care Trust in the amounts and at the times determined by the Health Trust Board. The CTA has no further funding obligation with regard to the Retiree Health Care Trust or health care benefits for CTA retirees.

The Act directs the RTA to review the payment of required employer contributions to pension plans established by the Service Boards and, if those payments are more than one month overdue, to pay those overdue contributions to the pension plan from amounts otherwise payable to that Service Board from RTA revenues.

The RTA Board has established certain principles to guide the RTA/Service Board fiscal relationship. The primary principle established by the RTA Board is that if a Service Board performs better than budget in a given Fiscal Year, either as a result of higher than budgeted revenues or lower than budgeted expenses, the RTA will not reduce such Service Board’s budgeted funding. Thus, the results of good performance flow through to the Service Board in the form of positive budget surpluses. These funds may be directed by a Service Board in a subsequent Fiscal Year to address high priority needs, either for operating or capital purposes, upon the approval of the RTA.

HISTORICAL FINANCIAL RESULTS

The Amendatory Legislation authorized a significant increase in public funding for operation of public transportation in the Region. The Amendatory Legislation became law on January 18, 2008. The RTA increased the RTA Sales Tax, as authorized by the Amendatory Legislation, effective April 1, 2008 and the RTA began to receive revenues from those increases in July, 2008. Additionally, the Amendatory Legislation authorized the City of Chicago to impose an increase in the Chicago Real Estate Transfer Tax on April 1, 2008 for the benefit of the CTA. The full impact of the increase in public subsidies will not occur until 2010.

Table I contains Statements of Revenues and Expenditures for the RTA (including funding for the Service Boards) for the years from 2004 through 2008. The financial information is presented on a funding basis which is non-GAAP and differs in certain respects from the presentation of the financial statements contained in Appendix B —“Comprehensive Annual Financial Report” as explained in the footnotes to Table I. For the financial results of the

individual Service Boards, see Appendix C —“Combining Financial Statements” and Appendix D —“Service Board Historical Financial Results and 2009 Budgets and 2010-11 Financial Plans.” Not all of the amounts shown under the heading “REVENUES” in the Table constitute security for the Authority Obligations, including the ERS. See “**SECURITY FOR THE ERS.**”

As shown in Table I, for the period 2004 through 2007, RTA revenues grew approximately \$77 million, an annual compound growth rate of 3.7%. Sales Tax Revenues and Public Transportation Fund Revenues also grew at an annual compound growth rate of approximately 3.7% from 2004 through 2007. However, the increase in Sales Tax Revenues from 2007 to 2008 of \$168 million was due entirely to the increase in sales tax rates authorized by the Amendatory Legislation. Without that rate increase, Sales Tax Revenues would have decreased by approximately 3.5% from 2007 to 2008.

Because the State subsidy that comprises the Public Transportation Fund is calculated in part based on the level of Sales Tax Revenues, the Public Transportation Fund amount increases or decreases with the sales tax receipts. In 2008 the increase in RTA Sales Tax rates caused a change in the base by which the State subsidy is measured accounting for the \$38 million increase shown on Table I. During 2008, the State subsidy rate was 25%, but the Amendatory Legislation increased the rate to 30%, effective February 1, 2009. State Assistance, which reimburses the RTA for debt service on SCIP Bonds increased during the beginning of the period shown on Table I reflecting an increasing level of debt service but has stabilized as all authorized SCIP Bonds have been issued.

The severe decline in the economy in the last four months of 2008 was reflected in a decline in the total volume of retail sales in the Region and real estate transfers in the City of Chicago. Therefore, even accounting for the increase in the sales tax rate, the revenues fell short of amounts estimated by the RTA and used as the basis for 2008 budgets adopted by the Service Boards and approved by the RTA. Actual revenues for 2008 declined by \$69 million or 4.9% from the amounts estimated to be available by the RTA at the time of adoption of the 2008 Budget. The economic recession has also impacted revenue estimates on which the 2009 Budget and 2010-11 Financial Plan has been based. See “**THE REGIONAL TRANSPORTATION AUTHORITY— 2009 BUDGET AND 2010-11 FINANCIAL PLAN.**”

Operating expenditures were approximately \$1.1 billion in 2008, an increase of approximately \$153 million over operating expenditures for 2007. Service Board expenditures in 2008 closely matched the amounts in their RTA-approved budgets.

TABLE I*
RTA STATEMENTS OF REVENUES AND EXPENDITURES
(INCLUDING FUNDING FOR THE SERVICE BOARDS)
2004-2008 FINANCIAL INFORMATION
(Dollars in Thousands)

	2004	2005	2006	2007	2008
System-Generated Revenue					
RTA Sales Tax (Prior to January 2008 legislation)	\$675,629	\$700,395	\$746,829	\$752,922	\$726,689
RTA Public Transportation Fund (Prior to January 2008 legislation)	170,397	175,668	186,136	188,931	188,830
RTA Sales Tax (Enacted per the January 2008 legislation)	-	-	-	-	194,556
RTA PTF (Enacted per the January 2008 legislation subtotal)	-	-	-	-	38,371
RTA RETT PTF for CTA (Enacted per the January 2008 legislation)	-	-	-	-	-
State Financial Assistance	86,785	111,419	112,743	117,807	121,870
Additional State Funding for ADA Paratransit	-	54,252	54,252	54,252	-
State Reduced Fare/Free Ride Programs	40,153	37,127	37,327	36,678	28,919
Other Revenue ⁽¹⁾	23,440	17,196	17,616	23,104	35,207
Total Revenue⁽²⁾	996,404	1,096,057	1,154,903	1,173,694	1,334,442
Operating Expenditures					
RTA Operations Funding – CTA (includes 25% PTF on RETT) ⁽⁴⁾	441,632	441,632	455,764	464,349	591,760
RTA Operations Funding – Metra ⁽⁴⁾	222,786	241,727	248,726	256,629	287,181
RTA Operations Funding – Pace ⁽⁴⁾	79,449	81,052	83,582	92,192	91,620
RTA Suburban Community Mobility Funding for Pace ⁽⁴⁾	-	-	-	-	20,000
RTA South Suburban Job Access Funding for Pace	-	-	-	-	3,750
RTA Total for ADA Paratransit Service ⁽⁴⁾	-	55,253	44,044	76,010	100,000
RTA Funding for Innovation, Coordination, and Enhancement	-	-	-	-	3,851
State Reduced Fare/Free Ride Programs and Sales Tax Interest	40,422	37,900	39,124	39,183	32,002
Agency Administration, Regional Services & Programs	25,809	26,338	32,542	32,712	30,897
Total Operating Expenditures	810,098	883,902	903,782	961,075	1,161,061

	2004	2005	2006	2007	2008
Debt Service & Capital Expenditures					
Principal and Interest for Service Board Capital Programs ⁽³⁾	140,786	188,211	189,455	179,116	186,268
Regional Technology and Agency Capital	7,319	8,739	7,270	5,709	1,870
RTA Funding for Innovation, Coordination, and Enhancement		-	-	-	6,149
Transfer Capital - Metra Funds	10,643	6,783	7,812	745	30,661
Transfer Capital - Discretionary					
RTA Funds to CTA	20,353	20,353	20,353	20,353	20,353
Total Debt Service and Capital Expenditures	179,101	224,086	224,890	205,923	245,301
Total Expenditures⁽⁵⁾	989,199	1,107,988	1,128,672	1,166,998	1,406,362
Fund Balance (undesignated/unreserved)					
Beginning Balance	4,889	12,507	1,654	8,510	25,648
Change in Fund Balance	7,205	(10,853)	6,856	17,138	(71,920)
RTA Funds Reserved	413		-	-	(3,289)
RTA JSIF Funding		-	-	-	(3,920)
Ending Unreserved/Undesignated Fund Balance	12,507	1,654	8,510	25,648	(53,481)**
% of Total Operating Expenditures	1.5%	0.2%	0.9%	2.7%	(4.6)%
Total System-Generated Revenue Recovery Ratio % ⁽⁶⁾	55.2%	52.6%	52.0%	51.6%	56.2%
ADA Paratransit Recovery Ratio %	N/A	N/A	N/A	N/A	10.0%

** See Discussion under “**The Regional Transportation Authority** -2009 BUDGET AND 2010-11 FINANCIAL PLAN” for further explanation.

***Table I Footnotes for 2008**
(Dollars in Thousands)

1. Excludes investment income totaling \$92,815 from the following funds: Debt Service \$9,339, Joint Self Insurance/Pension \$(24,610), Pace Interest \$151 and Pace cost of contracting \$107,935. Also excluded were interest revenue from leasing transactions of \$138,889 capital grants of \$445,765, other financial funding \$(3,083), 5% Advance Recovery of \$33,268 and other public funding of \$139,959. Reduced Fare adjustments of \$(28,919) were included as part of the Service Boards revenue of \$983,365. Total revenue exclusions were \$818,694.
2. The following schedule reconciles the RTA's 2008 Table I revenue with the total revenue of \$3,136,501 identified on page 38 of the 2008 Combining Financial Statements (copy attached).

Adjustments from the Combining Financial Report

Revenue Exclusions

Debt Service Fund	\$ 9,339
Joint Self-Insurance/Pension Fund	(24,610)
Pace Loan	151
Pace Investment Income (Cost of Contracting)	107,935
Total Investment Income	92,815
RTA Financial Assistance	(3,083)
Interest Revenue from Leasing Transactions	138,889
Capital Grants	445,765
5% Advance Recovery	33,268
Other Public Funding	139,959
Reduced Fare	(28,919)
Total Revenue Exclusions	818,694
Total Service Board Revenues	983,365
Total Combining Adjustments	1,802,059
Total Table I Revenues	1,334,442

Total Combining Revenue	<u>\$ 3,136,501</u>
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3. These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders.
4. Expenditures of the RTA, transferred from the RTA to the Service Boards and used by these entities to fund their operating deficit. Expenditures in 2008 include financial assistance to Service Boards of \$1,090,561, Service Boards Operating Grant for \$58,142. These expenditures are shown on the 2008 Combining Financial Statements, page 38.
5. The following schedule reconciles the RTA's 2008 Table I operating expenditures with the total expenditures of \$3,099,845 identified on page 38 of the 2008 Combining Financial Statements. Amounts transferred from the RTA to the Service Boards are not expenditures of the RTA and the Service Boards as combined entities (and are eliminated in combining) and therefore are not included.

Adjustment from the 2008 Combining Financial Statements

Expense Exclusions

Bond Related Expenses	199,523
Interest Expense from Leasing Transactions	136,694
5% Advance Recovery	33,268
Other Service Board Operating Expense & Depreciation	<u>1,323,998</u>
Total Combining Adjustments	1,693,483
Total Table I Expenses	<u>1,406,362</u>
Total Combining Expenses	<u>\$3,099,845</u>

6. The RTA Act defines a system generated revenue recovery ratio, representing the portion of costs covered by revenues. The ratio must equal at least 50% region-wide. The 2008 Combining Financial Statements presents the calculation of this ratio on page 33-34 of Note 11.

2009 BUDGET AND 2010-11 FINANCIAL PLAN

By December 31 of each year, the RTA is required to adopt, after holding a public hearing, an annual RTA budget and appropriation ordinance for the following year and a two-year financial plan. This annual budget for the RTA includes direct expenditures for the RTA and funding of each Service Board's operating deficit. This annual budget must evidence a System Generated Revenue Recovery Ratio of no less than 50% and an ADA Paratransit Services Revenue Recovery Ratio of no less than 10%.

In determining the amounts to be available during the period of the annual budget and two-year financial plan, the RTA begins with an estimate of Sales Tax Revenues for the next calendar year provided by Governor's Office of Management and Budget in July of each year. The RTA reviews that estimate against other information it receives from a number of forecasting services and by September 15 of each year advises the Service Boards of the amounts it estimates to be available during the next fiscal year and the times at which such amounts are expected to be available. On September 15, 2008 the RTA informed the Service Boards of the amounts projected to be available with respect to the 2009 Budget and 2010-11 Financial Plan.

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

Each Service Board presented its 2009 Budget and 2010-11 Financial Plan to the RTA for approval under the Act. On December 18, 2008, the RTA adopted an ordinance approving the 2009 budgets and 2010-11 financial plans of the Service Boards, adopting the 2009 Budget and Program of the RTA, appropriating funds for the 2009 Budgets, and adopting the Five Year Capital Program. Early in the first quarter of 2009, it became apparent that fourth quarter Sales Tax Revenues and Public Transportation Fund Revenues available to the RTA and Service Boards would fall short of the estimated amounts on which the 2008 Budgets had been based. The shortfall in 2008 for the CTA was \$58 million, for Metra it was \$27 million and for Pace it was \$9 million. The RTA ending Fund Balance for 2008 reflects funding the CTA at the funding estimate used for the adopted 2008 budget even though Sales Tax Revenues fell short in late 2008. The RTA has reduced operations funding to the CTA in 2009 to recoup that amount, however it will loan the CTA a like amount in 2009 to avoid a disruptive reduction in funds available to the CTA for operations which will be repaid by reducing operations funding to the CTA in 2011. This revenue shortfall also impacted the revenue estimates on which the 2009 Budget and 2010-11 Financial Plans of the RTA and the Service Boards had been based. In addition, during the first quarter the State was not timely in making payments to the RTA of the Public Transportation Fund Revenues. As of April 30, 2009 the RTA has recorded a receivable of \$96.8 million with respect to those subsidies.

On April 2, 2009, the RTA revised its estimate of the revenues that would be available to the Service Boards for 2009, 2010 and 2011 and directed that the Service Boards present revised 2009 Budgets and 2010-11 Financial Plans based on those revised estimates. See Appendix A for a presentation of the projected annual growth in Sales Tax Revenues which served as the basis for the RTA direction to the Service Boards to present their revised 2009 Budgets and 2010-11 Financial Plans to the RTA.

The information presented in Table II is based on the revised estimates and revised 2009 Budgets and 2010-11 Financial Plans presented by the Service Boards in response to the April direction of the RTA which will be considered for adoption by the RTA as its 2009 Budget and 2010-11 Financial Plan at its June 25, 2009 meeting. The 2009 Budgets and 2010-11 Financial Plans of the Service Boards presented in Appendix D are based on the revisions submitted to the RTA by the Service Boards which will be considered for approval by the RTA Board at the same meeting.

For the first quarter of 2009, Sales Tax Revenues were materially less than the RTA's revised estimate for the period which is shown in Appendix A. Due to the further decline of Sales Tax Revenues, it is expected that at the June 25, 2009 RTA Board meeting, the RTA staff will recommend to the Board further revisions of its funding estimates for the balance of 2009 and subsequent periods and direct the Service Boards to develop new budgets and financial plans reflecting such revisions. The range of actions available to the RTA and the Service Boards to respond to further declines in revenues includes measures to reduce costs through service cuts and other actions, fare increases, reprogramming of federal subsidies currently planned for long term capital projects to ongoing operating costs, like preventive maintenance or capital costs of contracting service, as permitted by federal law freeing up other revenues to fund operating costs, and reprogramming of restricted cash balances held by the RTA. It is expected that some combination of these measures will be required to meet the current 2009 Budget and 2010-11 Financial Plans and to respond to further declines in revenues from the estimates on which the revised 2009 Budget and 2010-11 Financial Plans shown in Table II and Appendix D are based. The RTA will continue to monitor the level of Sales Tax Revenues.

TABLE II

RTA 2009 Budget and 2010-2011

Financial Plan

(Dollars in Thousands)

	2009 Budget	2010 Plan	2011 Plan
System-Generated Revenue			
RTA Sales Tax (Prior to January 2008 legislation)	680,000	687,480	701,917
RTA Public Transportation Fund (Prior to January 2008 legislation)	170,000	171,870	175,479
RTA Sales Tax (Enacted per the January 2008 legislation)	252,148	254,921	260,274
RTA PTF (Enacted per the January 2008 legislation subtotal, includes PTF for RETT)	118,644	122,850	128,178
State Financial Assistance	122,000	122,000	122,000
State Free Rides & Reduced Fare Reimbursement	36,800	36,800	36,800
Other Revenue	<u>17,600</u>	<u>17,600</u>	<u>17,600</u>
Total Revenue	<u>1,397,192</u>	<u>1,413,521</u>	<u>1,442,248</u>
Operating Expenditures			
Total RTA Funds for CTA Operations	546,626*	548,403	560,050
Total RTA Funds for Metra Operations	278,860	271,400	280,510
Total RTA Funds for Pace Suburban Service Operations	133,096	132,249	134,895
Total RTA Funds for Pace ADA Paratransit Service	95,105	96,151	98,182
RTA Funding for Innovation, Coordination, and Enhancement	4,510	9,615	9,818
State Free Rides, Reduced Fare Reimbursement & Sales Tax Interest	38,500	38,500	38,500
Agency Administration	8,783	9,100	9,500
RTA Regional Services and Programs	<u>21,375</u>	<u>24,200</u>	<u>25,100</u>
Total Operating Expenditures	<u>1,126,855</u>	<u>1,129,618</u>	<u>1,156,555</u>
Debt Service & Capital Expenditures			
Principal and Interest for Service Board Capital Programs	201,617	205,270	204,149
Regional Technology and Agency Capital	3,566	4,600	4,500
Transfer Capital - Metra Funds	45,595	56,811	55,315
Transfer Capital - Discretionary RTA Funds to CTA	<u>20,353</u>	<u>20,353</u>	<u>20,353</u>
Total Debt Service and Capital Expenditures	<u>271,131</u>	<u>287,034</u>	<u>284,317</u>
Total Expenditures	1,341,839	1,416,652	1,440,872
Fund Balance (undesignated/unreserved)			
Beginning Balance	(53,481)	(2,028)	(9,059)
Change in Fund Balance	55,353	(3,131)	1,376
RTA JSIF Funding	(3,900)	(3,900)	(3,900)
Ending Unreserved/Undesignated Fund Balance	(2,028)	(9,059)	(11,583)
% of Total Operating Expenditures	(0.5)%	(0.8)%	(1.0)%
Total System-Generated Revenue Recovery Ratio %	54.7%	53.4%	52.2%
ADA Paratransit Recovery Ratio %	10.0%	10.0%	10.0%

*This amount includes a \$56.1 million working cash loan, which the RTA Act requires the CTA to repay within two years.

RTA CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM

The System provided 654.5 million passenger trips in calendar year 2008. This has the beneficial impact of reducing road congestion, and so improving the flow of goods and services as well as air quality. In addition, the System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with a replacement value of approximately \$35 billion. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in the System for it to remain in good working order, as well as to respond to changing markets. The RTA five-year capital program embodies the detail of this investment, updated and adopted annually by the RTA Board, as required by the Act.

Sources of funds for capital investment include federal and State programs as well as funds from the RTA, the Service Boards and local governments. In addition to normal allocations of federal capital funds, on February 17, 2009 the President of the United States of America signed into law the “American Recovery And Reinvestment Act of 2009” (the “*Recovery Act*”). The Recovery Act provided \$414 million from federal formula programs to fund RTA capital projects in 2009. The State has historically provided capital support for public transportation programs in Northeastern Illinois since 1971. However, no State capital program had been adopted between 1999 and 2009. On April 3, 2009 the Governor signed legislation to authorize an increase in bonding authority for the State for \$900 million for transit projects in Northeastern Illinois. The General Assembly has passed, but the Governor has not yet signed, legislation further increasing State bonding authority for mass transit in the Region by \$1.8 billion. In anticipation of further future State funding support in addition to this down payment, the current 2009-2013 Capital Program assumes an additional \$2.1 billion in State funding will become available beginning in 2010. The System will require adequate ongoing State capital funding support in order to have sufficient funds to maintain, as well as enhance and expand, its infrastructure. See “**SECURITY FOR THE ERS—AUTHORITY OBLIGATIONS.**”

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program covers years 2009 through 2013. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by track and structure repair and support facilities and equipment. The primary emphasis of the Capital Program is to continue efforts to bring the System’s assets to a state of good repair. When replacing worn out items it is imperative to utilize modern technologies that often result in enhanced functionalities of equipment, facilities and rolling stock. In addition the balanced Capital Program is responsive to customer needs and shifting markets by including modest system expansions.

Capital programs for the CTA during this period total approximately \$2.7 billion, including the following major projects:

- Repair of track and structures
- Purchase of new rail cars
- Rehabilitate and overhaul of rail cars

- Purchase of new full size buses
- Rehabilitation and overhaul of buses
- Construction and improvement of facilities
- Replace and upgrade power distribution and signal equipment

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

- Purchase of bi-level cars for the Electric District
- Rehabilitate commuter rail cars
- Rehabilitate and improve locomotives
- Rehabilitate and renew bridges
- Construction and renewal of yards, shops and facilities

Capital programs for Pace during this period total approximately \$368 million, including the following major projects:

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

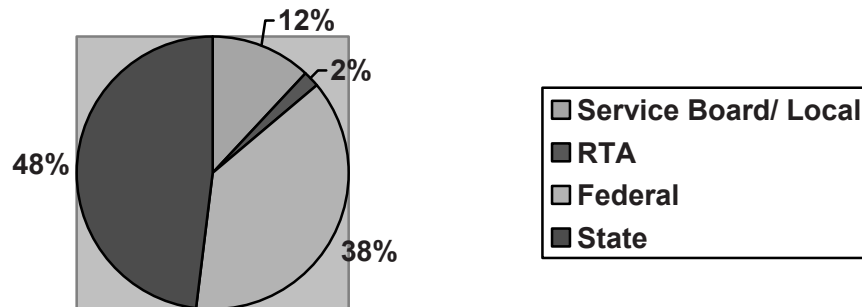
2009-2013 Capital Program (\$000,000)
by Asset Category

ASSET CATEGORY	CTA	Metra	Pace	TOTAL
Rolling Stock	\$1,664	\$1,097	\$207	\$2,968
Track & Structure	681	571	0	1,252
Support Facilities & Equipment	147	215	109	712
Stations & Passenger Facilities	14	0	20	1247
Electric & Communications	144	185	26	355
All Other	<u>66</u>	<u>145</u>	<u>6</u>	<u>217</u>
Total	\$2,716	\$2,303	\$368	\$5,391

Source: RTA 2009-2013 Capital Program.

The chart below illustrates the anticipated funding sources for the RTA 2009-2013 Capital Program.

2009-2013 Capital Program
Funding Sources



Source: RTA 2009-2013 Capital Program.

REMARKETING AGENT

GENERAL

Morgan Stanley & Co., Incorporated serves as Remarketing Agent for the ERS pursuant to the Remarketing Agreement dated as of June 15, 2009 (“Remarketing Agreement”), between the Authority and the Remarketing Agent.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the ERS.

The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing the ERS that are mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), all as further described in the Indenture and/or the Remarketing Agreement. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services.

The Remarketing Agent is required under the Remarketing Agreement to use its best efforts to offer for sale and to sell ERS not retained pursuant to an ERS Retention Election at a price of not less than 100% of the principal amount thereof plus accrued interest, if any. To do so, the Remarketing Agent is required to establish an ERS Monthly Rate at the minimum rate, up to and including the Maximum Rate, which, in the opinion of the Remarketing Agent, will result in such remarketing. The Remarketing Agent may not be able to remarket an ERS on such date at par. The Remarketing Agent shall be under no obligation to remarket ERS upon the occurrence of certain events of default under the Indenture.

CERTAIN CONSIDERATIONS AFFECTING SALES OF THE ERS

THE REMARKETING AGENT IS PAID BY THE AUTHORITY

Because the Remarketing Agent is appointed by the Authority and is paid by the Authority for its services, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of ERS.

ERS MONTHLY RATE IS AFFECTED BY LEVEL OF MARKET DEMAND

Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the ERS Monthly Rate that, in its judgment, is the lowest rate that would permit the sale of the ERS bearing interest at the applicable interest rate at the price of par plus accrued interest, if any, on and as of the applicable interest rate determination date. Such interest

rate will reflect, among other factors, the level of market demand for the ERS (including whether the Remarketing Agent is willing to purchase the ERS for its own account).

THE REMARKETING AGENT MAY PURCHASE ERS FOR ITS OWN ACCOUNT

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered ERS for its own account and, in its sole discretion, may acquire such tendered ERS in order to achieve a successful remarketing of the ERS (*i.e.*, because there otherwise are not enough buyers to purchase the ERS) or for other reasons. However, the Remarketing Agent is not obligated to purchase ERS, and may cease doing so at any time without notice, in which case such ERS, if they were bearing interest at an ERS Monthly Rate, may be exchanged for ERS bearing interest at the ERS Extension Rate and returned to the tendering bondholder instead of being purchased on the applicable monthly Interest Payment Date. Such an occurrence would not constitute an Event of Default under the terms of the ERS or the Indenture. The Remarketing Agent also is not obligated to purchase ERS bearing interest at an ERS Extension Rate on any applicable ERS Extended Mandatory Purchase Date. If any ERS are not remarketed on an applicable ERS Extended Mandatory Purchase Date, the Remarketing Agent does not, in its sole discretion, elect to purchase the ERS on such date and the Authority does not pay the applicable purchase price on such date, an Event of Default will occur under the terms of the Indenture.

The Remarketing Agent may also make a secondary market in the ERS by routinely purchasing and selling ERS other than in connection with a mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at, above, or below par. No notice period is required for such purchases. However, the Remarketing Agent is not required to make a secondary market in the ERS. Thus, investors who purchase the ERS, whether in a remarketing or otherwise, should not assume that they will be able to sell their ERS other than by tendering the ERS in accordance with the tender process.

The Remarketing Agent may also sell any ERS it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the ERS. The purchase of ERS by the Remarketing Agent may create the appearance that there is greater third party demand for the ERS in the market than is actually the case. The practices described above also may result in fewer ERS being tendered in a remarketing.

ERS MAY BE OFFERED AT PRICES OTHER THAN PAR

Pursuant to the Indenture and the Remarketing Agreement, on each Rate Determination Date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the ERS on the first day of the subsequent ERS Monthly Rate Period. That rate is required by the Indenture to be the minimum rate of interest per annum which, in the opinion of the Remarketing Agent, would be necessary on and as of such day to remarket the ERS in a secondary market transaction at a price equal to the principal amount thereof, or, if higher, the Preliminary Rate determined on the applicable Preliminary Rate Determination Date. The

interest rate will reflect, among other factors, the level of market demand for the ERS (including whether the Remarketing Agent is willing to purchase ERS for its own account). There may or may not be ERS tendered and remarketed in connection with a Rate Determination Date, and the Remarketing Agent may or may not be able to remarket any ERS tendered for purchase at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the ERS at the remarketing price. If the Remarketing Agent owns ERS for its own account, in its sole discretion, it may sell those ERS at fair market value, (which may be at prices above or below par only on days other than a Rate Determination Date or the first day of the applicable ERS Monthly Rate Period).

UNDER CERTAIN CIRCUMSTANCES, THE REMARKETING AGENT MAY BE REMOVED, RESIGN OR CEASE REMARKETING THE ERS, WITHOUT A SUCCESSOR BEING NAMED

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Indenture and the Remarketing Agreement. In the event there is no Remarketing Agent, the ERS will bear interest at the Alternate Rate until a successor remarketing agent has been appointed and commences exercising its duties.

TAX MATTERS

Original Opinion. On May 2, 2005, Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel, rendered an opinion with respect to the initial issuance of the Series 2005B Bonds, which stated that, “It is our opinion that, subject to the Authority’s compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Authority covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. ”

Chapman and Cutler LLP will not update or confirm its opinion delivered in connection with the original issuance of the Series 2005B Bonds.

Supplemental Opinion. In connection with the amendment of the Original 2005B Series Ordinance and the Original Indenture and the reissuance of the Series 2005B Bonds in the ERS Monthly Mode, Chapman and Cutler LLP, Bond Counsel, will deliver an opinion to the effect that (i) subject to compliance by the Authority with certain covenants, under present law the change in the method of determining interest on the Bonds to an ERS Monthly Rate on the date of reissuance of the Bonds is not prohibited by the laws of the State of Illinois or the Indenture and will not adversely affect any exclusion from gross income for federal tax purposes of interest on the Bonds or the exclusion of interest on the Bonds as an item of tax preference in

computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, and (ii) the Indenture has been duly authorized, executed and delivered by the Authority and is binding upon the Authority in accordance with its terms, except that the rights of the Trustee, the rights of the owners of the Bonds and the enforceability of the Indenture may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. A form of such opinion is attached as EXHIBIT I hereto. Except as necessary to render the foregoing opinions, Chapman and Cutler LLP has not reviewed any factual or legal matters relating to its opinion dated May 2, 2005 subsequent to its issuance. The opinions delivered in connection with the amendment of the Original 2005B Series Ordinance and the Original Indenture and the reissuance of the Series 2005B Bonds in the ERS Monthly Mode, are not to be interpreted as a reissuance of the original approving opinion as of the date of this Supplement No. 1.

Federal tax law contains a number of requirements and restrictions which apply to the Series 2005B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The Authority has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2005B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2005B Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2005B Bonds.

In rendering its original opinion, Bond Counsel relied, and in rendering its supplemental opinion on the date of reissuance of the Series 2005B Bonds, Bond Counsel will rely upon certifications of the Authority with respect to certain material facts within the Authority's knowledge. Each of Bond Counsel's opinions represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion on the date that such opinion is or was delivered, and is not a guarantee of a result.

Ownership of the Series 2005B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the alternative minimum tax, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2005B Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

If a Series 2005B Bond is purchased at any time for a price that is less than the Series 2005B Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Series 2005B Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2005B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The

applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2005B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2005B Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2005B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2005B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2005B Bonds. If an audit is commenced for an issue of Series 2005B Bonds, under current procedures the Service may treat the Authority as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2005B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2005B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

For federal tax purposes, the Series 2005B Bonds are treated as issued to refund bonds issued before January 1, 2009 and therefore are treated as issued before 2009 for purposes of Section 256(b)(7) of the Code relating to interest expense deductibility for financial institutions. The treatment of interest expense for financial institutions owning such Series 2005B Bonds may be less favorable than the treatment provided to owners of tax-exempt bonds treated as issued in 2009 or 2010. Financial institutions should consult their tax advisors concerning such treatment.

Ownership of the Series 2005B Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2005B Bonds. Prospective purchasers of the Series 2005B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

The Authority has entered into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Series 2005B Bonds (including while in the ERS Mode) to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

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

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, reissuance and remarketing of the Series 2005B Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the “*Bond Counsel*”), who has been retained by, and acts as, Bond Counsel to the Authority. Bond Counsel’s approving opinion given as of May 5, 2005 is attached hereto as Appendix H, and Bond Counsel’s proposed form of opinion in connection with the amendment of the Original 2005B Series Ordinance and the Original Indenture and the reissuance of the Series 2005B Bonds in the ERS Monthly Mode is attached hereto as Appendix I. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Supplement No. 1 or other offering material relating to the Series 2005B Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Supplement No. 1, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Authority, reviewed the information under the headings “THE ERS” (other than any information pertaining to DTC and the book-entry-only system) and “SECURITY FOR THE ERS” (other than under the subheadings “AUTHORITY OBLIGATIONS - RATE PROTECTION CONTRACTS”, “ANNUAL DEBT SERVICE” and “ESTIMATED DEBT SERVICE COVERAGE”) and in Appendices E and F solely to determine whether such information and summaries conform to the Series 2005B Bonds, the General Ordinance, the Series 2005B Series Ordinance and the Indenture, and has reviewed the information under the caption “TAX MATTERS” to determine whether the statements describing or summarizing Bond Counsel’s opinions concerning certain federal tax matters relating to the Series 2005B Bonds is an accurate summary thereof. This review was undertaken solely at the request and for the benefit of the Authority and did not include any obligation to establish or confirm factual matters set forth herein.

LITIGATION

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

At the time of remarketing the ERS, Mayer Brown, LLP, counsel to the RTA, will deliver an opinion that there is no litigation pending that seeks to restrain or enjoin the issuance, sale and delivery of the ERS or that materially affects the validity of the ERS or the validity of the security for the ERS.

RATINGS

Fitch, S&P and Moody's have assigned their municipal bond ratings of "F1+," "A-1+" and "P-1," respectively, to the ERS. An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The RTA furnished to the rating agencies certain information and materials regarding itself and the ERS. Generally, the rating agencies base their ratings on certain studies and assumptions. There is no assurance that the ratings will continue to be in effect for any given period of time, or that such ratings will not be lowered or withdrawn by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward change in or withdrawal of such ratings could adversely affect the market price of the ERS.

Fitch, S&P and Moody's have also assigned long term ratings of and "AA- (negative outlook)" "AA+ (stable)", and "Aa3 (stable)" respectively to the Authority's outstanding general obligation bonds.

CO-FINANCIAL ADVISORS

Public Financial Management, Inc., Chicago, Illinois and TKG & Associates, Chicago, Illinois have served as co-financial advisors (the "*Co-Financial Advisors*") to the RTA in connection with the issuance and sale of the ERS. The Co-Financial Advisors have participated in the preparation of this Official Statement, but have not verified all of the factual information contained herein, nor have they conducted a detailed investigation of the affairs of the Authority for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely on the Co-Financial Advisor's participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

MISCELLANEOUS

The references herein, and in the Appendices attached hereto, to the Indenture, the Remarketing Agreement and the Original Official Statement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents. Copies of the documents mentioned under this heading are on file at the corporate trust offices of the Trustee.

The attached APPENDICES A through J are integral parts of this Supplement No. 1 and should be read in their entirety together with all foregoing statements.

THIS SUPPLEMENT NO. 1 IS TO BE READ IN CONJUNCTION WITH THE ORIGINAL OFFICIAL STATEMENT.

The Authority has supplied and reviewed the information contained herein relating to the Authority and has approved all such information for use within this Supplement No. 1.

The execution and delivery of this Supplement No. 1 has been duly authorized by the Chairman of the RTA has been duly authorized by the Board of the RTA.

REGIONAL TRANSPORTATION AUTHORITY

By: /s/ James Reilly
Its: Chairman

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APPENDIX A

RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

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APPENDIX A RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

SALES TAX REVENUES

Actual Revenues. As shown in Table A-I, Sales Tax Revenues grew from \$419 million in 1988 to approximately \$921 million in 2008. For most of the past two decades, revenues have grown more rapidly in the suburban areas of the Region, attesting to the more rapid population, employment, and income growth in these areas. While Table A-I shows the absolute value of Sales Tax Revenues for the period 1988 to 2008, Table A-II shows the percentage change on a year-to-year basis. For the years 1988 through 2008, Sales Tax Revenues grew at a compound growth rate of approximately 3.2% excluding the increase in Sales Tax Revenues received as a result of the Amendatory Legislation.

Projected Revenues. The projection of sales tax for the Region uses forecasts of population growth, total personal income, wages, and salaries for the Chicago metropolitan area. In addition, sales tax projections reflect estimated consumption expenditures for durable goods, nondurable goods, and services. See, “FACTORS AFFECTING SALES TAX REVENUES” below. The RTA used these factors for projections from 2009 through 2011. A significant change in any one of these factors may have a material impact on these projections.

The RTA revised budget for 2009 projects limited growth in Sales Tax Revenues in 2009 compared to anticipated Sales Tax Revenues for calendar year 2008. This projection produces Sales Tax Revenues of approximately \$932 million in 2009. This revised RTA forecast for projected Sales Tax Revenues served as a basis for RTA Board action in April 2009 directing the Service Boards to submit revised 2009 Budgets and 2010-11 Financial Plans. The RTA may continue to further revise its forecast for projected Sales Tax Revenues if Sales Tax Revenues continue to decline.

The new year-to-year percentage change in Sales Tax Revenues for years 2009-2011 is shown in Table A-IV. However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material. Actual receipts of Sales Tax Revenues for the first quarter of 2009 are 12% below the revised estimate.

Caution should be exercised in examining these forecasts; they are conditioned upon general economic conditions in the United States, the State of Illinois and the City of Chicago. The RTA makes no representation that any forecast of Sales Tax Revenues, Available Revenues or sales tax growth set forth herein will be realized by the RTA. Further, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Supplement No. 1 are cautioned not to place undue reliance on the projected financial information. Such forecast or projected information will be impacted by a number of economic and other factors, some of which are described below. Changes in such factors in any year or over the term of the ERS could result in a material change in the Sales Tax Revenues. Management of the RTA has prepared the projected financial information set forth below to

present the projected Sales Tax Revenues for fiscal years 2009-2010 as the basis for the 2009 budget and the 2010-2011 financial plan revenue estimates adopted on April 2, 2009. The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the RTA's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the RTA.

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

**TABLE A-I
SALES TAX REVENUES
ACTUAL - 1988 to 2008
(In Thousands of Dollars)**

1988	\$418,752	1999	\$613,514
1989	429,988	2000	650,284
1990	441,110	2001	653,522
1991	425,173	2002	647,686
1992	445,891	2003	654,988
1993	462,393	2004	675,628
1994	497,698	2005	700,395
1995	513,301	2006	746,829
1996	532,304	2007	752,922
1997	555,496	2008	921,245
1998	576,704		

TABLE A-II
SALES TAX GROWTH RATES (%)
ACTUAL - 1988 to 2008*

Year	Total	Year	Total
1988	8.362%	1999	5.993%
1989	2.683	2000	0.498
1990	3.284	2001	(.893)
1991	(4.275)	2002	1.128
1992	4.885	2003	3.226
1993	3.701	2004	3.151
1994	7.635	2005	3.666
1995	3.135	2006	6.630
1996	3.702	2007	0.816
1997	4.357	2008	22.356*
1998	3.818		

*Sales tax from P.A. 95-0708 became effective April 1, 2008; for 2008 receipts from the increased Sales Tax Revenues rates totaled \$194,556.

TABLE A-III
SALES TAX REVENUES
Projected – 2009-2011
(In Thousands of Dollars)

YEAR	TOTAL
2009	\$932,148
2010	942,401
2011	962,192

TABLE A-IV
SALES TAX GROWTH RATES (%)
Projected – 2009-2013
(in thousands of dollars)

YEAR	
2009	1.183%
2010	1.100%
2011	2.100%
2012	2.700%
2013 and beyond	3.100%

FACTORS AFFECTING SALES TAX REVENUES

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

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

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

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

Source: United States Census Bureau

Employment. Employment totals for 1990, 1995, 2000 and 2007 by County are presented in Table A-VI. The 15.9% employment growth in the Region shown between 1990 and 2000 outpaced the 11.2 % population growth recorded by the United States Census Bureau over that same time span. However, since 2000 the Region's employment growth has slowed and the Region's employment situation remains unfavorable compared to national and State results. For example, in March 2009 the unemployment rate for the Region was 9.4%, compared to 9.3% for the State of Illinois and 9.0% for the United States.

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

Area	1990	% OF TOTAL	1995	% OF TOTAL	2000	% OF TOTAL	2007	% OF TOTAL
Cook	3,135	72.5	3,150	69.0	3,352	66.9	3,350	64.5
DuPage	509	11.8	620	13.6	703	14.0	740	14.2
Kane	175	4.0	197	4.3	242	4.8	275	5.3
Lake	299	6.9	349	7.6	419	8.4	449	8.6
McHenry	84	1.9	102	2.2	112	2.2	132	2.5
Will	<u>125</u>	<u>2.9</u>	<u>152</u>	<u>3.3</u>	<u>186</u>	<u>3.7</u>	<u>251</u>	<u>4.9</u>
Total	4,327	100.0%	4,570	100.0%	5,014	100.0%	5,197	100.0%

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

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five “collar” counties is approximately 35% of the Region’s total. As of 2007, Cook County now makes up about 65% of the total, compared to 1990, when Cook County made up 73% of the Region’s work force. Employment levels were at 4.3 million for the Region in 1990, 5.0 million in 2000, and as of 2007 are at 5.2 million.

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

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

Industry	% OF 1990 TOTAL		% OF 1995 TOTAL		% OF 2000 TOTAL		% OF 2007 TOTAL	
Services	1,273	29.4	1,466	32.1	1,738	34.7	2,395	46.1
Retail	666	15.4	707	15.5	726	14.5	489	9.4
Manufacturing	667	15.4	654	14.3	629	12.5	437	8.4
Government	501	11.6	516	11.3	535	10.7	539	10.4
Finance, Insurance, & Real Estate	437	10.1	445	9.7	504	10.1	563	10.8
Wholesale	297	6.9	282	6.2	294	5.9	251	4.8
Transportation and Public Utilities	246	5.7	258	5.6	296	5.9	219	4.2
Construction	204	4.7	201	4.4	242	4.8	281	5.4
Other	<u>36</u>	<u>0.8</u>	<u>41</u>	<u>0.9</u>	<u>50</u>	<u>0.9</u>	<u>23</u>	<u>0.5</u>
Total	4,327	100.0%	4,570	100.0%	5,014	100.0%	5,197	100.0%

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

Income. The Region experienced steady growth in wages and salaries throughout the 2000s. The income levels of residents of the Region are relatively higher than the nation as a whole. Within the six counties of the Region, per capita income is highest in DuPage and Lake Counties, as illustrated in Table A-VIII.

TABLE A-VIII
REGION PER CAPITA INCOME

Area	1990	1995	2000	2007
Cook	\$22,206	\$26,463	\$33,921	\$45,230
DuPage	28,093	34,569	46,239	55,371
Kane	21,244	25,324	30,690	36,131
Lake	29,271	35,770	46,247	56,456
McHenry	21,988	25,978	33,342	39,061
Will	19,010	24,317	29,966	36,687

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

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Comprehensive Annual Financial Report

2008



**Regional
Transportation
Authority**

The six-county public
transportation system
serving northeastern Illinois

Fiscal Year Ended December 31, 2008

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**REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Prepared by:

Department of Finance and Administration

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and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY

2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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June 10, 2009

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I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2008. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

This report consists of RTA management's representations concerning its finances. The responsibility for the accuracy, completeness, and fairness of the data rests with management. To the best of our knowledge and belief, this report contains data complete and reliable in all material respects. To provide a reasonable basis for making these representations, management of the RTA has established an internal control structure designed to provide reasonable assurance that assets are safeguarded from loss, theft, or misuse, and that adequate and reliable accounting data is compiled to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits of that control, and that the valuation of costs and benefits requires estimates and judgments by management.

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey & Pullen LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States of America and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2008 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first part of the financial section of this report.

A separately issued Single Audit report contains a schedule of expenditures of federal awards, the independent auditor's report on internal controls and compliance with applicable laws, regulations, contracts and grants, a schedule of findings and questioned costs, and other information related to the Single Audit.

Accounting principles generally accepted in the United States require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal complements management's discussion and analysis, and should be read in conjunction with it. The RTA management's discussion and analysis ("MD & A") can be found immediately following the report of the independent auditors.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

Illinois State law (the RTA Act, as amended) created the RTA as a fiscal and policy oversight agency committed to providing an efficient and effective public transportation system for Northeastern Illinois.

“It is the purpose of [the RTA] Act to provide for, aid and assist public transportation in the northeastern area of the State without impairing the overall quality of existing public transportation by providing for the creation of a single authority responsive to the people and elected officials of the area and with the power and the competence to provide financial review of the providers of public transportation in the metropolitan region and facilitate public transportation provided by Service Boards which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and State plans.”

History

In 1974, upon approval of a referendum in the six counties of metropolitan Chicago (Cook, DuPage, Kane, Lake, McHenry, and Will), the Act created the RTA as a unit of local government, body politic, political subdivision, and municipal corporation. Initially, the RTA provided financial assistance to the then existing public transportation operators. Subsequently, the role of the RTA expanded to include the acquisition and operation of such public transportation providers, as well as contract with operators to provide service through the purchase of service agreements.

In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The Act placed operating responsibilities with the Chicago Transit Authority (“CTA”) and two operating divisions of the RTA: the Commuter Rail Division (“Metra”) and the Suburban Bus Division (“Pace”). These three entities are defined in the Act as the “Service Boards.”

The CTA provides bus and rail transportation services within Chicago and 38 adjacent suburbs. Illinois State law (the Metropolitan Transportation Authority Act) created the CTA in 1945. The law established the CTA as an Illinois municipal corporation “separate and apart from all other government agencies” to consolidate Chicago’s public and private transportation carriers. The CTA commenced operations in 1947 and completed the consolidation of public transportation in 1952 upon purchasing the Chicago Motor Coach System.

The Northeast Illinois Regional Commuter Railroad Corporation (“NIRCRC”), a public corporation created in 1980 and operating under the service name of Metra, provides public transportation by commuter rail. The 1983 RTA restructuring formed a Commuter Rail Division, “responsible for providing public transportation by commuter rail.” The Commuter Rail Division continued the operation of NIRCRC to provide this transportation. Metra contracts with the Union Pacific Railroad, Burlington Northern Santa Fe, and Northern Indiana Commuter Transportation District to provide service through the purchase of service agreements. In addition, Metra operates the services provided on its North Central Service and South West Service rail lines, as well as the services formerly provided by Rock Island, Milwaukee Road, and Illinois Central Gulf.

The 1983 RTA restructuring also formed a Suburban Bus Division, “responsible for providing public transportation by bus and as may be provided in [the RTA] Act.” As such, the Division - operating under the service name Pace - provides non-rail public transportation throughout DuPage, Kane, Lake, McHenry, and Will counties, as well as the suburban area of Cook County.

