NEW ISSUE | RATINGS: See "RATINGS" herein

Subject to compliance by the RTA with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2004A Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein for a more complete discussion. Interest on the Series 2004A Bonds is not exempt from present Illinois income taxes.

$260,000,000
REGIONAL TRANSPORTATION AUTHORITY
Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois
General Obligation Bonds, Series 2004A

The General Obligation Bonds, Series 2004A (the *"Series 2004A Bonds"*), will be issued by the Regional Transportation Authority (the *"RTA"*) only as fully registered bonds without coupons and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). DTC will act as securities depository of the Series 2004A Bonds. Individual purchases will be made in global book-entry form, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical bonds representing their interest in the Series 2004A Bonds. Principal of and interest (payable June 1, 2005, and semiannually thereafter on June 1 and December 1 of each year) on the Series 2004A Bonds are payable by Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (the *"Trustee"*), to DTC, which will remit such principal and interest to DTC Participants, who in turn will be responsible for remitting such payments to the Beneficial Owners of the Series 2004A Bonds, as described herein. The Series 2004A Bonds are subject to mandatory redemption prior to maturity, as described herein. The Series 2004A Bonds are not subject to optional redemption prior to maturity.

The Series 2004A Bonds are being issued by the RTA to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities authorized under the Regional Transportation Authority Act and to pay Costs of Issuance of the Series 2004A Bonds. The Series 2004A Bonds are general obligations of the RTA to which its full faith and credit is pledged. The General Ordinance authorizing the Series 2004A Bonds provides for the assignment and direct payment to the Trustee of the Sales Tax Revenues and Public Transportation Fund Revenues to secure payment of principal of and interest on the Series 2004A Bonds and parity obligations. The Series 2004A Bonds are also secured by the Series 2004A Debt Service Reserve Account. **The RTA does not have the power to levy *ad valorem* property taxes.**

The scheduled payment of principal of and interest on the Series 2004A Bonds maturing on and after June 1, 2009 (the *"Insured Bonds"*) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA®

The Maturities, Amounts, Interest Rates and Yields are set forth on the inside cover hereof.

The Series 2004A Bonds are being offered when, as and if issued by the RTA and accepted by the Underwriter and subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel. The Series 2004A Bonds will be available for delivery to DTC upon payment therefor on or about October 13, 2004.

September 29, 2004

SERIES 2004A BONDS

Maturities, Amounts, Interest Rates and Yields

Due June 1	Amount	Interest Rate	Yield	Due June 1	Amount	Interest Rate	Yield
2005*	$ 1,010,000	5.00%	1.70%	2017	$ 6,920,000	5.75%	3.78%
2006*	3,985,000	5.00	1.90	2018	7,295,000	5.75	3.88
2007*	4,190,000	5.00	2.18	2019	7,685,000	5.50	3.96
2008*	4,405,000	5.00	2.46	2020	8,100,000	5.50	4.04
2009	4,635,000	5.00	2.63	2021	8,540,000	5.50	4.10
2010	4,870,000	5.00	2.89	2022	9,000,000	5.50	4.17
2011	5,120,000	5.00	3.06	2023	9,485,000	5.25	4.25
2012	5,385,000	5.00	3.23	2024	9,995,000	5.25	4.28
2013	5,660,000	5.00	3.39	2025	10,535,000	5.25	4.33
2014	5,950,000	5.00	3.49	2026	11,100,000	5.50	4.40
2015	6,255,000	5.75	3.60	2027	11,700,000	5.50	4.45
2016	6,575,000	5.75	3.69				

$25,325,000 5.75% Term Bonds Due June 1, 2029; Yield 4.47%
$76,280,000 5.75% Term Bonds Due June 1, 2034; Yield 4.50%
(Accrued interest to be added)

* Denotes maturities which are not insured.

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TABLE OF CONTENTS

No dealer, broker, salesperson, or other person has been authorized by the RTA or the Underwriter to give any information or make any representations other than those contained in this Official Statement in connection with the offering of the Series 2004A Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2004A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the RTA and from other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RTA or the Service Boards since the date hereof.

Other than with respect to information concerning Financial Security Assurance Inc. ("*Financial Security*") contained under the caption "Municipal Bond Insurance Policy" and in Appendix I hereto, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Series 2004A Bonds at a level above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

THE SERIES 2004A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE OR THE 2004A SERIES ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2004A BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2004A BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2004A BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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OFFICIAL STATEMENT

$260,000,000
REGIONAL TRANSPORTATION AUTHORITY
Cook, DuPage, Kane, Lake, McHenry and
Will Counties, Illinois
General Obligation Bonds, Series 2004A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to set forth certain information in connection with the issuance and sale by the Regional Transportation Authority (the *"RTA"* or the *"Authority"*), a unit of local government existing under the Constitution and statutes of the State of Illinois (the *"State"*) of its General Obligation Bonds, Series 2004A (the *"Series 2004A Bonds"*), in the principal amount of $260,000,000. The Series 2004A Bonds are issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the RTA (the *"Board"*) on August 8, 1985, as supplemented and amended (the *"General Ordinance"*) and the Series Ordinance adopted by the Board on August 5, 2004 (the *"2004A Series Ordinance"*).

The Series 2004A Bonds are general obligations of the RTA, whose full faith and credit has been pledged to the payment of the principal of and interest on the Series 2004A Bonds. The Series 2004A Bonds are secured by a first lien on and security interest in all lawfully available Revenues (as hereinafter defined) and all other lawfully available funds received or held by the RTA. The RTA has the power to impose and cause to be collected, and has duly imposed, certain sales taxes (collectively, the *"RTA Sales Tax"*), as discussed below in the section captioned "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Sales Tax Revenues." The RTA Sales Tax is collected by the State on behalf of the RTA and, together with portions of certain sales taxes imposed by the State and all Public Transportation Fund Revenues (as hereinafter defined), is paid by the State to Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (the *"Trustee"*), for deposit in the Debt Service Fund (as hereinafter defined) established to provide for payment of principal of and interest on the Series 2004A Bonds and other Authority Obligations (as hereinafter defined). The Series 2004A Bonds are also secured by the Series 2004A