Collectively, we refer to the RTA, the CTA, Metra, and Pace as the “RTA System.”

Mission

The Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The Board of Directors has developed the following goals to carry out the RTA legislative mandates:

Plan—Ensure an integrated regional public transportation system through comprehensive planning and coordination with the service providers.

Fund—Develop and allocate resources among the Service Boards to ensure they provide quality and cost-effective service.

Oversee—Monitor and evaluate Service Boards’ performance to ensure that service is provided efficiently and effectively.

The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program. This obligation incorporates planning, funding, and oversight duties. The Act enumerates a number of requirements with respect to the budget, plan, and program. These include a requirement that the budget and plan reflect operating revenues of at least 50% of operating costs (a farebox recovery ratio of at least 50%). In addition, the budget and plan must show a balance between revenues, including subsidies, and costs (a balanced budget).

Other responsibilities include establishing policies regarding the allocation of public transportation funding in the Chicago metropolitan region, developing system-wide plans and service standards, coordinating services among different modes of transportation, and ensuring compliance with Federal and State mandates.

Budget

The Act establishes budgetary controls. The Act requires, as one of the primary responsibilities of the RTA, the adoption of an annual budget, two-year financial plan, and a Five-Year Capital Program.

“Each year the Authority shall prepare and publish a comprehensive annual budget and program document describing the state of the Authority and presenting for the forthcoming fiscal year the Authority’s plans for such operations and capital expenditures as the Authority intends to undertake and the means by which it intends to finance them.”

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify capital improvements exceeding \$250,000 along with pertinent information. The budget calendar and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

Based upon the estimate of tax receipts and revenues from other sources, “the Board shall, not later than ... September 15 prior to the beginning of the Authority’s next fiscal year” advise each Service Board of the

amounts estimated to be available during the upcoming fiscal year and the next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

Between September 15 and November 15, each Service Board must prepare and publish a comprehensive annual budget, program document, and a financial plan for the two following years. “The proposed budget and financial plan shall be based on the RTA’s estimate of funds that will be available to the Service Boards by or through the Authority, and shall conform in all respects to the requirements established by the Authority.” Before submitting its budget to the RTA, each Service Board must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with each respective county board. After considering the comments from these meetings, it must formally adopt the budget prior to submitting it to the RTA. “Not later than... November 15 prior to the commencement of such fiscal year, each Service Board shall submit to the Authority its proposed budget for the fiscal year and its proposed financial plan for the two following years.”

The RTA must also hold at least one public hearing in the metropolitan region and one meeting with each county board on its own proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt its budget and the budgets submitted by the service boards, each of which meets the statutory criteria summarized below. Unless the RTA passes a budget and financial plan for a Service Board, “the Board shall not release to that Service Board any funds for the periods covered by such budget and financial plan,” except for the sales tax directly allocated to the Service Board by statute.

Statutory Requirements

The RTA Act sets forth six statutory criteria for Board approval of the budget and financial plan of each Service Board. These six criteria are:

- *Balanced Budget:* A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services and of funding any operating deficits or encumbrances incurred in prior periods;
- *Cash Flow:* Cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenses as incurred;
- *Recovery Ratio:* A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required system-generated revenue recovery ratio;
- *Assumptions:* Employ assumptions and projections which are reasonable and prudent;
- *Financial Practices:* Prepared in accordance with sound financial practices as determined by the Board; and
- *Other Requirements:* Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

Oversight

After adoption of the budgets, the RTA has continuing oversight powers concerning the budget and the financial condition of each Service Board and the region as a whole. On a monthly basis, the RTA monitors the budgetary and operations performance of the Service Boards to ensure compliance with their budget and recovery ratios. On a quarterly basis, the RTA makes the following assessment:

- After the end of each fiscal quarter, each Service Board must report to the RTA “its financial condition and results of operations and the financial condition and results of operations of the public transportation services subject to its jurisdiction” for such quarter. If in compliance, the Board so states and approves each Service Board’s compliance by adopted resolution.
- If in the judgment of the Board these results are not substantially in accordance with the Service Board’s budget for such period as adopted by the RTA, the Board shall so advise the Service Board and the service board “shall, within the period specified by the Board, submit a revised budget incorporating such results.”
- Once a Service Board submits a revised budget, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA must withhold from the Service Board (i) 25% of the cash proceeds of taxes imposed by the RTA and (ii) 25% of any state matching funds that are allocated to each Service Board.
- If a Service Board then submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA “shall release any such withheld funds to the Service Board.”

Amendment

When prudent, the RTA Board may revise estimates of amounts of funds available to the Service Boards during a fiscal year due to shifts in the economic climate, governmental funding programs, or new projects. Upon receiving notice of such a revision, the Service Boards must submit amended budgets to the RTA Board within 30 days. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

Reporting Entity

As defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government (the RTA, as legally defined), as well as its component units—legally separate entities for which the primary government has financial accountability.

Although part of the RTA System, the CTA, Metra, and Pace do not represent component units of the RTA under GASB Statement No. 14. Accordingly, the Comprehensive Annual Financial Report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. Based on the 2000 census, the region has 8 million residents. Regional employment totaled 5 million in 2000. The RTA system carried 651.8 million riders in 2008, an increase of 4.62% compared to the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of fifteen appointed members and one elected member from the six-county region. The Mayor of the City of Chicago appoints five directors. The suburban members of the Cook County Board appoint five directors. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry and Will counties, each appoint a director. These fifteen directors, with a minimum concurrence of eleven directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of ninety-eight. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit was set at \$5 million for 1985 and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under the prescribed limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. Its members are appointed pursuant to the Metropolitan Transit Authority Act. The Governor of Illinois appoints three members, subject to the approval of the Illinois Senate and the Mayor of Chicago. The Mayor of Chicago, with the consent of the Chicago City Council and the Governor of Illinois, appoints four members, including the CTA Chairman.

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of eleven members, governs Metra. The suburban members of the Cook County Board appoint four members. The Chairmen or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These eleven directors, with a minimum concurrence of eight directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of thirteen members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will counties each appoint one director. The RTA Act requires that each of these directors must be a current or former “chief executive officer of a municipality” from the area that appoints the member. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

Financing

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation.

Sections 4.03 and 4.03.1 of the Regional Transportation Act, 70 ILCS 3615/4.03, authorizes the RTA to impose a series of taxes within the six-county metropolitan region by a vote of nine of its directors: a sales tax, a car rental tax, a motor fuel tax, an off-street parking tax, and a replacement vehicle tax.

Sales Taxes

The Act authorizes the RTA to impose a retailers' occupation tax "ROT," a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook County and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result, the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a \$50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

FACTORS AFFECTING ECONOMIC CONDITION

Financing

The RTA's primary source of operating funding is a regional (occupation and use) sales tax and a sales tax match from the State of Illinois. Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region (from the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region to the equivalent of 1.25% in Cook County and 0.5% in the remainder of the region) beginning on April 1, 2008, created a real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25 percent to 30 percent the portion of RTA tax revenues matched by the State Public Transfer Fund (PTF). In 2008, RTA sales tax receipts of \$921 million exceeded prior year by 22.4% because of the rate increase but lagged budget by 4.5% because of the economic downturn during the second half of the year. In 2007, 2006, 2005, 2004, and 2003, the RTA sales tax increased 0.8%, 6.6%, 3.7%, 3.2%, and 1.1%, respectively.

The RTA 2009 operating budget approved by the Board of Directors on December 18, 2008, assumes sales tax revenue of \$1,040 million, an increase of 12.9% and 7.8% over the 2008 actual and 2008 budget, respectively. In addition to the 30% sales tax match from the PTF, the State of Illinois will provide \$116 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds and \$37 million as partial reimbursement to the Service Boards for discounted and free fares (mandated by law) for student, elderly, and disabled riders.

Regional and Illinois Economy

The Chicago region is the home to one of the most economically diversified economies in the United States. According to World Business Chicago, the area leads the U.S. in many economic measurements, including high technology employment and output, manufacturing output, and truck, inter-modal, rail, and air distribution. Second only to New York, the region is home to 96 major publicly-traded headquarters, including 30 Fortune 500 companies. Noted strengths of the Chicago area economy include construction, transportation, utilities, manufacturing, information technology, wholesale and retail trade, leisure and hospitality, professional and business services, education, and healthcare.

Like the nation, both Illinois and the Chicago region posted significant declines in the unemployment rate earlier this decade. However, the unemployment rate in Illinois increased from 4.6% in 2006 to 5.1% in 2007 to 6.5% in 2008, while the unemployment rate in the Chicago region increased from 4.5% in 2006 to 4.9% in 2007 to 6.2% in 2008. The February 2008 Monthly Revenue Briefing issued by the State

Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2009 fiscal year, sales tax receipts of \$5.2 billion decreased \$241 million or 4.5% compared to the same period during the State's previous fiscal year.

National Economy

Through 2000, the real gross domestic product (GDP), the output of goods and services produced in the United States, grew in the neighborhood of 4% annually for several consecutive years. In 2001, the annual growth rate plunged to 0.8% before rebounding to a modest 1.6% in 2002 and 2.5% in 2003. The annual growth rate of 3.6% in 2004 declined to 2.9% in 2005, 2.8% in 2006, 2.0% in 2007 and 1.1% in 2008. The Congressional Budget Office (CBO) predicts real GDP contraction of 2.2% in 2009 followed by growth of 1.5% in 2010.

The national unemployment rate averaged 5.8% in 2008, rising from 4.6% in 2007 and 2006 after falling from 5.1% in 2005, 5.5% in 2004 and 6.0% in 2003, the highest average annual rate since 1994. The national unemployment rate rose from 8.1% in February to 8.5% in March 2009. The CBO forecasts national average unemployment rates of 8.3% and 9.0% in 2009 and 2010, respectively.

In 2008, the consumer price index (CPI), a measure of the pace of inflation, increased 3.8% following increases of 2.8% in 2007, 3.2% in 2006, 3.4% in 2005, 2.7% in 2004 and 2.3% in 2003. The CBO expects the CPI to increase 0.1% in 2009 and 1.7% in 2010.

Cash Management

RTA cash management policies and practices vary by fund.

General and Agency Funds

The RTA Board has adopted an investment policy that governs the investment of cash for these funds. The RTA policy which complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, as well as the other areas required by Illinois law. The policy lists permitted investments and prescribes safekeeping, collateralization, and reporting requirements. RTA staff manages the investment of these funds.

The RTA policy establishes the following objectives:

- ***Safety of Principal***—Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.
- ***Liquidity***—Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.
- ***Rate of Return***—A secondary objective is to seek the highest return on investments consistent with preservation of principal and prudent investment principles.
- ***Public Trust***—The RTA and its officers should avoid any investment transaction or practice which in appearance or may impair public confidence in its stewardship of public funds.

- ***Investments in Local and Disadvantaged Institutions***—Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female (if any) owned financial institutions.

Debt Service Fund

Each bond issue has a separate debt service account, administered by a trustee, to accumulate the amount necessary for the next bondholder payment. The trust agreement establishes the requirements for the administration of the account, and requires that the trustee invest in securities that are legal investments under the laws of the State of Illinois at the time of investment.

Capital Projects Fund

The RTA usually contracts with an investment institution to manage the proceeds of its bond issues. A separate contract, awarded on a competitive basis, governs each issue. The contract requires full collateralization, limited to securities guaranteed by the full faith and credit of the United States government as to principal and interest, the Export-Import Bank of the United States, and selected agencies created pursuant to an Act of Congress, with weekly mark-to-market.

Joint Self-Insurance Fund

An RTA ordinance was passed to govern this fund. RTA staff manages the investment of these funds in compliance with this ordinance and the RTA investment policy. The joint self-insurance fund maintains a separate account for these funds. Cash and cash equivalents of the Joint Self-Insurance Fund are held in separate accounts and not commingled with other RTA assets.

Pension Fund

An RTA ordinance was passed to govern this fund. The ordinance requires that the RTA Board appoint the trustees to oversee the investment of the pension fund. A representative from the RTA, Metra, and Pace, plus four individuals not employed in the RTA system, comprise the trustees. The trustees have adopted an investment policy and have apportioned the pension fund among a number of investment institutions to execute this policy. In addition, the trustees utilize an independent firm to monitor the performance of the investment institutions.

Risk Management

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to temporarily finance catastrophic losses and other claims incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from the CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of \$5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the Fund that are not covered by the insurance agreement.

Pension and Other Post Employment Benefits

The RTA sponsors a multi-employer defined benefit pension plan for substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively) who are not otherwise covered by a union pension plan. RTA, Metra, and Pace are collectively referred to hereinafter as the Employer. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that each employer must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. In 2007 and 2008, the employer's pension costs equal the required and actual contributions which were \$9,137,000 and \$9,195,000, respectively. The required contributions were determined as part of the January 1, 2007 and 2008 actuarial valuations.

The RTA also offers eligible retirees the option to continue participation in its group health insurance plan. Election to participate is voluntary with the RTA incurring no additional obligations except that the RTA will pay each eligible retiree the sum of up to \$78 per month toward the cost of his/her health insurance. There are 20 participants eligible to receive benefits at December 31, 2008. The RTA recognized retiree health care benefits as expenses as they are paid and are not material in amount at the present time.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2007. This was the fourteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2008. This marks the twelfth consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

I would like to express my appreciation to the RTA staff for their efforts in preparing this report.



Joseph G. Costello
Senior Deputy Executive Director
Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Transportation
Authority, Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

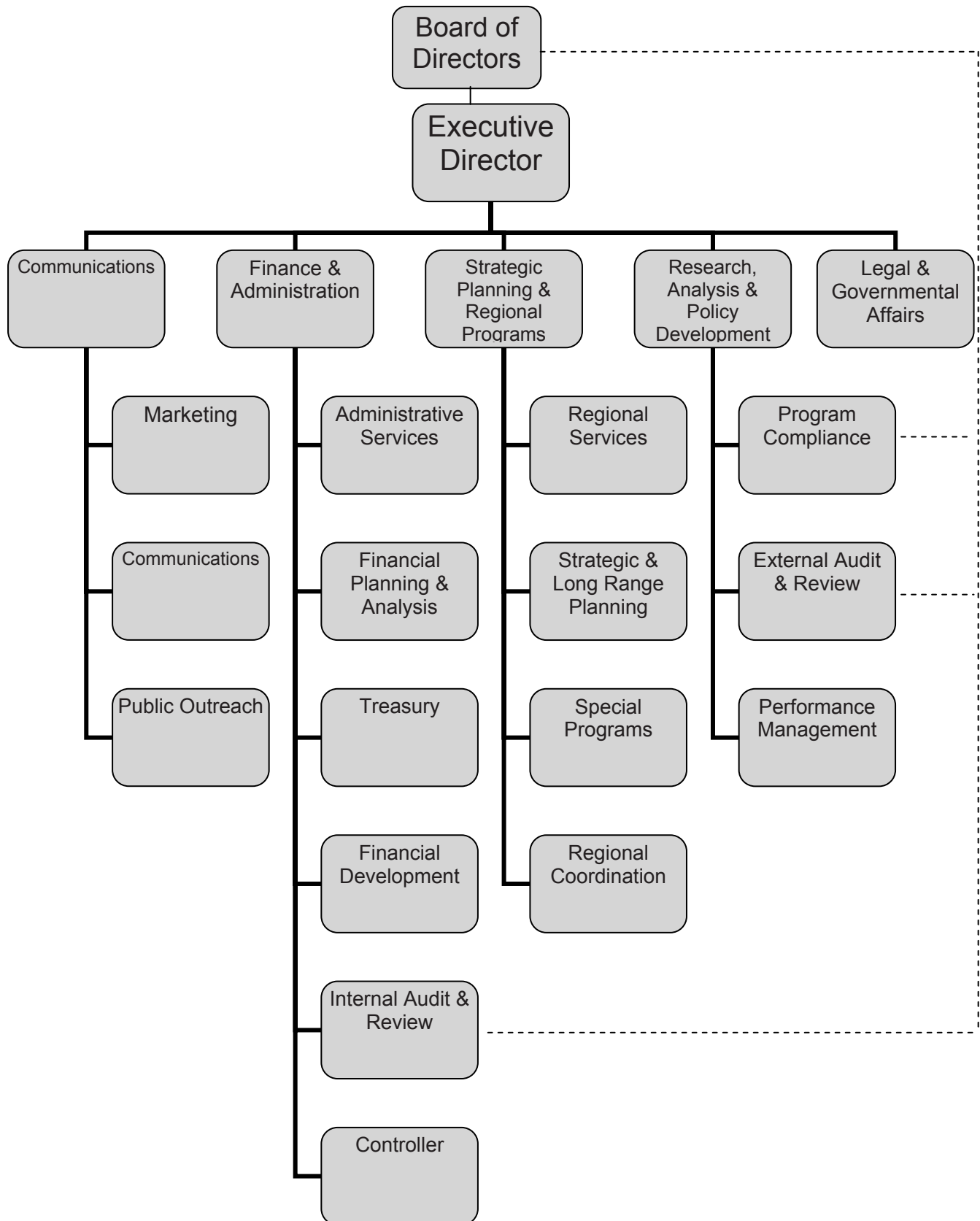
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President

Executive Director

**REGIONAL TRANSPORTATION AUTHORITY
ORGANIZATION CHART
December 31, 2008**



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS DECEMBER 31, 2008

Board of Directors

Chairman

James R. Reilly

Directors

James Buchanan
Jan Carlson
William R. Coulson
Rev. L. Tyrone Crider, Sr
Patrick J. Durante
Phil Fuentes
Al Jourdan
Dwight A. Magalis
Patrick V. Riley, Jr.
Michael Rosenberg
J.D. Ross
Michael Scott
Judy Baar Topinka
Douglas M. Troiani

Administration

Executive Director

Stephen E. Schlickman

Senior Deputy Executive Director
Finance and Administration

Joseph G. Costello

Senior Deputy Executive Director
Strategic Planning and Regional Programs

Leanne P. Redden

Senior Deputy Executive Director
Legal and Government Affairs

Andrew S. Gruber

Senior Deputy Executive Director
Research Analysis and Policy Development

Grace Gallucci

Director of
Communications

Diane J. Palmer

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority ("RTA") as of and for the year ended December 31, 2008, which collectively comprise the RTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009 on our consideration of the RTA's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Required Supplementary Information and the Management's Discussion and Analysis listed in the foregoing table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules are the responsibility of the RTA's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, 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. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 10, 2009

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2008. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2008, the RTA statement of activities for the governmental activities shows expenses increasing \$68 million to \$590 million from \$522 million for the same period in 2007. This increase is due to an increase in financial assistance to the CTA, Metra, and Pace ("Service Boards") by \$58 million. Revenues decreased by \$34 million from 2007. The decrease was primarily due to lower operating grants and lower investment income offset by more PTF and state assistance.
- The government-wide statement of net assets shows assets of \$693 million for the governmental activities, a net increase of \$23 million. The increase is mainly due to an increase in receivables of \$144 million offset by a decrease in cash and investments of \$123 million. The increase in receivables was due to the timing of receipts. The decrease in cash and investments is due to capital expenditures activity in 2008. In the government-wide statement of net assets, bond-related liabilities decreased by \$71 million due to payments for general obligation bonds in 2008.
- At the end of 2008, the government-wide statement of net assets shows a deficit of \$2.1 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of \$313 million. There is a \$2.4 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is the result of the presentation of RTA financial statements required by the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB Statement No. 34"), as it relates to the recording of the RTA general obligation bonds in the government-wide statement of net assets.
- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Overview of the CAFR—The RTA CAFR consists of three parts:

1. **Introductory Section**—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.
2. **Financial Section**—This section is comprised of the independent auditor’s report, the management’s discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.
3. **Statistical Section (Unaudited)**—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

The basic financial statements contain three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. A discussion of the basic financial statements is included in this CAFR as follows:

Government-wide Financial Statements—The government-wide financial statements provide a broad overview of the RTA finances in a manner similar to those of a private-sector business. The statements are prepared following the full accrual basis of accounting.

- **Statement of Net Assets**—The statement of net assets presents information on all of the RTA’s assets and liabilities. The statement subtracts liabilities from assets to compute—in the case of the RTA—a net deficit. This net deficit reflects the recording of bonds issued by the RTA for capital grants to the Service Boards to acquire and construct assets used to provide public transportation. These assets appear in the financial statements of the Service Boards. The bonds represent general obligations of the RTA to which the RTA has pledged its full faith and credit.

The size of the net deficit will increase as the RTA continues to issue bonds to fund the RTA System capital program.

- **Statement of Activities**—The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards, RTA administrative expenses, the RTA Travel Information Center, certification of riders for paratransit service under the Americans with Disabilities Act (regional expenses), and interest expense on bonds issued by the RTA. Business-type activities consist of the RTA Joint Self-Insurance Fund.

The government-wide financial statements include only the RTA (the “primary government”). There are no “component units” (separate legal entities for which the RTA is financially accountable) that the RTA government-wide financial statements are required to include.

The RTA does not consider the CTA, Metra, or Pace to be component units, therefore, the RTA government-wide financial statements do not incorporate the financial data of the Service Boards. See Letter of Transmittal and Note 1 to the financial statements for further details.

Fund Financial Statements—A fund refers to a set of related self-balancing accounts used to maintain control over resources segregated for specific activities or objectives. The RTA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The RTA’s funds are accounted for in three fund types: governmental funds, proprietary

funds, and fiduciary funds. These financial statements are prepared following the modified accrual basis of accounting.

- ***Governmental Funds***—Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year.

Unlike the information presented for governmental funds, information presented for governmental activities in the government-wide financial statements, includes the long-term impact of near-term financing decisions. The governmental funds financial statements provide reconciliations to facilitate comparison between governmental funds and government-wide financial statements.

In the fund level basic financial statements, the RTA presents three major governmental funds: a general fund, a debt service fund, and a capital projects fund. The governmental funds financial statements present information for each major fund separately. Individual fund data for each of the RTA governmental funds is presented in this CAFR in the section labeled “Combining and Individual Fund Schedules.”

The RTA adopts an annual appropriated budget for its general fund. The Required Supplementary Information and Combining and Individual Fund Schedules include a budgetary comparison.

- ***Proprietary Funds***—The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate audited financial statements.
- ***Fiduciary Funds***—Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues audited financial statements separately.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

SUMMARY OF NET ASSETS
DECEMBER 31, 2008 AND 2007
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2008	2007	Variance	2008	2007	Variance	2008	2007	Variance
Assets:									
Cash and investments	\$ 396,836	\$ 519,578	\$ (122,742)	\$ 22,902	\$ 21,199	\$ 1,703	\$ 419,738	\$ 540,777	\$ (121,039)
Other assets	284,539	140,387	144,152	3,207	3,444	(237)	287,746	143,831	143,915
Noncurrent assets	-	-	-	2,750	3,750	(1,000)	2,750	3,750	(1,000)
Capital assets—net	11,118	9,754	1,364	-	-	-	11,118	9,754	1,364
Total assets	692,493	669,719	22,774	28,859	28,393	466	721,352	698,112	23,240
Liabilities:									
Current non bond-related liabilities	307,281	97,933	209,348	-	-	-	307,281	97,933	209,348
Current bond related liabilities	74,157	70,387	3,770	-	-	-	74,157	70,387	3,770
Long-term non-bond-related liabilities	50,136	51,442	(1,306)	-	-	-	50,136	51,442	(1,306)
Long-term bond-related liabilities	2,312,541	2,387,376	(74,835)	-	-	-	2,312,541	2,387,376	(74,835)
Total liabilities	2,744,115	2,607,138	136,977	-	-	-	2,744,115	2,607,138	136,977
Net assets (deficit):									
Invested in capital assets	11,118	9,754	1,364	-	-	-	11,118	9,754	1,364
Unrestricted (deficit)	(2,062,740)	(1,947,173)	(115,567)	28,859	28,393	466	(2,033,881)	(1,918,780)	(115,101)
Total net assets (deficit)	\$ (2,051,622)	\$ (1,937,419)	\$ (114,203)	\$ 28,859	\$ 28,393	\$ 466	\$ (2,022,763)	\$ (1,909,026)	\$ (113,737)

As of December 31, 2008, cash and investments for governmental activities decreased by \$123 million over the previous year. During 2008, the Capital Projects Fund decreased by \$93 million, conversely the Debt Service Fund increased by \$2.8 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

As of December 31, 2008, the current non bond-related liabilities increased by \$209 million from the previous year due to timing differences in funds distributed to the Service Boards.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition in the statement of net assets of \$2.4 billion in current and long-term general obligation bonds payable. Prior to the implementation of GASB Statement No. 34, these bonds were recorded in the general long-term debt account group and presented, prior to the 2001, as credits, with an equal amount of other debits (i.e., amount available and amount to be provided for the retirement of long-term debt). This was a result of the recording of bonds issued by the RTA under its bonding authority. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

The size of the net deficit will continue to increase over time as the RTA progresses with its bond financing to fund the RTA System capital program. This deficit will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2009 as established in September 2008 during the 2009 budget process.

The following table summarizes the RTA Statement of Activities presented in this CAFR:

SUMMARY OF ACTIVITIES
DECEMBER 31, 2008 AND 2007
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2008	2007	Variance	2008	2007	Variance	2008	2007	Variance
Expenses:									
Financial assistance									
to Service Boards	\$ 249,948	\$ 249,941	\$ 7	\$ -	\$ -	\$ -	\$ 249,948	\$ 249,941	\$ 7
Administration of capital grants	119,373	113,328	6,045	-	-	-	119,373	113,328	6,045
Administration of operating grant	58,142	-	58,142	-	-	-	58,142	-	58,142
Administrative expenses	7,532	6,967	565	4,375	4,855	(481)	11,907	11,822	84
Regional and technology									
program expenses	23,123	21,652	1,471	-	-	-	23,123	21,652	1,471
Interest expense	127,495	130,079	(2,584)	-	-	-	127,495	130,079	(2,584)
							-	-	
Total expenses	585,613	521,967	63,646	4,375	4,855	(481)	589,988	526,822	63,165
Revenues and transfers:									
Sales taxes	109,003	112,938	(3,935)	-	-	-	109,003	112,938	(3,935)
PTF and state									
assistance	349,071	306,738	42,333	-	-	-	349,071	306,738	42,333
Note interest	-	-	-	151	207	(56)	151	207	(56)
Operating grant - CTA/PACE	14,441	54,252	(39,811)	-	-	-	14,441	54,252	(39,811)
Regional expenses	1,361	1,153	208	-	-	-	1,361	1,153	208
Investment income and other	1,454	33,916	(32,462)	770	1,210	(440)	2,224	35,126	(32,902)
Transfers	(3,920)	-	(3,920)	3,920	-	3,920	-	-	-
Total revenues and transfers	471,410	508,997	(37,587)	4,841	1,417	3,424	476,251	510,414	(34,163)
Change in net assets	(114,203)	(12,970)	(101,233)	466	(3,438)	3,904	(113,737)	(16,408)	(97,329)
Net assets—beginning of year	(1,937,419)	(1,924,449)	(12,970)	28,393	31,831	(3,438)	(1,909,026)	(1,892,618)	(16,408)
							-	-	
Net assets—end of year	\$ (2,051,622)	\$ (1,937,419)	\$ (114,203)	\$ 28,859	\$ 28,393	\$ 466	\$ (2,022,763)	\$ (1,909,026)	\$ (113,737)

Financial assistance to the Service Boards increased by \$58 million from \$250 million in 2007 to \$308 million in 2008. Capital grants to the Service Boards increased by \$6 million, from \$113 million in 2007 to \$119 million in 2008, which reflects the activity in capital expenditures to the Service Boards during 2008. The amount of bond interest expense decreased by \$3 million from \$130 million to \$127 million. PTF and state assistance increased by \$42 million, offset by the sales tax decrease of \$4 million, a decrease in investment income of \$32 million, and the decrease in operating grant revenue of \$40 million, resulting in a decrease of \$34 million in total revenue from 2007.

During 2008, a total of \$3.9 million was transferred to the Joint Self-Insurance Fund for excess liability. Insurance premiums represent the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the RTA employs three fund types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds—Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. See the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances on pages 27 and 29, respectively, for further details.

General Fund—Assets in the general fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by \$83 million from \$264 million in 2007 to \$347 million in 2008, mainly due to timing differences. Also, intergovernmental receivables increased \$144 million due to timing differences.

At December 31, 2008, the majority of RTA's liabilities of \$293 million are comprised of intergovernmental payables, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals \$53 million at December 31, 2008. The General Fund balance decreased by \$96 million primarily due to decreases in sales taxes, operating assistance - CTA/PACE ADA Paratransit and increases in financial assistance to the Service Boards.

Reserved for other includes \$25 million in interest rate swap expenses, \$15 million in RTA capital, \$47 million in Debt Service Deposit Agreement ("DSDA"), and \$370 thousand in prepaid items. The amount reserved for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- Active transit station signs, Phase III expansion and evaluation (variable message signs designed to provide real-time "next train" or "next bus" service information at transit stops).
- Transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections).
- Transit management systems (voice/data communication functions, computer-aided dispatching, and automatic vehicle location technologies to improve transit operating efficiency, increase service reliability, and ensure schedule adherence).
- Parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities).
- Transit signal priority (gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs).

- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler’s perspective.
- Traveler Resource and Itinerary Planning System (TRIPS) is a traveler information system which matches regional attractions with transit directions using interactive electronic kiosks.

The remaining unreserved and undesignated fund balances total (\$53) million.

Debt Service Fund—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2008, the RTA has nineteen series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2008 Debt Service Fund balance increased by \$2.8 million from 2007 to \$80 million.

Capital Projects Fund—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds (except noted otherwise), and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2008, the Capital Projects Fund decreased by \$93 million. The decrease in cash and investments for the Capital Projects Fund reflects the activity in bond capital expenditures.

Proprietary Fund—The RTA has established a proprietary fund to account for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one proprietary fund which relates to the activities of the Joint Self-Insurance Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, revenues are lower than the budget goal by \$45.8 million. A poor economic environment during 2008 resulted in lower than budgeted sales tax receipts, hence, higher PTF receipts. The RTA receives reimbursement from the State for debt service on bonds issued under the Strategic Capital Improvement Plan (SCIP). Such reimbursement, termed ASA and AFA, is included in the State assistance line item in the financial statements, which recognized a total of \$121.9 million in 2008. In 2008, the investment income was \$23.8 million less than budgeted, which was due mainly to interest rate swap valuation cost of \$124 million in 2008. Total financial assistance to the Service Boards was lower than budget by \$53 million in 2008. Other non-administration and technology program expenditures did not reach budgeted levels by \$3.4 million, primarily due to delays in some program initiatives.

By policy established by the RTA ordinance, the annual budget and two-year financial plan adopted by the RTA each year must reflect an unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA total operating expenditures by the end of the planning period. The RTA has consistently met this requirement each year since its establishment.

SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net assets for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 10 of this report.

Service Boards Capital Assets—The RTA System provides 651.8 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than \$31.3 billion for the entire region. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of capital funding from Federal as well as State programs has risen, reflecting the increasing recognition of the importance of public transportation. In recent years, the RTA and the Service Boards have also been able to direct funds to capital projects by successfully constraining operating costs.

Long-Term Debt Activity—Under the RTA Act, the RTA has authority to issue General Obligation Bonds for the improvement and expansion of the RTA System. This authority resulted from successful RTA efforts to demonstrate to the State legislature the need for capital reinvestment. The authorization identified two types of bonds: Strategic Capital Improvement Program (“SCIP”) bonds and RTA (“Non-SCIP”) bonds.

Prior to January 1, 2000, the RTA had the authority to issue up to \$500 million in SCIP bonds and to have up to \$500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional \$260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to \$800 million of Non-SCIP bonds. As of year-end 2008, the RTA has issued \$1.790 billion in SCIP bonds, with total SCIP bonds outstanding of \$1.577 billion. The remaining \$650.4 million bonds outstanding relate to Non-SCIP bonds.

For 2008, the bonds issued by the RTA carried a rating of “AA+” from Standard & Poor’s, Aa2 by Moody’s Investors Service, Inc and AA by Fitch, Inc. On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority general obligation bond rating to AA- from AA and assigned a negative outlook to outstanding general obligation debt. On June 8, 2009, Moody’s Investors Service downgraded the Regional Transportation Authority’s approximately \$2.5 billion of outstanding parity bonds to Aa3 from Aa2.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Administration 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents	\$ -	\$ 14,301	\$ 14,301
Restricted—investments	262,774	-	262,774
Unrestricted—investments	134,062	8,601	142,663
Due from fiduciary funds	19	-	19
Intergovernmental receivables	270,542	-	270,542
Unamortized bond issue costs	579	-	579
Accrued interest on investments	1,011	228	1,239
Loan to SB-Note and interest	-	1,358	1,358
Internal balances	18	(18)	-
Prepaid expenses and other assets	882	1,639	2,521
Non-current portion of:			
Unamortized bond issue costs	11,488	-	11,488
Note receivable	-	2,750	2,750
Capital assets—net of accumulated depreciation	1,402	-	1,402
Capital assets—non-depreciable	9,716	-	9,716
Total assets	<u>692,493</u>	<u>28,859</u>	<u>721,352</u>
LIABILITIES:			
Current portion of:			
Vouchers payable	145	-	145
General obligation bonds payable	68,455	-	68,455
Unearned revenue	1,701	-	1,701
Unamortized bond premium	5,702	-	5,702
Due to fiduciary funds	15,369	-	15,369
Intergovernmental payables	170,528	-	170,528
Accrued other expenses	4,557	-	4,557
Working cash note payable	56,000	-	56,000
Other liabilities	59,981	-	59,981
Non-current portion of:			
Deferred rent	2,076	-	2,076
Accrued interest payable	33,919	-	33,919
Unearned revenue	47,060	-	47,060
Unamortized bond premium	119,502	-	119,502
General obligation bonds payable	2,159,120	-	2,159,120
Total liabilities	<u>2,744,115</u>	<u>-</u>	<u>2,744,115</u>
NET ASSETS (DEFICIT):			
Invested in capital assets	11,118	-	11,118
Accumulated unrestricted (deficit)	(2,062,740)	28,859	(2,033,881)
TOTAL NET ASSETS (DEFICIT)	<u>\$ (2,051,622)</u>	<u>\$ 28,859</u>	<u>\$(2,022,763)</u>

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008

(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets		Total
			Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	\$ 249,948	\$ -	\$ 249,948	\$ -	\$ 249,948
Administration of capital grants					
Discretionary	26,288	-	26,288	-	26,288
Bonds	93,085	-	93,085	-	93,085
Administration of operating grant					
CTA/PACE	58,142	14,441	43,701	-	43,701
Administrative expenses	7,532	-	7,532	-	7,532
Regional expenses	20,656	1,361	19,295	-	19,295
Technology program expenses	2,467	-	2,467	-	2,467
Interest expense	127,495	-	127,495	-	127,495
Total governmental activities	585,613	15,802	569,811	-	569,811
Business-type activities—					
insurance financing	4,375	-	-	4,375	4,375
TOTAL PRIMARY GOVERNMENT	\$ 589,988	\$ 15,802	569,811	4,375	574,186
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
Sales taxes			109,003	-	109,003
Interest on sales taxes			1,081	-	1,081
State assistance (PTF)			227,201	-	227,201
State assistance (ASA/AFA)			121,870	-	121,870
Investment income			(1,495)	770	(725)
Other revenues			1,868	151	2,019
Transfers			(3,920)	3,920	-
Total general revenues and transfers			455,608	4,841	460,449
CHANGES IN NET ASSETS (DEFICIT)			(114,203)	466	(113,737)
NET ASSETS (DEFICIT):					
Beginning of year			(1,937,419)	28,393	(1,909,026)
End of year			\$ (2,051,622)	\$ 28,859	\$ (2,022,763)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2008 (In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Investments:				
Restricted investments	\$ -	\$ 78,392	\$ 184,383	\$ 262,775
Unrestricted—investments	75,081	-	-	75,081
Due from other funds	37	662	8,014	8,713
Intergovernmental receivables	270,542	-	-	270,542
Accrued interest on investments	101	910	-	1,011
Other receivable	512	-	-	512
Prepaid items and other assets	370	-	-	370
TOTAL ASSETS	<u>\$ 346,643</u>	<u>\$ 79,964</u>	<u>\$ 192,397</u>	<u>\$ 619,004</u>
LIABILITIES:				
Vouchers payable	\$ 145	\$ -	\$ -	\$ 145
Due to other funds	15,369	-	8,676	24,045
Intergovernmental payables	166,008	-	4,520	170,528
Notes payable	56,000	-	-	56,000
Accrued items				
Deferred revenue	48,761	-	-	48,761
Accrued liability	3,629	-	-	3,629
Other accrued items	3,391	-	-	3,391
Total liabilities	<u>293,303</u>	<u>-</u>	<u>13,196</u>	<u>306,499</u>
FUND BALANCES:				
Reserved for:				
Service boards capital projects	16,054	-	-	16,054
CTA operating assistance ADA	4,072	-	-	4,072
Prepaid items	370	-	-	370
Debt service	-	79,964	-	79,964
Bond Capital Projects	-	-	179,201	179,201
RTA Non-Cap Tech	2,282	-	-	2,282
CTAP Capital	8,058	-	-	8,058
Debt Svc Deposit Agrmt Reserve (DSDA)	46,987	-	-	46,987
RTA capital projects	4,329	-	-	4,329
Interest rate swap	24,670	-	-	24,670
Unreserved, undesignated	<u>(53,482)</u>	<u>-</u>	<u>-</u>	<u>(53,482)</u>
Total fund balances	<u>53,340</u>	<u>79,964</u>	<u>179,201</u>	<u>312,505</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 346,643</u>	<u>\$ 79,964</u>	<u>\$ 192,397</u>	<u>\$ 619,004</u>

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2008 (In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	\$ 312,505
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets.	11,118
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Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets.	12,067
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General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets.	(2,227,575)
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Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets.	(125,204)
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Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets.	(33,919)
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Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(614)
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TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	<u><u>\$ (2,051,622)</u></u>
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The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2008

(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	\$ 109,003	\$ -	\$ -	\$ 109,003
Interest on sales taxes	1,081	-	-	1,081
Public Transportation Fund	188,829	-	-	188,829
New 5% PTF Advance Recovery	38,372	-	-	38,372
Innovation, Coordination & Enhancement (ICE)	10,000	-	-	10,000
Operating Assistance - CTA/PACE ADA Paratransit	4,441	-	-	4,441
State assistance	121,870	-	-	121,870
Investment income	(10,834)	9,339	-	(1,495)
Other revenues	3,229	-	-	3,229
Total revenues	465,991	9,339	-	475,330
EXPENDITURES:				
Financial assistance to Service Boards	249,948	-	-	249,948
Capital grants—discretionary	26,288	-	-	26,288
South Suburban Job Access Program- (PACE)	3,750	-	-	3,750
5% PTF/RETT & ADA Paratransit (New Sales Tax)	42,813	-	-	42,813
Innovation, Coordination, & Enhancement (ICE)	10,000	-	-	10,000
PACE (PTF) expenditures	1,579	-	-	1,579
Capital grants—bonds	-	-	93,086	93,086
Administrative	7,258	-	-	7,258
Regional	24,509	-	-	24,509
Capital outlay	263	-	-	263
Debt service:				
Principal	-	64,685	-	64,685
Interest	3,835	127,870	-	131,705
Debt related costs	1,387	203	-	1,590
Total expenditures	371,630	192,758	93,086	657,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	94,361	(183,419)	(93,086)	(182,144)
OTHER FINANCING SOURCES (USES):				
Transfers out	(190,188)	-	-	(190,188)
Transfers in	-	186,268	-	186,268
Total other financing sources (uses)	(190,188)	186,268	-	(3,920)
NET CHANGE IN FUND BALANCES	(95,827)	2,849	(93,086)	(186,064)
FUND BALANCES:				
Beginning of year	149,167	77,115	272,287	498,569
End of year	\$ 53,340	\$ 79,964	\$ 179,201	\$ 312,505

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2008 (In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS \$ (186,064)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlay (\$2,096) exceeded depreciation
expense (\$732) in the current period. 1,364

The repayment of the principal of long-term debt consumes the current
financial resources of governmental funds. However, this transaction
has no effect on net assets. 64,685

Accrued interest on bonds reported in the statement of activities
does not require the use of current financial resources and, therefore,
is not reported expenditures in governmental funds. 678

Governmental funds report bond premiums as financing source. However,
in the statement of activities, the premiums are amortized over the life of the
bonds and recorded as a reduction of bond interest expense. 5,702

Unamortized bond issue costs reported in the statement of activities
require the use of current financial resources and therefore,
are fully recognized in the governmental funds. (579)

Expenses reported in the statement of activities do not require the use of current
resources and, therefore, are not reported as expenditures in governmental
funds. 11

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (114,203)

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND JOINT SELF-INSURANCE (PROPRIETARY) FUND DECEMBER 31, 2008 (In Thousands)

ASSETS:

Current:

Cash and cash equivalents	\$ 14,301
Investments	8,601
Note receivable	1,000
Note accrued interest	358
Accrued interest on investments	228
Prepaid insurance	<u>1,639</u>
Total current assets	<u>26,127</u>

Noncurrent assets:

Note receivable non-current	<u>2,750</u>
Total noncurrent assets	<u>2,750</u>
Total assets	<u>28,877</u>

LIABILITIES:

Current:

Due to General Fund	<u>18</u>
Total current liabilities	<u>18</u>

NET ASSETS—Unrestricted	<u><u>\$ 28,859</u></u>
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The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND

JOINT SELF-INSURANCE (PROPRIETARY) FUND

YEAR ENDED DECEMBER 31, 2008

(In Thousands)

OPERATING REVENUES:	
Note interest	<u>\$ 151</u>
OPERATING EXPENSES:	
Insurance expense	4,281
Professional services	93
Bank charges and miscellaneous	<u>1</u>
Total operating expenses	<u>4,375</u>
OPERATING LOSS	<u>(4,224)</u>
NON-OPERATING REVENUES	
Investment income	770
Transfer from General Fund	<u>3,920</u>
Total nonoperating revenues	<u>4,690</u>
CHANGE IN NET ASSETS	466
NET ASSETS:	
Beginning of year	<u>28,393</u>
End of year	<u><u>\$ 28,859</u></u>

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND JOINT SELF-INSURANCE (PROPRIETARY) FUND YEAR ENDED DECEMBER 31, 2008 (In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Payments to insurance vendor	\$ (3,926)
Payments received from PACE	1,000
Payments to other vendors	<u>(76)</u>
Net cash flows from operating activities	<u>(3,002)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(49,886)
Sales of investments	49,986
Investment income	<u>786</u>
Net cash flows from investing activities	<u>886</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfer from General Fund	<u>3,920</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 1,804

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>12,497</u>
End of year	<u><u>\$ 14,301</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (4,224)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	354
Note receivable	1,000
Note accrued interest	(151)
Due to General Fund	<u>18</u>

NET CASH FLOWS FROM OPERATING ACTIVITIES \$ (3,002)

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:

There were no investing, capital, or financing activities that did not result in cash flows.

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS DECEMBER 31, 2008 (In Thousands)

	<u>Pension Trust Fund</u>	<u>Sales Tax Agency Fund</u>
ASSETS:		
Cash and cash equivalents	\$ 2,894	\$ -
Investments, at fair value:		
Corporate fixed income mutual fund	36,075	-
Equity mutual funds and common stocks	49,382	-
Total Investments	85,457	-
Intergovernmental receivables:		
Sales tax	-	152,228
New sales tax	-	59,271
Interest on sales tax	-	539
Reduced fare reimbursement	-	28,919
Advances to Service Boards	-	54,552
Pension contribution from Service Boards	8,200	-
Due from General Fund	995	14,374
Accrued dividends and interest	20	-
Total Receivables	9,215	309,883
Total assets	97,566	309,883
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards	-	152,228
New sales tax due to Service Boards	-	59,271
Interest on sales taxes due to Service Boards	-	539
Reduced fare reimbursement	-	28,919
Advances from State	-	54,552
ADA Paratransit funding (Future years)	-	14,374
Due to General Fund	19	-
Accrued other items	76	-
Total liabilities	95	309,883
Net assets held in trust for pension benefits	\$ 97,471	\$ -

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2008

(In Thousands)

	<u>Pension Trust Fund</u>
ADDITIONS:	
Investment gain:	
Net depreciation in fair value of investments	\$ (27,806)
Interest and dividends	2,426
	<u>(25,380)</u>
Less investment expenses:	
Investment managers	239
Trust fees	44
Investment advisor	54
	<u>337</u>
Total investment expenses	<u>(25,717)</u>
Net investment loss	
Contributions:	
Metra pension contributions	4,734
Pace pension contributions	3,466
RTA pension contributions	995
	<u>9,195</u>
Total contributions	<u>(16,522)</u>
Total net additions	
DEDUCTIONS:	
Benefit payments	9,185
Administrative expenses	336
	<u>9,521</u>
Total deductions	
NET DECREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	(26,043)
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>123,514</u>
End of year	<u>\$ 97,471</u>

The notes to financial statements are an integral part of this statement.

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2008

1. REPORTING ENTITY

The Regional Transportation Authority ("RTA") was established in 1974 upon approval of a referendum in its six-county Northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act ("Act"). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. However, on November 9, 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

The Service Boards provide services to different geographic areas within the six-county region. Metra provides transit service to the six-county area, with the majority of the transit riders residing in the suburban metropolitan area and commuting into the City of Chicago. Pace's primary service area is the suburban communities, with limited services to areas within the City of Chicago. The CTA provides service to the City of Chicago and 38 neighboring suburbs within Cook County. Although programs are underway to increase the transfer of ridership between the service entities, trips of this type presently represent a minority of those taken.

The Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA System as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States established by the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the 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:

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 fiscal dependency on the primary government.

In addition, a component unit also includes certain organizations that the primary government is not financially accountable for if the nature and significance of their relationship, including ongoing financial support are such that exclusion from the financial reporting entity would render the entity's financial statements incomplete or misleading.

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

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

- The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters, including ownership of assets, relations with Federal and State transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.
- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficits.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management of the RTA does not consider the Service Boards to be component units and, accordingly, the financial data of the Service Boards have been excluded from the RTA reporting entity. The RTA is not aware of any entity which is financially accountable for the RTA that would result in the RTA's being considered a component unit of such entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the RTA conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The accounts of the RTA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. RTA resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be utilized and the means by which spending activities are controlled. In the financial statements, the various funds are grouped into three broad fund types and six generic fund categories as follows:

Governmental Fund Types—The RTA's Governmental Fund Types consist of the General Fund, Debt Service Fund, and Capital Projects Fund.

General Fund—The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund.

Debt Service Fund—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund—In 1989, the Illinois General Assembly authorized the RTA to issue a maximum of \$500 million of Strategic Capital Improvement Program (“SCIP”) bonds, and to have a maximum of \$500 million RTA bonds outstanding. The Capital Projects Fund is utilized for the receipt and disbursement of the proceeds of the bond issues. The Capital Projects Fund was first established in 1990 with the issuance of \$100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly’s authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. Projects included in approved five-year Capital Programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to \$800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by \$260 million each year for five years from 2000 to 2006 for a total of \$1.5 billion additional bond issues.

Proprietary Fund Type—Proprietary Funds are used to account for activities that are similar to those found in the private sector and to account for the financing of goods or services provided by a department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis. The RTA has one Proprietary Fund which relates to the activities of the Joint Self-Insurance Fund.

Joint Self-Insurance Fund—The Joint Self-Insurance Fund (“Fund”) is used to account for the financing of claims incurred by the Service Boards and the RTA on a cost-reimbursement basis. The Fund is essentially a financing mechanism providing a source from which to borrow or to pay for the first \$5 million of catastrophic losses and other claims incurred by the Service Boards and the RTA arising out of personal injuries, property damage, and certain other losses. This Fund is reported as an Enterprise Fund since the predominant participants are outside of the RTA.

Fiduciary Fund Type—Fiduciary Funds account for assets held by a governmental entity in a trustee capacity or as an agent for others. The RTA’s Fiduciary Funds consist of one Agency (Sales Tax) Fund and a Pension Trust Fund.

Agency Fund—The Sales Tax Agency Fund records the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers’ Occupation and Use Tax (sales taxes), interest on sales taxes, and reduced fare reimbursement grants. For RTA budgetary purposes, sales tax receipts are recorded in the Sales Tax Agency Fund and are equally offset by amounts recorded as disbursements reflecting the pass-through to the Service Boards.

Pension Trust Fund—The Pension Trust Fund is used to account for the accumulation of resources for, and payments of, retirement benefits to employees participating in the RTA Pension Plan.

Government-wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of

interfund activities has been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

The statement of activities shows certain direct program expenses which are offset by program revenues. Governmental program activities include expenses such as financial assistance and capital asset funding (capital grants) to CTA, Metra, and Pace; administrative expenses; operating the RTA Travel Information Center, certifying riders for paratransit service under the Americans with Disabilities Act (“ADA”) and other services (regional expenses); and payment of debt service on bonds issued by the RTA. Program revenues include operating grants and contributions that are restricted to meeting the operational requirements of a particular program (i.e., technology and non-technology programs). Sales taxes, Public Transportation Fund (“PTF”), state assistance (“ASA/AFA”) investment income and other items properly excluded from program revenues are reported instead as general revenues.

Fund level financial statements are provided for governmental funds, proprietary fund, and fiduciary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund (Joint Self-Insurance Fund) and the Pension Trust Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues (interest charged to Service Boards) and expenses (administrative expenses including insurance premium and professional services) generally result from providing services in connection with the proprietary fund’s ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Sales Tax Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Governmental fund financial statements use the current financial resources measurement focus. The funds are accounted for using the modified accrual basis of accounting; i.e., revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or shortly thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and received by the RTA within 80 days after year-end. ASA/AFA are considered measurable and available if billed and received within 180 days after year-end. Sales taxes and ASA/AFA are susceptible to full accrual. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The RTA reports three major governmental funds—General Fund, Debt Service Fund, and Capital Projects Fund; one proprietary fund—Joint Self-Insurance Fund; and two fiduciary funds—Pension Trust Fund and Sales Tax Agency Fund.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Assets, Liabilities and Fund Equity

Cash and Investments—All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using various sources. Short-term investments are reported at cost, which approximates fair value due to their short-term nature. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Intergovernmental Receivables—Receivables include amounts due from State and local governments for sales taxes, specific programs or projects, and services.

Capital Assets—The RTA sets a capitalization threshold of no less than \$5,000 for any capital item(s). Capital assets are recorded at historical cost (or fair market value at the time of donation, if donated) and have a useful life of at least two years following the date of acquisition. Any acquisitions during the year are considered acquired at the beginning of that year for the purpose of computing depreciation. The RTA uses the straight-line method for computing depreciation expense. Leasehold improvements made to RTA’s office facilities are capitalized, and their costs amortized during the life of the lease. Leasehold improvements and major equipment repairs, if any, are also capitalized during the remaining life of the lease or the extended useful life of the equipment. The Capital-Technology Program’s capitalized assets are for projects in progress; therefore, the assets are non-depreciable.

<u>Description</u>	<u>Useful Life</u>
Furniture and equipment	5 years
Computer equipment	5 years
Leasehold improvements	Life of the lease

Restricted Assets—Bond proceeds and amounts set aside for general obligation debt service are classified as restricted assets since their use is limited by the bond indentures. When both restricted and unrestricted resources are available for use, it is RTA’s policy to use restricted resources first, then unrestricted resources as needed.

Compensated Absences—Compensation for holidays, illness, and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest. The RTA accounts for compensated absences under GASB No. 16, entitled Accounting for Compensated Absences, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. Compensated absences are recorded in the General Fund only if they have matured (i.e., unused leave still outstanding at time of an employee’s resignation or retirement).

Intergovernmental Payables—These amounts include accrued financial assistance, sales taxes, capital and other grants due to the Service Boards.

Fund Balances—Portions of the fund balances of the Governmental Funds are reserved by the RTA for specific purposes as follows:

Reserved for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source. It also includes the remaining bond proceeds, investment income committed for capital projects of the Service Boards, and any interest rate swap proceeds for capital projects of the Service Boards.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for RTA Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets and the portion of the interest rate swap proceeds for RTA funded capital projects.

Reserved for Interest Rate Swap expense represents the portion of the interest rate swap proceeds set aside for future expenses relating to swap transactions such as fees and interest expenses.

Revenues—The RTA has four principal sources of revenue: (1) retailer's occupation taxes, service occupation taxes, and use taxes (collectively, RTA Sales Tax); (2) funds appropriated to the RTA by statute through the PTF established under the Act; (3) State or Federal grants, or any other such funds, which the RTA is authorized to apply for and receive under the Act; and (4) investment income on unexpended funds held by the RTA, and other miscellaneous revenue.

Sales Tax—The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1¼ % of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

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

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

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the "CMTD Fund"). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the "Replacement Fund"). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the "Reform Fund"). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

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

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

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008,

the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every \$500 in sales price \$1.50 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase will rise from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2009 fiscal year which will end June 30, 2010. During 2008, the PTF was 30% on some sales tax and 5% on other sales tax and the RETT. The PTF is 30% on both sales tax and RETT beginning in 2009.

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

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2009, which ends June 30, 2009, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2008 and June 30, 2009, the grants were in the amount of \$36.7 million and \$28.9 million, respectively. In 2007, the state provided the RTA with advanced reduce fare reimbursements in the amount of \$15.6 million. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) \$55 million per year. The RTA recognized \$39.7 million of ASA in 2008.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) \$100 million in the State's fiscal years 2008 and 2009, per year. The RTA recognized \$82.1 million of AFA in 2008.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Expenditures and Expenses—Operating grants consist of financial assistance to the Service Boards. The RTA provides operating assistance to the Service Boards to fund, in part, their RTA-approved budgets.

Capital grants consist of the RTA local match of Federal Transit Administration ("FTA") and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds, and investment income on bonds. Capital payments of approximately \$10 million for sales tax funding are due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of Metra's budgeted operating deficit. This amount is presented in the Sales Tax Agency Fund.

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to \$15,357,619 for the year ended December 31, 2008.

Non-administration, listed as regional and technology program expenses in the statement of activities, consists of those costs of the RTA which are exempt from the statutory limit defined in the RTA Act. These costs include the operation of the Travel Information Center, Transit Check Program, Americans with Disabilities Act ("ADA"), reduced fare registration, capital development and other program costs incurred on behalf of the Service Boards and not for the benefit of RTA itself.

Cash Flows—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated \$14.3 million at December 31, 2008 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining \$8.6 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

Management's Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements—In September 1993, the GASB released Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. The statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (“FASB”), Accounting Principles Board (“APB”) Opinions and Accounting Research Bulletins (“ARBs”) of the Committee on Accounting Procedure. The RTA has elected to apply only FASB, APB and ARB statements and interpretations issued on or before November 30, 1989.

Interfund Transactions—The governmental fund’s balance sheet reports all outstanding balances between funds, as “due to/from other funds.” The government-wide financial statements report any residual balances outstanding between the governmental activities and business-type activities as “internal balances.” Government-wide financial statements and the Statement of Fiduciary Net Assets report a “due to/from general fund” outstanding for pension contributions.

New Accounting Pronouncements— RTA implemented GASB Statement No. 50, *Pension Disclosures—an amendment to GASB Statements No. 25 and No. 27*. The object of this Statement is to amend note disclosure and required supplementary information (RSI) standards of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with applicable changes adopted in Statement No. 43, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers.

3. BUDGETARY INFORMATION

Excess of Expenditures over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations in the General Fund as follows:

<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$278,423,012	\$365,829,249	\$(87,406,237)

4. CASH AND INVESTMENTS

Governmental and Joint Self Insurance Fund Investments

Cash and investments in the statement of net assets are externally restricted by bond covenants, restricted by the RTA through board action, or unrestricted when no restrictions as to their use apply.

Deposits and Investments—Section 2.20(a)(ii) of the RTA Act authorizes the RTA to invest any funds or monies not required for immediate use or disbursement. The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq.

The RTA investment policy is in accordance with the Illinois statutes and allows the RTA to invest in:

- Certain obligations of the U.S. Government and its agencies.

- Interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any FDIC insured bank as defined by the Illinois Banking Act.
- Short-term obligations of corporations organized in the United States with assets exceeding \$500 million and rated within the highest classification established by at least two standard rating services.
- Certain money market mutual funds.
- The Illinois Funds.
- Repurchase agreements.

Custodial Credit Risk — Custodial credit risk is the risk that in the event of a bank failure, the RTA's deposits may not be returned to it. The RTA's policy for custodial credit risk states collateral will be valued at market value (excluding accrued interest) on the trade date. Collateral required will be 100% of the investment or such greater percentage as may be appropriate based upon the financial stability of the institution and the term of the collateral (i.e., maturity), less any insurance provided by the Federal Deposit Insurance Corporation (FDIC).

Certificates of deposit with initial maturities greater than three months amounting to \$8,601,935 are reported as investments in the Statement of Net Assets.

Investments

Interest Rate Risk — To mitigate losses caused by changing interest rates, the maturities of the RTA's investments are limited. Per the RTA's investment policy, investments in corporations are limited to maturities of 180 days or less. Other investment maturities can not exceed three years.

As of December 31, 2008, the RTA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Commerical Paper	\$ 33,443,909
Domestic corporate fixed-income securities	193,054,370
Illinois Funds	16,295,578
Money market fund	19,901,290
Short term money market securities	19,869,104
U.S. Agency securities	11,970,344
Total	<u><u>\$ 294,534,595</u></u>

The weighted average maturity of the above investments is less than 90 days, for each investment type.

Credit Risk — The RTA's policy for credit risk states no investment shall be made in short-term obligations of corporations unless such obligations are rated at the time of purchase within the highest classification established by at least two standard rating services, the investment matures no later than 180 days from the date of purchase and the issuer is domiciled in the United States.

As of December 31, 2008, the RTA's investments were as follows:

Investment Type	Fair Value	Credit Rating Standard		
		Moody's	& Poor's	Fitch
Commerical Paper	\$ 33,443,909	P-1	A-1	F-1
Domestic corporate fixed-income securities	193,054,370	Aaa	AAA	AAA
Illinois Funds	16,295,578	*	AAAm	*
Money market fund	19,901,290	Aaa	AAA	AAA
Short term money market investments	19,869,104	Aaa	AAAm	*
U.S. Agency securities	11,970,344	Aaa	AAA	AAA
Total	<u>\$ 294,534,595</u>			

* Rating not available

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Except for commercial paper, the RTA's investment policy does not specifically address a limitation of investments in a single issuer; instead the policy addresses credit risk using broad categories of investments. The RTA's policy states the maximum percentage of the portfolio invested in commercial paper should not exceed 33.3%, money market mutual funds should not exceed 20.0%, U.S. Government Agency obligations should not exceed 20.0%, The Illinois Funds should not exceed 20% and Repurchase Agreements should not exceed 50.0%.

The RTA has investments in the following issuers that exceed 5% of the total investments:

Joint Self-Insurance Fund Investment	Amount	% of Portfolio
Autobahn Funding Corp (Commercial Paper)	\$ 2,988,582	21%
Fountain Square Funding (Commerical Paper)	2,988,799	21%
Starbird Funding (Commerical Paper)	1,493,291	11%

In the Governmental fund, there is no single investment that exceeds 5% of the total investments.

The RTA's investments in money market funds are for liquidity and offer an alternative to other investment vehicles. Management has reviewed the investments in the money market funds and has determined that the types of investments included in the money market funds are consistent with the RTA's investment policy. These funds consist of U.S. Treasury Securities and Agencies.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds maintains a \$1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

Interest Rate Swaps (General Fund)—The RTA, under board ordinances adopted in 2001 through 2006, has entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding bonds. The agreements involve the exchange of variable and fixed-rate interest payments over the life of selected RTA bonds without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and is recognized as interest expense or interest income. The related amount payable to or receivable from the counterparty is included in other payable/receivables.

On August 1, 2002, the RTA adopted an ordinance establishing an Interest Rate Risk Management Policy. The policy limits the amount of variable rate exposure to 20% of the total RTA bonds outstanding. The RTA clarified this policy on December 13, 2002 to include interest rate swap agreements with delayed starts, up-front cash settlements, interest rate caps and/or floors, hedging arrangements to lock in interest savings, options, or other alternatives (collectively referred to in the ordinance as “interest rate swap agreements”).

The RTA has entered three fixed-to-floating swaps. These agreements have the net effect of changing the interest rate characteristics of a portion of the RTA bonds from a fixed-rate to a variable-rate of interest equal to the Securities Industry and Financial Markets Association (formerly BMA) Swap Index averaged over six months. One such swap agreement was entered into on November 20, 2001. The swap has a notional amount of \$97,115,000 (as of December 31, 2008) and matures on June 1, 2020. Two additional fixed-to-floating swaps were entered in June 2007. The 2007 swaps mature July 1, 2030 with a semi-annual call option beginning July 1, 2016. At year-end the aggregate notional value of the 2007 swaps was \$256.6 million. For the year ended December 31, 2008, the three basis swaps produced a cash flow of \$(6,871,341).

The RTA has one floating-to-fixed swap. This transaction was entered in 2005. The purpose was to lock-in historically low interest rates for the current refunding of the 1996 bonds.

During 2008, the RTA had three basis rate swaps in which the RTA assumed a different variable interest rate index than counterparties. The transactions are a hedge against higher interest rates. Anticipated revenues from the basis rate swaps during a period of rising rates will offset the anticipated decline in revenue from the fixed-to-floating swaps. Basis swaps do not change the notional amount of variable-rate exposure. As of December 31, 2008, the notional value of the three variable-rate swaps was \$433,353,000. Cash flow produced during 2008 was a positive \$453,226.

Board ordinances direct the RTA to use the net payments received under swap agreements in the following priority:

- Reimburse the RTA for transaction costs relating to the swap rather than use operating funds.
- Accumulate funds in an account as a reserve to secure counterparties. In this manner, the RTA would minimize the use of operating funds for payments or collateral due counterparties.
- Use the remaining amounts—the net proceeds from the transaction—for capital investment in the RTA system. This follows the principle of using proceeds from long-term transactions for long-term benefit. However, if operating funds are not adequate to meet senior debt obligations, funds currently dedicated for capital could be used.

The interest rate swaps have an estimated valuation of (\$15,923,959) as of December 31, 2008.

Pension Fund Investments

Cash and investments in the Pension Fund provide sufficient funds to meet the obligations promised to the current and future beneficiaries of RTA’s defined benefit pension plan.

Risk Posture - The RTA evaluated the assets and liabilities of the Pension Plan in order to determine an asset allocation that provides a high likelihood of achieving the responsibilities noted above. The obligations of current and future beneficiaries were evaluated under various market scenarios to develop an allocation that can be expected to generate a solid rate of return without incurring undue risk. In

general, the risk posture of the Pension Plan is such that the portfolio is structured to maintain funding requirements and modestly grow assets through a low to moderate level of risk.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA’s pension deposits may not be returned to it. The RTA’s Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2008, none of the Plan’s cash and investments was at risk.

Interest Rate Risk — Per the RTA’s Pension Plan investment policy, the duration of the fixed income portfolio should be within 20% of the duration of the benchmark index.

As of December 31, 2008, the RTA’s pension investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	\$ 36,074,915	67
Money market fund	2,985,790	1
Total fair value	<u>\$ 39,060,705</u>	
Portfolio weighted average maturity		62

Credit Risk — The RTA’s pension policy for credit risk states at least 85% of the fixed income investments should be limited to securities with ratings of at least investment grade as defined by both Moody’s and Standard & Poor’s. Split rated bonds are to be governed by the lower rating. Unrated securities of the U.S. Treasury and government agencies are a permissible investment. No more than 15% of the portfolio may be invested in investment-grade securities of foreign entities domiciled in countries included in the Salomon Brothers World Government Bond Index.

As of December 31, 2008, the credit ratings for RTA pension investments were as follows:

Investment Type	Total Fair Value	Credit Rating (where available)		
		Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	\$ 36,074,915	Aa	AA+	*
Money market fund	2,985,790	Aa1	*	AA+
Total	<u>\$ 39,060,705</u>			

* Not available

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The RTA’s pension investment policy states that fixed income securities of a single issuer (excluding obligations of the United States Government and its agencies) should be limited to 5% of the fixed income portfolio, measured at market value. The RTA’s pension policy states the asset allocation policy has been developed based on the objectives and characteristics of the pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the risk posture. The pension fund did not have any investments in a single issuer which were greater than 5% of the total plan’s net assets.

5. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the statement of net assets comprise the following:

Receivable	<u>Amount</u>
General Fund:	
Sales taxes	\$ 27,223,033
Interest on sales taxes	403,719
State assistance (ASA & AFA)	99,813,111
PTF/RETT	120,995,533
ADA/Paratransit	20,441,065
Illinois Department of Transportation (IDOT) grants and others	<u>1,665,988</u>
Total Intergovernmental Receivables	<u>\$ 270,542,449</u>
 Payable	
General Fund:	
Financial assistance	\$ 160,918,500
Capital grants	1,017,624
CTA Operating Assistance (ADA)	<u>4,071,581</u>
Total General Fund	166,007,705
Capital Projects Fund:	
Capital grants, (CTA, METRA, PACE)	<u>4,520,151</u>
Total Intergovernmental Payables	<u>\$ 170,527,856</u>

6. DUE TO/FROM OTHER FUNDS

Various transactions result in “due to/from other funds” balances. In most cases, the General Fund advances payments on behalf of other funds.

Due to/from balances between the Debt Service Fund and the Capital Projects Fund represent interest earned in the Capital Projects Fund which is transferred to the Debt Service Fund for payment of long-term debt. The General Fund also makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2008, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Assets, and the Fiduciary Funds Statement of Fiduciary Net Assets are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Joint Self-Insurance	\$ 18,400
General	Pension Trust	19,300
Pension Trust	General	995,402
Agency	General	14,374,000

7. INTERFUND TRANSFERS

Various transactions result in “transfer in/out” balances from funds. Transfer in/out balances presented on the Governmental Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balances and the Business Type Activities Fund’s Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
General	Debt Service	\$ 186,268,073
General	Joint Self-Insurance	3,920,000

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA’s obligations to bondholders for principal and interest. The purpose of the Interfund transfer from the General Fund to the Joint Self-Insurance Fund is to make a capital contribution to the fund to purchase insurance.

8. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue (“IDOR”) sends a “13th month” sales tax advance to compensate for the delayed processing of sales tax payments to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	\$ 25,214,717
Metra	22,316,658
Pace	<u>7,020,219</u>
Total Service Board Advances	<u>\$ 54,551,594</u>

Sales tax advances have also been reported as current liabilities in the Agency Sales Tax Fund.

9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance at January 1, 2008	Additions	Retirements	Balance at December 31, 2008
<u>Depreciable:</u>				
Office furniture and equipment	\$ 297,619	\$ 15,401	\$ -	\$ 313,020
Computer equipment	2,064,027	156,009	-	2,220,036
Leasehold improvements	1,337,064	91,671	-	1,428,735
Subtotal	3,698,710	263,081	-	3,961,791
Less accumulated depreciation:				
Office furniture and equipment	193,533	44,580	-	238,114
Computer equipment	1,607,881	179,273	-	1,787,154
Leasehold improvements	422,332	111,823	-	534,154
Subtotal	2,223,746	335,676	-	2,559,421
Total Depreciable	1,474,964	(72,595)	-	1,402,370
<u>Non-depreciable:</u>				
Capital -Technology Program	8,279,092	1,833,362	397,012	9,715,442
Total Capital assets—net of accumulated depreciation	\$ 9,754,056	\$ 1,760,767	\$ 397,012	\$ 11,117,811

All capital assets are associated with governmental activities.

During 2008, total depreciation expense of \$335,676 was allocated between two functions; \$50,369 to regional expenditures and \$285,307 to administrative expenditures.

10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2008	New Issues	Current Retirements	December 31, 2008
1990A	\$ 60,795,000	\$ -	\$ -	\$ 60,795,000
1991A	55,745,000	-	-	55,745,000
1992A* & 1992B	40,185,000	-	6,840,000	33,345,000
1994A* & 1994B	24,395,000	-	-	24,395,000
1994C* & 1994D	62,205,000	-	4,420,000	57,785,000
1997 Refunding	70,830,000	-	4,875,000	65,955,000
1999* Refunding	280,110,000	-	5,665,000	274,445,000
2000A*	235,060,000	-	4,995,000	230,065,000
2001A*	90,510,000	-	1,880,000	88,630,000
2001B Refunding*	31,430,000	-	1,630,000	29,800,000
2002A*	147,760,000	-	2,835,000	144,925,000
2002B	154,145,000	-	10,060,000	144,085,000
2003A*	246,975,000	-	4,555,000	242,420,000
2003B	142,665,000	-	2,675,000	139,990,000
2003C Refunding	6,960,000	-	3,395,000	3,565,000
2004A*	250,815,000	-	4,405,000	246,410,000
2005B Refunding	142,375,000	-	3,070,000	139,305,000
2006A*	249,300,000	-	3,385,000	245,915,000
Total	\$2,292,260,000	\$ -	\$ 64,685,000	\$2,227,575,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2008, the total general obligation bonds payable of \$2,227,575,000 are classified as current and long-term in the Statement of Net Assets in the amounts of \$68,455,000 and \$2,159,120,000, respectively.

Advance Refundings—On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued \$23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued \$151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$60,300,000 of outstanding general obligation bonds (1994B Series) and \$75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B, and 1993B Series general obligation bond issues. The RTA issued \$98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$4,230,000 of outstanding general obligation bonds (1990A Series), \$29,265,000 of outstanding general obligation bonds (1991A Series), \$18,170,000 of outstanding general obligation bonds (1992B Series), and \$47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued \$298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$113,895,000 of outstanding general obligation bonds (1992A Series), \$9,720,000 of outstanding general obligation bonds (1993A), \$142,615,000 of outstanding general obligation bonds (1994A) and \$21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued \$37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to \$40,437,798 which includes a premium of \$2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued \$19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, have been removed from the financial statements.

On May 2, 2005, the RTA issued \$148 million in General Obligation bonds with a variable rate which resets weekly to refund \$144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of \$147 million (after payment of \$892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements—The “debt service requirements” set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The “principal” columns represent principal payments due bondholders from the trustee.

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ -	\$ 4,377,240	\$ 4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014-2018	29,060,000	11,882,160	40,942,160
2019-2020	14,765,000	1,613,160	16,378,160
Total	\$ 60,795,000	\$ 33,654,960	\$ 94,449,960

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ -	\$ 3,734,915	\$ 3,734,915
2010	-	3,734,915	3,734,915
2011	-	3,734,914	3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014-2018	26,635,000	12,504,210	39,139,210
2019-2021	20,655,000	2,827,400	23,482,400
Total	\$ 55,745,000	\$ 33,732,154	\$ 89,477,154

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 7,480,000	\$ 1,991,960	\$ 9,471,960
2010	-	1,396,960	1,396,960
2011	-	863,040	863,040
2012	25,865,000	293,760	26,158,760
Total	\$ 33,345,000	\$ 4,545,720	\$ 37,890,720

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ -	\$ 1,951,600	\$ 1,951,600
2010	-	1,951,600	1,951,600
2011	-	1,951,601	1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014-2024	24,395,000	5,892,599	30,287,599
Total	\$ 24,395,000	\$ 15,650,600	\$ 40,045,600

In December 1994, the RTA issued \$62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued \$130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,500,000	\$ 4,420,213	\$ 5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014-2018	35,420,000	13,311,401	48,731,401
2019-2025	13,560,000	798,250	14,358,250
Total	<u>\$ 57,785,000</u>	<u>\$ 34,900,770</u>	<u>\$ 92,685,770</u>

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued \$98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of \$4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of \$29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of \$47 million.

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,155,000	\$ 3,724,463	\$ 8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014-2018	19,975,000	10,473,150	30,448,150
2019-2023	24,445,000	3,559,650	28,004,650
Total	\$ 65,955,000	\$ 29,995,814	\$ 95,950,814

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued \$299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of \$10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of \$143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of \$22 million.

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 7,670,000	\$ 15,586,762	\$ 23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014-2018	77,325,000	53,475,820	130,800,820
2019-2023	123,665,000	24,175,543	147,840,543
2024-2025	22,180,000	918,600	23,098,600
Total	\$ 274,445,000	\$ 151,592,608	\$ 426,037,608

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 5,275,000	\$ 14,579,350	\$ 19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014-2018	39,505,000	59,341,439	98,846,439
2019-2023	53,240,000	45,391,439	98,631,439
2024-2028	72,120,000	26,201,825	98,321,825
2029-2030	35,595,000	3,505,775	39,100,775
Total	\$ 230,065,000	\$ 204,063,979	\$ 434,128,979

2001 General Obligation Bonds—In April 2001, the RTA issued \$100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 1,980,000	\$ 5,241,413	\$ 7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014-2018	14,520,000	21,295,563	35,815,563
2019-2023	19,115,000	16,639,575	35,754,575
2024-2028	25,165,000	10,329,300	35,494,300
2029-2031	18,780,000	2,294,700	21,074,700
Total	\$ 88,630,000	\$ 75,598,440	\$ 164,228,440

In March 2001, the RTA issued \$38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of \$38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,639,000	\$ 1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014-2018	12,855,000	6,505,814	19,360,814
2019-2023	16,945,000	2,433,064	19,378,064
Total	\$ 29,800,000	\$ 17,133,878	\$ 46,933,878

2002 General Obligation Bonds—In March 2002, the RTA issued \$160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,985,000	\$ 8,557,188	\$ 11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014-2018	21,830,000	35,902,425	57,732,425
2019-2023	28,860,000	28,669,500	57,529,500
2024-2028	38,240,000	18,948,600	57,188,600
2029-2032	39,360,000	6,069,900	45,429,900
Total	\$ 144,925,000	\$ 130,741,252	\$ 275,666,252

In June 2002, the RTA issued \$200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 10,450,000	\$ 7,515,125	\$ 17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014-2018	70,935,000	14,285,272	85,220,272
2019	16,355,000	439,541	16,794,541
Total	\$ 144,085,000	\$ 46,239,576	\$ 190,324,576

2003 General Obligation Bonds—In May 2003, the RTA issued \$260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 4,790,000	\$ 13,768,075	\$ 18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014-2018	34,790,000	58,554,050	93,344,050
2019-2023	45,470,000	47,875,525	93,345,525
2024-2028	59,130,000	33,753,000	92,883,000
2029-2033	76,375,000	14,215,500	90,590,500
Total	\$ 242,420,000	\$ 220,712,700	\$ 463,132,700

In January 2003, the RTA issued \$150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,810,000	\$ 7,654,225	\$ 10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014-2018	20,105,000	32,213,614	52,318,614
2019-2023	26,140,000	25,889,577	52,029,577
2024-2028	33,985,000	17,658,901	51,643,901
2029-2033	44,190,000	6,619,114	50,809,114
Total	<u>\$ 139,990,000</u>	<u>\$ 119,286,369</u>	<u>\$ 259,276,369</u>

In May 2003, the RTA issued \$19 million in General Obligation Bonds, Series 2003C, to provide funds to refund in advance of maturity the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004-2009, in the aggregate amount of \$19 million.

The Series 2003C Bonds mature on July 1 over a six year period and interest is payable at rates ranging from 2.0% to 5.0% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,565,000	\$ 178,250	\$ 3,743,250

2004 General Obligation Bonds—In October 2004, the RTA issued \$260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 4,635,000	\$ 13,525,163	\$ 18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014-2018	32,995,000	57,438,382	90,433,382
2019-2023	42,810,000	46,897,732	89,707,732
2024-2028	55,660,000	33,727,451	89,387,451
2029-2034	89,275,000	16,185,531	105,460,531
Total	<u>\$246,410,000</u>	<u>\$219,373,786</u>	<u>\$465,783,786</u>

2005 General Obligation Bonds— In May 2005, the RTA issued \$148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of \$147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2009	\$ 6,535,000	\$ 4,489,238	\$ 11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014-2018	18,475,000	15,148,404	33,623,404
2019-2023	59,200,000	9,770,477	68,970,477
2024-2025	25,485,000	753,968	26,238,968
Total	<u>\$139,305,000</u>	<u>\$ 45,794,682</u>	<u>\$185,099,682</u>

* Interest was calculated using a rate of 3.3%.

2006 General Obligation Bonds—In October 2006, the RTA issued \$250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 3,625,000	\$ 12,041,281	\$ 15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014-2018	26,470,000	52,750,656	79,220,656
2019-2023	45,150,000	44,925,656	90,075,656
2024-2028	99,210,000	28,014,906	127,224,906
2029-2033	18,735,000	9,866,056	28,601,056
2033-2035	36,450,000	2,204,775	38,654,775
Total	<u>\$ 245,915,000</u>	<u>\$ 196,073,456</u>	<u>\$ 441,988,456</u>

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, \$78,391,542 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2008.

11. OTHER LONG-TERM OBLIGATIONS

Changes in other long-term obligations for the year ended December 31, 2008 were as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008	Due Within One Year
Deferred rent	\$ 1,911,000	\$ 165,000	\$ -	\$ 2,076,000	\$ -
Accrued interest payable	34,597,000	33,919,000	34,597,000	33,919,000	-
Deferred revenue	51,232,000	230,000	1,701,000	49,761,000	1,701,000
Unamortized bond premium	130,906,000	-	5,702,000	125,204,000	5,702,000

The long-term liabilities will be paid by the General Fund.

The RTA has a working cash note agreement with a limit of \$80 million to provide cash flow needs. Draws under the agreement bear short-term interest at a variable rate benchmarked to one-month LIBOR. The agreement expires August 2009. The outstanding balance at December 31, 2008 is \$56 million at an interest rate of 1.90%.

12. PENSION

Plan Description—Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a cost-sharing multi-employer noncontributory defined benefit pension plan, the Regional Transportation Authority Pension Plan (“Plan”), covering substantially all employees not otherwise covered by a union pension plan. The responsibilities for establishing, administering, and amending the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (“Plan Administrators”).

The Plan is classified as a “governmental plan” and is, therefore, generally exempt from the provisions of the Employee Retirement Income Security Act of 1974. The Internal Revenue Service has issued a letter of determination dated September 30, 1988 stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (“Code”) and is, therefore, exempt from Federal income taxes under the provisions of Section 501(a) of the Code. The Plan operates on a calendar fiscal year.

Pension Benefits—Participants are entitled to annual pension benefits upon normal retirement at age 65. Such benefits are generally based on a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service.

The Plan provides that, upon retirement, benefits payable will be reduced by a defined percentage of pension benefits payable to participants who received credit for prior service with an eligible employer. Because information with respect to these benefits is not readily available until retirement, the information included in the accumulated plan benefits and changes in accumulated plan benefits with respect to active and terminated participants does not reflect a reduction of these benefits.

The Plan permits early retirement at age 55 after completing ten years of credited service with reduced benefits. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age and credited years of service equals 85 or higher.

The Plan provides for benefit payments to beneficiaries equal to or reduced from the participant's monthly benefit payment subject to the election of the participant.

Disability Benefits—An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2007, the RTA Board approved a resolution that a contribution of \$9,195,000 be made to the Plan. The contribution is allocated as follows: Metra - \$4,733,557; Pace - \$ 3,466,041; RTA - \$995,402. As of December 31, 2008, \$9,195,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2008 contribution levels were within the actuarially determined ranges for the respective years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to determine the actuarial accrued liability presented in the note to the Required Supplementary Information.

Participating employees do not contribute to the Plan. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

The complete Plan financial report, including all required disclosures can be obtained from the Plan Administrators at the following address:

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1550
Chicago, IL 60604

Funding Policy—Prior to July 1, 1979, contributions were made on the basis of non-actuarial estimates. The Plan's initial actuarial study found that those estimates were in excess of actuarial requirements. As a result, pension expense is being reduced by amortization of the excess over 30 years.

The RTA, Metra, and Pace are required to contribute the amounts necessary to fund the benefits of their respective employees in the Plan using the projected unit credit actuarial method. Employer contribution and the income it earns through investments are used to operate the Plan and to pay benefits. Assets are valued recognizing a portion of both realized and unrealized gains and losses in order to avoid wide swings in actuarially determined funding requirements from year to year.

Related-Party Transactions—There were no securities of the RTA, Metra, Pace or related parties included in the Plan's assets.

Annual Pension Cost and Net Pension Obligation—For 2005, 2006 and 2007, the RTA's annual pension costs equal the required contributions which were \$8,777,000, \$ 9,137,000 and \$9,195,000, respectively. The required contributions were determined as part of the January 1, 2006, 2007 and 2008 actuarial valuations.

In accordance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the RTA determined its net pension obligation at transition (January 1, 1997). There was no net pension obligation for the Plan at transition or at year-end.

Significant Actuarial Assumptions—The information presented in the notes and the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	January 1, 2008	January 1, 2007	January 1, 2006
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	8.5%	8.5%	8.5%
Salary increases:			
Attributed to inflation	*	4.00%	4.0%
Attributed to seniority/merit	*	0.5%	0.5%
Age graded scale	Range of 3.5% to 7.5% based on attained age.		
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47% at age 20 to 0.39% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94 % at age 20 to 0.09% at age 60 for males.	Termination rates range from 9.94% at age 20 to 0.15% at age 60 for females, and from 7.94 % at age 20 to 0.09% at age 60 for males.

* The actuarial assumption changed from a flat rate to rates based on an age scale.

Funded Status and Funding Progress – As of December 31, 2008, the most recent actuarial valuation date, the plan was 77.88 percent funded. The actuarial accrued liability for benefits was \$146,417,404 and the actuarial value of assets was \$114,031,540, resulting in an underfunded actuarial accrued liability (UAAL) of \$(32,385,864). The covered payroll (annual payroll of active employees covered by the Plan) was \$61,364,198 and the ratio of the UAAL to the covered payroll was 52.8 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

13. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan, depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with the RTA incurring no additional obligations, except that the RTA will pay each eligible retiree the sum of up to \$78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expenses as they are paid and are not material in amount at the present time.

For 2008, the RTA incurred \$14,820 in other post employment benefit expenditures. There are 20 participants eligible to receive benefits as of December 31, 2008.

14. RISK MANAGEMENT

The RTA is exposed to various risks including, but not limited to, losses from workers' compensation, employee health insurance, and general liability/property. Commercial insurance coverage is procured to limit the RTA's exposure to such losses.

The Workers' Compensation and Employers' Liability Insurance Policy is procured through RTA's insurance policy with Traveler's. The RTA is insured for \$500,000 each accident for bodily injury by accident, \$500,000 each employee for bodily injury by disease and \$500,000 policy limit. The RTA property is insured through Pace's Property Insurance with St. Paul Fire & Marine. The RTA's portion of insurance premiums is paid to Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in the amount of coverage from the prior year.

In addition, the RTA is a participant in RTA's Joint Self-Insurance Fund. The Fund was created as required by Article Two of the Loss Financing Plan (Plan) of the RTA and the three Service Boards. The Plan is intended primarily to serve as a mechanism for funding catastrophic losses and, by capitalizing the Fund in advance of such losses, to smooth their impact over time. The Fund is essentially a self-insurance program that provides a means for financing losses that are normally insured, and is included in the RTA's reporting entity as a proprietary fund type (enterprise fund). The Plan is administered by the RTA, CTA, Metra, and Pace (Participating Entities) utilizing a Fund Manager appointed by the RTA and three Fund Advisors, one appointed by each of the Service Boards.

Each participating entity (RTA, CTA, Metra, and Pace) is only responsible to repay the Fund for submitted claims paid by the Fund. The Fund acts exclusively as a claims-service, and financing mechanism, not an insurer, with respect to claims presented.

The limit of liability to the Fund is established at \$50 million less the retained limit (deductible portion) as described below:

General Liability—The categories of general liability that are covered, with certain defined exclusions, by the joint agreement are:

- Personal injury
- Property damage
- Advertising injury
- Evacuation, evacuation expenses and loss of use

The retained limit (deductible portion) for each Participating Entity is:

CTA	\$ 2,500,000
Metra	2,500,000
Pace	250,000
RTA	100,000

Officer and Employee Liability—All directors, officers or employees of each Participating Entity are covered, with certain defined exclusions, by the Plan. The retained limits are \$100,000 for each covered person. If a loss is covered under both types of liability, then the retained limit for general liability will apply.

15. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2008, the total rent paid by the RTA was \$1,418,140. Minimum required annual rental payments by the RTA are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2009	\$ 1,460,684
2010	1,504,505
2011	1,549,640
2012	1,596,129
2013	1,644,013
2014-2017	7,084,274
Total	<u>\$ 14,839,245</u>

16. SUBSEQUENT EVENTS

In January 2009, the RTA borrowed \$24 million under the terms of the working cash note agreement. The funds were used to supplement CTA's cash flow.

On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority's (Illinois) (RTA, or the Authority) general obligation (GO) bond rating to 'AA-', from 'AA,' and assigned a Negative Outlook to outstanding GO debt. In conjunction, Fitch assigned an 'F1+' rating to the Authority's approximately \$132.8 million Series 2005B GO variable rate notes and an 'F1' rating to its approximately \$260 million taxable GO working cash notes, Series 2009B. The Series 2009B and Series 2005B notes are expected to price during June 2009. The downgrade affects and the Negative Outlook applies to approximately \$650.4 million of outstanding GO bonds.

On June 8, 2009, Moody's Investors Service assigned an Aa3 rating to the approximately \$132.8 million remarketing of the Regional Transportation Authority (RTA) General Obligation Variable Rate Bonds, Series 2005B. At the same time, Moody's has downgraded the RTA's approximately \$2.5 billion outstanding parity bonds to Aa3 from Aa2. The outlook is stable. The bonds are secured by a gross pledge of sales taxes and other state aid and constitute a full faith and credit obligation of the RTA.

In June 2009 the RTA intends to issue up to \$260 million of Working Cash Notes that will mature not later than June 1, 2011. The purpose of the funding is to payoff an existing note and to provide timely operating funding for RTA and the Service Boards necessitated by the economic downturn.

On July 1, 2009 the RTA will initiate a mandatory tender of all Series 2005B bonds (\$132,770,000), modify the indenture, and reissue the bonds in a different mode. (This is not a refunding. The par value and maturity of Series 2005B will not be changed by the transaction.) The mandatory tender will allow the Authority to eliminate the need to have a liquidity provider, change the interest reset frequency from weekly to monthly and lengthen the extension period from seven days to 12 months.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	General Fund			
	Budget		Actual	Variance
	Original	Amended		
REVENUES:				
Sales taxes	\$ 114,911,000	\$ 113,760,000	\$ 109,003,303	\$ (4,756,697)
Interest on sales taxes	135,000	159,749	1,081,230	921,481
Public Transportation Fund	191,519,000	189,600,000	188,829,500	(770,500)
New 5% PTF Advance Recovery	-	-	38,371,935	38,371,935
Innovation, Coordination & Enhancement (ICE)	-	10,000,000	10,000,000	-
PACE Operating Assistance (ADA)	-	-	4,441,065	4,441,065
State assistance (AFA & ASA)	116,477,000	116,477,000	121,869,671	5,392,671
Investment income	-	12,965,000	(10,834,312)	(23,799,312)
Other Revenues	17,500,000	19,470,000	3,228,684	(16,241,316)
Total revenues	440,542,000	462,431,749	465,991,076	3,559,327
EXPENDITURES:				
Financial assistance to Service Boards	169,355,000	208,837,000	249,948,000	(41,111,000)
Capital grants—current year	20,353,000	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit (New Sales Tax	-	-	42,813,000	(42,813,000)
South Suburban Job Access Program-PACE	-	3,750,000	3,750,000	-
Innovation, Coordination & Enhancement	-	10,000,000	10,000,000	-
Pace (PTF) Expenditures	-	-	1,579,000	(1,579,000)
Administration	8,198,433	8,209,433	7,258,082	951,351
Non-Administration:				
Regional Services and Coordination Programs	21,754,000	21,609,243	19,844,724	1,764,519
Regional Technical Assistance Program	-	3,794,189	2,197,264	1,596,925
Capital outlay	427,500	397,500	397,500	-
Technology program	1,472,647	1,472,647	2,466,675	(994,028)
Debt related costs	-	-	5,222,004	(5,222,004)
Total expenditures	221,560,580	278,423,012	365,829,249	(87,406,237)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	218,981,420	184,008,737	100,161,827	(83,846,910)
OTHER FINANCING USES—				
Transfers out	-	-	(190,188,073)	(190,188,073)
Total other financing uses	-	-	(190,188,073)	(190,188,073)
NET CHANGE IN FUND BALANCE— BUDGETARY BASIS	\$ 218,981,420	\$ 184,008,737	(90,026,246)	\$ (274,034,983)
Budgetary basis to GAAP basis adjustments			(5,800,926)	
NET CHANGE IN FUND BALANCE—GAAP BASIS			(95,827,172)	
FUND BALANCE:				
Beginning of year			149,167,516	
End of year			\$ 53,340,344	

REGIONAL TRANSPORTATION AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2008

BUDGET AND BUDGETARY ACCOUNTING

The budgetary basis of the general fund's budget and actual presentation is included as required supplementary information. For comparison of the combined budgets as required for board presentation, the combined schedule of revenues, expenditures, and changes in fund balance—budget and actual—general and the sales tax agency funds are presented in the combining and individual fund schedules section of the CAFR. Additional budget detail is used by management for monitoring purposes which is provided in this section as the schedule of expenditures—budget and actual—general fund.

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA's planned operations and capital expenditures for the forthcoming year. The Service Boards' proposed budgets are based on the RTA's estimate of funds that will be available to the Service Boards by or through the RTA's own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2008 budget. The 2008 budget (Ordinance 2007-63) was last revised on December 18, 2008 (Ordinance 2008-81). This ordinance amended the 2008 RTA budget and the budgets of the CTA, Metra, and Pace.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying schedule of revenues, expenditures, and changes in fund balance, budget and actual-general fund (this section), and combining schedule of revenues, expenditures and changes in fund balance-budget and actual-general and agency funds (in combining and individual fund schedules section) present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ with accounting principles generally accepted in the United States of America, a reconciliation of timing differences in the excess of revenues over expenditures and other financing uses is presented below:

	<u>General Fund</u>
Excess of expenditures over revenues and other financing use-budgetary basis	<u>\$ (90,026,246)</u>
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(5,961,708)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	26,363
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	<u>134,419</u>
Budgetary basis to GAAP basis adjustments	<u>(5,800,926)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (95,827,172)</u></u>

REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

SCHEDULE OF FUNDING PROGRESS SIX YEARS ENDED DECEMBER 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2003	\$ 80,974,751	\$ 87,815,116	\$ (6,840,365)	92.21%	\$ 53,969,194	12.7%
January 1, 2004	87,998,878	97,275,818	(9,276,940)	90.46%	54,983,472	16.9%
January 1, 2005	90,334,371	105,976,209	(15,641,838)	85.24%	56,417,461	27.7%
January 1, 2006	94,697,937	124,521,129	(29,823,192)	76.05%	58,883,678	50.6%
January 1, 2007	102,523,735	133,905,851	(31,382,116)	76.56%	61,357,214	51.1%
January 1, 2008	114,031,540	146,417,404	(32,385,864)	77.88%	61,364,198	52.8%

**REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2008**

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$3,511,000	100%
2004	6,022,000	100%
2005	6,800,000	100%
2006	8,777,000	100%
2007	9,137,000	100%
2008	9,195,000 *	100%

* Contributions for the plan year ended December 31, 2008 will be paid during 2009.

COMBINING AND INDIVIDUAL FUND SCHEDULES

A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

The RTA Board approves a comprehensive budget which includes the activity in the general fund and the Sales Tax Agency Fund. For comparison of the combined budgets, the combined budget and actual schedule of revenues, expenditures and changes in fund balance for both funds is also presented in this section.

REGIONAL TRANSPORTATION AUTHORITY

**SCHEDULE OF EXPENDITURES—
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	General Fund			
	Budget		Actual	Variance
	Original	Amended		
EXPENDITURES:				
Financial assistance to Service Boards	\$ 169,355,000	\$ 208,837,000	\$ 249,948,000	\$ (41,111,000)
Capital grants—current year	20,353,000	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit	-	-	42,813,000	(42,813,000)
South Suburban Job Access Program PACE	-	3,750,000	3,750,000	-
Innovation, Coordination & Enhancement	-	10,000,000	10,000,000	-
PACE (PTF) expenditures	-	-	1,579,000	(1,579,000)
Total grant expenditures	189,708,000	242,940,000	328,443,000	(85,503,000)
Administration:				
Salaries and benefits	5,913,608	5,924,608	5,360,250	564,358
Business expenses	238,000	238,000	231,080	6,920
Office expenses	1,402,425	1,402,425	1,319,052	83,373
Professional services	644,400	644,400	347,700	296,700
Total administration	8,198,433	8,209,433	7,258,082	951,351
Non-Administration:				
Travel Information Center	5,335,000	5,335,000	5,322,068	12,932
Other:				
Public Affairs	3,758,030	3,758,030	2,629,548	1,128,482
Customer Service Center	84,800	84,800	223,606	(138,806)
Reduced fare registration	2,788,500	2,788,500	2,687,547	100,953
Americans with Disabilities Act (ADA)	2,241,001	2,241,001	3,121,276	(880,275)
Other regional projects	7,546,669	11,196,101	8,057,943	3,138,158
Total other	16,419,000	20,068,432	16,719,920	3,348,512
Total Non-Administration	21,754,000	25,403,432	22,041,988	3,361,444
Capital outlay	427,500	397,500	397,500	-
Technology program	1,472,647	1,472,647	2,466,675	(994,028)
Debt related costs	-	-	5,222,004	(5,222,004)
TOTAL EXPENDITURES	\$ 221,560,580	\$ 278,423,012	\$ 365,829,249	\$ (87,406,237)

REGIONAL TRANSPORTATION AUTHORITY

**COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2008**

	General Fund		
	Budget	Actual	Variance
REVENUES:			
Sales taxes	\$ 113,760,000	\$ 109,003,303	\$ (4,756,697)
New Sales Tax	-	-	-
Interest on sales taxes	159,749	1,081,230	921,481
Public Transportation Fund	189,600,000	188,829,500	(770,500)
New 5% PTF Advance Recovery	-	38,371,935	38,371,935
Innovation, Coordination & Enhancement (ICE)	10,000,000	10,000,000	-
PACE Operating Assistance (ADA)	-	4,441,065	4,441,065
State assistance (AFA & ASA)	116,477,000	121,869,671	5,392,671
Reduced fare reimbursement	-	-	-
Investment income/other revenues	12,965,000	(10,834,312)	(23,799,312)
Other revenue	19,470,000	3,228,684	(16,241,316)
Total revenues	462,431,749	465,991,076	3,559,327
EXPENDITURES:			
Financial assistance to Service Boards	208,837,000	249,948,000	(41,111,000)
Capital grants—current year	20,353,000	20,353,000	-
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	42,813,000	(42,813,000)
Paratransit funding (PACE)	-	-	-
Suburban Community Mobility Fund	-	-	-
Paratransit funding -PACE (future funds)	-	-	-
South Suburban Job Access program	3,750,000	3,750,000	-
Innovation, Coordination and Enhancement (ICE)	10,000,000	10,000,000	-
Reduced fare reimbursement	-	-	-
PACE (PTF) expenditures	-	1,579,000	(1,579,000)
Administration	8,209,433	7,258,081	951,352
Non-Administration:			
Regional Services and Coordination Programs	21,609,243	19,844,724	1,764,519
Regional Technical Assistance Program	3,794,189	2,197,264	1,596,925
Interest on sales taxes to Service Boards	-	-	-
Capital outlay	397,500	397,500	-
Technology program	1,472,647	2,466,675	(994,028)
Debt related costs	-	5,222,004	(5,222,004)
Total expenditures	278,423,012	365,829,249	(87,406,237)
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	184,008,737	100,161,827	(83,846,910)
OTHER FINANCING USES—			
Transfers out	-	(190,188,073)	(190,188,073)
Total other financing uses	-	(190,188,073)	(190,188,073)
NET CHANGE IN FUND BALANCE— BUDGETARY BASIS	\$ 184,008,737	(90,026,246)	\$ (274,034,983)
Budgetary basis to GAAP basis adjustments		(5,800,926)	
NET CHANGE IN FUND BALANCE—GAAP BASIS		(95,827,172)	
FUND BALANCE:			
Beginning of year		149,167,516	
End of year		\$ 53,340,344	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 644,640,000	\$ 617,685,386	\$ (26,954,614)	\$ 758,400,000	\$ 726,688,689	\$ (31,711,311)
238,557,000	222,927,859	(15,629,141)	238,557,000	222,927,859	(15,629,141)
905,251	2,002,326	1,097,075	1,065,000	3,083,556	2,018,556
-	-	-	189,600,000	188,829,500	(770,500)
-	-	-	-	38,371,935	38,371,935
-	-	-	10,000,000	10,000,000	-
-	-	-	-	4,441,065	4,441,065
-	-	-	116,477,000	121,869,671	5,392,671
36,800,000	28,918,527	(7,881,473)	36,800,000	28,918,527	(7,881,473)
-	-	-	12,965,000	(10,834,312)	(23,799,312)
-	-	-	19,470,000	3,228,684	(16,241,316)
920,902,251	871,534,097	(49,368,154)	1,383,334,000	1,337,525,174	(45,808,826)
763,197,000	720,613,246	42,583,754	972,034,000	970,561,246	(1,472,754)
-	-	-	20,353,000	20,353,000	-
-	-	-	-	42,813,000	42,813,000
100,000,000	85,626,000	14,374,000	100,000,000	85,626,000	(14,374,000)
20,000,000	20,000,000	-	20,000,000	20,000,000	-
-	14,374,000	(14,374,000)	-	14,374,000	14,374,000
-	-	-	3,750,000	3,750,000	-
-	-	-	10,000,000	10,000,000	-
36,800,000	28,918,527	7,881,473	36,800,000	28,918,527	(7,881,473)
-	-	-	-	1,579,000	1,579,000
-	-	-	8,209,433	7,258,081	(951,352)
-	-	-	21,609,243	19,844,724	(1,764,519)
-	-	-	3,794,189	2,197,264	(1,596,925)
905,251	2,002,326	(1,097,075)	905,251	2,002,326	1,097,075
-	-	-	397,500	397,500	-
-	-	-	1,472,647	2,466,675	994,028
-	-	-	-	5,222,004	5,222,004
920,902,251	871,534,098	49,368,153	1,199,325,263	1,237,363,347	(38,038,084)
-	-	-	184,008,737	100,161,827	(83,846,910)
-	-	-	-	(190,188,073)	(190,188,073)
-	-	-	-	(190,188,073)	(190,188,073)
\$ -	-	\$ -	\$ 184,008,737	(90,026,246)	\$ 274,034,983
-	-	-	-	(5,800,926)	-
-	-	-	-	(95,827,172)	-
-	-	-	-	149,167,516	-
\$ -	-	\$ -	\$ 53,340,344	-	-

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

1990A—to account for transfers received, investment income and principal and interest payments made for 1990A general obligation bonds.

1991A—to account for transfers received, investment income and principal and interest payments made for 1991A general obligation bonds.

1992A and B*—to account for transfers received, investment income and principal and interest payments made for 1992A & B general obligation bonds.

1994A and B*—to account for transfers received, investment income and principal and interest payments made for 1994A & B general obligation bonds.

*1994C * and D*—to account for transfers received, investment income and principal and interest payments made for 1994C & D general obligation bonds.

1997—to account for transfers received, investment income and principal and interest payments made for 1997 refunding general obligation bonds.

1999—to account for transfers received, investment income and principal and interest payments made for 1999 refunding general obligation bonds.

*2000A**—to account for transfers received, investment income and principal and interest payments made for 2000A general obligation bonds.

*2001A**—to account for transfers received, investment income and principal and interest payments made for 2001A general obligation bonds.

*2001B**—to account for transfers received, investment income and principal and interest payments made for 2001B refunding general obligation bonds.

*2002A**—to account for transfers received, investment income and principal and interest payments made for 2002A general obligation bonds.

2002B —to account for transfers received, investment income and principal and interest payments made for 2002B refunding general obligation bonds.

*2003A** —to account for transfers received, investment income and principal and interest payments made for 2003A refunding general obligation bonds.

2003B—to account for transfers received, investment income and principal and interest payments made for 2003B refunding general obligation bonds.

2003C — to account for transfers received, investment income and principal and interest payments made for 2003C refunding general obligation bonds.

*2004A** — to account for transfers received, investment income and principal and interest payments made for 2004A refunding general obligation bonds.

2005B—to account for transfers received, investment income and principal and interest payments made for 2005B refunding general obligation bonds.

*2006A**—to account for transfers received, investment income and principal and interest payments made for 2006A general obligation bonds.

*Strategic Capital Improvement Program (SCIP) Bonds

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS

December 31, 2008

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D	1997	1999	2000A	2001 A
ASSETS:									
Cash and investments	\$ 933,531	\$ 764,548	\$4,865,558	\$ 322,459	\$1,402,379	\$3,667,077	\$6,458,761	\$10,166,948	\$3,700,708
Due from other funds	-	-	-	-	-	-	-	-	-
Accrued interest	-	16	-	-	-	-	-	-	-
Total Assets	<u>\$ 933,531</u>	<u>\$ 764,564</u>	<u>\$4,865,558</u>	<u>\$ 322,459</u>	<u>\$1,402,379</u>	<u>\$3,667,077</u>	<u>\$6,458,761</u>	<u>\$10,166,948</u>	<u>\$3,700,708</u>
LIABILITIES:									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Reserved for debt service	<u>933,531</u>	<u>764,564</u>	<u>4,865,558</u>	<u>322,459</u>	<u>1,402,379</u>	<u>3,667,077</u>	<u>6,458,761</u>	<u>10,166,948</u>	<u>3,700,708</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 933,531</u>	<u>\$ 764,564</u>	<u>\$4,865,558</u>	<u>\$ 322,459</u>	<u>\$1,402,379</u>	<u>\$3,667,077</u>	<u>\$6,458,761</u>	<u>\$10,166,948</u>	<u>\$3,700,708</u>

SCHEDULE B-1

	<u>2001 B</u>	<u>2002 A</u>	<u>2002 B</u>	<u>2003 A</u>	<u>2003 B</u>	<u>2003 C</u>	<u>2004 A</u>	<u>2005 B</u>	<u>2006 A</u>	<u>Total</u>
ASSETS:										
Cash and investments	\$ 163,902	\$5,906,777	\$7,428,944	\$9,496,766	\$2,559,225	\$2,033,671	\$5,055,924	\$ 5,442,505	\$8,021,856	\$ 78,391,539
Due from other funds	-	-	-	-	661,385	-	-	-	-	661,385
Accrued interest	-	-	-	-	18,503	-	17,061	744	874,501	910,825
Total Assets	<u>\$ 163,902</u>	<u>\$5,906,777</u>	<u>\$7,428,944</u>	<u>\$9,496,766</u>	<u>\$3,239,113</u>	<u>\$2,033,671</u>	<u>\$5,072,985</u>	<u>\$ 5,443,249</u>	<u>\$8,896,357</u>	<u>\$ 79,963,749</u>
LIABILITIES:										
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:										
Reserved for debt service	<u>163,902</u>	<u>5,906,777</u>	<u>7,428,944</u>	<u>9,496,766</u>	<u>3,239,113</u>	<u>2,033,671</u>	<u>5,072,985</u>	<u>5,443,249</u>	<u>8,896,357</u>	<u>79,963,749</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 163,902</u>	<u>\$5,906,777</u>	<u>\$7,428,944</u>	<u>\$9,496,766</u>	<u>\$3,239,113</u>	<u>\$2,033,671</u>	<u>\$5,072,985</u>	<u>\$ 5,443,249</u>	<u>\$8,896,357</u>	<u>\$ 79,963,749</u>

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts Year Ended December 31, 2008

	<u>1990A</u>	<u>1991A</u>	<u>1992 A&B</u>	<u>1994 A&B</u>	<u>1994 C&D</u>
REVENUE:					
Investment income	\$ 1,915	\$ 394	\$ 2,800	\$ 598	\$ 1,979
Total Revenue	<u>1,915</u>	<u>394</u>	<u>2,800</u>	<u>598</u>	<u>1,979</u>
EXPENDITURES:					
Debt Service - Principal	-	-	6,840,000	-	4,420,000
Debt Service - Interest	4,377,240	3,734,915	2,636,360	1,951,600	4,649,613
Other debt related costs	-	-	-	-	-
Total Expenditures	<u>4,377,240</u>	<u>3,734,915</u>	<u>9,476,360</u>	<u>1,951,600</u>	<u>9,069,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,375,325)</u>	<u>(3,734,521)</u>	<u>(9,473,560)</u>	<u>(1,951,002)</u>	<u>(9,067,634)</u>
OTHER FINANCING SOURCES :					
Principal	-	-	7,247,273	-	2,561,818
Interest	4,377,240	3,734,473	2,572,000	1,951,002	4,613,379
Other	-	-	-	-	-
Total Other Financing Sources	<u>4,377,240</u>	<u>3,734,473</u>	<u>9,819,273</u>	<u>1,951,002</u>	<u>7,175,197</u>
NET CHANGE IN FUND BALANCES	1,915	(48)	345,713	-	(1,892,437)
FUND BALANCES:					
Beginning of year	<u>931,616</u>	<u>764,612</u>	<u>4,519,845</u>	<u>322,459</u>	<u>3,294,816</u>
End of year	<u>\$ 933,531</u>	<u>\$ 764,564</u>	<u>\$ 4,865,558</u>	<u>\$ 322,459</u>	<u>\$ 1,402,379</u>

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts Year Ended December 31, 2008

	1997	1999	2000 A	2001 A	2001 B
REVENUE:					
Investment income	\$ 2,623	\$ 6,878	\$ 276	\$ 104	\$ 600
Total Revenue	2,623	6,878	276	104	600
EXPENDITURES:					
Debt Service - Principal	4,875,000	5,665,000	4,995,000	1,880,000	1,630,000
Debt Service - Interest	4,000,288	15,920,138	14,866,563	5,344,813	1,679,750
Other debt related costs	-	-	-	-	-
Total Expenditures	8,875,288	21,585,138	19,861,563	7,224,813	3,309,750
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,872,665)	(21,578,260)	(19,861,287)	(7,224,709)	(3,309,150)
OTHER FINANCING SOURCES :					
Principal	5,053,182	6,940,909	5,147,727	1,934,546	592,727
Interest	3,970,852	15,884,935	14,722,791	5,293,049	1,671,000
Other	-	-	-	-	-
Total Other Financing Sources	9,024,034	22,825,844	19,870,518	7,227,595	2,263,727
NET CHANGE IN FUND BALANCES	151,369	1,247,584	9,231	2,886	(1,045,423)
FUND BALANCES:					
Beginning of year	3,515,708	5,211,177	10,157,717	3,697,822	1,209,325
End of year	\$ 3,667,077	\$ 6,458,761	\$ 10,166,948	\$ 3,700,708	\$ 163,902

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts Year Ended December 31, 2008

	<u>2002 A</u>	<u>2002 B</u>	<u>2003 A</u>	<u>2003 B</u>	<u>2003 C</u>
REVENUE:					
Investment income	<u>\$ 156</u>	<u>\$ 5,311</u>	<u>\$ 251</u>	<u>\$1,110,927</u>	<u>\$ 187</u>
Total Revenue	<u>156</u>	<u>5,311</u>	<u>251</u>	<u>1,110,927</u>	<u>187</u>
EXPENDITURES:					
Debt Service - Principal	2,835,000	10,060,000	4,555,000	2,675,000	3,395,000
Debt Service - Interest	8,698,938	8,053,513	13,995,825	7,763,925	348,000
Other debt related costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>11,533,938</u>	<u>18,113,513</u>	<u>18,550,825</u>	<u>10,438,925</u>	<u>3,743,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,533,782)</u>	<u>(18,108,202)</u>	<u>(18,550,574)</u>	<u>(9,327,998)</u>	<u>(3,742,813)</u>
OTHER FINANCING SOURCES :					
Principal	2,916,818	10,308,182	4,683,182	2,760,909	3,487,727
Interest	8,627,971	7,995,386	13,881,803	7,213,860	262,958
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>11,544,789</u>	<u>18,303,568</u>	<u>18,564,985</u>	<u>9,974,769</u>	<u>3,750,685</u>
NET CHANGE IN FUND BALANCES	11,007	195,366	14,411	646,771	7,872
FUND BALANCES:					
Beginning of year	<u>5,895,770</u>	<u>7,233,578</u>	<u>9,482,355</u>	<u>2,592,342</u>	<u>2,025,799</u>
End of year	<u>\$ 5,906,777</u>	<u>\$ 7,428,944</u>	<u>\$ 9,496,766</u>	<u>\$3,239,113</u>	<u>\$ 2,033,671</u>

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts Year Ended December 31, 2008

	<u>2004A</u>	<u>2005 B</u>	<u>2006 A</u>	<u>Total</u>
REVENUE:				
Investment income	\$ 174,385	\$ 13,823	\$ 8,016,193	\$ 9,339,400
Total Revenue	<u>174,385</u>	<u>13,823</u>	<u>8,016,193</u>	<u>9,339,400</u>
EXPENDITURES:				
Debt Service - Principal	4,405,000	3,070,000	3,385,000	64,685,000
Debt Service - Interest	13,751,163	3,886,807	12,210,531	127,869,982
Other debt related costs	-	203,435	-	203,435
Total Expenditures	<u>18,156,163</u>	<u>7,160,242</u>	<u>15,595,531</u>	<u>192,758,417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(17,981,778)</u>	<u>(7,146,419)</u>	<u>(7,579,338)</u>	<u>(183,419,017)</u>
OTHER FINANCING SOURCES :				
Principal	4,551,364	5,275,000	3,515,909	66,977,273
Interest	14,189,944	4,363,612	3,761,109	119,087,364
Other	-	203,435	-	203,435
Total Other Financing Sources	<u>18,741,308</u>	<u>9,842,047</u>	<u>7,277,018</u>	<u>186,268,072</u>
NET CHANGE IN FUND BALANCES	<u>759,530</u>	<u>2,695,628</u>	<u>(302,320)</u>	<u>2,849,055</u>
FUND BALANCES:				
Beginning of year	<u>4,313,455</u>	<u>2,747,621</u>	<u>9,198,677</u>	<u>77,114,694</u>
End of year	<u>\$ 5,072,985</u>	<u>\$ 5,443,249</u>	<u>\$ 8,896,357</u>	<u>\$ 79,963,749</u>

C. CAPITAL PROJECTS FUND

Capital Projects Fund Accounts:

Strategic Capital Improvement Program (SCIP)—to account for 1992 through 1994, 2000, 2001, 2002, 2003, and 2004 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

Non-SCIP—to account for 1990 through 1994, 2002, and 2005 bond sale proceeds, investment income earned and related Non-SCIP investment income capital grants made to the Service Boards as expenditures are incurred.

Investment Income on Bonds—to account for transfers of investment income from SCIP Bonds fund accounts through June 30, 1999 and Non-SCIP Bonds fund accounts except those issued under Illinois First program and related capital grants made to the Service Boards as expenditures are incurred.

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE CAPITAL PROJECTS FUND ACCOUNTS DECEMBER 31, 2008

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	\$ 164,513,315	\$ 19,869,104	\$ -	\$184,382,419
Due from other funds	-	-	8,014,373	8,014,373
TOTAL ASSETS	<u>\$ 164,513,315</u>	<u>\$ 19,869,104</u>	<u>\$ 8,014,373</u>	<u>\$192,396,792</u>
LIABILITIES:				
Due to Service Boards	\$ 3,863,995	\$ 569,921	\$ 86,235	\$ 4,520,151
Due to other funds	1,627,426	7,048,332	-	8,675,758
Total liabilities	5,491,421	7,618,253	86,235	13,195,909
FUND BALANCES:				
Reserved for Service Boards capital projects	159,021,894	12,250,851	7,928,138	179,200,883
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 164,513,315</u>	<u>\$ 19,869,104</u>	<u>\$ 8,014,373</u>	<u>\$192,396,792</u>

REGIONAL TRANSPORTATION AUTHORITY
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED DECEMBER 31, 2008**

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Capital grants—bonds	86,099,022	5,181,176	1,805,335	93,085,533
Total expenditures	86,099,022	5,181,176	1,805,335	93,085,533
NET CHANGE IN FUND BALANCES	(86,099,022)	(5,181,176)	(1,805,335)	(93,085,533)
FUND BALANCES:				
Beginning of year	245,120,916	17,432,027	9,733,473	272,286,416
End of year	\$ 159,021,894	\$ 12,250,851	\$ 7,928,138	\$ 179,200,883

D. AGENCY FUND

Sales Tax Agency Fund—to account for the receipt and disbursement of amounts due to the CTA, Metra and Pace, including Retailers' Occupation and Use Tax (sales taxes), interest on sales taxes, reduced fare reimbursement grants and advances to Service Boards.

REGIONAL TRANSPORTATION AUTHORITY**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES****SALES TAX AGENCY FUND****YEAR ENDED DECEMBER 31, 2008**

	Balance January 1, 2008	Additions	Deductions	Balance December 31, 2008
ASSETS:				
Intergovernmental receivables:				
Sales taxes	\$170,265,946	\$617,685,386	\$635,723,549	\$152,227,783
New sales tax	-	208,553,859	149,282,839	59,271,020
Interest on sales taxes	354,837	2,002,326	1,818,021	539,142
Reduced fare reimbursement	-	28,918,527	-	28,918,527
Advances to Service Boards	68,882,452	-	14,330,858	54,551,594
Due from General Fund	-	14,374,000	-	14,374,000
TOTAL ASSETS	\$239,503,235	\$871,534,098	\$801,155,267	\$309,882,066
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	\$170,265,946	\$617,685,386	\$635,723,549	\$152,227,783
New sales tax due to Service Boards	-	102,927,859	43,656,839	59,271,020
Interest on sales taxes due to Service Boards	354,837	2,002,326	1,818,021	539,142
Reduced fare reimbursement	-	28,918,527	-	28,918,527
Advances from State	68,882,452	-	14,330,858	54,551,594
Paratransit Funding PACE	-	85,626,000	85,626,000	-
Suburban Community Mobility Fund-SBD	-	20,000,000	20,000,000	-
ADA Paratransit Funding (Future Years)	-	14,374,000	-	14,374,000
TOTAL LIABILITIES	\$239,503,235	\$871,534,098	\$801,155,267	\$309,882,066

E. CAPITAL ASSETS

Capital Assets—are used in the operations of the governmental funds.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CAPITAL ASSETS—BY FUNCTION DECEMBER 31, 2008

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Capital In Progress Technology Program	Total
Administrative	\$ 313,020	\$ 1,087,126	\$ 1,428,735	\$ 9,715,442	\$ 12,544,323
Travel Information Center	-	1,132,909	-	-	1,132,909
Total capital assets	313,020	2,220,036	1,428,735	9,715,442	13,677,233
Less accumulated depreciation:					
Administrative	238,114	792,940	534,154	-	1,565,208
Travel Information Center	-	994,214	-	-	994,214
Total accumulated depreciation	238,114	1,787,154	534,154	-	2,559,421
Total capital assets—net	\$ 74,906	\$ 432,882	\$ 894,581	\$ 9,715,442	\$ 11,117,811

STATISTICAL SECTION (UNAUDITED)

CONTENTS

Financial Trends (Tables 1, 2, 3, 4)

An analysis of Net Assets by component and Change in Net Assets are presented as an indicator of RTA's financial performance and to show the overall change in financial position over time. The schedules begin with fiscal year 2001 which is the first year that RTA presented their financials statements in accordance with GASB 34.

Revenue and Expense Capacity (Tables 5, 6, 7)

Revenues and expenditures presented in the following tables include the activities in the government-wide and fiduciary fund statements. Additions to and disbursements from the Sales Tax Agency Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables. The schedules show the overall distribution of expenses and revenues by source over the past 10 years, the breakout of revenues by county and the federal allocation of capital funds.

Debt Capacity (Tables 8, 9, 10, 11)

Schedules in this section provide an overview of RTA's general obligation bonds (SCIP versus Non-SCIP) outstanding balances as of December 31, 2008 and a 10-year analysis of the debt service requirement to revenues and expenses.

Demographic and Economic Information (Tables 12, 13, 14, 15)

Schedules in this section provide economic information on the population and the ten largest employers in the six-county area to help readers understand the environment within which the RTA's financial activities take place.

Operating Information (Tables 16, 17)

Schedules in this section provide various statistics on passenger services offered by the service boards for fiscal year 2008 and a look at system ridership over the last ten years.

REGIONAL TRANSPORTATION AUTHORITY
NET ASSETS BY COMPONENT
LAST EIGHT YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities—								
Cash and investments, net of related debt	\$ (900,705)	\$ (1,272,094)	\$ (1,629,591)	\$ (1,800,413)	\$ (2,019,602)	\$ (2,097,374)	\$ (2,087,178)	\$ (2,346,268)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-
Unrestricted Net Assets	44,565	85,317	98,035	20,766	125,013	172,925	149,759	294,645
Total Net Assets-Governmental Activities	<u>\$ (812,894)</u>	<u>\$ (1,130,422)</u>	<u>\$ (1,461,075)</u>	<u>\$ (1,714,920)</u>	<u>\$ (1,894,589)</u>	<u>\$ (1,924,449)</u>	<u>\$ (1,937,419)</u>	<u>\$ (2,051,622)</u>
Business-type activities—								
Cash and investments, net of related debt	\$ 45,329	\$ 44,538	\$ 39,937	\$ 36,028	\$ 28,230	\$ 25,718	\$ 21,442	\$ 23,113
Unrestricted Net Assets	5,200	2,197	4,334	3,593	7,781	6,113	6,951	5,747
Total Net Assets-Business-Type Activities	<u>\$ 50,529</u>	<u>\$ 46,735</u>	<u>\$ 44,271</u>	<u>\$ 39,621</u>	<u>\$ 36,011</u>	<u>\$ 31,831</u>	<u>\$ 28,393</u>	<u>\$ 28,859</u>
Primary government—								
Cash and investments, net of related debt	\$ (855,376)	\$ (1,227,556)	\$ (1,589,654)	\$ (1,764,385)	\$ (1,991,372)	\$ (2,071,656)	\$ (2,065,736)	\$ (2,323,155)
Restricted Net Assets	43,246	56,355	70,481	64,727	-	-	-	-
Unrestricted Net Assets	49,765	87,514	102,369	24,359	132,794	179,038	156,710	300,392
Total Net Assets-Primary government	<u>\$ (762,365)</u>	<u>\$ (1,083,687)</u>	<u>\$ (1,416,804)</u>	<u>\$ (1,675,299)</u>	<u>\$ (1,858,578)</u>	<u>\$ (1,892,618)</u>	<u>\$ (1,909,026)</u>	<u>\$ (2,022,763)</u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

STATISTICAL SECTION (UNAUDITED)

TABLE 2

REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET ASSETS
LAST EIGHT YEARS
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008
EXPENSES:								
Governmental activities:								
Financial assistance to Service Boards	\$ 168,857	\$ 209,106	\$ 213,127	\$ 179,799	\$ 168,076	\$ 162,434	\$ 209,931	\$ 249,948
Administration capital grants								
Discretionary	31,736	31,096	34,830	33,767	25,437	26,730	25,272	26,288
Bonds	169,812	319,945	319,253	290,102	251,693	138,706	88,056	93,085
Administration of operating grant								
CTA/PACE	-	-	-	-	54,252	54,252	40,010	58,142
Administrative expenses	5,402	6,510	6,666	6,554	7,561	7,561	6,967	7,532
Regional expenses	13,265	15,071	13,378	14,781	17,920	20,674	20,243	20,656
Technology program expenses	1,277	3,570	1,786	3,265	1,822	1,890	1,409	2,467
Interest expense	90,960	88,038	109,981	114,574	126,027	122,790	130,079	127,495
Total governmental activities	481,309	673,336	699,021	642,842	651,761	535,037	521,967	585,613
Business-type activities:								
Insurance Financing	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375
Total business-type activities	5,012	4,849	3,082	5,319	4,624	5,566	4,855	4,375
Total primary government expenses	\$ 486,321	\$ 678,185	\$ 702,103	\$ 648,161	\$ 656,385	\$ 540,603	\$ 526,822	\$ 589,988
General:								
Sales taxes	\$ 98,028	\$ 97,153	\$ 98,248	\$ 101,344	\$ 105,059	\$ 112,024	\$ 112,938	\$ 109,003
Interest on sales taxes	131	68	41	53	137	317	376	1,081
Operating grant -(ADA)	-	-	-	-	54,252	54,252	54,252	14,441
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	227,201
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870
Regional program reimbursement	712	1,484	1,058	1,033	866	1,053	1,153	1,361
Technology program reimbursement	258	1,664	-	-	-	-	-	-
Investment income	25,283	20,595	16,548	27,538	24,608	35,534	31,534	(1,495)
Other revenues	900	1,724	2,509	1,847	83	3,118	2,006	1,868
Transfers out	(3,000)	-	-	-	-	-	-	(3,920)
Total governmental activities revenues	330,961	355,808	368,368	388,997	472,092	505,177	508,997	471,410
Business-type activities:								
General:								
Investment income	1,838	1,055	618	669	1,014	1,386	1,210	770
Other revenues	-	-	-	-	-	-	207	151
Transfers in	3,000	-	-	-	-	-	-	3,920
Total business-type activities revenues	4,838	1,055	618	669	1,014	1,386	1,417	4,841
Total primary government revenues	335,799	356,863	368,986	389,666	473,106	506,563	510,414	476,251
Governmental activities:								
CHANGES IN NET ASSETS (DEFICIT)	(150,348)	(317,528)	(330,653)	(253,845)	(179,669)	(29,860)	(12,970)	(114,203)
NET ASSETS (DEFICIT):								
Beginning of year	(662,546)	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)
End of year	(812,894)	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)
Business-type activities:								
CHANGES IN NET ASSETS (DEFICIT)	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466
NET ASSETS (DEFICIT):								
Beginning of year	50,703	50,529	46,735	44,271	39,621	36,011	31,831	28,393
End of year	50,529	46,735	44,271	39,621	36,011	31,831	28,393	28,859
Total primary government	\$ (762,365)	\$ (1,083,687)	\$ (1,416,804)	\$ (1,675,299)	\$ (1,858,578)	\$ (1,892,618)	\$ (1,909,026)	\$ (2,022,763)
CHANGE IN NET ASSETS:								
Governmental activities	\$ (150,348)	\$ (317,528)	\$ (330,653)	\$ (253,845)	\$ (179,669)	\$ (29,860)	\$ (12,970)	\$ (114,203)
Business-type activities	(174)	(3,794)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466
Total primary government	\$ (150,522)	\$ (321,322)	\$ (333,117)	\$ (258,495)	\$ (183,279)	\$ (34,040)	\$ (16,408)	\$ (113,737)

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

REGIONAL TRANSPORTATION AUTHORITY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT YEARS
(in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund								
Reserved	\$ 76,056	\$ 54,463	\$ 66,406	\$ 58,955	\$ 93,384	\$ 102,765	\$ 107,948	\$ 106,822
Unreserved	<u>77,827</u>	<u>65,491</u>	<u>4,889</u>	<u>12,507</u>	<u>1,654</u>	<u>38,828</u>	<u>41,220</u>	<u>(53,482)</u>
Total general fund balances	<u><u>\$ 153,883</u></u>	<u><u>\$ 119,954</u></u>	<u><u>\$ 71,295</u></u>	<u><u>\$ 71,462</u></u>	<u><u>\$ 95,038</u></u>	<u><u>\$ 141,592</u></u>	<u><u>\$ 149,167</u></u>	<u><u>\$ 53,340</u></u>
All other governmental funds								
Reserved	<u>\$ 337,213</u>	<u>\$ 418,454</u>	<u>\$ 569,278</u>	<u>\$ 567,100</u>	<u>\$ 308,345</u>	<u>\$ 433,055</u>	<u>\$ 349,402</u>	<u>\$ 259,165</u>
Total all other governmental funds	<u><u>\$ 337,213</u></u>	<u><u>\$ 418,454</u></u>	<u><u>\$ 569,278</u></u>	<u><u>\$ 567,100</u></u>	<u><u>\$ 308,345</u></u>	<u><u>\$ 433,055</u></u>	<u><u>\$ 349,402</u></u>	<u><u>\$ 259,165</u></u>

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

REGIONAL TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT YEARS
(in thousands)

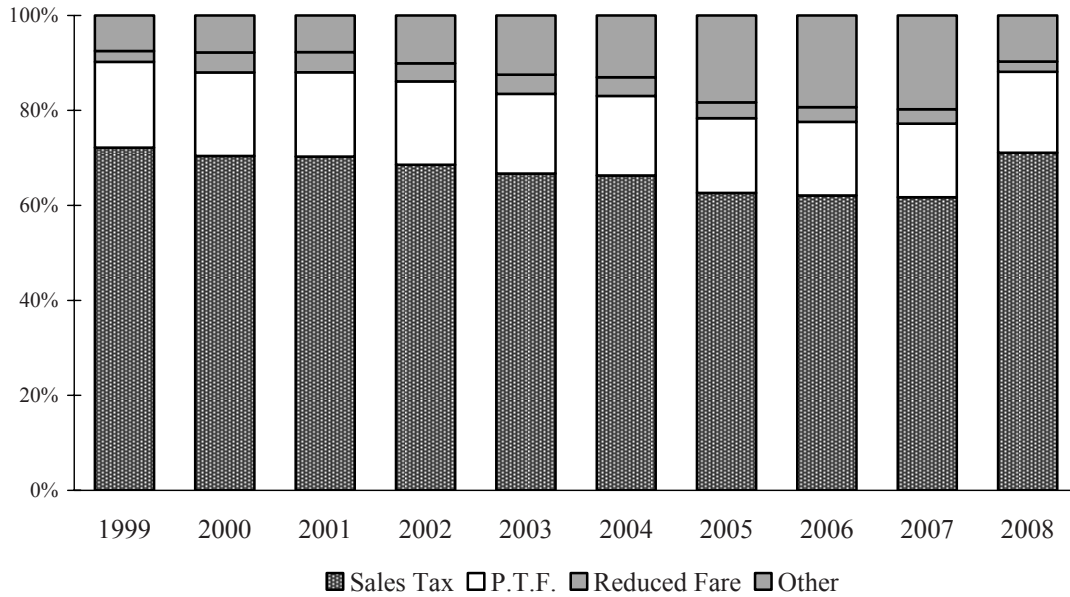
	2001	2002	2003	2004	2005	2006	2007	2008
REVENUES:								
Sales taxes	\$ 98,028	\$ 97,153	\$ 98,248	\$ 101,344	\$ 105,059	\$ 112,024	\$ 112,938	\$ 109,003
Interest on sales taxes	131	68	41	53	137	317	376	1,081
Public Transportation Fund	164,987	165,665	164,738	170,397	175,668	186,136	188,931	188,829
New 5% PTF Advance Recovery	-	-	-	-	-	-	-	38,372
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000
Operating assistance -CTA/PACE	-	-	-	-	54,252	54,252	54,252	4,441
State assistance	43,662	67,455	85,226	86,785	111,419	112,743	117,807	121,870
Investment income	25,283	20,595	16,548	27,538	24,608	35,533	31,534	(1,495)
Other revenues	1,870	4,872	3,469	2,839	912	4,172	3,159	3,229
Total revenues	333,961	355,808	368,270	388,956	472,055	505,176	508,997	475,330
EXPENDITURES:								
Financial assistance to Service Boards	168,857	209,106	213,127	179,799	168,076	162,434	209,931	249,948
Capital grants—discretionary	31,736	31,096	34,830	33,767	25,437	26,731	25,272	26,288
South Suburban Job Access Program - (PACE)	-	-	-	-	-	-	-	3,750
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	-	-	-	-	-	-	42,813
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	-	-	10,000
PACE (PTF) expenditures	-	-	-	-	54,252	54,252	40,010	1,579
Capital grants—bonds	169,812	319,945	319,253	290,103	251,693	138,706	88,055	93,086
Administrative	5,030	5,997	6,480	6,370	6,380	6,747	6,772	7,258
Regional	14,301	18,395	16,833	20,617	19,705	23,967	22,528	24,509
Capital outlay	72	1,115	214	160	1,438	373	610	263
Debt service:								
Principal	19,805	25,560	37,940	40,430	49,570	55,110	59,135	64,685
Interest	74,969	84,310	102,668	119,271	128,852	125,155	131,233	131,705
Debt related costs	-	-	-	-	1,798	44	-	-
Debt issuance costs	1,326	3,458	4,240	3,424	975	2,222	1,529	1,590
Total expenditures	485,908	698,982	735,585	693,941	708,176	595,740	585,075	657,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,947)	(343,174)	(367,315)	(304,985)	(236,121)	(90,563)	(76,078)	(182,144)
OTHER FINANCING SOURCES (USES):								
Bond proceeds (gross)	111,209	390,486	457,167	260,000	-	250,350	-	-
Refunding bond proceeds (gross)	41,067	-	12,313	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	148,110	-	-	-
Payment to refunded bond escrow agent	(39,736)	-	-	-	(147,186)	-	-	-
SCIP II bond proceeds (gross)	-	-	-	-	-	1,826	-	-
Other financing sources (premium)	-	-	-	42,974	18	9,652	-	-
Transfers out								
Capital Projects Fund	-	-	-	(6,225)	(70)	-	-	-
Debt Service Fund	(84,099)	-	(136,006)	(140,786)	(171,240)	(175,995)	(179,116)	186,268
General Fund	-	-	-	-	(540)	-	179,116	(190,188)
Joint Self-Insurance Fund	(3,000)	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	(41)	-	-
Transfers in								
Capital Projects Fund	306	-	(85)	-	8,541	3,315	-	-
Debt Service Fund	-	-	-	6,225	610	41	-	-
General Fund	83,793	-	136,091	140,786	162,699	172,680	-	-
Total other financing (uses) sources	109,540	390,486	469,480	302,974	942	261,827	-	(3,920)
NET CHANGE IN FUND BALANCES	\$ (42,407)	\$ 47,312	\$ 102,165	\$ (2,011)	\$ (235,179)	\$ 171,264	\$ (76,078)	\$ (186,064)
Debt Service as a percentage of noncapital expenditures	19.78%	16.24%	19.70%	23.51%	25.64%	30.66%	32.83%	30.12%

Note: GASB 34 was implemented for fiscal year ending December 31, 2001.

Table 5

RTA REVENUE BY SOURCE

1999-2008



Last Ten Years

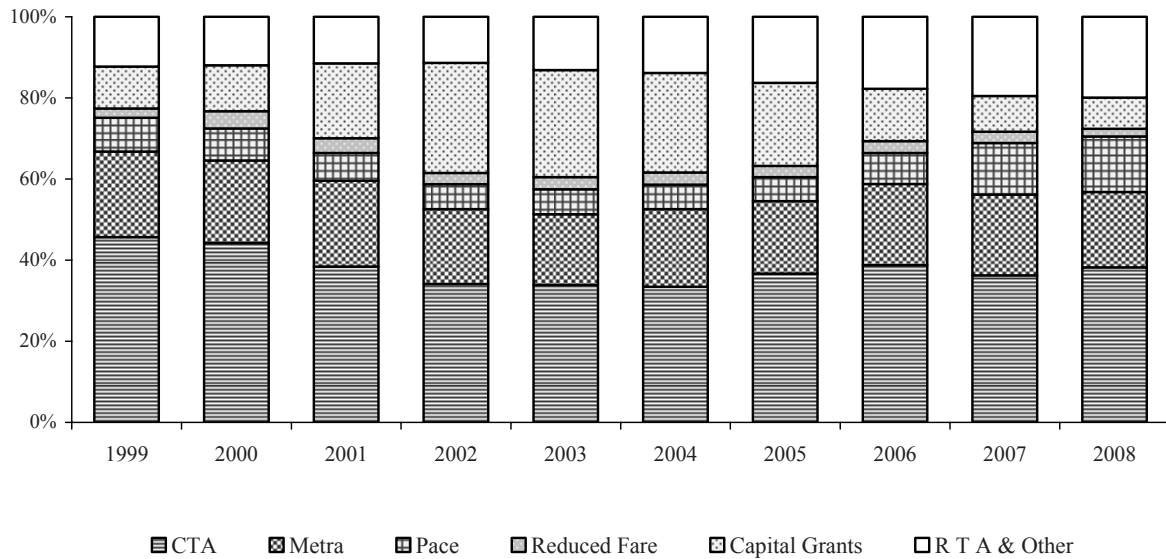
(In Thousands)

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/99	\$613,514	\$153,343	\$19,386	\$63,624	\$849,867
Percentage of Total	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	650,284	162,247	38,759	71,947	923,237
Percentage of Total	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	647,685	165,665	36,260	95,167	944,777
Percentage of Total	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	949,617	227,201	28,919	129,784	1,335,521
Percentage of Total	71.10%	17.01%	2.17%	9.72%	100%

Table 6

DISTRIBUTION OF EXPENDITURES

1999-2008



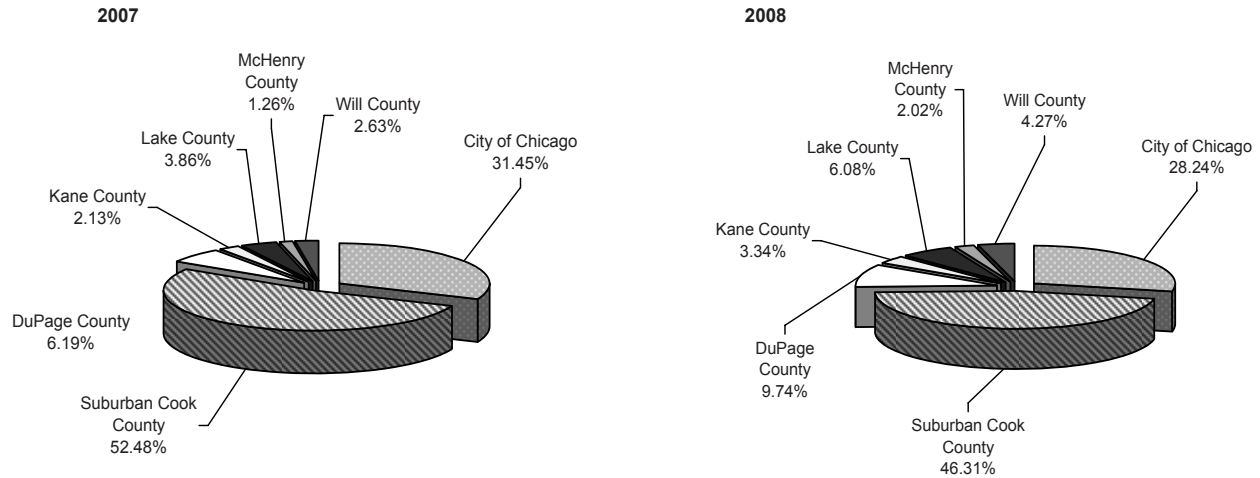
Last Ten Years

(In Thousands)

	Financial Assistance				Reduced Fare	Capital Grants	R T A and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/99	\$384,810	\$177,784	\$70,482	\$633,076	\$19,386	\$86,913	\$103,436	\$842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%

Table 7

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO



Last Ten Years

(In Thousands)

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/99	\$187,966	\$333,513	\$41,764	\$10,761	\$22,238	\$6,528	\$10,744	\$613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
Percentage of Total	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	219,093	533,095	75,587	25,908	47,143	15,700	33,091	949,617
Percentage of Total	23.07%	56.14%	7.96%	2.73%	4.96%	1.65%	3.48%	100%

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	<u>Governmental Activities</u>		Total Primary Government	Percentage of Sales Tax	Percentage of Personal Income ^b	Per Capita ^b
	General Obligation Bonds ^a	Working Cash Notes ^a				
1999	\$ 958,510	\$ -	\$ 958,510	64.01 %	389.55 %	\$ 8
2000	1,195,780	-	1,195,780	54.38	334.82	10
2001	1,125,940	-	1,125,940	58.04	361.70	9
2002	1,160,380	-	1,160,380	55.82	356.53	9
2003	1,982,345	-	1,982,345	33.04	215.34	16
2004	2,201,915	-	2,201,915	30.68	202.17	17
2005	2,156,155	-	2,156,155	32.48	215.26	17
2006	2,351,395	-	2,351,395	31.76	208.58	18
2007	2,292,260	56,000	2,348,260	32.06	223.96	18
2008	2,227,575	40,000	2,267,575	41.88	241.22	18

Note:

^a Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

^b See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

LEGAL DEBT CAPACITY

2008

Legal Debt Margin:	Balance Outstanding at December 31, 2008	Issued	
Debt Limitation per Act for General Obligations			\$2,600,000,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	\$60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	4,590,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	29,225,000		
1997 General Obligation Refunding Bonds	65,955,000		
2002B General Obligation Bonds	144,085,000		
2003B General Obligation Bonds	139,990,000		
2003C General Obligation Refunding Bonds	3,565,000		
2005B General Obligation Refunding Bonds	139,305,000		
Total RTA Bonds Applicable to Limitation	<u>\$650,350,000</u>		(650,350,000)
SCIP Bonds:			
1992A General Obligation Bonds	\$28,755,000	\$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	28,560,000	62,000,000	
1999 General Obligation Refunding Bonds	274,445,000		
2000 General Obligation Bonds	230,065,000	260,000,000	
2001A General Obligation Bonds	88,630,000	100,000,000	
2001B General Obligation Refunding Bonds	29,800,000		
2002A General Obligation Bonds	144,925,000	160,000,000	
2003A General Obligation Bonds	242,420,000	260,000,000	
2004A General Obligation Bonds	246,410,000	260,000,000	
2006A General Obligation Bonds	245,915,000	250,350,000	
Total SCIP Bonds Applicable to Limitation		<u>\$1,790,350,000</u>	(1,790,350,000)
Total SCIP Bonds Outstanding	<u>\$1,577,225,000</u>		
Total Bonds Outstanding	<u>\$2,227,575,000</u>		
Debt Margin for General Obligations			<u>\$159,300,000</u>
Debt Limitation per Act for Working Cash Notes			\$400,000,000
Total RTA Working Cash Notes Applicable to Limitation	\$56,000,000	\$56,000,000	(56,000,000)
Debt Margin for Working Cash Notes			<u>\$344,000,000</u>
Total Legal Debt Margin			<u>\$503,300,000</u>

STATISTICAL SECTION (UNAUDITED)

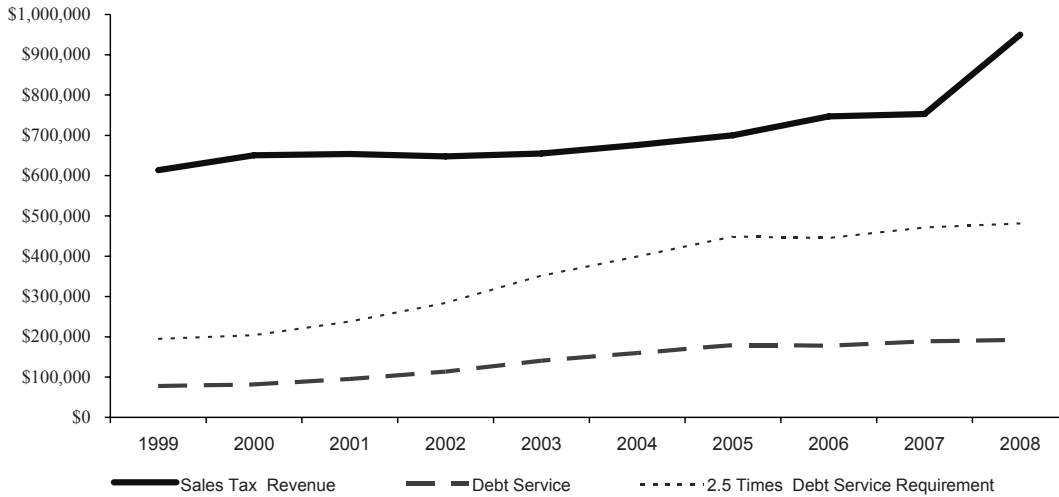
TABLE 10

**REGIONAL TRANSPORTATION AUTHORITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(in thousands)**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit for General Obligations	\$1,000,000	\$1,560,000	\$1,820,000	\$2,080,000	\$2,340,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000
Total net debt applicable to limit	971,700	1,222,635	1,312,605	1,661,975	2,051,930	2,291,115	2,270,665	2,495,485	2,468,755	2,440,700
Debt margin for General Obligations	28,300	337,365	507,395	418,025	288,070	308,885	329,335	104,515	131,245	159,300
Debt limit for Working Cash Notes	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	400,000
Total net debt applicable to limit	-	-	-	-	-	-	-	-	40,000	56,000
	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	60,000	344,000
Legal debt margin	\$ 128,300	\$ 437,365	\$ 607,395	\$ 518,025	\$ 388,070	\$ 408,885	\$ 429,335	\$ 204,515	\$ 191,245	\$ 503,300
Total net debt applicable to the limit as a percentage of debt limit	11.66%	26.35%	31.64%	23.76%	15.90%	15.14%	15.90%	7.57%	7.08%	16.78%

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1999 - 2008
(In Thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years

(In Thousands)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax Revenue	\$ 613,514	\$ 650,284	\$ 653,522	\$ 647,685	\$ 654,985	\$ 675,628	\$ 700,395	\$ 746,829	\$ 752,922	\$ 949,617
Debt Service Requirement	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551	192,555
2.5 Times Debt Service Requirement	\$194,665	\$204,190	\$237,968	\$283,815	\$351,518	\$399,255	\$448,840	\$445,215	\$471,378	\$481,388

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

Table 12

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

Last Ten Years

(In Thousands)

Year	Debt Service Requirements			Total Expenditures	Ratio of Debt Service to Total Expenditures
	Principal	Interest	Total		
1999	\$ 16,988	\$ 60,878	\$ 77,866	\$ 842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%

Table 13

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

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

(In Millions)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1999	\$ 299.59	\$ 162.67	\$ 111.49	\$ 25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
Total	\$ 4,351.70	\$ 2,476.28	\$ 1,547.46	\$ 327.96

Source of data: Information obtained from the Service Boards' records.

REGIONAL TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate ²
1999	12,359,020	\$ 373,384,640	\$ 30,212	4.5%
2000	12,439,219	400,373,280	32,186	4.5%
2001	12,516,683	407,253,595	32,537	5.4%
2002	12,578,317	413,710,753	32,891	6.5%
2003	12,625,246	426,876,687	33,811	6.7%
2004	12,680,053	445,151,182	35,106	6.2%
2005	12,719,550	464,124,942	36,489	5.8%
2006	12,777,042	490,450,096	38,385	4.6%
2007	12,852,548	525,919,549	40,919	5.1%
2008	12,901,563	546,984,646	42,397	6.5%

⁽¹⁾ Source : Bureau of Economic Analysis U.S. Department of Commerce

⁽²⁾ Source: Bureau of Labor Statistics Data U.S. Department of Labor

**REGIONAL TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS**

CURRENT YEAR

Eight Years Ago ⁽³⁾

Employer ¹	2008			Employer ²	2000		
	Employees	Rank	% of Total Region Employment		Employees	Rank	% of Total Region Employment
United States Government	78,000	1	1.97%	United States Government	49,500	1	1.23%
Chicago Public Schools	43,910	2	1.11%	United States Post Office	46,600	2	1.16%
City of Chicago	35,570	3	0.90%	Chicago School Board	45,000	3	1.12%
Wal-Mart Stores	23,453	4	0.59%	City of Chicago	41,700	4	1.04%
Cook County	22,142	5	0.56%	Jewel/Osco	38,900	5	0.97%
Advocate Healthcare	15,660	6	0.39%	Wal-Mart	27,100	6	0.67%
University of Chicago	15,660	7	0.39%	Cook County	26,900	7	0.67%
Walgreen Co.	14,287	8	0.36%	Motorola	26,800	8	0.67%
AT&T	14,254	9	0.36%	Advocate Healthcare	22,000	9	0.55%
United Airline Co.	14,000	10	0.35%	Sears	20,600	10	0.51%
Total	276,936		6.98%		345,100		8.59%

Note: RTA service area includes Cook and the five collar Counties.

The information obtained from the sources below has been adjusted to reflect only employers from these areas.

⁽¹⁾ Crain's Chicago Business

⁽²⁾ 2000 Illinois Statistical Abstract

⁽³⁾ Latest available information

SERVICE BOARD OPERATING CHARACTERISTICS

2008

Chicago Transit Authority	*Metra Commuter Rail Division	Pace Suburban Bus Division
<u>Rapid Transit</u>		<u>Fixed Route</u>
• 8 rail routes	• 487.7 route miles	• 144 regular routes
• 143 stations served	• 1,155 miles of track	• 48 feeder routes
• 1,190 rapid transit cars	• 239 stations	• 1 subscription routes
• 198.1 million riders per year	• 144 locomotives	• 19 shuttle routes
• 1,288 STO* positions	• 823 passenger cars	• 573 vehicles in use during peak periods
	• 171 electric cars	• 34.6 million riders per year
	• 702 weekly trains operated	• 12 seasonal routes
<u>Motor Bus</u>	• 95.4% on-time performance	• 703 Pace-owned busses
• 153 bus routes	• 86.8 million riders per year	• 1,358 full-time employees
• 2,150 buses	• 4,007 full-time employees	
• 328.2 million riders per year		<u>Paratransit**</u>
• 4,346 STO* positions		• 168 Pace owned lift-equipped buses in service
<u>Other</u>	<u>Other</u>	• 3.7 millions of riders per year
• 1.2 billion passenger rail miles per year	• 1.7 billion passenger miles per year	• 35 full-time employees
• 12.3 million rail miles per year	• 44.7 million vehicle miles per year	
• 779.8 million passenger miles per year		<u>Dial-A-Ride**</u>
• 70.8 million vehicle miles per year		• 61 local services
• 5,233 without STO* Positions		• 203 Pace owned lift-equipped buses in service
		• 222 communities served
		• 1.1 millions of riders per year
		• 6.3 million passenger miles per year
		• 4.7 million vehicle miles per year
		<u>Other</u>
		• 721 vanpools in operation
		• 2.0 million riders for the year
		• 22.3 million passenger miles per year
		• 31.0 million vehicle miles per year

*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.

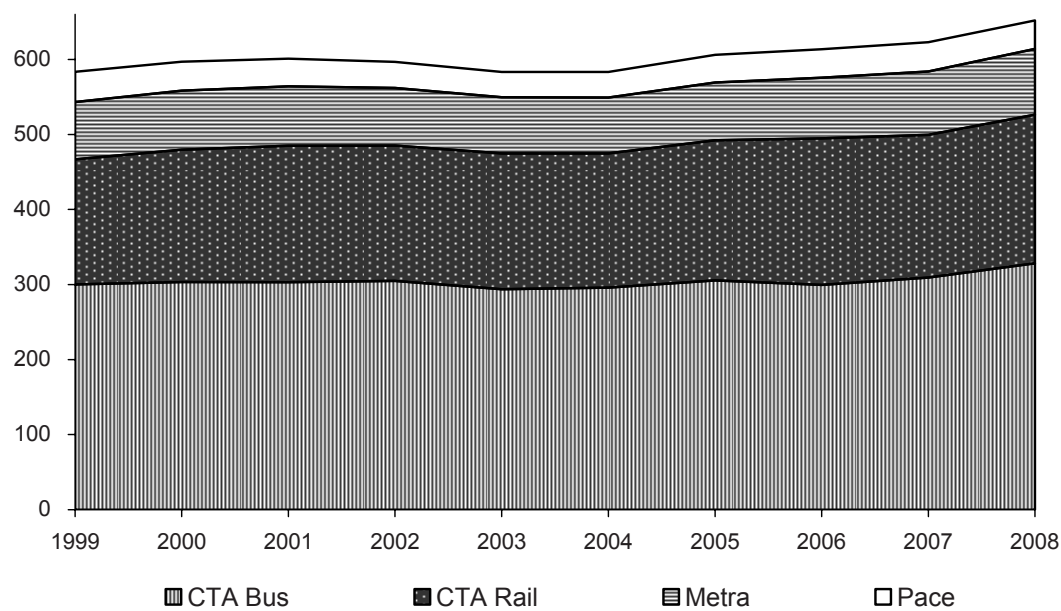
*All data excludes NICTD South Shore

**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

Source of data: Information obtained from the Service Boards' records.

1999-2008
(In Millions)

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



Last Ten Years

(In Millions)

Service Consumed:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA - Bus	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2
CTA - Rail	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
Total CTA*	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3
Metra	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7
Pace**	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	37.8
System Total	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0	651.8
Percent Change	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	4.62%

*CTA Stat amounts include rail-to-rail transfers.

**PACE 2007 Stat amount includes ADA Paratransit rides.

Source of data: Information obtained from the National Transit Database.



Regional Transportation Authority

The six-county public
transportation system
serving northeastern Illinois

RTA Main Office

175 West Jackson Boulevard, Suite 1550
Chicago, Illinois 60604
(312) 913-3200
www.rtachicago.com

RTA Customer Service

165 N. Jefferson Street
Chicago, Illinois 60661
(312) 913-3110

Community Outreach

(312) 913-3237

RTA ADA Certification Helpline

Voice (312) 663-4357
TTY (312) 913-3122

Travel Information Center and RTA Reduced Fare Card

Call 836-7000 from any area
code in the six-county region
TTY (312) 836-4949
www.rtachicago.com

RTA Transit Benefit Program

(800) 531-2828

Chicago Transit Authority

567 West Lake Street
Chicago, Illinois 60661
1-888-968-7282
www.transitchicago.com



Metra

547 West Jackson Boulevard
Chicago, Illinois 60661
(312) 322-6777
www.metrarail.com



Pace

550 West Algonquin Road
Arlington Heights, Illinois 60005
(847) 364-7223
www.pacebus.com



MovingBeyondCongestion.org

APPENDIX C
COMBINING FINANCIAL STATEMENT

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Regional Transportation Authority and Service Boards

Special-Purpose Combining Financial Statements
for the Year Ended December 31, 2008 and
Independent Accountants' Compilation Report



**Regional
Transportation
Authority**

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REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(See Independent Accountant's Compilation Report)

Prepared by:

**Finance & Administration Department
Joseph G. Costello, CPA, CPFO
Senior Deputy Executive Director**

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

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175 W. Jackson Blvd. Board of Directors
Suite 1550 Regional Transportation Authority
Chicago, IL 60604 175 West Jackson Boulevard, Suite 1550
(312) 913-3200 Chicago, Illinois 60604
www.rtachicago.com

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ended December 31, 2008. This Report fulfills the requirements of section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the Northeastern Illinois Region. The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.

A handwritten signature in cursive script that reads 'J. G. Costello'.

Joseph G. Costello
Senior Deputy Executive Director,
Finance & Administration
Regional Transportation Authority
June 10, 2009



McGladrey & Pullen

Certified Public Accountants

Independent Accountant's Report

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining financial statements of the Regional Transportation Authority and Service Boards as of December 31, 2008, and for the year then ended, and the supplementary and statistical information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

The accompanying special-purpose financial statements and supplementary and statistical information were prepared for the purpose of complying with the statutory requirement of the Regional Transportation Authority Act as described in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Schaumburg, Illinois
June 10, 2009

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS

DECEMBER 31, 2008

(In Thousands)

ASSETS:	RTA Government - Wide Funds	Service Boards				Combining Adjustments		Total Combined
		Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division				
					Debit	Credit		
CURRENT ASSETS:								
Cash and investments:								
Restricted - cash and cash equivalents	\$ -	\$ 5,894	\$ -	\$ 22,350	\$ -	\$ -	\$ -	\$ 28,244
Unrestricted - cash and cash equivalents	14,301	61,672	60,012	9,388	-	-	-	145,373
Restricted - investments	262,774	-	-	-	-	-	-	262,774
Unrestricted - investments	142,663	1,000	-	-	-	-	-	143,663
Unamortized bond issue costs	579	-	-	-	-	-	-	579
Receivables:								
Due to general fund	19	-	-	-	-	-	-	19
Intergovernmental receivables	270,542	-	-	-	-	19,750	-	250,792
Grant projects	-	21,115	23,353	1,135	-	5,537	-	40,066
RTA financial assistance	-	258,832	60,867	42,748	-	164,991	-	197,456
Other carriers	-	-	8	-	-	-	-	8
Other receivables	-	88,727	10,964	11,592	-	872	-	110,411
Interest on investments	1,239	-	-	-	-	-	-	1,239
Loan to S.B. note and interest	1,358	-	-	-	-	-	-	1,358
Materials and supplies	-	102,919	13,950	5,809	-	-	-	122,678
Prepaid expenses	2,521	4,426	4,202	1,537	-	-	-	12,686
Total current assets	695,996	544,585	173,356	94,559		191,150		1,317,346
Fixed assets:								
Plant, property and equipment	13,677	7,376,619	5,244,254	437,885	-	-	-	13,072,435
Capital projects in progress	-	904,892	9,081	12,724	-	-	-	926,697
Less accumulated depreciation	(2,559)	(4,262,861)	(2,653,837)	(262,340)	-	-	-	(7,181,597)
Total fixed assets	11,118	4,018,650	2,599,498	188,269	-	-	-	6,817,535
Other assets:								
Unamortized bond issue costs	11,488	26,916	-	-	-	-	-	38,404
Note receivable	2,750	-	-	-	-	-	-	2,750
Investment relating to employee pension benefits plan	-	112,158	-	-	-	-	-	112,158
Restricted assets	-	536,690	-	-	-	-	-	536,690
Amount due under sale/leaseback	-	1,613,435	182,532	85,739	-	-	-	1,881,706
Total other assets	14,238	2,289,199	182,532	85,739	-	-	-	2,571,708
TOTAL ASSETS	\$ 721,352	\$ 6,852,434	\$ 2,955,386	\$ 368,567	\$ -	\$ 191,150	\$ 10,706,589	

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF NET ASSETS (Continued)

DECEMBER 31, 2008

(In Thousands)

LIABILITIES	RTA Government- Wide Funds	Service Boards			Combining Adjustments		Total Combined
		Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Debit	Credit	
CURRENT LIABILITIES:							
Vouchers payable	\$ 145	\$ 207,026	\$ 43,318	\$ 5,870	\$ -	\$ -	\$ 256,359
Accrued interest payable	-	16,909	-	151	-	-	17,060
Intergovernmental payables	170,528	-	-	849	170,528	-	849
Due to other funds	15,369	-	-	-	-	-	15,369
Current portion of general obligation bonds payable	68,455	28,715	-	-	-	-	97,170
Current portion of unamortized bond premium	5,702	-	-	-	-	-	5,702
Other current liabilities:							
Accrued other expenses	4,557	95,456	32,011	31,515	16,872	-	146,667
Unrealized revenue, capital grant	-	10,949	-	-	-	-	10,949
Deferred revenue, assistance and other	61,682	63,551	14,010	1,014	-	-	140,257
Working cash note payable	56,000	-	-	-	-	-	56,000
Capital lease obligation	-	99,688	14,660	-	-	-	114,348
Certificate of participation	-	4,893	-	-	-	-	4,893
Claims liability	-	76,848	5,004	14,564	3,750	-	92,666
Total current liabilities	382,438	604,035	109,003	53,963	191,150	-	958,289
LONG-TERM LIABILITIES:							
General obligation bonds payable	2,159,120	2,794,550	-	-	-	-	4,953,670
Claims liability	-	120,018	20,206	13,417	-	-	153,641
Accrued interest payable	33,919	-	-	-	-	-	33,919
Capital lease obligation	-	1,680,171	167,872	85,739	-	-	1,933,782
Premium on capital lease payable	-	5,387	-	-	-	-	5,387
Deferred revenue	47,060	32,973	-	-	-	-	80,033
Accrued pension cost	-	17,769	-	1,991	-	-	19,760
Unamortized bond premium	119,502	54,146	-	-	-	-	173,648
Certificate of participation	-	72,015	-	-	-	-	72,015
Deferred rent	2,076	-	-	-	-	-	2,076
Intergovernmental payables	-	-	-	3,108	-	-	3,108
Other long-term liabilities	-	3,863	-	7,336	-	-	11,199
Total long-term liabilities	2,361,677	4,780,892	188,078	111,591	-	-	7,442,238
Total liabilities	2,744,115	5,384,927	297,081	165,554	191,150	-	8,400,527
NET ASSETS (DEFICIT):							
Invested in capital assets	11,118	3,086,337	2,599,498	188,269	-	-	5,885,222
Fund equity restricted for:							
Payment on obligations and others	-	73,313	-	-	-	-	73,313
Accumulated unrestricted (deficit)	(2,033,881)	(1,692,143)	58,807	14,744	1,268,694	1,268,694	(3,652,473)
TOTAL NET ASSETS (DEFICIT)	\$ (2,022,763)	\$ 1,467,507	\$ 2,658,305	\$ 203,013	\$ 1,268,694	\$ 1,268,694	\$ 2,306,062

See notes to special-purpose combining financial statements and independent accountant's compilation report.

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2008

(In Thousands)

		Service Boards			Combining Adjustments		Total
	RTA Government-Wide Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Debit	Credit	Combined
REVENUES:							
Service Boards operating revenues	\$ -	\$ 510,776	\$ 315,859	\$ 58,662	\$ 618	\$ -	\$ 884,679
Sales taxes	109,003	-	-	-	-	840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating assistance - CTA and Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and others	3,380	-	-	-	-	-	3,380
Total revenues	476,251	510,776	315,859	58,662	618	840,613	2,201,543
EXPENSES:							
Operating expenses	-	1,194,390	594,603	279,431	-	352	2,068,072
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating grant - CTA and Pace	58,142	-	-	-	-	58,142	-
Capital grants—discretionary	26,288	-	-	-	-	26,288	-
Capital grants—bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	-	-	-	-	-	127,495
Total expenses	589,988	1,597,638	815,486	312,617	-	428,081	2,887,648
OPERATING LOSS	(113,737)	(1,086,862)	(499,627)	(253,955)	618	1,268,694	(686,105)
NONOPERATING REVENUE (EXPENSE):							
RTA financial assistance	-	641,832	287,181	215,370	1,148,703	-	(4,320)
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transaction	-	118,962	14,808	5,119	-	-	138,889
Interest expense on leasing transactions	-	(116,767)	(14,808)	(5,119)	-	-	(136,694)
Interest expense on bond transactions	-	(72,028)	-	-	-	-	(72,028)
Other public funding	-	37,650	98,952	3,357	-	-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Investment income	-	9,330	-	1,085	-	-	10,415
Gain on sale of assets	-	350	-	-	-	-	350
Total nonoperating revenue (expense)	-	1,142,111	405,105	247,458	1,268,076	-	526,598
CHANGES IN NET ASSETS	(113,737)	55,249	(94,522)	(6,497)	1,268,694	1,268,694	(159,507)
NET ASSETS (DEFICIT):							
Beginning of year	(1,909,026)	1,412,258	2,752,827	209,510	-	-	2,465,569
End of year	\$ (2,022,763)	\$ 1,467,507	\$ 2,658,305	\$ 203,013	\$ 1,268,694	\$ 1,268,694	\$ 2,306,062

See notes to special-purpose combining financial statements and independent accountant's compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2008

(In Thousands)

	RTA Joint Self-Insurance Fund	Chicago Transit Authority	Service Boards Commuter Rail Division	Suburban Bus Division	Total Combined
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers	\$ -	\$ 475,443	\$ 251,695	\$ 43,013	\$ 770,151
Payments to employees	-	(2,498,635)	(250,909)	(93,826)	(2,843,370)
Payments to vendors	(3,002)	(315,122)	(334,099)	(175,480)	(827,703)
Other receipts and payments	-	(18,896)	46,435	6,400	33,939
Net cash from operating activities	(3,002)	(2,357,210)	(286,878)	(219,893)	(2,866,983)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Financial assistance—operating	-	509,072	275,928	199,653	984,653
Transfer from General Fund	3,920	-	-	-	3,920
Net cash from noncapital financing activities	3,920	509,072	275,928	199,653	988,573
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations	-	118,962	-	-	118,962
Repayment of lease/leaseback obligations	-	(207,852)	-	-	(207,852)
Increase/decrease in assets restricted for payment of leasehold obligations	-	86,013	-	19,396	105,409
Payments of capital lease obligations	-	-	-	(19,396)	(19,396)
Proceeds from capital leases	-	120,523	-	-	120,523
Financial assistance—grant projects	-	603,624	117,684	32,962	754,270
Proceeds from the sale of property and equipment	-	350	-	-	350
Bond proceeds (net)	-	2,349,739	-	-	2,349,739
Payments for capital acquisition	-	(1,000,845)	(148,655)	(29,846)	(1,179,346)
Net cash from capital and related financing activities	-	2,070,514	(30,971)	3,116	2,042,659
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	786	9,330	2,627	1,236	13,979
Sales and purchases of investments, net	100	(424,301)	-	-	(424,201)
Net cash from investing activities	886	(414,971)	2,627	1,236	(410,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,804	(192,595)	(39,294)	(15,888)	(245,973)
CASH AND CASH EQUIVALENTS—Beginning of year	12,497	260,161	99,306	47,626	419,590
CASH AND CASH EQUIVALENTS—End of year	\$ 14,301	\$ 67,566	\$ 60,012	\$ 31,738	\$ 173,617
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss from operations	\$ (4,224)	\$ (1,086,862)	\$ (499,627)	\$ (253,955)	\$ (1,844,668)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation	-	403,248	220,883	33,186	657,317
Claims provision and settlement	-	-	(5,131)	-	(5,131)
State reduced fare assistance	-	-	(2,865)	-	(2,865)
Interest and dividends received	-	-	(2,627)	-	(2,627)
Changes in current assets and liabilities	1,222	(1,673,596)	2,489	876	(1,669,009)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (3,002)	\$ (2,357,210)	\$ (286,878)	\$ (219,893)	\$ (2,866,983)

See notes to special-purpose combining financial statements and independent accountant's compilation report.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

NOTES TO SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

(See Independent Accountant's Compilation Report)

1. BASIS OF ACCOUNTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. The special-purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America primarily due to the RTA and Service Boards using a different basis of accounting and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements describe the basis of accounting for each entity and contain the omitted disclosures.

Intergovernmental receivables, payables, revenues, expenses, and expenditures have been eliminated in the combining adjustments columns; however, there are some differences in these amounts reported in the stand-alone financial statements of the RTA and the Service Boards. These valid differences relate primarily to differences in timing in the recording of certain transactions. For purposes of these combining financial statements, such differences are recorded as combining adjustments to net assets.

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

2. ORGANIZATIONAL STRUCTURE

RTA

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

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

CTA

The CTA was formed in 1945 pursuant to the Metropolitan Transportation Authority Act passed by the Illinois legislature. The CTA was established as an independent governmental agency (an Illinois municipal corporation) “separate and apart from all other government agencies” to consolidate Chicago’s public and private mass transit carriers. The Chicago City Council has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a public corporation, was established in 1980 to serve as the RTA’s commuter rail service. The RTA Act, as amended effective November 9, 1983, established the Commuter Rail Division (CRD) to operate commuter rail transportation services. Both the NIRCRC and the CRD act under the registered service mark known as “Metra.”

Metra has the responsibility for policy making with respect to actual day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. Metra is responsible for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration activities. Metra is directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and Metra Southwest Service commuter lines.

Metra also provides commuter rail service under Purchase of Service Agreements (PSA) with Union Pacific Railroad, Burlington Northern Santa Fe Railway Company, and Northern Indiana Commuter Transportation District. Under these agreements, Metra funds the commuter-related operating deficits (as defined) or is entitled to receive the commuter-related operating surpluses (as defined) of these carriers. In addition, Metra provides certain direct expenses such as fuel and insurance coverage considered to be “in-kind assistance.” The title to the roadway and structure assets of the PSA carriers, other than capital improvements funded by federal and state agencies, the RTA, and Metra, is vested with the carriers. Accordingly, such assets are not reflected in these financial statements.

Pace

The RTA Act, as amended effective November 9, 1983, established the Suburban Bus Division (Pace) to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry, and Will. The independent operations of Pace commenced on July 1, 1984.

Pace determines the level, nature, and kind of public transportation services that should be provided in the suburban region. Pace operates suburban bus services using stock, structures, and equipment purchased through capital grants funded by federal and state agencies and the RTA.

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity’s December 31, 2008 year-end.

3. REPORTING ENTITY

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

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with governmental accounting and financial reporting standards in the United States.

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

- The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters, including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.
- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.
- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.
- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

Accordingly, financial statements for the Service Boards are not included or combined with the RTA's financial statements under Statement No. 14. They are combined, however, in these Combining Financial Statements. Section 4.05 of the RTA Act requires that the RTA prepare a report combining "the audits of the Service Boards, and reviewing the state of the Authority, the Service Boards, and the public transportation agencies."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Combined Entities conform to accounting principles generally accepted in the United States as applicable to governments. The following is a summary of the significant policies:

Fund Accounting—The RTA maintains records using a fund accounting model consisting of a General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund, (Business-Type Activities), Agency Fund, and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and the Pension Trust Fund are accounted for using the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

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

Cash and Cash Equivalents—All investments of the Combined Entities are recorded at fair market value, except short-term investments which are reported at cost or amortized cost that reasonably approximates fair market value.

For the purposes of the combining statements of cash flows, the Combined Entities consider all investments with original maturities of three months or less to be cash equivalents. Such amounts are included in the “Cash and Cash Equivalents” line items on the accompanying statements of net assets.

Capital Assets—All capital assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in capital assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of capital asset. These useful lives range from more than one year to forty years.

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

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

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

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

Sales Taxes

The Act authorizes the RTA to impose a retailers’ occupation tax “ROT,” a service occupation tax “SOT,” and a use tax “UT.” The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes. The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers’ occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

The SOT is imposed on the gross receipts from the sale of tangible personal property as an incident to the sale of a service. The tax rate and tax base are identical to the ROT.

The UT is imposed on persons living in the six county areas for the privilege of using a vehicle purchased outside the six county area that must be registered with the State. Unlike the state use tax, the RTA UT is

limited to registered property, largely automobiles. The tax is imposed on the selling price of the property at the same rates as the ROT.

As indicated above, the RTA imposes a sales tax in the six-county Northeastern Illinois region. The Illinois Department of Revenue collects this tax and remits the collections to the Illinois State Treasurer. The Treasurer holds the funds in trust for the RTA outside the State Treasury. The Treasurer disburses the funds monthly to the RTA, without appropriation, upon order of the State Comptroller.

The amounts of funding and taxes received, together with revenues from the provision of transit services by the Service Boards and other operating revenues, provide the resources to cover operating costs of the RTA System.

The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1.25% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 1% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.5% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.5% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

The taxes described in (i) and (ii) above are also imposed on persons engaged in making sales of services pursuant to which tangible personal property or real estate (as incident to a sale of a service) is transferred (with respect to the taxes in (i) and (ii), a Service Occupation Tax).

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

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

Specifically, 4% of the net monthly revenue from the 6.25% State General Sales Tax and State Service Occupation Tax and 4% of the net monthly revenue from the State Use Tax on personal property purchased at retail outside the State, but registered or titled with a State agency within the State (i.e., 0.25% of total) is transferred into the County and Mass Transit District Fund in the State Treasury (the “CMTD Fund”). The amount in the CMTD Fund attributable to taxable sales occurring in Cook County or to property registered or titled in Cook County is then transferred into the RTA Occupation and Use Tax Replacement Fund in the State Treasury (the “Replacement Fund”). In addition, (i) the net monthly revenue from the State Use Tax and State Service Use Tax portions of the 1% State Food and Drug Tax, and (ii) 20% of the net monthly revenue of the 6.25% State Use Tax and State Service Use Tax (i.e., 1.25% of total), other than revenues of such taxes attributable to personal property purchased at retail outside the State but registered or titled with a State agency within the State, are deposited in the State and Local Sales Tax Reform Fund (the “Reform Fund”). Of the money paid into the Reform Fund, 10% is transferred into the Replacement Fund.

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

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

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of the total sales taxes collected to which it is entitled by the amended Act. The remaining portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are “measurable and available” for the RTA to meet its current obligations.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the real estate transfer tax (RETT) in the City of Chicago, and raised the portion of RTA sales tax revenues matched by PTF. The RTA sales tax rate was increased 0.25% in Cook County and 0.50% in the Collar Counties effective April 1, 2008. Proceeds of the sales tax increase in the Collar Counties are divided evenly between the RTA and the county where the tax is collected. Effective April 1, 2008, the real estate transfer tax in the City of Chicago was increased 0.3% (e.g. for every \$500 in sales price \$1.50 in tax is collected).

In February 2008, the PTF match of the old RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. Beginning in January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase will rise from 5% to 30%.

While the RETT and the 25% PTF match of RETT funds only the CTA, the largest part of P.A. 95-0708 revenue provides funding for CTA, Metra, Pace and ADA Paratransit operations, as well as for regional innovation, coordination and enhancement (ICE) and suburban community mobility (SCMF) initiatives. Funds for ADA Paratransit, ICE and SCMF are by statute set aside before distributions to the CTA, Metra and Pace.

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes may be imposed at a rate of 1% in Cook County and ¼% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

This taxing power was added to the RTA Act in 1982, when the legislature imposed a state-wide car rental tax and authorized cities, counties, and certain special districts that had the power to impose sales taxes to tax the car rental occupation. This taxing power has never been exercised by the RTA.

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above. Consequently, this tax has never been imposed.

Off-Street Parking Tax

The Act authorizes the RTA to impose a tax in unspecified amounts on the privilege of parking a motor vehicle in a public or private fee-charging lot in the six county area. Because the Act prohibits the imposition of this tax if the RTA has enacted sales taxes, it has never been imposed.

Replacement Vehicle Tax

The Act authorizes the RTA to impose a \$50 tax on any passenger car purchased within the metropolitan area by an insurance company in settlement of a total loss claim of its insured. Any such tax would be collected by the State. This taxing power has never been exercised by the RTA.

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2009 fiscal year which will end June 30, 2010. During 2008, the PTF was 30% on some sales tax and 5% on other sales tax and the RETT. The PTF is 30% on both sales tax and RETT beginning in 2009.

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

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2009, which ends June 30, 2009, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal years ended June 30, 2008 and June

30, 2009, the grants were in the amount of \$36.7 million and \$28.9 million, respectively. In 2007, the state provided the RTA with advanced reduce fare reimbursements in the amount of \$15.6 million. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance (“ASA”) which is supplemental financing for the RTA’s Strategic Capital Improvement Program (“SCIP”) bonds. The ASA available to the RTA during the State’s July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) \$55 million per year. The RTA recognized \$39.7 million of ASA in 2008.

Beginning with the State’s fiscal year 2001, the State has also authorized Additional Financial Assistance (“AFA”) to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State’s July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) \$100 million in the State’s fiscal years 2008 and 2009, per year. The RTA recognized \$82 million of AFA in 2008.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

Management’s Use of Estimates—The preparation of financial statements in conformity with the Act requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. BUDGET AND BUDGETARY ACCOUNTING

Section 4.01(a) of the Act requires the RTA to prepare and adopt a comprehensive annual budget and program presenting the RTA’s planned operations and capital expenditures for the forthcoming year. The Service Boards’ proposed budgets are based on the RTA’s estimate of funds that will be available to the Service Boards by or through the RTA’s own budget. This budget is comprehensive and includes the activity in the general fund and sales tax agency fund.

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to Service Boards. The RTA capital expenditures and capital grants to Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There were several amendments to the 2008 budget. The 2008 budget (Ordinance 2007-63) was last revised on December 18, 2008 (Ordinance 2008-81). This ordinance amended the 2008 RTA budget and the budgets of the CTA, Metra, and Pace. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service

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

- The first source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and
- The third source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

6. LEASES

The RTA and CTA hold operating leases which are primarily for rent expense on the facilities they occupy. Metra has several operating leases, primarily for the use of passenger terminals. Pace has multi-year leases for vehicles and bus tires.

CTA

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 at an estimated aggregate cost of \$120.5 million. The terms of the 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, beginning on December 1, 2008. The present value of the future payments to be made by the CTA under the lease of approximately \$120.2 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In 2003, Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of \$119 million. 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 \$91.3 million. 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 \$111.1 million.

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 and 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 debt service payment over the next 27 years by approximately \$388 thousand resulting in an economic gain of approximately \$20.4 million. 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 \$2.4 million. This amount is recorded as a component of long-term debt in the accompanying balance sheets.

The bonds are payable from and secured by the lease entered into between the PBC and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. Bond issue costs and premium related to this transaction are presented as such on the balance sheets. The present value of the future payments to be made by the CTA under the lease of approximately \$87.2 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses with a book value of \$17.6 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$15.6 million is reflected in the accompanying December 31, 2008 balance sheet as capital lease obligation.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lots 1 and 2), with a book value of \$30.2 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$111.6 million is reflected in the accompanying December 31, 2008 balance sheet as capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (QTE), with a book value of \$12.8 million as of December 31, 2008. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. The present value of the future payments to be made by the CTA under the lease of approximately \$80.8 million is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligation.

During 1998, the CTA entered into a lease/leaseback agreement (1998 Agreement) with a third party pertaining to a rail line (Green Line), with a book value of \$240.6 million as of December 31, 2008. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (1998 Lease). The present value of the future payments to be made by the CTA under the lease of approximately \$251.4 million is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligation.

During 1997, the CTA entered into four lease/leaseback agreements (1997 Agreements) with a third party pertaining to certain of its facilities having a book value of \$47.6 million as of December 31, 2008. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (Leases). The CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. The present value of the future payments to be made by the CTA under the Leases (net of the payment due from the Equity

Trust in 2023 and 2024) of approximately \$34.9 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of \$11.9 million. The Federal Transit Administration (FTA) has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease/leaseback agreements (1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of \$51.4 million as of December 31, 2008. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). The present value of the future payments to be made by the CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately \$35 million is reflected in the accompanying December 31, 2008 balance sheet as a capital lease obligation.

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

During 1995, the CTA entered into sale/leaseback agreements (1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling \$487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. As of December 31, 2008, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling \$1,043.3 billion. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

Change in Capital Lease Obligations:

Changes in capital leases for the year ended December 31, 2008 are as follows (in thousands of dollars):

2008	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	\$ 15,022	\$ 535	\$ -	\$ 15,557	\$ 535	\$ -
2002 (Buses)	106,255	5,356	-	111,611	5,356	-
2002 (QTE)	173,733	10,154	(103,094)	80,793	10,154	-
1998 (Green)	271,031	18,508	(38,184)	251,355	18,508	25,885
1997 (Garages)	32,464	2,442	-	34,906	2,442	-
1996 (Skokie/Racine)	32,611	2,397	-	35,008	2,397	-
1995 (Pickle)	1,030,340	76,622	(63,698)	1,043,264	75,680	63,698
Total lease/leasebacks	1,661,456	116,014	(204,976)	1,572,494	115,072	89,583
2005 PBC Lease	88,965		(1,790)	87,175	4,384	1,880
2008 Bus Lease	-	120,523	(333)	120,190	1,631	8,225
Total capital lease obligation	\$ 1,750,421	\$ 236,537	\$ (207,099)	\$ 1,779,859	\$ 121,087	\$ 99,688

* Additions include accretion of interest.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	\$ 109,209
2010	122,647
2011	112,647
2012	111,440
2013	191,063
2014 - 2018	1,750,021
2019 - 2023	311,950
2024 - 2028	139,834
2029 - 2033	<u>30,942</u>
Total future minimum payments	2,879,753
Less interest	<u>(1,099,894)</u>
Present value of minimum lease payments	<u><u>\$ 1,779,859</u></u>

The present value of all future payments to be made by the CTA under all its leases of approximately \$1.8 million is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligations.

Metra

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors (headlease) and simultaneously subleased the railcars back (sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes.

At closing, the railcars had a fair market value of approximately \$296.9 million and a book value of \$262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately \$274 million.

Metra transferred approximately \$177.4 million and \$52.9 million of the prepayment proceeds to third parties, in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies.

In connection with the transaction, Metra recognized \$43.7 million as leasehold revenue in 1998.

In 2008, American International Group, Inc (“AIG”) incurred a ratings downgrade. AIG acted as the Debt Payment Undertaker (“DPU”), Equity Payment Undertaker (EPU”), and Standby Letter of Credit Provider (“SLOCP”) for these transactions. Once AIG’s rating fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG’s credit ratings were further downgraded which triggered an event of default. No notices of default were or have been received; however, the investors can demand to have AIG replaced or that some other suitable arrangement be made.

On December 18, 2008, one of the investors terminated their transaction. A second investor has advised Metra that they are satisfied with AIG in its capacities. The remaining investor has sent notices demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential options that could be mutually acceptable to both the investor and Metra. Metra does not anticipate a material adverse financial impact as a result.

The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet. The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2008, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2009	\$ 14,660,341
2010	14,660,341
2011	14,660,341
2012	14,660,341
2013	14,660,341
2014 - 2018	73,301,706
2019 - 2021	<u>154,316,955</u>
Total future minimum payments	300,920,366
Less imputed interest	<u>(118,388,183)</u>
Present value of minimum lease payments	<u><u>\$ 182,532,183</u></u>

The present value of minimum lease payments of the Metra lease is \$182.5 million which is reflected in the accompanying December 31, 2008 statement of net assets as capital lease obligations.

Pace

During 2003, Pace entered into two lease and leaseback agreements and realized a gain of \$2.4 million from the proceeds. The transactions allowed Pace to earn up-front economic cash benefit for transferring ownership (not legal title) of a group of assets to a taxpayer that could take advantage of the benefits of tax ownership.

The first lease and leaseback agreement with a third party pertained to certain buses (lot 1, 2, and 3) with a book value of \$25.3 million as of December 31, 2008. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately \$60.8 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of capital lease obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) with a book value of \$15.1 million as of December 31, 2008. Under the bus lease agreements, Pace entered into a long-term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately \$24.9 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

<u>2008</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Interest expense</u>	<u>Due in one year</u>
2003 (Buses)	\$ 57,273,790	\$ 3,573,739	\$ -	\$ 60,847,529	\$ 3,573,739	\$ -
2003 (Buses)	23,346,028	1,545,668	-	24,891,695	1,545,667	-
Total	<u>\$ 80,619,818</u>	<u>\$ 5,119,407</u>	<u>\$ -</u>	<u>\$ 85,739,224</u>	<u>\$ 5,119,406</u>	<u>\$ -</u>

As described above, Pace entered into two lease financing agreements with a third party in 2003.

The following table sets forth the aggregate amounts due under the sublease agreements:

2009	\$ -
2010	-
2011	-
2012	1,438,538
2013	-
2014 - 2016	<u>124,399,915</u>
Total future minimum payments	125,838,453
Less interest	<u>(40,099,229)</u>
Present value of minimum lease payments	<u>\$ 85,739,224</u>
A reconciliation of the Statement of Net Assets to amount presented above:	
Capital lease obligation	\$ 85,739,224
Less: current portion	<u>-</u>
Capital lease obligation - long-term portion	<u>\$ 85,739,224</u>

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately \$85.7 million and is reflected in the accompanying December 31, 2008 statement of net assets as the total of the current and long-term portions of the capital lease obligation.

7. COMMITMENTS AND CONTINGENCIES

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

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

The RTA has also established a loss financing plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/1, et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2008, \$575 million of cash and investments. Of this amount, \$286 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects. In addition, CTA, Metra, and Pace hold \$2.57 billion of investments in other assets for employee pension benefits, damage liabilities, and capital lease obligations, which are recorded as other assets in the financial statements.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2008	New Issues	Current Retirements	December 31, 2008
1990A	\$ 60,795,000	\$ -	\$ -	\$ 60,795,000
1991A	55,745,000	-	-	55,745,000
1992A* & 1992B	40,185,000	-	6,840,000	33,345,000
1994A* & 1994B	24,395,000	-	-	24,395,000
1994C* & 1994D	62,205,000	-	4,420,000	57,785,000
1997 Refunding	70,830,000	-	4,875,000	65,955,000
1999* Refunding	280,110,000	-	5,665,000	274,445,000
2000A*	235,060,000	-	4,995,000	230,065,000
2001A*	90,510,000	-	1,880,000	88,630,000
2001B Refunding*	31,430,000	-	1,630,000	29,800,000
2002A*	147,760,000	-	2,835,000	144,925,000
2002B	154,145,000	-	10,060,000	144,085,000
2003A*	246,975,000	-	4,555,000	242,420,000
2003B	142,665,000	-	2,675,000	139,990,000
2003C Refunding	6,960,000	-	3,395,000	3,565,000
2004A*	250,815,000	-	4,405,000	246,410,000
2005B Refunding	142,375,000	-	3,070,000	139,305,000
2006A*	249,300,000	-	3,385,000	245,915,000
Total	\$ 2,292,260,000	\$ -	\$ 64,685,000	\$ 2,227,575,000

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2008, the total general obligation bonds payable of \$2,227,575,000 are classified as current and long-term in the Statement of Net Assets in the amounts of \$68,455,000 and \$2,159,120,000, respectively.

Advance Refundings—On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued \$23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$20,350,000 of outstanding general obligation bonds (1990A Series) are considered defeased, and therefore, have been removed from the financial statements.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued \$151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$60,300,000 of outstanding general obligation bonds (1994B Series) and \$75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased, and therefore, have been removed from the financial statements.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B, and 1993B Series general obligation bond issues. The RTA issued \$98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$4,230,000 of outstanding general obligation bonds (1990A Series), \$29,265,000 of outstanding general obligation bonds (1991A Series), \$18,170,000 of outstanding general obligation bonds (1992B Series), and \$47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased, and therefore, have been removed from the financial statements.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A, and 1994C Series general obligation bond issues. The RTA issued \$298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$113,895,000 of outstanding general obligation bonds (1992A Series), \$9,720,000 of outstanding general obligation bonds (1993A), \$142,615,000 of outstanding general obligation bonds (1994A) and \$21,955,000 of outstanding general obligation bonds (1994C) are considered defeased, and therefore, have been removed from the financial statements.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued \$37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to \$40,437,798 which includes a premium of \$2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$37,750,000 of outstanding general obligation bonds (1993A) are considered defeased, and therefore, have been removed from the financial statements.

On May 1, 2003, the RTA advance refunded a portion of its 1993C Series general obligation bond issues. The RTA issued \$19,055,000 of general obligation refunding bonds (2003C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2008, \$19,150,000 of outstanding general obligation bonds (1993C) are considered defeased, and therefore, have been removed from the financial statements.

On May 2, 2005, the RTA issued \$148 million in General Obligation bonds with a variable rate which resets weekly to refund \$144 million of outstanding 1996A Series bonds with an average interest rate of 5.5 percent. The net proceeds of \$147 million (after payment of \$892 thousand for issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 1996A Series bonds June 1, 2005. As a result, the 1996A Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

Debt Service Requirements—The “debt service requirements” set forth in the following tables represent payments due the trustee from the RTA, as required by the respective bond agreements. The “principal” columns represent principal payments due bondholders from the trustee.

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

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 4,377,240	\$ 4,377,240
2010	3,810,000	4,377,240	8,187,240
2011	4,085,000	4,102,920	8,187,920
2012	4,380,000	3,808,800	8,188,800
2013	4,695,000	3,493,440	8,188,440
2014-2018	29,060,000	11,882,160	40,942,160
2019-2020	14,765,000	1,613,160	16,378,160
Total	<u>\$ 60,795,000</u>	<u>\$ 33,654,960</u>	<u>\$ 94,449,960</u>

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

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 3,734,915	\$ 3,734,915
2010	-	3,734,915	3,734,915
2011	-	3,734,914	3,734,914
2012	4,090,000	3,734,915	7,824,915
2013	4,365,000	3,460,885	7,825,885
2014-2018	26,635,000	12,504,210	39,139,210
2019-2021	20,655,000	2,827,400	23,482,400
Total	<u>\$ 55,745,000</u>	<u>\$ 33,732,154</u>	<u>\$ 89,477,154</u>

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

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 7,480,000	\$ 1,991,960	\$ 9,471,960
2010	-	1,396,960	1,396,960
2011	-	863,040	863,040
2012	25,865,000	293,760	26,158,760
Total	<u>\$ 33,345,000</u>	<u>\$ 4,545,720</u>	<u>\$ 37,890,720</u>

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

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,951,600	\$ 1,951,600
2010	-	1,951,600	1,951,600
2011	-	1,951,601	1,951,601
2012	-	1,951,600	1,951,600
2013	-	1,951,600	1,951,600
2014-2024	24,395,000	5,892,599	30,287,599
Total	<u>\$ 24,395,000</u>	<u>\$ 15,650,600</u>	<u>\$ 40,045,600</u>

In December 1994, the RTA issued \$62 million in General Obligation Bonds, Series 1994C, to pay for capital projects of the Service Boards required by the ADA for vehicle rehabilitation and the construction or renewal of support facilities. The RTA also issued \$130 million in General Obligation Bonds, Series 1994D, to pay for portions of the CTA's rehabilitation of the Green Line elevated structure, track replacement and repair or replacement of bus supporting services, and for Pace's construction of bus garages and purchase of new buses and paratransit vehicles.

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

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

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,500,000	\$ 4,420,213	\$ 5,920,213
2010	1,620,000	4,299,312	5,919,312
2011	1,750,000	4,168,725	5,918,725
2012	1,890,000	4,027,675	5,917,675
2013	2,045,000	3,875,194	5,920,194
2014-2018	35,420,000	13,311,401	48,731,401
2019-2025	13,560,000	798,250	14,358,250
Total	<u>\$ 57,785,000</u>	<u>\$ 34,900,770</u>	<u>\$ 92,685,770</u>

1997 General Obligation Refunding Bonds—In September 1997, the RTA issued \$98 million in General Obligation Bonds, Series 1997, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds, maturing November 1 in the years 2001-2002, in the aggregate amount of \$4 million, Series 1991A Bonds, maturing November 1 in the years 2002-2006, 2008 and 2011, in the aggregate amount of \$29 million, Series 1992B Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$18 million and Series 1993B Bonds, maturing June 1 in the years 2004-2009, 2013 and 2023, in the aggregate amount of \$47 million.

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 5,155,000	\$ 3,724,463	\$ 8,879,463
2010	5,445,000	3,432,963	8,877,963
2011	5,750,000	3,125,100	8,875,100
2012	1,865,000	2,915,688	4,780,688
2013	3,320,000	2,764,800	6,084,800
2014-2018	19,975,000	10,473,150	30,448,150
2019-2023	24,445,000	3,559,650	28,004,650
Total	<u>\$ 65,955,000</u>	<u>\$ 29,995,814</u>	<u>\$ 95,950,814</u>

1999 General Obligation Refunding Bonds—In August 1999, the RTA issued \$299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of \$114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of \$10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of \$143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of \$22 million.

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 7,670,000	\$ 15,586,762	\$ 23,256,762
2010	8,065,000	15,163,144	23,228,144
2011	8,525,000	14,686,182	23,211,182
2012	9,025,000	14,181,619	23,206,619
2013	17,990,000	13,404,938	31,394,938
2014-2018	77,325,000	53,475,820	130,800,820
2019-2023	123,665,000	24,175,543	147,840,543
2024-2025	22,180,000	918,600	23,098,600
Total	<u>\$274,445,000</u>	<u>\$151,592,608</u>	<u>\$ 426,037,608</u>

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 5,275,000	\$ 14,579,350	\$ 19,854,350
2010	5,575,000	14,276,038	19,851,038
2011	5,900,000	13,955,475	19,855,475
2012	6,245,000	13,601,475	19,846,475
2013	6,610,000	13,211,163	19,821,163
2014-2018	39,505,000	59,341,439	98,846,439
2019-2023	53,240,000	45,391,439	98,631,439
2024-2028	72,120,000	26,201,825	98,321,825
2029-2030	35,595,000	3,505,775	39,100,775
Total	<u>\$230,065,000</u>	<u>\$204,063,979</u>	<u>\$ 434,128,979</u>

2001 General Obligation Bonds—In April 2001, the RTA issued \$100 million in General Obligation Bonds, Series 2001A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

Debt service requirements on the Series 2001A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 1,980,000	\$ 5,241,413	\$ 7,221,413
2010	2,090,000	5,132,513	7,222,513
2011	2,200,000	5,017,563	7,217,563
2012	2,325,000	4,896,563	7,221,563
2013	2,455,000	4,751,250	7,206,250
2014-2018	14,520,000	21,295,563	35,815,563
2019-2023	19,115,000	16,639,575	35,754,575
2024-2028	25,165,000	10,329,300	35,494,300
2029-2031	18,780,000	2,294,700	21,074,700
Total	<u>\$ 88,630,000</u>	<u>\$ 75,598,440</u>	<u>\$ 164,228,440</u>

In March 2001, the RTA issued \$38 million in General Obligation Bonds, Series 2001B, to provide funds to refund in advance of maturity the RTA's outstanding series 1993A Bonds, maturing June 1 in the years 2004-2008, in the aggregate amount of \$38 million.

The Series 2001B Refunding Bonds mature on June 1 over a twenty-three year period and interest is payable at rates ranging from 4.00% to 5.50% on June 1, 2001 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2001B Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 1,639,000	\$ 1,639,000
2010	-	1,639,000	1,639,000
2011	-	1,639,000	1,639,000
2012	-	1,639,000	1,639,000
2013	-	1,639,000	1,639,000
2014-2018	12,855,000	6,505,814	19,360,814
2019-2023	16,945,000	2,433,064	19,378,064
Total	<u>\$ 29,800,000</u>	<u>\$ 17,133,878</u>	<u>\$ 46,933,878</u>

2002 General Obligation Bonds—In March 2002, the RTA issued \$160 million in General Obligation Bonds, Series 2002A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2002A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% on July 1, 2002 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2002A Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,985,000	\$ 8,557,188	\$ 11,542,188
2010	3,150,000	8,407,938	11,557,938
2011	3,315,000	8,250,438	11,565,438
2012	3,495,000	8,068,113	11,563,113
2013	3,690,000	7,867,150	11,557,150
2014-2018	21,830,000	35,902,425	57,732,425
2019-2023	28,860,000	28,669,500	57,529,500
2024-2028	38,240,000	18,948,600	57,188,600
2029-2032	39,360,000	6,069,900	45,429,900
Total	<u>\$144,925,000</u>	<u>\$130,741,252</u>	<u>\$ 275,666,252</u>

In June 2002, the RTA issued \$200 million in General Obligation Bonds, Series 2002B, to provide interim funding, as needed for a portion of the costs in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA and to fund other public transportation projects.

The Series 2002B Bonds mature on June 1 over a seventeen year period and interest is payable at rates ranging from 3.00% to 5.50% on December 1, 2002, and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2002B Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,450,000	\$ 7,515,125	\$ 17,965,125
2010	10,870,000	6,941,888	17,811,888
2011	11,325,000	6,331,525	17,656,525
2012	11,815,000	5,695,175	17,510,175
2013	12,335,000	5,031,050	17,366,050
2014-2018	70,935,000	14,285,272	85,220,272
2019	16,355,000	439,541	16,794,541
Total	<u>\$144,085,000</u>	<u>\$ 46,239,576</u>	<u>\$ 190,324,576</u>

2003 General Obligation Bonds—In May 2003, the RTA issued \$260 million in General Obligation Bonds, Series 2003A, to pay the costs of construction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 2003A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 2.0% to 5.5% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003A Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,790,000	\$ 13,768,075	\$ 18,558,075
2010	5,045,000	13,528,575	18,573,575
2011	5,310,000	13,276,325	18,586,325
2012	5,600,000	13,010,825	18,610,825
2013	5,910,000	12,730,825	18,640,825
2014-2018	34,790,000	58,554,050	93,344,050
2019-2023	45,470,000	47,875,525	93,345,525
2024-2028	59,130,000	33,753,000	92,883,000
2029-2033	76,375,000	14,215,500	90,590,500
Total	<u>\$242,420,000</u>	<u>\$220,712,700</u>	<u>\$ 463,132,700</u>

In January 2003, the RTA issued \$150 million in General Obligation Bonds, Series 2003B, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2003B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.0% to 5.5% on June 1, 2003 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2003B Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,810,000	\$ 7,654,225	\$ 10,464,225
2010	2,955,000	7,538,925	10,493,925
2011	3,105,000	7,402,200	10,507,200
2012	3,265,000	7,242,950	10,507,950
2013	3,435,000	7,066,863	10,501,863
2014-2018	20,105,000	32,213,614	52,318,614
2019-2023	26,140,000	25,889,577	52,029,577
2024-2028	33,985,000	17,658,901	51,643,901
2029-2033	44,190,000	6,619,114	50,809,114
Total	<u>\$139,990,000</u>	<u>\$119,286,369</u>	<u>\$ 259,276,369</u>

In May 2003, the RTA issued \$19 million in General Obligation Bonds, Series 2003C, to provide funds to refund in advance of maturity the RTA's outstanding series 1993C Bonds, maturing June 1 in the years 2004-2009, in the aggregate amount of \$19 million.

The Series 2003C Bonds mature on July 1 over a six year period and interest is payable at rates ranging from 2.0% to 5.0% on January 1, 2004 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2003C Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 3,565,000</u>	<u>\$ 178,250</u>	<u>\$ 3,743,250</u>

2004 General Obligation Bonds—In October 2004, the RTA issued \$260 million in General Obligation Bonds, Series 2004A, to pay the costs of construction, acquisition, repair, and replacement of certain public transportation facilities for the Service Boards.

The Series 2004A Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 5.75% on June 1, 2005 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2004A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2009	\$ 4,635,000	\$ 13,525,163	\$ 18,160,163
2010	4,870,000	13,287,538	18,157,538
2011	5,120,000	13,037,788	18,157,788
2012	5,385,000	12,775,163	18,160,163
2013	5,660,000	12,499,038	18,159,038
2014-2018	32,995,000	57,438,382	90,433,382
2019-2023	42,810,000	46,897,732	89,707,732
2024-2028	55,660,000	33,727,451	89,387,451
2029-2034	89,275,000	16,185,531	105,460,531
Total	<u>\$246,410,000</u>	<u>\$219,373,786</u>	<u>\$ 465,783,786</u>

2005 General Obligation Bonds— In May 2005, the RTA issued \$148 million in General Obligation Bonds, Series 2005B, to provide funds to refund in advance of maturity the RTA's outstanding Series 1996A Bonds, maturing June 1 in the years 2005-2025, in the aggregate amount of \$147 million.

The Series 2005B Bonds mature on June 1 over a twenty year period and interest is payable at variable rates which reset weekly based on current market rates.

Debt service requirements on the Series 2005B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2009	\$ 6,535,000	\$ 4,489,238	\$ 11,024,238
2010	6,850,000	4,268,385	11,118,385
2011	7,210,000	4,036,395	11,246,395
2012	7,590,000	3,792,195	11,382,195
2013	7,960,000	3,535,620	11,495,620
2014-2018	18,475,000	15,148,404	33,623,404
2019-2023	59,200,000	9,770,477	68,970,477
2024-2025	25,485,000	753,968	26,238,968
Total	<u>\$139,305,000</u>	<u>\$ 45,794,682</u>	<u>\$ 185,099,682</u>

* Interest was calculated using a rate of 3.3%.

2006 General Obligation Bonds—In October 2006, the RTA issued \$250 million in General Obligation Bonds, Series 2006A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2006A Bonds mature on July 1, over a thirty year period and interest is payable at rates ranging from 4.25% to 5.00% on January 1, 2007 and semiannually thereafter on January 1 and July 1 in each remaining year.

Debt service requirements on the Series 2006A Bonds to maturity are set forth below:

<u>Year Ending December 31</u>	<u>Debt Service Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,625,000	\$ 12,041,281	\$ 15,666,281
2010	3,780,000	11,860,031	15,640,031
2011	3,955,000	11,671,031	15,626,031
2012	4,150,000	11,473,281	15,623,281
2013	4,390,000	11,265,781	15,655,781
2014-2018	26,470,000	52,750,656	79,220,656
2019-2023	45,150,000	44,925,656	90,075,656
2024-2028	99,210,000	28,014,906	127,224,906
2029-2033	18,735,000	9,866,056	28,601,056
2033-2035	36,450,000	2,204,775	38,654,775
Total	<u>\$245,915,000</u>	<u>\$196,073,456</u>	<u>\$ 441,988,456</u>

All the bonds are recorded as current and long-term liabilities, as applicable, of the governmental activities in the government-wide statement of net assets, and are general obligations of the RTA to which the full faith and credit of the RTA are pledged. The bonds are payable from all revenues and all other funds received or held by the RTA (except amounts in the Joint Self-Insurance Fund and amounts required to be held or used with respect to separate ordinance obligations) that lawfully may be used for retiring the debt.

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

Under the RTA Act, the Service Boards' farebox receipts and funds on hand are not available for payment of debt service.

In the Debt Service Fund, \$78,391,542 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2008.

10. PENSION

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

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

11. REGION-WIDE FINANCIAL INFORMATION

The RTA management has elected to present certain region-wide financial information. The purpose of this information is to provide a total overview of transportation-related operations in the Northeastern Illinois region. This information includes the transportation-related results of the Service Boards' affiliated carriers. Accordingly, this region-wide information is presented in the combining region-wide schedules of revenues and expenditures and the combining region-wide statement of revenues and expenditures—budget and actual.

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

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

The Act requires that the aggregate of all system-generated revenues equal at least 50% of the aggregated costs of providing such public transportation.

For 2008, the region-wide system-generated revenues recovery ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenditures—(Budget and Actual Budget Basis) as follows:

System-generated Revenues Recovery Ratio (in thousands)	Revenues	Expenditures
CTA*	\$ 596,317	\$ 1,204,005
Metra**	320,825	559,316
Pace***	61,139	179,627
RTA****	17,462	29,300
Total	<u>\$ 995,743</u>	<u>\$ 1,972,248</u>

The region-wide system-generated revenues recovery ratio for 2008 equals 56.19%.

- * The system-generated revenues recovery ratio for the CTA included leasehold revenues of \$4.3 million and Senior Free Rides revenue of \$17.5 million, but excluded CTA expenditures for security costs of \$32.4 million. It also included in-kind services of \$22 million, both as revenues and expenditures.
- ** Metra's system-generated revenues recovery ratio included Senior Free Rides revenue of \$5 million, but excluded \$16.6 million security costs, \$16 million costs for lease of transportation facilities and \$2.7 million for funded depreciation to carriers were deducted from expenditures.
- *** Pace system-generated revenues recovery ratio included Senior Free Rides revenue of \$1.5 million, and in-kind services of \$7.7 million both as revenues and expenditures.
- **** The RTA subtract back \$15.9 million of unrealized loss on swap valuation to its revenues. Also, the RTA excluded all capital related depreciation expenses of \$235 thousand.
- **** \$200 million of new expenses are exempted from the farebox recovery ratio to avoid the need to match each new dollar with a 50 cent fare increase. This exemption is phased out over 5 years, thereby requiring gradual fare increases.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

Also, in the RTA Act section 4.01(b) requires the RTA Board to determine that the level of fares charged for ADA paratransit services is sufficient to cause the aggregate of all projected revenues from such fares charged and received in each fiscal year to equal at least 10% of the aggregate costs of providing such ADA paratransit services in fiscal years 2008. Pace ended the year with a 10.0% recovery ratio for Regional ADA Paratransit Services. The 2008 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement.

12. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENDITURES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 11, in-kind services are added in the system-generated revenues and expenditures.

The following data (in thousands) reconciles the combining government-wide to region-wide schedules of revenues and expenditures:

	RTA	CTA	Metra	Pace
Government-wide revenues (page 37)	\$ 476,251	\$ 1,841,682	\$ 735,772	\$ 311,391
Sales tax agency fund	871,535	-	-	-
Pension trust fund	(16,185)	33,188	-	-
Senior free rides	-	17,500	-	-
In-kind services	-	22,000	-	7,671
ADA Regional Paratransit funding	-	-	-	107,935
Interest on bonds	-	4,385	-	-
Unrealized loss on swap valuation	23,986	-	-	-
Region-wide revenues (page 38)	1,355,587	1,918,755	735,772	426,997
Government-wide expenditures (page 37)	589,988	1,786,433	830,294	317,887
Sales tax agency fund	871,535	-	-	-
Pension trust fund	9,858	-	-	-
In-kind services	-	22,000	-	7,671
Security costs	-	(32,382)	(16,558)	-
Lease of transportation facilities	-	-	(15,985)	-
Prior year positive balance lease proceeds	-	20,000	-	-
Pension and other employee benefits	-	13,191	-	-
Capital (depreciation, disposals/additions)	(732)	-	(2,744)	-
Region-wide expenditures (page 38)	1,470,649	1,809,242	795,007	325,558
Net revenues (expenditures)	\$ (115,062)	\$ 109,513	\$ (59,235)	\$ 101,439

13. SUBSEQUENT EVENTS

During 1998, the CTA entered into a lease and leaseback agreement (Green Line Lease) with three equity investors pertaining to the railway tracks, train stations and adjacent property on the Green Line. The CTA's payments associated with this agreement were guaranteed by American International Group Inc (AIG). During 2008, AIG's credit rating was reduced amid the U.S. global economic crisis. Although each equity investor had the right to demand that the CTA replace AIG as guarantor, one of the investors decided to simply exercise the option to terminate the Green Line transaction with CTA. CTA entered negotiations with this investor to unwind the transaction at the current market value in the equity defeasance account. These negotiations were finalized in 2009 and final payment was made and a termination agreement was executed. The restricted lease assets and associated lease liability related to this transaction were removed from CTA's financial statements upon termination and payment in 2009. CTA is in negotiations with the remaining two equity investors to determine whether to unwind the transaction or restructure the agreements with a new guarantor.

During 2008, CTA issued nearly \$2 billion in Sales and Transfer Tax Receipts Revenue Bonds for the purpose of funding the pension and retiree healthcare. These bonds were initially executed as fixed rate bonds with a relatively high interest rate. In April 2009, CTA executed a basis swap transaction that has a net effect of changing the interest rate characteristics of the debt for a portion of the bonds from a fixed rate to a variable interest rate. The transaction was structured such that CTA will receive upfront cash payments in 2009 and 2010. Beginning in 2011 CTA will pay a percentage of a tax-exempt index (SIFMA) and receive a taxable index (LIBOR) plus a fixed payment annually over 20 years based on the notional amount of the transaction of \$567,130,000. CTA has the right to terminate this basis swap transaction at any time.

In January 2009, the RTA borrowed \$24 million under the terms of the working cash note agreement. The funds were used to supplement CTA's cash flow.

On May 27, 2009, Fitch Ratings downgraded the Regional Transportation Authority's (Illinois) (RTA, or the Authority) general obligation (GO) bond rating to 'AA-', from 'AA,' and assigned a Negative Outlook to outstanding GO debt. In conjunction, Fitch assigned an 'F1+' rating to the Authority's approximately \$132.8 million Series 2005B GO variable rate notes and an 'F1' rating to its approximately \$260 million taxable GO working cash notes, Series 2009B. The Series 2009B and Series 2005B notes are expected to price during June 2009. The downgrade affects and the Negative Outlook applies to approximately \$650.4 million of outstanding GO bonds.

On June 8, 2009, Moody's Investors Service assigned an Aa3 rating to the approximately \$132.8 million remarketing of the Regional Transportation Authority (RTA) General Obligation Variable Rate Bonds, Series 2005B. At the same time, Moody's has downgraded the RTA's approximately \$2.5 billion outstanding parity bonds to Aa3 from Aa2. The outlook is stable. The bonds are secured by a gross pledge of sales taxes and other state aid and constitute a full faith and credit obligation of the RTA.

In June 2009 the RTA intends to issue up to \$260 million of Working Cash Notes that will mature not later than June 1, 2011. The purpose of the funding is to payoff an existing note and to provide timely operating funding for RTA and the Service Boards necessitated by the economic downturn.

On July 1, 2009 the RTA will initiate a mandatory tender of all Series 2005B bonds (\$132,770,000), modify the indenture, and reissue the bonds in a different mode. (This is not a refunding. The par value and maturity of Series 2005B will not be changed by the transaction.) The mandatory tender will allow the Authority to eliminate the need to have a liquidity provider, change the interest reset frequency from weekly to monthly and lengthen the extension period from seven days to 12 months.

* * * * *

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2008

(In Thousands)

	RTA Government- Wide Funds	Service Boards			Combining Adjustments		Total Combined
		Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division			
					Debit	Credit	
REVENUES:							
Service Boards operating revenues	\$ -	\$ 520,456	\$ 315,859	\$ 58,662	\$ 618	\$ -	\$ 894,359
RTA financial assistance	-	641,832	287,181	216,607	1,148,703	-	(3,083)
Other public funding	-	37,650	98,952	3,357	-	-	139,959
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765
Sales taxes	109,003	-	-	-	-	840,613	949,616
Interest on sales taxes	1,081	-	-	-	-	-	1,081
Public Transportation Fund	227,201	-	-	-	-	-	227,201
Operating assistance CTA and Pace	14,441	-	-	-	-	-	14,441
State assistance	121,870	-	-	-	-	-	121,870
Investment income	(725)	-	-	-	-	-	(725)
Program revenues and other	3,380	-	-	-	-	-	3,380
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889
Total revenues	476,251	1,841,682	735,772	311,391	1,268,694	840,613	2,937,015
EXPENDITURES:							
Operating	-	1,194,390	594,603	279,432	-	352	2,068,073
Depreciation	-	403,248	220,883	33,186	-	-	657,317
Financial Assistance to Service Boards	249,948	-	-	-	-	249,948	-
Operating Assistance - CTA & Pace	58,142	-	-	-	-	58,142	-
Capital grants—discretionary	26,288	-	-	-	-	26,288	-
Capital grants—bonds	93,085	-	-	-	-	93,085	-
Insurance (JSIF)	4,375	-	-	-	-	-	4,375
Administrative expenses	7,532	-	-	-	-	-	7,532
Regional expenses	20,656	-	-	-	-	266	20,390
Technology program	2,467	-	-	-	-	-	2,467
Bond-related expenses	127,495	72,028	-	-	-	-	199,523
Interest expense	-	-	-	150	-	-	150
Interest expense from leasing transactions	-	116,767	14,808	5,119	-	-	136,694
Total expenditures	589,988	1,786,433	830,294	317,887	-	428,081	3,096,521
NET REVENUES (EXPENDITURES)	\$ (113,737)	\$ 55,249	\$ (94,522)	\$ (6,496)	\$ 1,268,694	\$ 1,268,694	\$ (159,508)

Note 1—Changes in net assets shown on page 4 and net revenues and expenditures shown on this page are similar.

Note 2—Government-wide to Region-wide revenues and expenditures shown on this page are reconciled in Note 12.

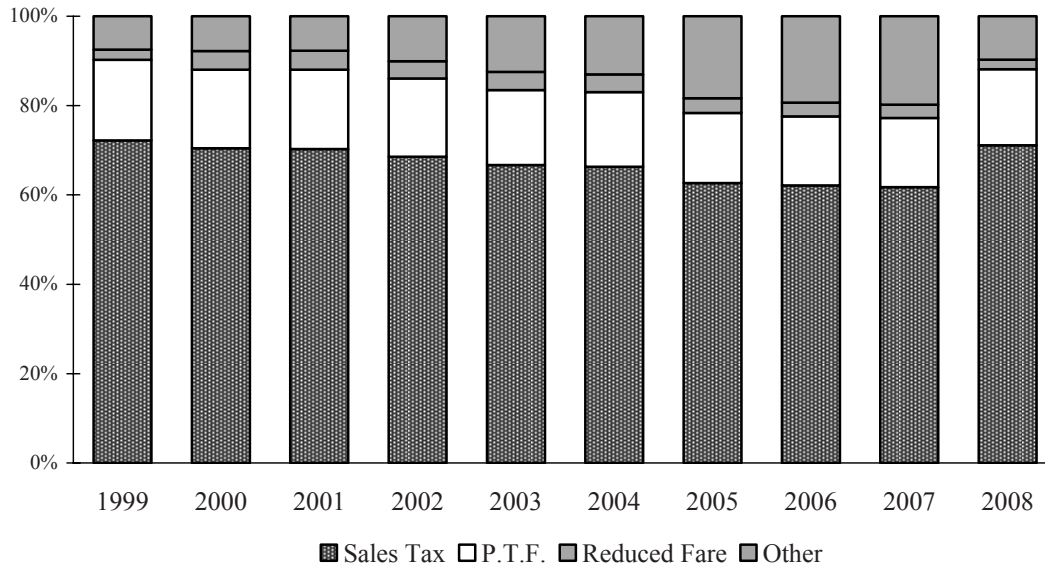
REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS
SPECIAL-PURPOSE COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2008
(In Thousands)

	RTA		Service Boards			Combining		Total Combined	Total Region-Wide Budget
	Government-Wide and Fiduciary Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Adjustments				
					Debit	Credit			
REVENUES:									
RTA financial assistance	\$ -	\$ 641,832	\$ 287,181	\$ 216,607	\$ 1,148,703	\$ -	\$ (3,083)	\$ -	
Other public funding	-	37,650	98,952	3,357	-	-	139,959	-	
Capital grants	-	518,520	18,972	27,646	119,373	-	445,765	-	
Interest revenue from leasing transactions	-	118,962	14,808	5,119	-	-	138,889	-	
Sales taxes	949,617	-	-	-	-	-	949,617	996,957	
Public Transportation Fund	227,201	-	-	-	-	-	227,201	189,600	
Operating assistance CTA and Pace	14,441	-	-	-	-	-	14,441	10,000	
State assistance	121,870	-	-	-	-	-	121,870	116,477	
State reduced fare reimbursement	28,919	-	-	-	28,919	-	-	-	
Pension and JSIF contribution	9,195	-	-	-	995	-	8,200	-	
Pension and other employee benefits	-	33,188	-	-	-	-	33,188	-	
Investment income	(15,120)	-	-	-	-	-	(15,120)	-	
Interest on bond transactions	-	4,385	-	-	-	-	4,385	-	
Interest on sales taxes to Service Boards	2,002	-	-	-	2,002	-	-	-	
Subtotal	1,338,125	1,354,537	419,913	252,729	1,299,992	-	2,065,312	1,313,034	
Investment income	(10,834)	-	-	-	-	-	(10,834)	12,965	
Other revenues	3,229	-	-	107,935	-	-	111,164	19,470	
Interest on sales taxes	1,081	-	-	-	-	-	1,081	1,065	
Service Boards revenues	-	520,456	315,859	58,662	618	-	894,359	1,020,817	
Add (Subtract):									
Senior Free Ride	-	17,500	-	-	-	-	17,500	-	
In-kind services	-	22,000	-	7,671	-	-	29,671	22,000	
Leasehold revenue	-	4,262	-	-	-	-	4,262	4,262	
Unrealized gain (loss) on swap valuation	23,986	-	-	-	-	-	23,986	-	
Subtotal	17,462	564,218	315,859	174,268	618	-	1,071,189	1,080,579	
Total revenues	1,355,587	1,918,755	735,772	426,997	1,300,610	-	3,136,501	2,393,613	
EXPENDITURES:									
Depreciation	-	403,248	220,883	33,186	-	-	657,317	-	
Interest expenses from leasing transactions	-	116,767	14,808	5,119	-	-	136,694	-	
Interest expenses from bond transactions	-	72,028	-	-	-	-	72,028	-	
Operating grants to Service Boards	1,090,561	-	-	-	-	1,090,561	-	-	
CTA & PACE (PTF) expenditures	58,142	-	-	-	-	58,142	-	-	
Capital grants—discretionary	26,289	-	-	-	-	26,289	-	-	
Capital grants—bonds	93,085	-	-	-	-	93,085	-	-	
State reduced fare reimbursement	28,919	-	-	-	-	28,919	-	-	
Regional expenses and other	14,233	-	-	-	-	266	13,967	-	
Bond-related expenses	127,495	-	-	-	-	-	127,495	-	
Interest expense	-	-	-	150	-	-	150	-	
Interest on sales taxes to Service Boards	2,002	-	-	-	-	2,002	-	-	
Subtotal	1,440,726	592,043	235,691	38,455	-	1,299,264	1,007,651	-	
Operating expenses	-	1,194,390	594,603	279,432	-	352	2,068,073	1,971,491	
Prior year positive balance - lease proceeds	-	20,000	-	-	-	-	20,000	-	
Pension and other employee benefits	-	13,191	-	-	-	-	13,191	-	
Administrative expenses	7,532	-	-	-	-	995	6,537	8,209	
Regional expenses	20,656	-	-	-	-	-	20,656	25,403	
Technology program	2,467	-	-	-	-	-	2,467	1,473	
Add (Subtract):	-	-	-	-	-	-	-	-	
In-kind services	-	22,000	-	7,671	-	-	29,671	29,671	
Security costs	-	(32,382)	(16,558)	-	-	-	(48,940)	(48,940)	
Lease of transportation facilities	-	-	(15,985)	-	-	-	(15,985)	(15,985)	
Capital (Depreciation, disposals/additions)	(732)	-	(2,744)	-	-	-	(3,476)	(3,476)	
Subtotal	29,923	1,217,199	559,316	287,103	-	1,347	2,092,194	1,967,846	
Total expenditures	1,470,649	1,809,242	795,007	325,558	-	1,300,611	3,099,845	1,967,846	
NET REVENUES (EXPENDITURES)	\$ (115,062)	\$ 109,513	\$ (59,235)	\$ 101,439	\$ 1,300,610	\$ 1,300,611	\$ 36,656	\$ 425,767	

Table 1

RTA REVENUE BY SOURCE

1999-2008



Last Ten Years

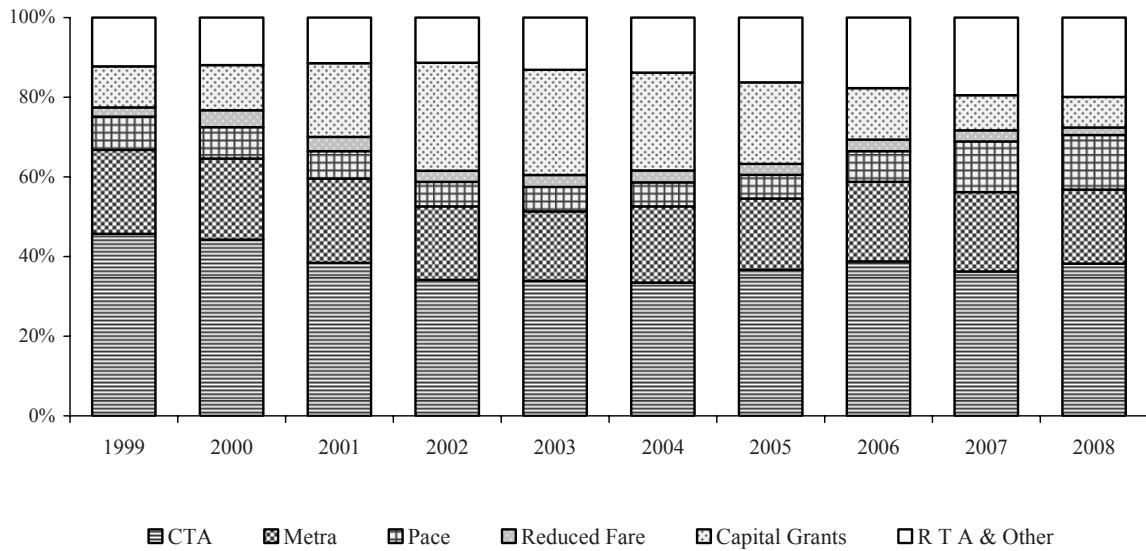
(In Thousands)

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/99	\$613,514	\$153,343	\$19,386	\$63,624	\$849,867
Percentage of Total	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	650,284	162,247	38,759	71,947	923,237
Percentage of Total	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	653,522	164,987	39,531	71,742	929,782
Percentage of Total	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	647,685	165,665	36,260	95,167	944,777
Percentage of Total	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	654,988	164,739	39,662	122,517	981,906
Percentage of Total	66.70%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.31%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	949,617	227,201	28,919	129,784	1,335,521
Percentage of Total	71.10%	17.01%	2.17%	9.72%	100%

Table 2

DISTRIBUTION OF EXPENDITURES

1999-2008



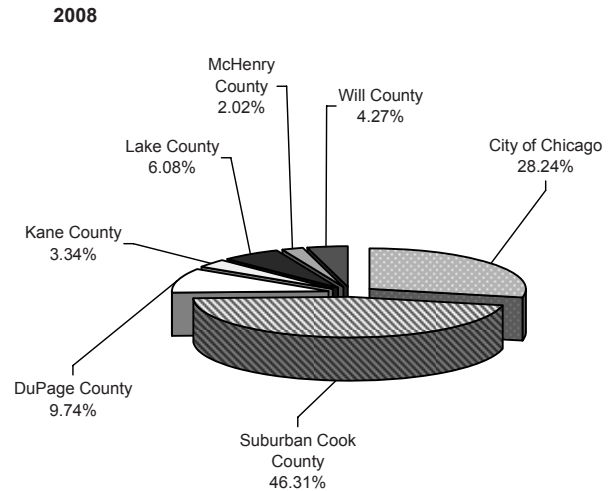
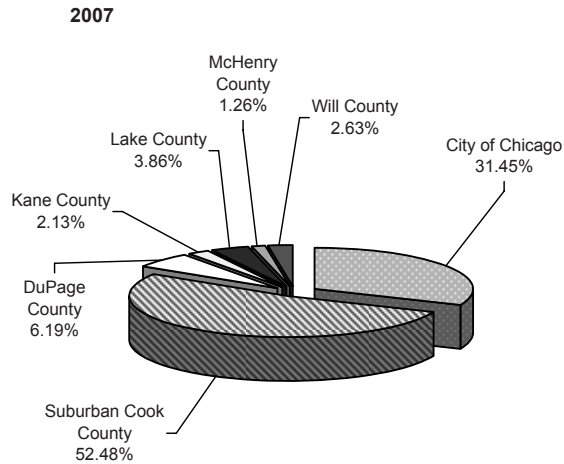
Last Ten Years

(In Thousands)

	Financial Assistance				Reduced Fare	Capital Grants	R T A and Other	Total
	CTA	Metra	Pace	Total				
12 Months Ended 12/31/99	\$384,810	\$177,784	\$70,482	\$633,076	\$19,386	\$86,913	\$103,436	\$842,811
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	124,952	1,090,381
Percentage of Total	38.43%	21.13%	6.88%	66.44%	3.63%	18.48%	11.45%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	147,086	1,294,026
Percentage of Total	34.13%	18.47%	6.11%	58.71%	2.80%	27.13%	11.37%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	175,838	1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%

Table 3

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO



Last Ten Years

(In Thousands)

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/99	\$187,966	\$333,513	\$41,764	\$10,761	\$22,238	\$6,528	\$10,744	\$613,514
<i>Percentage of Total</i>	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
<i>Percentage of Total</i>	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	197,370	357,522	42,498	11,796	25,017	7,122	12,197	653,522
<i>Percentage of Total</i>	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%
12 Months Ended 12/31/02	195,417	353,999	40,961	12,256	24,913	7,373	12,766	647,685
<i>Percentage of Total</i>	30.17%	54.66%	6.32%	1.89%	3.85%	1.14%	1.97%	100%
12 Months Ended 12/31/03	198,383	356,386	40,916	12,828	24,968	7,599	13,905	654,985
<i>Percentage of Total</i>	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
<i>Percentage of Total</i>	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
<i>Percentage of Total</i>	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
<i>Percentage of Total</i>	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
<i>Percentage of Total</i>	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	219,093	533,095	75,587	25,908	47,143	15,700	33,091	949,617
<i>Percentage of Total</i>	23.07%	56.14%	7.96%	2.73%	4.96%	1.65%	3.48%	100%

LEGAL DEBT CAPACITY

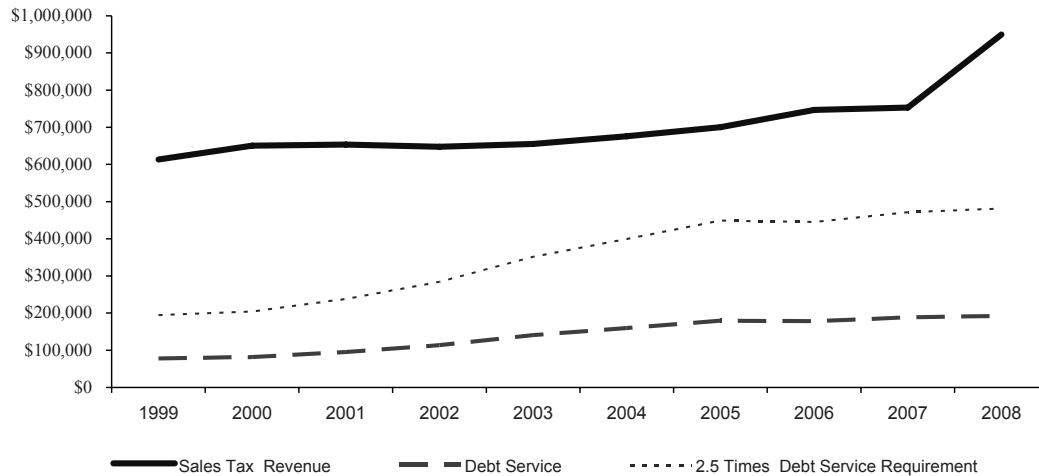
2008

Legal Debt Margin:	Balance Outstanding at December 31, 2008	Issued	
Debt Limitation per Act for General Obligations			\$2,600,000,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	\$60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	4,590,000		
1994B General Obligation Bonds	7,095,000		
1994D General Obligation Bonds	29,225,000		
1997 General Obligation Refunding Bonds	65,955,000		
2002B General Obligation Bonds	144,085,000		
2003B General Obligation Bonds	139,990,000		
2003C General Obligation Refunding Bonds	3,565,000		
2005B General Obligation Refunding Bonds	139,305,000		
Total RTA Bonds Applicable to Limitation	\$650,350,000		(650,350,000)
SCIP Bonds:			
1992A General Obligation Bonds	\$28,755,000	\$188,000,000	
1993A General Obligation Bonds		55,000,000	
1994A General Obligation Bonds	17,300,000	195,000,000	
1994C General Obligation Bonds	28,560,000	62,000,000	
1999 General Obligation Refunding Bonds	274,445,000		
2000 General Obligation Bonds	230,065,000	260,000,000	
2001A General Obligation Bonds	88,630,000	100,000,000	
2001B General Obligation Refunding Bonds	29,800,000		
2002A General Obligation Bonds	144,925,000	160,000,000	
2003A General Obligation Bonds	242,420,000	260,000,000	
2004A General Obligation Bonds	246,410,000	260,000,000	
2006A General Obligation Bonds	245,915,000	250,350,000	
Total SCIP Bonds Applicable to Limitation		\$1,790,350,000	(1,790,350,000)
Total SCIP Bonds Outstanding	\$1,577,225,000		
Total Bonds Outstanding	\$2,227,575,000		
Debt Margin for General Obligations			\$159,300,000
Debt Limitation per Act for Working Cash Notes			\$400,000,000
Total RTA Working Cash Notes Applicable to Limitation	\$56,000,000	\$56,000,000	(56,000,000)
Debt Margin for Working Cash Notes			\$344,000,000
Total Legal Debt Margin			\$503,300,000

Table 5

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1999 - 2008
(In Thousands)



As defined in the Bond and Note General Ordinance, ordinance 85-39, Section 909 (3), revenue test required that all RTA revenues "shall equal or exceed two and one-half (2.5) times the maximum annual debt service requirements." In the graph presented above, the RTA compares 2.5 times debt service requirement to sales tax revenues, a major RTA revenue. In effect, the RTA significantly exceeds the revenue test defined in the ordinance.

Last Ten Years

(In Thousands)

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales Tax Revenue	\$ 613,514	\$ 650,284	\$ 653,522	\$ 647,685	\$ 654,985	\$ 675,628	\$ 700,395	\$ 746,829	\$ 752,922	\$ 949,617
Debt Service Requirement	77,866	81,676	95,187	113,526	140,607	159,702	179,536	178,086	188,551	192,555
2.5 Times Debt Service Requirement	\$194,665	\$204,190	\$237,968	\$283,815	\$351,518	\$399,255	\$448,840	\$445,215	\$471,378	\$481,388

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

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

*Last Ten Years**(In Thousands)*

Year	Debt Service Requirements			Total Expenditures	Ratio of Debt Service to Total Expenditures
	Principal	Interest	Total		
1999	\$ 16,988	\$ 60,878	\$ 77,866	\$ 842,811	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,381	8.73%
2002	27,262	86,264	113,526	1,294,026	8.77%
2003	37,940	102,667	140,607	1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

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

(In Millions)

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division
1999	\$ 299.59	\$ 162.67	\$ 111.49	\$ 25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
2002	430.08	225.42	174.29	30.37
2003	463.90	256.70	173.50	33.70
2004	493.16	291.76	168.05	33.35
2005	536.83	330.08	174.80	31.95
2006	496.62	280.03	168.69	47.90
2007	449.49	288.61	128.45	32.43
2008	489.91	279.38	169.55	40.98
Total	\$ 4,351.70	\$ 2,476.28	\$ 1,547.46	\$ 327.96

Source of data: Information obtained from the Service Boards' records.

SERVICE BOARD OPERATING CHARACTERISTICS

2008

Chicago Transit Authority	*Metra Commuter Rail Division	Pace Suburban Bus Division
<u>Rapid Transit</u>		<u>Fixed Route</u>
• 8 rail routes	• 487.7 route miles	• 144 regular routes
• 143 stations served	• 1,155 miles of track	• 48 feeder routes
• 1,190 rapid transit cars	• 239 stations	• 1 subscription routes
• 198.1 million riders per year	• 144 locomotives	• 19 shuttle routes
• 1,288 STO* positions	• 823 passenger cars	• 573 vehicles in use during peak periods
	• 171 electric cars	• 34.6 million riders per year
<u>Motor Bus</u>	• 702 weekly trains operated	• 12 seasonal routes
• 153 bus routes	• 95.4% on-time performance	• 703 Pace-owned busses
• 2,150 buses	• 86.8 million riders per year	• 1,358 full-time employees
• 328.2 million riders per year	• 4,007 full-time employees	
• 4,346 STO* positions		<u>Paratransit**</u>
<u>Other</u>	<u>Other</u>	• 168 Pace owned lift-equipped buses in service
• 1.2 billion passenger rail miles per year	• 1.7 billion passenger miles per year	• 3.7 millions of riders per year
• 12.3 million rail miles per year	• 44.7 million vehicle miles per year	• 35 full-time employees
• 779.8 million passenger miles per year		
• 70.8 million vehicle miles per year		<u>Dial-A-Ride**</u>
• 5,233 without STO* Positions		• 61 local services
	<i>*All data excludes NICTD South Shore</i>	• 203 Pace owned lift-equipped buses in service
		• 222 communities served
		• 1.1 millions of riders per year
		• 6.3 million passenger miles per year
		• 4.7 million vehicle miles per year
		<u>Other</u>
		• 721 vanpools in operation
		• 2.0 million riders for the year
		• 22.3 million passenger miles per year
		• 31.0 million vehicle miles per year

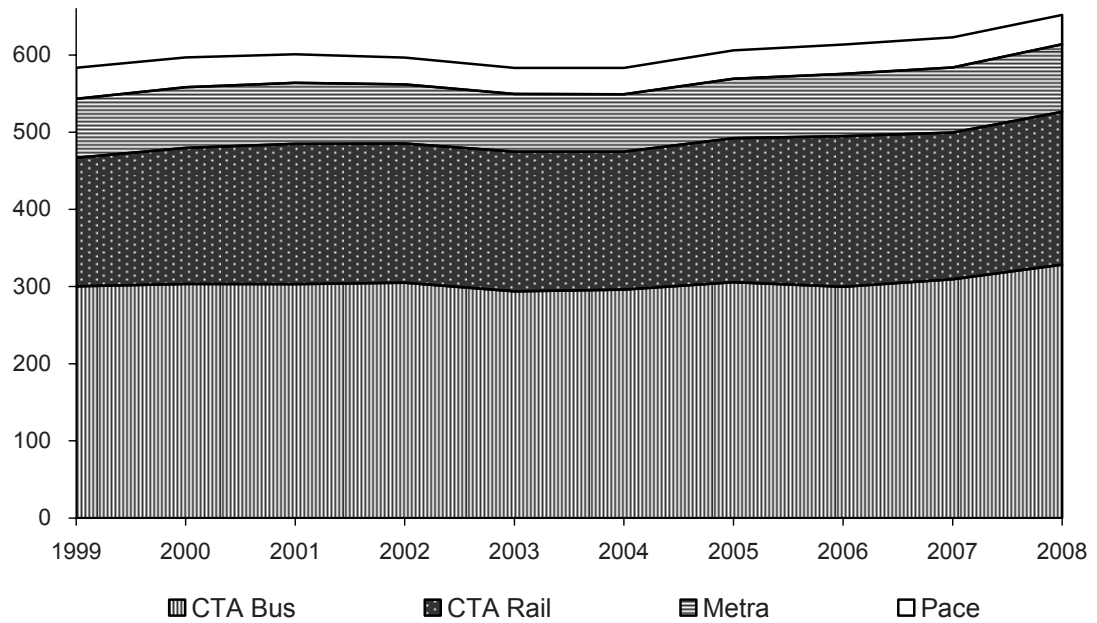
*STO is Scheduled transit operators. This classification includes bus operators, motormen, conductors, and customer assistants.

**Prior to 2008 ADA Paratransit and Dial-A-Ride were combined.

Source of data: Information obtained from the Service Boards' records.

1999-2008
(In Millions)

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



Last Ten Years

(In Millions)

Service Consumed:	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
CTA - Bus	300.3	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2
CTA - Rail	166.5	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1
Total CTA*	466.7	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3
Metra	76.6	78.8	79.2	76.8	74.8	74.4	77.0	80.8	84.4	87.7
Pace**	40.2	38.6	37.0	34.8	33.7	34.1	36.9	38.0	39.0	37.8
System Total	583.5	597.0	601.0	596.8	583.2	583.2	606.2	613.6	623.0	651.8
Percent Change	4.37%	2.31%	0.68%	-0.70%	-2.28%	0.00%	3.93%	1.23%	1.53%	4.62%

*CTA Stat amounts include rail-to-rail transfers.

**PACE 2007 Stat amount includes ADA Paratransit rides.

Source of data: Information obtained from the National Transit Database.

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency, which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2008.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Metra					
Union Pacific	\$ 84,171	\$ 187,214	\$ (103,043)	\$ 103,043	\$ -
Burlington Northern/Santa Fe	50,480	71,209	(20,729)	20,729	-
Northern Indiana Commuter Transportation District (NICTD)	4,468	9,188	(4,720)	4,720	-
Total Metra	\$ 139,119	\$ 267,611	\$ (128,492)	\$ 128,492	\$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	\$ 1,973	\$ 3,504	\$ (1,531)	\$ 3,908	\$ 1,935
Fixed Route - Private Contract Carriers	2,728	9,748	(7,020)	7,020	-
Total Fixed Route Service	4,701	13,252	(8,551)	10,928	1,935
Private Contract Carriers					
DAR Services	1,295	10,536	(9,241)	4,827	4,414
DAR and Stable Services	7,676	97,111	(89,435)	89,435	-
Total Private Contract Carriers	8,970	107,646	(98,676)	94,262	4,414
Paratransit - Municipal Carriers	454	5,866	(5,412)	895	4,517
Total Pace	\$ 14,125	\$ 126,764	\$ (112,639)	\$ 106,086	\$ 10,866

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

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
<i>Pace</i>					
<u>Detail of Services</u>					
<u>Fixed Route - Public Funded Carriers</u>					
City of Highland Park	\$ 447	\$ 1,070	\$ (623)	\$ 1,269	\$ 822
Village of Niles	524	1,384	(860)	1,587	1,063
Village of Downers Grove	428	476	(48)	476	48
Village of Schaumburg	573	573	-	576	3
Total	\$ 1,973	\$ 3,504	\$ (1,531)	\$ 3,908	\$ 1,935
<u>Private Contract Carriers - Fixed Route</u>					
Academy Coach Lines	\$ 627	\$ 3,123	\$ (2,496)	\$ 2,496	\$ -
Colonial Coach Lines	145	694	(549)	549	-
First Student	1,657	4,852	(3,195)	3,195	-
M V Transportation	126	826	(699)	699	-
Village of Schaumburg	173	253	(80)	80	-
Total	\$ 2,728	\$ 9,748	\$ (7,020)	\$ 7,020	\$ -
<u>Private Contract Carriers - Dial-a-Ride Services</u>					
Addison	\$ 2	\$ 50	\$ (48)	\$ 3	\$ 45
Aurora Township	64	544	(481)	301	180
Barrington	2	70	(68)	29	39
Batavia Township	8	72	(64)	40	24
Bloomington Township	32	383	(351)	246	106
Central Lake	8	141	(133)	91	41
Central Will	61	658	(598)	399	199
Downers Grove	19	147	(127)	97	30
Dundee	14	124	(110)	67	43
Dupage County	9	90	(80)	80	-
Dupage Township	8	144	(136)	99	36
Elgin	53	365	(311)	248	63
Elk Grove	27	339	(312)	31	281
Freemont Township	1	9	(8)	(1)	9
Hampshire Township	1	19	(18)	14	5
Hanover Township	3	29	(26)	(0)	26
Hometown	1	22	(21)	4	17
Joliet Call in and Ride	1	15	(15)	15	-
Leyden Township	23	249	(226)	11	215
Marengo	-	10	(10)	10	-
McHenry Township	93	1,452	(1,360)	682	678
Milton Township	15	195	(181)	121	60
N. Suburban Cook	2	65	(63)	63	-
Naperville/Lisle	164	839	(675)	328	346
Northeast Lake-Warren	15	370	(355)	316	39
Northeast Lake-Zion	2	39	(37)	28	9
Northwest Lake	18	282	(264)	264	-
Pioneer Center	7	41	(34)	34	-
Northwest Suburban Cook	19	267	(248)	211	37
Ride DuPage	193	1,740	(1,547)	159	1,388
Ride In Kane	27	839	(812)	642	170
South Cook	-	-	-	-	-

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
<i>Pace</i>					
<u>Detail of Services, continued</u>					
<u>Private Contract Carriers - Dial - a- Ride Services, continued</u>					
Southwest Lake-Cuba	\$ 1	\$ 6	\$ (5)	\$ 2	\$ 2
Southwest Lake-Wauconda	4	32	(28)	13	15
Southwest Will	1	18	(17)	13	5
Village of Bloomingdale	2	24	(22)	(2)	24
Village of Skokie/West Cook	318	232	87	(87)	-
Village of St. Charles	30	205	(175)	113	62
Wayne Township	5	82	(77)	59	19
Woodstock	39	329	(289)	88	202
Total	\$ 1,295	\$ 10,536	\$ (9,241)	\$ 4,827	\$ 4,414
<u>Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)</u>					
DuPage County	\$ 76	\$ 865	\$ (789)	\$ 789	\$ -
Kane County	50	578	(528)	528	-
North Suburban Cook	463	5,498	(5,035)	5,035	-
Northeastern/Central Lake	123	1,140	(1,016)	1,016	-
South Cook	898	6,169	(5,271)	5,271	-
Chicago ADA	5,846	80,411	(74,565)	74,565	-
Southwest/Central Will	34	449	(415)	415	-
West Cook	185	2,001	(1,816)	1,816	-
Total	\$ 7,676	\$ 97,111	\$ (89,435)	\$ 89,435	\$ -
<u>Paratransit - Municipal Carriers</u>					
Aurora	\$ 3	\$ 58	\$ (55)	\$ 7	\$ 48
Batavia	0	14	(14)	1	13
Bensenville	26	261	(235)	55	180
Bloom	23	365	(342)	56	286
Crestwood	6	102	(97)	15	82
Elgin	3	18	(16)	7	9
Ela	11	155	(144)	21	123
Forest Park	14	154	(140)	33	107
Fox Lake/Grant	3	8	(5)	3	2
Frankfort	25	198	(173)	26	147
Harvard	10	70	(60)	16	44
Lemont	5	78	(72)	13	59
Lyons	12	310	(298)	33	264
Norridge	13	102	(89)	32	57
Oak Park	30	349	(320)	65	255

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
<i>Pace</i>					
<u>Detail of Services, continued</u>					
<u>Paratransit - Municipal Carriers, continued</u>					
Orland Park	\$ 25	\$ 426	\$ (401)	\$ 47	\$ 354
Palatine	11	252	(241)	26	215
Palos Hills	10	88	(78)	14	65
Park Forest	23	106	(84)	45	39
Peotone	21	322	(300)	58	243
Rich Township	59	578	(519)	53	466
Schaumburg	84	1,092	(1,008)	172	835
St. Charles	1	23	(21)	2	19
Stickney	17	311	(294)	46	248
Tinley Park	8	108	(100)	21	79
Vernon	4	117	(112)	8	104
Worth Township	7	200	(193)	19	174
Total	\$ 454	\$ 5,866	\$ (5,412)	\$ 895	\$ 4,517



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APPENDIX D

SERVICE BOARD'S HISTORICAL FINANCIAL RESULTS AND 2009 BUDGETS AND 2010-2011 FINANCIAL PLANS

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The following tables, D-I through D-VIII, are referred to earlier in this Official Statement. See “**THE REGIONAL TRANSPORTATION AUTHORITY**”, “**HISTORICAL FINANCIAL RESULTS**” and “**2009 BUDGET AND 2010-11 FINANCIAL PLAN**.”

TABLE D-I
CTA 2004-2008
(Dollars in Thousands)

	2004	2005	2006	2007	2008
REVENUES:					
Passenger Revenue	\$402,768	\$417,424	\$462,218	\$457,300	\$471,099
Reduced Fare Reimbursement	31,302	31,961	29,604	33,308	31,855
Other Revenue	<u>62,821</u>	<u>76,419</u>	<u>60,584</u>	<u>55,312</u>	<u>49,601</u>
TOTAL REVENUES	<u>\$496,891</u>	<u>\$525,804</u>	<u>\$552,406</u>	<u>\$545,920</u>	<u>\$552,555</u>
EXPENSES:					
Labor	\$680,081	\$714,336	\$760,751	\$784,841	\$873,636
Material	61,387	71,366	83,150	84,178	100,568
Fuel	30,093	45,788	57,470	71,181	91,834
Power	21,640	22,909	22,268	28,141	35,442
Insurance & Claims	22,000	31,500	45,266	25,000	7,718
Other	<u>123,131</u>	<u>135,547</u>	<u>107,534</u>	<u>100,828</u>	<u>105,189</u>
TOTAL OPERATING EXPENSES	<u>\$938,332</u>	<u>\$1,021,446</u>	<u>\$1,076,439</u>	<u>\$1,094,169</u>	<u>\$1,214,387</u>
OPERATING DEFICIT	\$441,441	\$495,642	\$524,033	\$548,249	\$661,832
Recovery Ratio %	54.9%	54.1%	54.6%	53.1%	49.2%

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

TABLE D-II*
CTA 2009 BUDGET AND 2010-2011 FINANCIAL PLAN
(Dollars in Thousands)

	2009	2010	2011
	BUDGET	PLAN	PLAN
REVENUES:			
Passenger Revenue	\$516,313	\$530,904	\$562,758
Reduced Fare Reimbursement	16,100	32,300	32,300
Other Revenue	<u>68,600</u>	<u>55,805</u>	<u>58,212</u>
TOTAL REVENUES	<u>\$601,013</u>	<u>\$619,009</u>	<u>\$653,270</u>
EXPENSES:			
Labor	\$883,941	\$919,299	\$999,200
Material	93,673	95,648	97,561
Fuel	102,624	76,952	79,261
Power	39,644	40,437	41,246
Insurance & Claims	20,000	20,400	20,808
Other	<u>166,331</u>	<u>181,182</u>	<u>185,715</u>
TOTAL EXPENSES	<u>\$1,306,213</u>	<u>\$1,333,918</u>	<u>\$1,423,791</u>
OPERATING DEFICIT⁽¹⁾	<u>\$705,200</u>	<u>\$714,909</u>	<u>\$770,521</u>
Recovery Ratio % ⁽²⁾	52.0%	52.0%	52.0%

* Prepared by the RTA from budgetary information. The 2010-11 Financial Plan figures represent indicative amounts for financial planning

⁽¹⁾ The RTA expects to provide approximately \$546,626,000 in 2009 which includes a \$56,147,000 working cash loan, which the RTA Act requires the CTA to repay in no later than two years. In 2010 and 2011, the RTA expects to provide \$548,400,000 and \$560,000,000, respectively, to the CTA to be used to address its anticipated operating deficit. In 2009, the remaining deficit is expected to be covered by the CTA from other sources, including federal funds used for operations and/or real estate transfer taxes. In 2010 and 2011, to achieve balanced budgets the CTA plans deficit reduction actions that may include, but are not limited to, service and fare adjustments, identification of additional funds or revenues, reducing operating costs, requesting the use of prior years' positive budget variances, and requesting the use of federal capital funds for operating purposes. Further, in 2011, the RTA will reduce CTA funding to repay the \$56 million working cash loan. The RTA anticipates that the CTA may need another working cash loan at that time.

⁽²⁾ The recovery ratios for 2009, 2010, and 2011 are those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital projects. Expenses exclude certain items as provided by the RTA Act.

TABLE D-III
METRA 2004-2008
(Dollars in Thousands)

	2004	2005	2006	2007	2008
REVENUES:					
Passenger Revenue	\$182,688	\$189,102	\$217,611	\$227,185	\$251,693
Reduced Fare Reimbursement	2,959	2,812	3,778	3,884	2,865
Other Revenue	<u>59,134</u>	<u>69,180</u>	<u>53,885</u>	<u>60,772</u>	<u>61,299</u>
TOTAL REVENUES⁽¹⁾	<u>\$244,781</u>	<u>\$261,094</u>	<u>\$275,274</u>	<u>\$291,841</u>	<u>\$315,857</u>
EXPENSES:					
Operations	\$177,844	\$182,306	\$189,532	\$195,356	\$208,768
Fuel/Power	23,444	47,417	54,284	60,443	81,812
Maintenance	200,295	206,946	210,448	223,976	241,285
Administration	35,208	36,582	38,054	35,840	36,920
Insurance & Claims/Other	<u>29,422</u>	<u>30,387</u>	<u>32,598</u>	<u>32,856</u>	<u>25,819</u>
TOTAL EXPENSES	<u>\$466,212</u>	<u>\$503,638</u>	<u>\$524,916</u>	<u>\$548,470</u>	<u>\$594,603</u>
OPERATING DEFICIT	\$221,431	\$242,544	\$249,643	\$256,630	\$278,746
Recovery Ratio % ⁽²⁾	55.0%	55.1%	55.8%	56.6%	57.4%

⁽¹⁾ Revenue excludes credit for Senior Ride free program in 2008.

⁽²⁾ Recovery ratio calculation includes capital Farebox revenue in 2008.

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

Table D-IV*
METRA 2009 BUDGET AND 2010-2011 FINANCIAL PLAN
(Dollars in Thousands)

	2009	2010	2011
	BUDGET	PLAN	PLAN
REVENUES:			
Passenger Revenue	\$251,500	\$267,200	\$272,500
Reduced Fare Reimbursement	3,400	3,400	3,400
Other Revenue	<u>51,640</u>	<u>70,800</u>	<u>77,400</u>
TOTAL REVENUES	<u>\$306,540</u>	<u>\$341,400</u>	<u>\$353,300</u>
EXPENSES:			
Operations	\$219,261	\$224,590	\$233,840
Fuel/Power	54,219	67,300	66,320
Maintenance	252,524	260,350	271,000
Administration	27,355	27,610	28,600
Insurance & Claims/Other	<u>32,041</u>	<u>32,950</u>	<u>34,050</u>
TOTAL EXPENSES	<u>\$585,400</u>	<u>\$612,800</u>	<u>\$633,810</u>
OPERATING DEFICIT	<u>\$278,860</u>	<u>\$271,400</u>	<u>\$280,510</u>
Recovery Ratio % ⁽¹⁾	55.0%	55.0%	55.0%

* Prepared by the RTA from budgetary information. The 2010-11 Financial Plan figures represent indicative amounts for financial planning

⁽¹⁾ The recovery ratios for 2009, 2010, and 2011 are those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act. By policy, the revenue figure for Metra excludes the 5% Capital Farebox Financing Program restricted by ordinance for capital projects. Expenses exclude certain items as provided by the RTA Act.

TABLE D-V
PACE
2004-2008 FINANCIAL RESULTS
(Dollars in Thousands)

	2004	2005	2006 ⁽¹⁾	2007	2008
Revenues					
Passenger Revenue	\$32,276	\$31,726	\$31,427	\$28,249	\$28,400
Reduced Fare Reimbursement	3,266	3,236	3,027	2,704	3,089
Other Revenue	<u>15,935</u>	<u>18,788</u>	<u>20,582</u>	<u>21,199</u>	<u>20,473</u>
Total Revenues⁽²⁾	<u>\$51,477</u>	<u>\$53,750</u>	<u>\$55,036</u>	<u>\$52,152</u>	<u>\$51,963</u>
Expenses					
Labor	\$83,212	\$86,396	\$91,251	\$95,632	\$96,256
Purchased Transportation Suburban Service	20,207	21,690	22,759	23,627	25,879
Purchased Transportation ADA Paratransit	11,528	12,261	40,023	-	-
Fuel	7,745	11,738	13,337	16,108	19,557
Insurance	7,834	9,611	10,489	7,923	7,826
Other	<u>16,696</u>	<u>17,927</u>	<u>21,326</u>	<u>19,221</u>	<u>22,438</u>
Total Expenses⁽²⁾	<u>\$147,222</u>	<u>\$159,623</u>	<u>\$199,184</u>	<u>\$162,511</u>	<u>\$171,956</u>
Operating Deficit	\$95,745	\$105,873	\$144,148	\$110,359	\$119,993
Recovery Ratio % ⁽³⁾	41.40%	39.70%	34.20%	36.00%	36.00%

⁽¹⁾ On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the Region. Through 2006, ADA paratransit is included in Pace and CTA results. Pace results for 2006 include a full year of ADA paratransit service in Pace's suburban service area and ADA paratransit service in the CTA service area from July 1 through December 31.

⁽²⁾ Prior official statements included revenue and expense credits used for recovery ratio calculations in 2004 and 2005.

⁽³⁾ Recovery ratio calculations include revenue and expense credits.

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

TABLE D-VI*
PACE 2009 BUDGET AND 2010-2011 FINANCIAL PLAN
(Dollars in Thousands)

	2009 BUDGET	2010 PLAN	2011 PLAN
Revenues			
Passenger Revenue	\$33,962	\$34,913	\$35,901
Reduced Fare Reimbursement	2,800	2,800	2,800
Other Revenue	<u>23,327</u>	<u>22,814</u>	<u>23,904</u>
Total Revenues	<u>\$60,089</u>	<u>\$60,527</u>	<u>\$62,605</u>
Expenses			
Labor	\$104,841	\$109,524	\$114,743
Purchased Transportation Suburban Service	28,295	29,902	31,459
Fuel	21,590	18,532	18,956
Insurance	12,459	13,942	15,632
Other	28,461	25,707	23,629
Total Expenses	<u>\$195,646</u>	<u>\$197,607</u>	<u>\$204,419</u>
Operating Deficit	\$135,557	\$137,080	\$141,814
Recovery Ratio % ⁽¹⁾	36.00%	36.00%	36.00%

* Prepared by the RTA from budgetary information. The 2010-11 Financial Plan figures represent indicative amounts for financial planning

⁽¹⁾ The recovery ratios for 2009-2011 are those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act.

TABLE D-VII
ADA PARATRANSIT 2004-2008 FINANCIAL RESULTS ⁽¹⁾
(Dollars in Thousands)

	2007	2008
Revenues		
Passenger Revenue	\$6,182	\$6,996
Other Revenue	<u>834</u>	<u>939</u>
Total Revenues	<u>\$7,016</u>	<u>\$7,935</u>
Expenses		
Labor	\$2,287	\$2,390
Purchased Transportation	76,908	97,111
Fuel	1,498	2,004
Insurance	428	353
Other	<u>2,583</u>	<u>5,768</u>
Total Expenses	<u>\$83,704</u>	<u>\$107,626</u>
Deficit Reduction Actions		
Operating Deficit	\$76,688	\$99,691
Recovery Ratio % ⁽²⁾	8.4%	10.0%

⁽¹⁾ On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the Region. Through 2006, ADA paratransit is included in Pace and CTA results.

⁽²⁾ Recovery ratio calculation in 2008 includes expense credit for capital cost of contracting.

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

Table D-VIII*
ADA Paratransit 2009 Budget and 2010-2011 Financial Plan
(Dollars in Thousands)

	2009 BUDGET	2010 PLAN	2011 PLAN
Revenues			
Passenger Revenue	\$7,384	\$8,465	\$8,946
Other Revenue	<u>978</u>	<u>1,056</u>	<u>1,140</u>
Total Revenues	<u>\$8,362</u>	<u>\$9,521</u>	<u>\$10,086</u>
Expenses			
Labor	\$2,676	\$2,786	\$2,914
Purchased Transportation	116,284	127,980	139,549
Fuel	2,644	2,614	2,631
Insurance	366	409	459
Other	<u>5,889</u>	<u>6,098</u>	<u>6,323</u>
Total Expenses	<u>\$127,859</u>	<u>\$139,887</u>	<u>\$151,876</u>
Deficit Reduction Actions	\$24,392	\$34,215	\$43,608
Operating Deficit	\$95,105	\$96,151	\$98,182
Recovery Ratio % (1)	10.0%	10.0%	10.0%

* Prepared by the RTA from budgetary information. The 2010-11 Financial Plan figures represent indicative amounts for financial planning.

⁽¹⁾The recovery ratios for 2009-2011 are those established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the RTA Act.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND 2005B BONDS SERIES ORDINANCE

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APPENDIX E

Summary of Certain Provisions of the General Ordinance and the 2005B Series Ordinance

The following is a summary of certain provisions of the General Ordinance and the 2005B Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the 2005B Series Ordinance and accordingly is qualified by reference to the General Ordinance and the 2005B Series Ordinance and is subject to the full text of the General Ordinance and the 2005B Series Ordinance. Capitalized terms not defined in this summary or in the Supplement No. 1 have the respective meanings set forth in the General Ordinance or the 2005B Series Ordinance.

General Definitions

The following are definitions of certain terms used in the General Ordinance and the 2005B Series Ordinance.

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

“Accountant’s Certificate” shall mean an opinion signed by an Accountant.

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

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

“Additional State Assistance” shall have the meaning set forth in the Act. See “**THE REGIONAL TRANSPORTATION AUTHORITY - RTA FINANCES - State Assistance**” in this Supplement No. 1.

“Annual Debt Service Requirements” shall mean, for any twelve-month period ending on an April 30 and with respect to any Series of Authority Obligations, the amount required during that period to be deposited in the account of the Debt Service Fund in respect of principal and interest for that Series of Authority Obligations. With respect to Authority Obligations which bear interest at variable rates, the deposits shall be calculated in respect of interest as if the Authority Obligations would bear interest at the maximum rate which those Obligations may bear pursuant to law or the applicable authorizing Series Ordinance, or if there is no such maximum rate at a rate equal to 20% per year. With respect to Authority Obligations for which there is a purchase, unscheduled mandatory redemption or similar unscheduled requirement which is provided to be paid by use of a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or

pursuant to Sinking Fund Installments) and not pursuant to the purchase, redemption or similar unscheduled requirements provided so to be paid through the Credit Support Instrument.

“Authority Obligations” shall mean the Bonds and Notes.

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

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

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

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

“Capital Assets Fund” shall mean the Capital Assets Fund established in the General Ordinance.

“Chairman” shall mean the Chairman of the Board of Directors of the Authority.

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

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

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

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

“Date of Reissuance” shall mean the date on which the Series 2005B Bonds are reissued under the Indenture.

“Debt Service Fund” shall mean the Debt Service Fund established in the General Ordinance. See **“SECURITY FOR THE ERS - DEBT SERVICE FUND”** in this Supplement No. 1.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in the General Ordinance. See **“SECURITY FOR THE ERS - DEBT SERVICE RESERVE FUND”** in this Supplement No. 1.

“Designated Representatives” means the Chairman and the Chairman of the Finance Committee of the Board.

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

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

“Fitch” shall mean, Fitch, Inc., its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

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

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

“*Indenture*” shall mean the Amended and Restated Indenture of Trust between the Authority and the Trustee, dated as of July 1, 2009.

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

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

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

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

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

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

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

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

(h) investment agreements with Qualified Financial Institutions;

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

(j) corporate securities, including commercial paper and fixed income obligations, which are rated in the highest rating category by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized

rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations; and

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

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

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

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

“*Operating Expenses*” shall mean day to day operating expenses of the Authority or of a Service Board consisting of wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rentals, furniture, fixtures and equipment, insurance premiums, claims for self-insured amounts under insurance policies, public utility obligations for telephone, light, heat and similar items, travel expenses, office supplies, postage, dues, subscriptions, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies (as defined in the Act).

“*Outstanding*” shall mean, when used with reference to Authority Obligations, all such obligations which have been issued, including the Series 1990A Bonds, Series 1991A Bonds, Series 1992A&B Bonds, Series 1994A&B Bonds, Series 1994C&D Bonds, Series 1997 Bonds, Series 1999 Bonds, Series 2000A Bonds, Series 2001A Bonds, Series 2001B Bonds, Series 2002A Bonds, Series 2002B Bonds, Series 2003A Bonds, Series 2003B Bonds, Series 2003C Bonds, Series 2004A Bonds, Series 2005B Bonds and Series 2006A Bonds, except (a) Authority Obligations which have been paid or redeemed in full both as to principal and interest or (b) Authority Obligations provision for the payment or redemption of which has been made pursuant to the General Ordinance, as described under “- **DEFEASANCE**” in this Appendix E.

“*Public Transportation Fund Revenues*” shall have the meaning set forth under “**SECURITY FOR THE ERS - SECURITY AND SOURCES OF PAYMENT**” in this Supplement No. 1.

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

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

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

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

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

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

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

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

“Revenues” shall have the meaning set forth under **“SECURITY FOR THE ERS - SECURITY AND SOURCES OF PAYMENT”** in this Supplement No. 1.

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

“Sales Tax Revenues” shall have the meaning set forth under **“SECURITY FOR THE ERS - SECURITY AND SOURCES OF PAYMENT”** in this Supplement No. 1.

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

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

“Series 1990A Bonds,” “Series 1991A Bonds,” “Series 1992A Bonds,” “Series 1992B Bonds” (the Series 1992A Bonds and the Series 1992B Bonds being collectively referred to as the *“Series 1992A&B Bonds”*) *“Series 1994A Bonds,” “Series 1994B Bonds”* (the Series 1994A Bonds and the Series 1994B Bonds being collectively referred to as the *“Series 1994A&B Bonds”*), *“Series 1994C Bonds,” “Series 1994D Bonds”* (the Series 1994C Bonds and the Series 1994D Bonds being collectively referred to as the *“Series 1994C&D Bonds”*), *“Series 1997 Bonds,” “Series 1999 Bonds,” “Series 2000A Bonds,” “Series 2001A Bonds,” “Series 2001B*

Bonds,” “Series 2002A Bonds,” “Series 2002B Bonds,” “Series 2003A Bonds,” “Series 2003B Bonds,” “Series 2003C Bonds,” “Series 2004A Bonds,” “Series 2005B Bonds” and “Series 2006A Bonds” shall mean, as applicable, the General Obligation Bonds and General Obligation Refunding Bonds bearing such respective series designations heretofore issued and outstanding under the General Ordinance, all issued under Section 4.04 of the Act.

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

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

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

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

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

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

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

ORDINANCES CONSTITUTE CONTRACT

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

security of the Holders of any and all of the Authority Obligations. Each Series Ordinance shall constitute a contract between the Authority and the Holders of the Authority Obligations of that Series.

CUSTODY AND APPLICATION OF BOND AND NOTE PROCEEDS

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

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

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

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

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

NATURE AND SOURCE OF PAYMENT OF AUTHORITY OBLIGATIONS

The General Ordinance provides that all Authority Obligations shall be general obligations of the Authority to which shall be pledged the full faith and credit of the Authority. All Authority Obligations shall be superior to and have priority over any other obligations of the Authority, except Separate Ordinance Obligations to the extent that under the Act and their authorizing ordinances they have a prior claim to Secured Government Payments or *ad valorem* property tax receipts.

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

EQUALITY OF AUTHORITY OBLIGATIONS

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

ASSIGNMENT OF TRUSTEED MONEY

The Authority has irrevocably assigned the Trusteed Money to the Trustee, for the benefit of the Holders from time to time of the Authority Obligations, to be held, invested and used as provided in the General Ordinance. The State Treasurer, the State Department of Revenue and the State Comptroller are authorized and directed to pay and cause to be paid directly to the Trustee and not to the Authority all Trusteed Money coming into the hands of any of them or into the Treasury of the State. The Chairman or the Secretary of the Authority is authorized and directed to cause a certified copy of the General Ordinance and of each Series Ordinance to be filed with the State Treasurer, the Comptroller and the State Department of

Revenue. Upon receipt thereof, the State Treasurer, the State Department of Revenue and the Comptroller shall subsequently, notwithstanding any other provisions of the Act, provide for the Trusteed Money held or received by any of them or in the Treasury of the State of Illinois to be paid directly to the Trustee instead of the Authority. After such notice, the assignment shall be valid and binding from the date of the General Ordinance without any physical delivery or further act, and shall be valid and binding as against and prior to the claims of all other parties having claims of any kind against the Authority or any other person irrespective of whether the other parties have notice of the assignment. When the assignment shall be discharged in accordance with the General Ordinance with respect to all of the Authority Obligations, the Trustee shall promptly deliver to the State Treasurer, the Comptroller and the State Department of Revenue written notice of that fact and subsequently all Trusteed Money shall again be paid to the Authority the same as before the assignment.

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

PLEDGE EFFECTED BY THE GENERAL ORDINANCE

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

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

ESTABLISHMENT OF DEBT SERVICE FUND

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

ESTABLISHMENT OF ACCOUNTS IN DEBT SERVICE FUND

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

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

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

- (a) The amount in respect of interest shall not be less than the product of the interest coming due on the next interest payment date on that Series and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding interest payment date on that Series or, in respect of interest on the first interest payment date, from the date of delivery of the Series to that next interest payment date, until the full amount of that interest on the next interest payment date has been provided so to be deposited. The deposit requirements in respect of interest may be

reduced (including to zero) to the extent that amounts specified in a Series Ordinance are deposited in the Debt Service Fund to the credit of the Account in that Fund. With respect to Authority Obligations which will bear interest at variable rates, the monthly deposit requirements in respect of interest shall be calculated as provided in the Series Ordinance for such Obligations.

(b) The amount in respect of principal, except for the first principal payment date for a Series, shall not be less than the product of the principal coming due (whether at maturity or pursuant to Sinking Fund Installments) on the next such principal payment date and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding principal payment date to the next principal payment date until the full amount of that principal on the next principal payment date has been provided so to be deposited. The amount in respect of principal on the first principal payment date shall be the amounts specified in the Series Ordinance for that Series, which shall be sufficient so that the full amount of that principal shall have been provided to have been deposited (based on dates for deposit of Sales Tax Revenues as anticipated by the Board) not less than 20 days prior to that principal payment date.

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

The 2005B Series Ordinance establishes a monthly deposit requirement for the Series 2005B Bonds in the Series 2005B Bonds Account of the Debt Service Fund. On or before the 25th day of each month beginning in the month of July, 2009, or such later month as determined by the Designated Representatives in a certificate delivered on or before the Date of Reissuance, the Authority shall cause to be on deposit in the Series 2005B Bonds Account of the Debt Service Fund an amount equal to the interest due on the next interest payment date. For each month prior to each principal payment or mandatory redemption date on the Bonds, the Authority shall deposit into the Series 2005B Bonds Account of the Debt Service Fund an amount equal to one-eleventh of the principal coming due on the next principal payment or mandatory redemption date with respect to the Bonds, until the full amount of the principal payment or mandatory redemption amount for the Bonds is on hand.

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

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

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

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

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

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

From the amounts deposited in or credited to the Accounts in the Debt Service Fund, the Trustee shall pay first out of the Account (other than the Rebate Account) and then out of the Rebate Account, in each case pertaining to each Series of Authority Obligations to the Paying Agents for that Series of Authority Obligations, on the business day preceding each interest payment date or principal payment date (whether at maturity or pursuant to Sinking Fund Installments) or mandatory redemption date or date of required purchase, not being made by a Credit Support Instrument, an amount equal to the principal, Redemption Price, Purchase Price

and interest on the Series of Authority Obligations coming due on the following business day. In lieu of making such payments to a Paying Agent on the business day prior to the day that a payment with respect to Authority Obligations is due, the Trustee at the direction of the Treasurer or other Authorized Officer, and with the approval of the Paying Agent, may on that prior business day deposit Investment Obligations maturing on the day of payment sufficient for that payment.

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

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

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

DEBT SERVICE RESERVE FUND

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

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

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

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

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

All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A Reserve Fund Credit Instrument shall, for purposes of determining the value of a Debt Service Reserve Fund Account, be valued at the Reserve Fund Credit Instrument Coverage for that Reserve Fund Credit Instrument, except as provided in the next two sentences. If a Reserve Fund Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Bond secured by the Debt Service Reserve Fund Account, then the Reserve Fund Credit Instrument Coverage of that Instrument shall be reduced by the amount provided in the next sentence. The amount of the reduction shall be the amount, if any, by which the value of the Debt Service Reserve Fund Account, not counting the value of the Reserve Fund Credit Instrument Coverage of that

Instrument, is less than the Reserve Requirement for such Account after the first date that the Reserve Fund Credit Instrument is so to terminate (or is subject to termination); *provided, however*, if the Series Ordinance with respect to such Bonds requires deposits to be made in the Debt Service Reserve Fund Account equal in each year, starting not less than three years prior to the termination date, to not less than one-third of the original Reserve Fund Credit Instrument Coverage of the Instrument, until such deposits shall equal the amount of that original Coverage, then the reduction shall be only by that amount from time to time that deposits have so been required to have been made in the Debt Service Reserve Fund Account; and *provided further*, if by the terms of the Reserve Fund Credit Instrument and the terms of the related Series Ordinance, the Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Debt Service Reserve Fund Account all or part of its Coverage then the reduction shall be only by that amount as the Trustee shall not have the right and duty so to draw.

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

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

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

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

which moneys in the Funds and Accounts will be required for the purposes provided in the General Ordinance.

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

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

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

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

NO INCONSISTENT SECURITY INTERESTS

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

ADDITIONAL AUTHORITY OBLIGATIONS

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

1. Any Additional Authority Obligations must be issued under Section 4.04 of the Act, as it may be amended from time to time, or a successor to that Section.

2. The Authority may issue at any time Additional Authority Obligations for any lawful purpose allowed by the Act if there is no default in payment of Authority Obligations or in making all required deposits to the Debt Service Fund, if upon the issuance of the Additional Authority Obligations which are Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account and if the “Revenues test” is met.

The “Revenues test” is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues shall equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed 1.0 times the Authority’s obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Policies deposited into the respective Debt Service Reserve Fund Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1994C&D Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001B Bonds, the Series 2001A Bonds, the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds, the Series 2004A Bonds, the Series 2005B Bonds and the Series 2006A Bonds.

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

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

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

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

MAINTENANCE OF EXISTENCE

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

IMPOSITION OF TAXES

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

OBTAINING FUNDS

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

BUDGETS AND ANNUAL APPROPRIATION ORDINANCES

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

FINANCIAL STATEMENTS

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

financial statements, together with that audit report, to the Trustee and to any other Holder of the Authority Obligations who shall request a copy.

DEFAULT PROVISIONS; REMEDIES OF HOLDERS

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

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

The Holders of a majority in principal amount of the Authority Obligations at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Holders not parties to such direction.

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

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Authority Obligations then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the General Ordinance or any Series Ordinance by any acts which may be unlawful or in violation of the

General Ordinance or any Series Ordinance, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Holders of the Authority Obligations, including, without limitation, steps with regard to any Credit Support Instrument.

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

MODIFICATION OF GENERAL ORDINANCE

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

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

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

The Trustee may at any time, except during such time as the Authority shall have failed to pay (and shall continue to fail to pay) principal on any Authority Obligations at maturity or on Sinking Fund Installment dates or to pay interest on any Authority Obligation as it comes due or

to make any required deposits into the Debt Service Fund, resign and be discharged of the duties and obligations under the General Ordinance by giving not less than sixty (60) days' written notice to the Authority and publishing notice of the resignation, specifying the date when such resignation shall take effect, once in a daily newspaper of general circulation in the City of Chicago. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of the successor.

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

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

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the General Ordinance by giving at least sixty (60) days' written notice to the Authority and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the

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

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

The Authority shall enforce or cause to be enforced, as provided under the General Ordinance, the provisions of each policy of bond insurance insuring the payment of principal of and interest on the Authority Obligations, each Credit Support Instrument and each Reserve Fund Credit Instrument. The Authority shall, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that they shall remain in full force and effect during their term or as provided in a Series Ordinance. The Authority shall not consent, agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with such bond insurance policy, Credit Support Instrument or Reserve Fund Credit Instrument which would in any manner materially impair or materially adversely affect the rights of the Authority or the Trustee under such bond insurance policies, Credit Support Instrument or Reserve Fund Credit Instrument or the rights or security of the Holders of the Authority Obligations.

DEFEASANCE

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

Authority Obligations for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise), whether at or prior to the maturity or redemption date of such Authority Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Authority Obligations of any Series shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if there shall have been deposited with such Trustee or Paying Agents either moneys in an amount which shall be sufficient, or Government Obligations the principal of and interest on which when due will provide moneys which, when added to the moneys, if any, deposited with such Trustee

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

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

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

APPENDIX F

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX F

Summary of Certain Provisions of the Indenture

The following is a summary of certain provisions of the Indenture. This summary is not a complete recital of the terms of the Indenture and reference is made to the Indenture in its entirety. A list of additional defined terms appears at the end of this summary.

Payment of the Series 2005B Bonds

Pursuant to the Indenture, the Authority covenants that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on the Series 2005B Bonds at the place, on the dates and in the manner provided in the Indenture. The Series 2005B Bonds are secured by the Trusteed Money pledged pursuant to Section 607(3) of the General Ordinance, and all other funds and accounts pledged under the General Ordinance, the 2005B Series Ordinance and the Indenture.

Establishment of Account in Debt Service Fund

The 2005B Series Ordinance established a separate account in the Debt Service Fund designated as the Refunding Bonds Account (such account is referred to in the Indenture as the Series 2005B Account).

Creation of Redemption Fund

A redemption fund is established pursuant to the Indenture with the Trustee (the “*Redemption Fund*”) and moneys shall be deposited therein as provided in the Indenture. The moneys in the Redemption Fund and any investments held as a part of same shall be held in trust and, except as otherwise provided, shall be applied by the Trustee on behalf of the Authority solely to the redemption of Series 2005B Bonds. The Trustee may, and upon written direction of the Authority for specific purchases shall, apply moneys in the Redemption Fund to the purchase of the Series 2005B Bonds for cancellation at prices not exceeding the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not within the forty-five (45) days preceding a redemption date. Accrued interest, if any, on the purchase of Series 2005B Bonds shall be paid from the Debt Service Fund.

If on any date the amount in the Debt Service Fund is less than the amount then required to be applied by the Trustee to pay the principal (including sinking fund installments) and interest then due on the Series 2005B Bonds, the Trustee shall apply the amount in the Redemption Fund (other than any sum irrevocably set aside for the redemption of particular Series 2005B Bonds or required to purchase Series 2005B Bonds under outstanding purchase contracts) to the Debt Service Fund to the extent necessary to meet the deficiency. The Authority shall remain liable for any sums which it has not paid into the Debt Service Fund and any subsequent payment thereof shall be used to restore the funds so applied.

If any moneys in the Redemption Fund are invested in accordance with the Indenture and a loss results therefrom so that there are insufficient funds to pay the Redemption Price of Series 2005B Bonds called for redemption in accordance with the Indenture, then the Authority shall immediately supply the deficiency.

Investment of Moneys

Subject to any restrictions set forth in the Tax Agreement, moneys held in any Fund created pursuant to the Indenture shall be invested and reinvested by the Trustee pursuant to the provisions of the General Ordinance.

Program Expense Fund

There is created under the Indenture and established with the Trustee a trust fund to be designated the “Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, General Obligation Variable Rate Demand Refunding Bonds, Series 2005B, Program Expense Fund” (the “*Program Expense Fund*”). Certain proceeds of the Series 2005B Bonds shall be deposited into the Program Expense Fund upon the issuance of the Series 2005B Bonds. The Authority may deposit additional amounts with the Trustee to the Program Expense Fund from time to time and at any time while the Series 2005B Bonds are outstanding. Moneys on deposit in the Program Expense Fund shall be used to pay the Program Expenses and administrative expenses and costs of the Authority incurred by it in the administration of the Series 2005B Bonds. The Trustee shall disburse moneys for Program Expenses upon written direction of the Authority. All investment income derived from the Program Expense Fund shall be retained in the Program Expense Fund.

Creation of Purchase Fund

The Trustee shall establish and maintain a separate fund pursuant to the Indenture to be known as the “Purchase Fund.” The Trustee shall establish further separate accounts within the Purchase Fund to be known as the “Remarketing Proceeds Account,” “Liquidity Facility Purchase Account,” the and the “Authority Purchase Account.”

Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of a Series 2005B Bond on the date such bond is to be purchased, the Trustee shall deposit such proceeds in the applicable Remarketing Proceeds Account for application to the Purchase Price of the Series 2005B Bonds. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Bank Bonds or Liquidity Provider Bonds, the Trustee shall immediately pay such proceeds to the Credit Provider or Liquidity Provider, as the case may be, to the extent of any amount owing to the Credit Provider or Liquidity Provider, as applicable, and upon the receipt of the proceeds of a remarketing of Authority Bonds, the Trustee shall immediately pay such proceeds to the Authority.

Liquidity Facility Purchase Account. Upon receipt from the Trustee of the immediately available funds received pursuant to a Credit Facility, Liquidity Facility or Alternate Credit Facility or an Alternate Liquidity Facility in substitution thereof, the Trustee shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the

Series 2005B Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Series 2005B Bonds shall be immediately returned to the Liquidity Provider or Credit Provider, as the case may be.

Authority Purchase Account. Upon receipt of Funds from the Authority pursuant to the Indenture for the purchase of Series 2005B Bonds by the Authority, the Trustee shall deposit such Funds in the Authority Purchase Account for application to the Purchase Price of the Series 2005B Bonds. Any amounts deposited in the Authority Purchase Account and not needed with respect to the Purchase Price for any Series 2005B Bonds shall be immediately refunded to the Authority.

Investment. Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Trustee shall be held uninvested and separate and apart from all other funds and accounts.

Events of Default under the Indenture

Each of the following events will constitute an "Event of Default" under the Indenture:

- (a) An "Event of Default" pursuant to the General Ordinance;
- (b) A default in the payment when due of the purchase price of any Bond required to be purchased pursuant to the Indenture or subject to mandatory tender pursuant to the Indenture;
- (c) the Authority fails to perform any of its agreements in this Indenture or the Series 2005B Bonds (except a failure that results in an Event of Default under clause (a) or (b) above), the performance of which is material to the Bondholders, and which failure continues after the giving of the notice of default and the expiration of the grace period specified in the Indenture.

Remedies

Upon the occurrence of any Event of Default, the Trustee and the Bondholders may pursue any remedy available to them pursuant to the General Ordinance.

Upon the occurrence of an Event of Default, the Bondholders shall have the right to direct proceedings relating to enforcement of their rights to the extent and in accordance with the General Ordinance.

Amendments or Supplements to the Indenture

The Indenture may be amended by the parties without Bondowner consent for any of the following purposes: (a) to subject any property to the lien of the Indenture, (b) to provide for the establishment or amendment of a book-entry system of registration for the Series 2005B Bonds through a securities depository (which may or may not be DTC), (c) to add to the covenants and

agreements of the Authority or to surrender or limit any right or power of the Authority, (d) to make any other change which does not, in the opinion of the Trustee, have a material adverse effect upon the interests of the Bondholders, (e) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Indenture and which do not impair the security for the Series 2005B Bonds, (f) to make any necessary changes to the Indenture to facilitate (i) the conversion of any portion of the Series 2005B Bonds to a different Mode or (ii) the addition of a Credit Facility or Liquidity Facility for the Series 2005B Bonds, or (g) to make an other change that does not require the unanimous written consent of the affected Bondowners pursuant to the Indenture upon receipt from each Rating Agency of written confirmation that the then existing ratings on such Series 2005B Bond or Series 2005B Bonds will not be reduced or withdrawn. Provisions of the Indenture may also be amended by the parties without Bondowner consent, but only with respect to the applicable portion of the Series 2005B Bonds, on the date of any mandatory tender of the Series 2005B Bonds, provided that notice of any such amendment is included in the notice of mandatory tender for purchase described in the Indenture with respect to any mandatory tender that is subject to an ERS Retention Election.

Except as set forth below, while Series 2005B Bonds are in the ERS, Daily or Weekly Mode, the Authority may amend provisions of the Indenture concerning such Series 2005B Bonds in such Modes by obtaining the consent of a majority of registered owners of the Series 2005B Bonds in such Modes. While Series 2005B Bonds are in the ERS, Daily or Weekly Mode, the Authority may also amend the definition of Maximum Rate, without Bondowner consent (but with at least 20 days' notice to the Bondowners if the amendment is to reduce the Maximum Rate), *provided that*, (i) if a Credit Facility (with a liquidity component) or a Liquidity Facility is then in effect, it entitles the Trustee to draw upon or demand and receive in immediately available funds an amount equal to the principal amount of the Series 2005B Bonds then outstanding plus a number of days of accrued interest at such amended Maximum Rate at least equal to the number of days required to be covered under the Indenture and (ii) if the Series 2005B Bonds are in the ERS Mode, no reduction of the Maximum Rate shall become effective until the first Interest Payment Date following such notice on which all ERS (other than any for which an ERS Retention Election has been delivered at least 15 days following such notice) have been remarketed.

Except as provided in the foregoing paragraphs, the Indenture may be amended only with the written consent of the registered owners of a majority in principal amount of the Outstanding Bonds; *provided, however*, no amendment of the Indenture may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (i) to extend the maturity of any Series 2005B Bond; (ii) to reduce the principal amount, or interest rate of any Series 2005B Bond; (iii) to make any Series 2005B Bond redeemable or subject to mandatory tender other than in accordance with the terms hereof; (iv) to create a preference or priority of any Series 2005B Bond or Series 2005B Bonds over any other Series 2005B Bond or Series 2005B Bonds; or (v) to reduce the percentage of the Series 2005B Bonds required to be represented by the Bondowners giving their consent to any amendment.

Any amendment of the Indenture shall be accompanied by a Favorable Opinion of Bond Counsel to the effect that the amendment (i) is permitted by the Indenture and (ii) shall not adversely affect the validity of the Series 2005B Bonds or the exclusion of interest on any Series 2005B Bonds from the gross income of the owners of such Series 2005B Bonds for federal

income tax purposes. So long as a Credit Facility supports the Series 2005B Bonds no amendment to the Indenture shall be made without the consent of the Credit Provider. So long as no Credit Facility Failure exists with respect to any Series 2005B Bonds supported by a Credit Facility, the Credit Provider and not the Bondowners shall be deemed to be the owner of all Series 2005B Bonds entitled to the benefits of such Credit Facility for the purpose of consenting to any amendment by Bondowners.

When the Trustee determines that the requisite number of consents have been obtained for an amendment which requires Bondowner consent, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such mailing. The Trustee will promptly certify to the Authority that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained.

Notice of any amendment of the Indenture and any material amendment to the Credit Facility or Liquidity Facility, if any, shall be sent to each nationally recognized rating agency then rating the Series 2005B Bonds, to the Credit Provider or Liquidity Provider and to the Remarketing Agent at least ten days prior to the effective date thereof, at the addresses specified in the Indenture.

Notwithstanding anything in the Indenture to the contrary, the Authority shall provide notice to any Rating Agency then rating the Series 2005B Bonds of (i) the resignation or removal of the Trustee or Remarketing Agent, (ii) any material amendment or supplement to the Indenture, (iii) the expiration, termination, substitution, or extension of the Credit Facility, (iv) conversion of the Series 2005B Bonds or (v) mandatory tender, acceleration, redemption or defeasance of the Series 2005B Bonds and any other information such Rating Agency may reasonably request in order to maintain the rating on the Series 2005B Bonds.

The Authority and the Trustee may, without the consent of but with due notice to any Bondholders, amend or supplement the Indenture prospectively in any way they may agree if the effective date of such amendment coincides with a tender date for all Outstanding Bonds; *provided*, that (1) any such amendment shall not be in derogation of any continuing rights of prior Bondholders, such as the right of the Bondholders to such Tax-exempt status, and (2) any such amendment shall not be inconsistent with the provisions of a Series Ordinance or the General Ordinance.

Discharge of Indenture

A Series 2005B Bond shall be deemed to be paid within the meaning of the Indenture when the provisions and requirements of the General Ordinance relating to defeasance and cancellation of such Series 2005B Bond have been met.

If provision for payment of a Series 2005B Bond is being made as described above and the interest rate on such Series 2005B Bond may change or be reset during the period between

the date that funds and/or Government Obligations are deposited with the Trustee and the date that such Series 2005B Bonds are purchased, redeemed or otherwise paid, then the amount of such funds and/or Government Obligations (taking into account the proceeds thereof) to be deposited with the Trustee shall be sufficient to pay the principal of, premium, if any, and interest on such Series 2005B Bond to Maturity and purchase price for such Series 2005B Bond if tendered for purchase prior to its Maturity assuming that such Series 2005B Bond bore interest at the Maximum Rate during such period. After payment of such Series 2005B Bond, if, as a result of any such interest rate assumption, excess funds remain on deposit with the Trustee, subject to compliance with the provisions of the Code, the Tax Agreement and the Indenture, such funds shall be returned to the Authority.

If provision is made for payment of a Series 2005B Bond as described above causes the termination of any Liquidity Facility or Credit Facility as then in effect with respect to such Series 2005B Bond, then the Authority shall, prior to such provision for payment, receive from the Rating Agencies written confirmation that the then existing ratings on such Series 2005B Bond will not be reduced or withdrawn with respect to the period between the date of such provision for payment and the date such Series 2005B Bond is purchased, redeemed or otherwise paid. If the provision for the payment of a Series 2005B Bond does not cause the termination of a Liquidity Facility or Credit Facility relating to such Series 2005B Bond, then the provisions of the Indenture, including the provisions with respect to tenders and remarketings, shall remain in full force and effect until such time as such Series 2005B Bond has been purchased, redeemed or otherwise paid.

Upon payment or provision for payment of any Series 2005B Bonds as described above, and if the Authority is not in default under any of the other covenants and promises in such Series 2005B Bonds and the Indenture, and if the Authority has paid or caused to be paid to the Trustee all sums of money due or to become due under such Series 2005B Bonds or the Indenture, such Series 2005B Bonds will no longer be secured by or entitled to the benefits of the Indenture or be an obligation of the Authority, except for payment from moneys or Government Obligations which have been so deposited with the Trustee, and the Trustee will take such actions, at the request of the Authority, as may be necessary to evidence the cancellation and discharge of the lien of the Indenture.

Resignation and Removal of Trustee

The Trustee may resign or be removed pursuant to the terms of the General Ordinance. See Appendix E to this Supplement No. 1.

Certain Additional Terms

Certain additional terms as used in this summary and elsewhere in this Supplement No. 1 and as defined in the Indenture are as follows:

“Alternate Credit Facility” or *“Alternate Liquidity Facility”* means a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms hereof as a

replacement or substitute for any Credit Facility or Liquidity Facility, as applicable, then in effect.

“Alternate Rate” means on any Rate Determination Date or Preliminary Rate Determination Date, in the case of Series 2005B Bonds in the ERS Mode, a rate per annum equal to the SIFMA Rate plus 25 basis points, as determined by the Calculation Agent.

“Applicable ERS Extension Sequence Bonds” means, in the case of Series 2005B Bonds in the ERS Mode, each subset of Series 2005B Bonds in an ERS Extension Sequence with a specific ERS Extended Mandatory Purchase Date, which Series 2005B Bonds shall have a different CUSIP number from the Series 2005B Bonds reissued on the Date of Reissuance and from any Bonds in an ERS Extension Sequence with a different ERS Extended Mandatory Purchase Date.

“Authority Bonds” means Series 2005B Bonds purchased with moneys furnished by the Authority as provided in the Indenture.

“Authority Purchase Account” means the account by that name created in the Indenture.

“Authorized Denominations” means with respect to Series 2005B Bonds in the ERS Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof.

“Bank Bonds” shall mean any Series 2005B Bonds purchased by the Credit Provider with funds drawn on or advanced under the Credit Facility.

“Beneficial Owner” means, so long as the Series 2005B Bonds are held in the Book-Entry-Only System, any Person who acquires a beneficial ownership interest in a Series 2005B Bond held by the Securities Depository. If at any time the Series 2005B Bonds are not held in the Book-Entry-Only System, Beneficial Owner means Owner for purposes of the Indenture.

“Bond Counsel” means Chapman and Cutler LLP, Chicago, Illinois, or any firm of attorneys whose opinions are generally acceptable to purchasers of tax-exempt obligations of political subdivisions of state and local government, selected by the Authority, and acceptable to the Remarketing Agent and the Trustee.

“Bond Year” means each one year period (or shorter period from the date of issue of the Bonds) ending on December 31.

“Bondowners” means the registered owners of the Series 2005B Bonds from time to time as shown in the books kept by the Trustee as bond registrar and transfer agent.

“Book-Entry-Only System” means the system maintained by the Securities Depository described in the Indenture.

“Business Day” means any day (i) that is not a Saturday, Sunday or legal holiday, (ii) on which banks are not required or authorized to close in New York, New York or Chicago, Illinois,

(iii) on which banking institutions in each of the cities in which the principal offices of the Trustee, the Remarketing Agent, if any, and the Credit Provider, if any, (and the office of the Credit Provider specified for draws under the Credit Facility, if any) are located are not required or authorized to remain closed and (iv) on which the New York Stock Exchange is not closed.

“Calculation Agent” means the Trustee or such other Calculation Agent as may be selected by the Authority in accordance with the Indenture.

“Code” means the Internal Revenue Code of 1986, as it may be amended and applied to the Series 2005B Bonds from time to time.

“Conversion Date” means, with respect to all or a portion of the Series 2005B Bonds in the ERS Mode to be converted to a Fixed Rate, the date on which such Series 2005B Bonds begin to bear interest at a Fixed Rate.

“Credit Facility” means a direct-pay letter of credit, insurance policy, surety bond, line of credit or other instrument then in effect which secures or guarantees the payment of principal of and interest on the Series 2005B Bonds, if any.

“Credit Facility Failure” or *“Liquidity Facility Failure”* means a failure of a Credit Provider or Liquidity Provider, as applicable, to pay a properly presented and conforming draw or request for advance under the Credit Facility or Liquidity Facility, as applicable, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Credit Provider or Liquidity Provider, as applicable.

“Credit Provider” means any bank, insurance company, pension fund or other financial institution which provides a Credit Facility or Alternate Credit Facility for the Series 2005B Bonds.

“Daily Mode” means the Mode during which the Series 2005B Bonds bear interest at the Daily Rate.

“Daily Rate” means the per annum interest rate on any Series 2005B Bond in the Daily Mode determined pursuant to the Indenture.

“Date of Reissuance” means, with respect to the Series 2005B Bonds, July 1, 2009.

“Effective Date” means the date on which a new interest rate takes effect.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“ERS” means the Series 2005B Bonds when they are in the ERS Mode and bear interest at the ERS Monthly Rate, ERS Extension Rate or ERS Alternate Extension Rate.

“ERS Alternate Extended Mandatory Purchase Date” means the date as described in **“THE ERS - MANDATORY TENDER FOR PURCHASE”** in this Supplement No. 1.

“ERS Alternate Extended Mandatory Purchase Date Effective Date” means the Interest Payment Date specified by the Authority after which Series 2005B Bonds entering an ERS Extension Period shall be subject to mandatory purchase on the ERS Alternate Extended Mandatory Purchase Date specified by the Authority in accordance with the Indenture.

“ERS Alternate Extension Rate” shall mean such rate as described in **“THE ERS - DESCRIPTION OF THE ERS”** in this Supplement No. 1.

“ERS Alternate Extension Rate Effective Date” means the effective date specified by the Authority for a particular ERS Alternate Extension Rate as described in **“THE ERS - DESCRIPTION OF THE ERS”** in this Supplement No. 1.

“ERS Extended Mandatory Purchase Date” shall mean the date as described in **“THE ERS - MANDATORY TENDER FOR PURCHASE”** in this Supplement No. 1, and when applicable, includes an ERS Alternate Extended Mandatory Purchase Date.

“ERS Extension Period” means each period in the ERS Mode during which a Series 2005B Bond shall bear interest at an ERS Extension Rate, which period shall (a) begin on any Interest Payment Date (other than any Mandatory Purchase Date occurring after an Event of Default has occurred with respect to such Series 2005B Bond and is continuing) on which (i) a Series 2005B Bond bearing interest at an ERS Monthly Rate or ERS Weekly Rate for which an ERS Retention Election has not been timely delivered in accordance with the Indenture is not remarketed or purchased from moneys drawn on any applicable Liquidity Facility or (ii) a Series 2005B Bond that bore interest at an ERS Extension Rate in the immediately preceding Interest Period is not remarketed in accordance with the Indenture or purchased from moneys drawn on any applicable Liquidity Facility and (b) end on the day preceding the earliest to occur of (i) the next Interest Payment Date, (ii) the next Mandatory Purchase Date; (iii) the date on which such Series 2005B Bond is redeemed, (iv) a Mode Change Date or Conversion Date for such Series 2005B Bond or (v) the Maturity Date.

“ERS Extension Rate” means, unless an ERS Alternate Extension Rate is in effect, the per annum interest rate on any Series 2005B Bond during an ERS Extension Period, which rate shall be determined by the Calculation Agent, in the manner described in **“THE ERS - DESCRIPTION OF THE ERS”** in this Supplement No. 1, and, if an ERS Alternate Extension Rate is in effect, means the applicable ERS Alternate Extension Rate.

“ERS Extension Sequence” means, for a Series 2005B Bond bearing interest at an ERS Extension Rate, the period commencing on the day immediately following the end of the most recent ERS Monthly Rate Period for such Series 2005B Bond.

“ERS Mode” means the Mode during which the Series 2005B Bonds bear interest at the ERS Rate.

“ERS Monthly Rate” means the per annum interest rate on any Series 2005B Bond in the ERS Mode during an ERS Monthly Rate Period, determined as described in **“THE ERS - DESCRIPTION OF THE ERS”** in this Supplement No. 1.

“ERS Monthly Rate Period” means each period during which a Series 2005B Bond in the ERS Mode shall bear an ERS Monthly Rate, which shall be the period commencing on the first Business Day of each calendar month to and including the day preceding the next Interest Payment Date, except in the case of (i) the initial ERS Monthly Rate Period, for which the period shall be from the Date of Reissuance to and including the day preceding the first Interest Payment Date in such ERS Mode; (ii) the initial ERS Monthly Rate Period occurring after a Mode Change Date involving a change from another Mode to an ERS Monthly Rate Period in the ERS Mode, for which the period shall be from the applicable Mode Change Date to and including the day preceding the first Interest Payment Date in such ERS Mode; (iii) the initial ERS Monthly Rate Period occurring after an ERS Period Change Date involving a change from an ERS Weekly Rate Period to an ERS Monthly Rate Period, for which the period shall be from the applicable ERS Period Change Date to and including the day preceding the first Interest Payment Date following such ERS Period Change Date; (iv) the last ERS Monthly Rate Period during an ERS Mode for such Series 2005B Bond, for which the period shall be from and including the Interest Payment Date immediately preceding the applicable Mode Change Date, Conversion Date, redemption date or Maturity Date to but not including the applicable Mode Change Date, Conversion Date, redemption date or Maturity Date and (v) any ERS Extension Period in effect for such Bond.

“ERS Period Change Date” means with respect to Series 2005B Bonds on which the applicable interest rate is being changed to an ERS Weekly Rate Period from an ERS Monthly Rate Period or from an ERS Extension Period in an ERS Extension Sequence preceded by an ERS Monthly Rate Period, the day on which the first ERS Weekly Rate Period begins.

“ERS Purchase Acceleration Date” means (i) for any Series 2005B Bond that has been in an ERS Extension Sequence for at least 90 days as of such date, any date that is an ERS Extended Mandatory Purchase Date for any other Series 2005B Bond if such other Series 2005B Bond has not been remarketed prior to such ERS Extended Mandatory Purchase Date and (ii) for any Series 2005B Bond in an ERS Mode, any date on which any indebtedness in an amount in excess of \$10,000,000 of the Authority that is secured under the General Ordinance, or any termination payment in an amount in excess of \$10,000,000 by the Authority under a rate protection agreement, interest rate swap or similar derivative agreement, that is secured under the General Ordinance, becomes due and payable, in either case as a result of an event of default under any agreement pursuant to which the applicable indebtedness or termination payment is incurred or secured.

“ERS Rate” means the per annum interest rate on any Series 2005B Bond in the ERS Mode. The ERS Rate on a Series 2005B Bond shall be the applicable ERS Monthly Rate or, during an ERS Extension Period with respect to such Series 2005B Bond, the applicable ERS Extension Rate.

“ERS Rate Period” means each ERS Monthly Rate Period or ERS Extension Period during which a Series 2005B Bond bears interest at an ERS Rate.

“ERS Retention Deadline” means 5:00 p.m. (Eastern time) of the day that is four Business Days prior to the Interest Payment Date occurring on the first Business Day of the next calendar month.

“ERS Retention Election” means the submission by the applicable ERS Retention Deadline in accordance with the Indenture of an election by the Beneficial Owner of a Series 2005B Bond in the ERS Mode to retain the Series 2005B Bond instead of submitting it for purchase on the Mandatory Purchase Date that would, but for such election, occur on the next Interest Payment Date following such election.

“ERS Weekly Rate” means the per annum interest rate on any Series 2005B Bond in the ERS Mode during an ERS Weekly Rate Period.

“ERS Weekly Rate Period” means each period during which a Series 2005B Bond in the ERS Mode shall bear an ERS Weekly Rate.

“Expiration Date” means the stated expiration date of any Credit Facility or Liquidity Facility, as it may be extended from time to time as provided in the Credit Facility or Liquidity Facility, or any earlier date on which any Credit Facility or Liquidity Facility shall terminate, expire or be cancelled.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a nationally recognized Bond Counsel, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Unless the Authority otherwise directs, such opinion shall be in such form and contain such disclosures and disclaimers as may be required so that such opinion will not be treated as a covered opinion or a state or local bond opinion for purposes of Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230) 31 C.F.R. pt. 10.

“Fixed Rate” means the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to the Indenture.

“Fixed Rate Bond” means a Series 2005B Bond in the Fixed Rate Mode.

“Fixed Rate Mode” means the Mode during which the Series 2005B Bonds bear interest at the Fixed Rate.

“Fixed Rate Period” means for the Series 2005B Bonds in the Fixed Rate Mode, the period from the Mode Change Date upon which the Series 2005B Bond were converted to the Fixed Rate Mode to but not including the Maturity Date for the Series 2005B Bond.

“Flexible Rate Bond” means a Series 2005B Bond in the Flexible Mode.

“Flexible Mode” means the Mode during which the Series 2005B Bonds bear interest at the Flexible Rate.

“Flexible Rate” means the per annum interest rate on a Bond in the Flexible Mode determined for such Series 2005B Bond pursuant to the Indenture. The Series 2005B Bonds in the Flexible Mode may bear interest at different Flexible Rates.

“Flexible Rate Period” means the period of from one to 360 calendar days (which period must end on a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent. The Series 2005B Bonds in the Flexible Mode may be in different Flexible Rate Periods.

“Interest Payment Date” means each date on which interest is to be paid and is: (i) with respect to the Series 2005B Bonds in the ERS Mode, the first Business Day of each month; (ii) (without duplication as to any Interest Payment Date listed above) any Mode Change Date and the Maturity Date; and (iii) (without duplication as to any Interest Payment Date listed above), for a bond subject to purchase on a Mandatory Purchase Date, the applicable Mandatory Purchase Date.

“Interest Period” means, for the Series 2005B Bonds in a particular Mode, each period of time that the Series 2005B Bonds bear interest at the specific rate (per annum) which becomes effective at the beginning of the applicable period, and shall include any ERS Rate Period.

“Liquidity Facility” means any letter of credit, line of credit, standby purchase agreement or other instrument then in effect which is dedicated to and provides for the purchase of Series 2005B Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor.

“Liquidity Provider” means any bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for the Bonds.

“Liquidity Provider Bonds” means any Series 2005B Bonds purchased by a Liquidity Provider with funds drawn on or advanced under a Liquidity Facility.

“Long-Term Mode” means a Term Rate Mode or a Fixed Rate Mode.

“Mandatory Purchase Date” means: (i) with respect to a Series 2005B Bond in the ERS Mode, (a) each Interest Payment Date, unless (1) in the case of a Series 2005B Bond bearing interest at an ERS Monthly Rate or ERS Weekly Rate, (A) a timely ERS Retention Election has been delivered or (B) on such Interest Payment Date, the Remarketing Agent is unable to remarket such Series 2005B Bond at par bearing interest at the applicable ERS Monthly Rate or ERS Weekly Rate and no Liquidity Facility is in effect and available to be drawn upon to purchase the applicable Series 2005B Bond, or (2) in the case of a Series 2005B Bond bearing interest at an ERS Extension Rate, on such Interest Payment Date, the Remarketing Agent is unable to remarket such Series 2005B Bond at par bearing interest at the applicable ERS Monthly Rate or ERS Weekly Rate and no Liquidity Facility is in effect and available to be drawn upon to purchase the applicable Series 2005B Bond, and (b) in the case of a Series 2005B Bond bearing interest at an ERS Extension Rate, the applicable ERS Extended Mandatory

Purchase Date, (ii) any Mode Change Date or ERS Period Change Date, (iii) for any Series 2005B Bonds that are secured by a Credit Facility or the purchase of which is provided for by a Liquidity Facility, any Substitution Date (other than a substitution of an Alternate Credit Facility for Credit Facility while the applicable Bonds are in the Fixed Rate Mode), (iv) for any Series 2005B Bonds which are secured by a Credit Facility or the purchase of which is provided for by a Liquidity Facility, the fifth Business Day prior to the Expiration Date, and (v) for any Series 2005B Bonds which are secured by a Credit Facility or the purchase of which is provided for by a Liquidity Facility, the date of receipt by the Trustee of written notice from the Credit Provider or Liquidity Provider, following the occurrence of an event of default under the Reimbursement Agreement (upon which date interest on the Series 2005B Bonds shall cease to accrue), which date shall be at least two Business Days prior to the termination of the Credit Facility or Liquidity Facility, if applicable.

“Maturity Date” means the date the principal of any Series 2005B Bond becomes due and payable, either by redemption or at Stated Maturity, but not by a declaration or event under the Liquidity Facility.

“Maximum Rate” with respect to Series 2005B Bonds in a Variable Rate Mode means the lesser of (a) 9% per annum or (b) if a Liquidity Facility is then in effect, the maximum interest rate stated in such Liquidity Facility.

“Mode” means, as the context may require, the ERS Mode, the Remarketing Window Mode, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode or the Fixed Rate Mode.

“Mode Change Date” means with respect to the Series 2005B Bonds in a particular Mode, the day on which another Mode for the Series 2005B Bonds begins.

“Notice Parties” means the Authority, the Trustee, the Remarketing Agent, the Credit Provider, if any, and the Liquidity Provider, if any.

“One Year MMD Rate” means the interest rate most recently released, as of the applicable date of determination, by Municipal Market Data for its “Aaa” General Obligation Yield for uninsured bonds for a term equal to one year.

“Opinion of Counsel” means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

“Outstanding,” when used to modify Series 2005B Bonds, refers to Series 2005B Bonds issued under the Indenture, excluding: (i) Series 2005B Bonds which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment or sinking fund installment; (ii) Series 2005B Bonds which have been paid; (iii) Series 2005B Bonds which have become due and for the payment of which moneys have been duly provided; (iv) Series 2005B Bonds deemed tendered for purchase and not delivered to the Trustee on the Purchase Date, provided sufficient funds for payment of the Purchase Price are on deposit with the Trustee; and (v) Series 2005B Bonds for which there have been irrevocably set aside sufficient funds, or Government Obligations bearing interest at such rates, and with such maturities as will provide

sufficient funds, to pay or redeem them, *provided, however*, that if any such Series 2005B Bonds are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Series 2005B Bonds and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee.

“*Owner*” means the registered owner of a Series 2005B Bond, including the Securities Depository, if any, or its nominee.

“*Person*” means any natural person, corporation, limited liability company, partnership, trust, joint venture, association, company, estate, unincorporated organization or any other entity or organization, including a government or any agency or political subdivision or instrumentality thereof.

“*Preliminary Rate*” means, in the case of the ERS Mode, the interest rate established on the applicable Preliminary Rate Determination Date pursuant to the Indenture.

“*Preliminary Rate Determination Date*” means, in the case of a Series 2005B Bond bearing interest at an ERS Monthly Rate in the ERS Mode, a date selected by the Remarketing Agent for the determination of the Preliminary Rate relating to the next ERS Monthly Rate Period, which date shall be no earlier than seven Business Days and no later three Business Days prior to the ERS Retention Deadline immediately preceding the beginning of the applicable ERS Monthly Rate Period, as determined by the Remarketing Agent each month.

“*Program Expense Fund*” means the fund of such name established pursuant to the Indenture.

“*Program Expenses*” means, in any Bond Year, all initial and ongoing costs and expenses of the Remarketing Agent and the fees and expenses related to the Liquidity Facility, if any.

“*Purchase Date*” means any Mandatory Purchase Date.

“*Purchase Fund*” means the fund by that name created in under the Indenture.

“*Purchase Price*” means an amount equal to the principal amount of any Series 2005B Bonds purchased on any Purchase Date, plus accrued interest, if any, *provided* that the Purchase Price on any Purchase Date occurring after the Record Date for the applicable payment of accrued interest shall not include such accrued interest, and such interest shall be paid separately in the ordinary course to the owner of the applicable Series 2005B Bond on the applicable Record Date.

“*Rate Determination Date*” means any date on which the interest rate on Series 2005B Bond shall be determined, which, in the case of the ERS Mode, shall be (a) for a Series 2005B Bond in the ERS Monthly Rate Period (except in the case of the initial ERS Monthly Rate Period following a Mode Change Date or ERS Period Change Date), a Business Day no earlier than the day following the ERS Retention Deadline preceding the applicable ERS Monthly Rate Period

and no later than the first day of the applicable Interest Period, as determined by the Remarketing Agent; (b) for a Series 2005B Bond bearing interest at the ERS Extension Rate, the first day of the applicable ERS Extended Period, and (c) in the case of the initial ERS Monthly Rate following a Mode Change Date or ERS Period Change Date, a date determined by the Remarketing Agent which shall be at least one Business Day prior to the applicable Mode Change Date or ERS Period Change Date.

“Rate Reset Date” means, for a Series 2005B Bond bearing interest at an ERS Weekly Rate, the Business Day preceding the first day of the applicable ERS Weekly Rate Period.

“Rating Agency” means Fitch, S&P and/or Moody’s, according to which of such rating agencies then rates the Series 2005B Bonds; and, *provided*, that, if none of such rating agencies then rates the Series 2005B Bonds, the term “Rating Agency” shall refer to any national rating agency (if any) which provides such rating.

“Rating Confirmation Notice” means a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the unenhanced rating on the Series 2005B Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

“Record Date” means (i) with respect to Series 2005B Bonds in a Short-Term Mode, the last Business Day before an Interest Payment Date and (ii) with respect to Series 2005B Bonds in a Long-Term Mode, the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“Redemption Date” means the date fixed for redemption of Series 2005B Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“Redemption Price” means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Series 2005B Bonds to be paid on the Redemption Date.

“Reimbursement Agreement” means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, by and between a Credit Provider or Liquidity Provider, as applicable, and the Authority.

“Remarketing Agent” means Morgan Stanley & Co., Incorporated or any other investment banking firm or firms which shall be appointed by the Authority to act as Remarketing Agent under the Indenture.

“Remarketing Agreement” means that certain Remarketing Agreement, if any, relating to the Series 2005B Bonds by and between the Authority and the Remarketing Agent or any similar agreement between the Authority and a Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

“Remarketing Window Rate” means a variable interest rate for the Bonds established in accordance with the Indenture.

“Remarketing Window Rate Period” means each period during which a particular Remarketing Window Rate is in effect for the Series 2005B Bonds.

“Remarketing Window Mode” means the Mode during which the Bonds, pursuant to express approval of the Board, bear interest at a Remarketing Window Rate.

“Securities Depository” or *“DTC”* means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Authority which agrees to follow the procedures required to be followed by such securities depository in connection with the Series 2005B Bonds.

“State” means the State of Illinois.

“Stated Maturity” means the stated date of final maturity with respect to any Series 2005B Bonds.

“S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) means the index of such name maintained by Standard & Poors Securities Evaluations Inc. for weekly obligations, as published on the Rate Determination Date.

“Short-Term Mode” means the ERS Mode, the Remarketing Window Mode, the Daily Mode, the Weekly Mode, or the Flexible Mode.

“Short-Term Interest Period” means an ERS Rate Period, a Remarketing Window Rate Period, a Daily Rate Period, a Weekly Rate Period, or a Flexible Rate Period.

“SIFMA Rate” means (a) the interest rate of the SIFMA Municipal Swap Index, formerly the BMA Municipal Swap Index of Municipal Market Data, formerly the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the interest rate of the S&P Weekly High Grade Index, or if neither the SIFMA Rate nor the S&P Weekly High Grade Index is published, the interest rate of the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Rate just prior to when the Securities Industry and Financial Markets Association stopped publishing the SIFMA Rate. The Trustee shall make the determinations required by this definition, upon notification from the Authority, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“Substitution Date” means the date upon which a Credit Facility or Liquidity Facility is provided for Series 2005B Bonds not previously covered by a Credit Facility or Liquidity Facility or the date upon which an Alternate Credit Facility or Alternate Liquidity Facility is substituted for the Credit Facility or Liquidity Facility then in effect.

“Tax-exempt” when used with respect to the Series 2005B Bonds means the status of interest paid and received thereon as exempt from federal income taxation as provided in Section 103 of the Code.

“Tender Agent” means the Trustee, or such other Person as may be appointed by the Authority to perform the duties of Tender Agent under the Indenture, meeting the requirements of same.

“Tender Notice” means a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased, (ii) the Purchase Date on which such Series 2005B Bond is to be purchased, (iii) applicable payment instructions with respect to the Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

“Term Rate” means the per annum interest rate for the Series 2005B Bonds in the Term Rate Mode determined pursuant to the Indenture.

“Term Rate Mode” means the Mode during which the Series 2005B Bonds bear interest at the Term Rate.

“Term Rate Period” means the period from (and including) the beginning date of each successive Interest Period selected for the Series 2005B Bonds by the Authority (a) while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period.

“Thirty Year MMD Rate” means the interest rate most recently released, as of the applicable date of determination, by Municipal Market Data for its “Aaa” General Obligation Yield for uninsured bonds for a term equal to thirty years.

“Trustee” means Amalgamated Bank of Chicago, Chicago, Illinois or such successors or assigns.

“Variable Rate” means the ERS Rate, Remarketing Window Rate, Daily Rate, Weekly Rate, Flexible Rate or Term Rate.

“Variable Rate Mode” means the ERS Mode, Remarketing Window Mode, Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode.

“Weekly Mode” means the Mode during which the Series 2005B Bonds bear interest at the Weekly Rate.

“Weekly Rate” means the per annum interest rate on the Series 2005B Bonds in the Weekly Mode determined pursuant to the Indenture.

“Weekly Rate Period” means the period during which a Series 2005B Bond in the Weekly Mode shall bear a Weekly Rate.

“2005B Series Ordinance” means the 2005B Series Ordinance, adopted by the Board on the 7th day of April, 2005, as amended and restated on the 21st day of May, 2009, and as further amended and supplemented.

“Variable Rate Mode” means the ERS Mode, Remarketing Window Mode, Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode.

APPENDIX G

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK ENTRY ONLY SYSTEM

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

General. The following information concerning The Depository Trust Company, New York, New York (“DTC”) has been furnished by DTC for use in this Official Statement. Neither the Authority nor the Remarketing Agent is responsible for its accuracy or completeness.

DTC acts as securities depository for the ERS. The ERS will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the ERS, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the “*Exchange Act*”). 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. DTC is owned by 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the “*SEC*”). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of ERS under the DTC system must be made by or through Direct Participants, which will receive a credit for the ERS on DTC’s records. The ownership interest of each actual purchaser of each ERS (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the ERS 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 ERS, except in the event that use of the book-entry system for the ERS is discontinued.

To facilitate subsequent transfers, all ERS 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 ERS with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the ERS; DTC's records reflect only the identity of the Direct Participants to whose accounts such ERS are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the ERS of a maturity 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 ERS unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts ERS are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, redemption price and interest on the ERS will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or its Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payment by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority or the Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility

of the Authority, or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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APPENDIX H

ORIGINAL OPINION OF BOND COUNSEL

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APPENDIX H

TEXT OF BOND COUNSEL OPINION DATED MAY 2, 2005

May 2, 2005

We hereby certify that we have examined a certified copy of the proceedings of the Board of Directors (the “*Board*”) of the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the “*Authority*”), in connection with the issuance by the Authority of its fully registered \$148,110,000 General Obligation Variable Rate Demand Refunding Bonds, Series 2005B (the “*Bonds*”), dated May 2, 2005, due on June 1, 2025, and subject to mandatory redemption at a redemption price equal to the principal amount to be redeemed plus accrued interest to the redemption date, on June 1 of the years and in the principal amounts as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT
2006	\$2,795,000
2007	2,940,000
2008	3,070,000
2009	6,535,000
2010	6,850,000
2011	7,210,000
2012	7,590,000
2013	7,960,000
2014	8,425,000
2015	3,910,000
2016	685,000
2017	720,000
2018	4,735,000
2019	4,955,000
2020	12,555,000
2021	13,190,000
2022	13,885,000
2023	14,615,000
2024	15,380,000
2025	10,105,000 (final maturity)

The Bonds are issued pursuant to a Bond and Note General Ordinance, adopted by the Board on August 8, 1985, as supplemented and amended (the “*General Ordinance*”), a Series Ordinance providing specifically for the issuance of the Bonds, adopted by the Board on April 7, 2005 (the “*Series Ordinance*”), and an Indenture of Trust, dated as of May 1, 2005 (the “*Indenture*”), by

and between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "*Trustee*"). The Bonds shall bear interest as described in the Indenture.

As support for the payment of the purchase price equal to certain interest on and the aggregate principal amount of Bonds tendered for purchase as described in the Indenture, the Authority has delivered to the Trustee a Standby Bond Purchase Agreement, dated as of May 1, 2005 (the "*Liquidity Facility*"), among the Authority, the Trustee and DEPFA BANK plc, acting through its New York Branch (the "*Liquidity Provider*"), pursuant to which the Liquidity Provider agrees to provide funds to the Trustee for the purchase of Bonds tendered for purchase pursuant to the Indenture.

The remarketing agent for the purpose of remarketing any Bonds tendered for purchase by the owners thereof pursuant to the Indenture shall initially be Bear, Stearns & Co. Inc. (the "*Remarketing Agent*"), pursuant to a Remarketing Agreement, dated as of May 1, 2005, between the Authority and the Remarketing Agent.

In addition to being subject to mandatory redemption as set forth above, the Bonds are subject to optional redemption and optional and mandatory tender prior to maturity as set forth in the Indenture.

From such examination, we are of the opinion that such proceedings show lawful authority for said issue under the laws of the State of Illinois now in force, and that the Indenture has been duly authorized, executed and delivered by the Authority and is binding upon the Authority in accordance with its terms, except that the rights of the Trustee, the rights of the owners of the Bonds and the enforceability of the Indenture may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

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

It is our opinion that, subject to the Authority's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such

Authority covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. We express no opinion concerning the inclusion of interest as gross income on any Bond while it is held by the Liquidity Provider after a failed remarketing of the Bonds, or after it has been held by the Liquidity Provider in such circumstances for 30 days or more.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

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

CHAPMAN AND CUTLER LLP

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APPENDIX I

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX I

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR THE SERIES 2005B BONDS

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

We have been requested by our client, the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the “*Authority*”), to provide the Favorable Opinion of Bond Counsel required under the Indenture of Trust dated as of May 1, 2005, as amended and restated by the Amended and Restated Indenture of Trust dated as of the July 1, 2009 (as so amended and restated, the “*Indenture*”) between the Authority and Amalgamated Bank of Chicago, Chicago, Illinois (the “*Trustee*”) relating to the Authority’s \$132,770,000 outstanding principal amount General Obligation Variable Rate Refunding Bonds, Series 2005B (the “*Bonds*”) in connection with the change in the method of determining the interest rate on the Bonds from a Weekly Rate to an ERS Monthly Rate. The Bonds were issued pursuant to a Bond and Note General Ordinance, adopted by the Board of Directors of the Authority (the “*Board*”) on August 8, 1985, as supplemented and amended (the “*General Ordinance*”), a Series Ordinance providing specifically for the issuance of the Bonds, adopted by the Board on April 7, 2005, and amended and restated by the Board on May 21, 2009 (the “*Series Ordinance*”), and the Indenture. All terms used herein and not otherwise defined shall have the meanings given to them in the Indenture.

We have examined an executed original of the Indenture, and based upon our review of the Indenture and such other documents and matters of law as we have deemed necessary, and in reliance upon the accuracy and authenticity of certificates of the Authority and the Trustee, and subject to the assumptions and provisions of the next paragraph of this opinion letter, we are of the opinion that, subject to compliance by the Authority with certain covenants, under present law the change in the method of determining interest on the Bonds to an ERS Monthly Rate on the date hereof is not prohibited by the laws of the State of Illinois, the General Ordinance, the Series Ordinance or the Indenture and will not adversely affect any exclusion from gross income for federal tax purposes of interest on the Bonds or the exclusion of interest on the Bonds as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended. We express no opinion as to whether interest on the Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. Failure by the Authority to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We are further of the opinion that the Indenture has been duly authorized, executed and delivered by the Authority and is binding upon the Authority in accordance with its terms, except that the rights of the Trustee, the rights of the owners of the Bonds and the enforceability of the Indenture may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors’ rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

At the time of issuance of the Bonds, we rendered an approving opinion dated May 2, 2005 to the effect, among other things, that interest on the Bonds was not then includible in the gross income of the owners thereof for federal income tax purposes (the "*Original Approving Opinion*"). The Original Approving Opinion stated that it was subject to compliance with certain covenants made by the Authority to satisfy pertinent requirements of law. We have not been requested, nor have we undertaken, to confirm that the Authority has complied with the covenants, certifications and representations in the Indenture and the Tax Agreement (as such term is defined in the Indenture), or to review any other events which may have occurred since we rendered the Original Approving Opinion which might affect the tax-exempt status of the interest on the Bonds or which might change the opinions expressed in the Original Approving Opinion. Further, without limiting the generality of the foregoing, we express no opinion herein with respect to (i) whether the proceeds of the Bonds have been used in the required manner; (ii) the compliance by the Authority with the terms and provisions of the Indenture, the Tax Agreement or any other document executed in connection with the issuance of the Bonds; (iii) the exclusion from gross income for federal income tax purposes of the interest on the Bonds (except as specifically set forth in the immediately preceding paragraph); or (iv) the accuracy, completeness or sufficiency of any disclosure material relating to the Bonds, including any disclosure material utilized in connection with the offer and sale of the Bonds at the ERS Monthly Rate.

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

APPENDIX J

CERTAIN INFORMATION RELATING TO ASSURED GUARANTY

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APPENDIX J

CERTAIN INFORMATION RELATING TO ASSURED GUARANTY

Assured Guaranty Corp. (“Assured Guaranty”) is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” (stable) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “Aa2” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”) and “AA” (evolving) by Fitch, Inc. (“Fitch”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On May 20, 2009, Moody’s issued a press release stating that it had placed the “Aa2” insurance financial strength rating of Assured Guaranty on review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody’s comments.

In a press release dated May 4, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Assured Guaranty to “AA” from “AAA” and placed such rating on Rating Watch Evolving. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch’s comments.

There can be no assurance as to the outcome of Moody's review or the timing of when such review may be completed, as to the further action that Fitch may take with respect to Assured Guaranty, or as to any action that S&P may take in the future with respect to Assured Guaranty's financial strength and financial enhancement ratings.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by AGL with the Securities and Exchange Commission ("SEC") on February 26, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by AGL with the SEC on May 11, 2009.

Agreement to Purchase FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the SEC on February 26, 2009.

Capitalization of Assured Guaranty Corp.

As of March 31, 2009, Assured Guaranty had total admitted assets of \$1,926,329,505 (unaudited), total liabilities of \$1,570,615,119 (unaudited), total surplus of \$355,714,386 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,109,717,908 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2008, Assured Guaranty had total admitted assets of \$1,749,484,210 (audited), total liabilities of \$1,371,350,859 (audited), total surplus of \$378,133,351 (audited) and total statutory capital (surplus plus contingency reserves) of \$1,090,288,113 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Supplement No. 1 and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by AGL with the SEC on May 11, 2009); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Supplement No. 1 and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein shall be modified or superseded for purposes of this Supplement No. 1 to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Supplement No. 1.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Supplement No. 1 that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Series 2005B Bonds, including the ERS or the advisability of investing in the Series 2005B Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Supplement No. 1 or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under this Appendix.

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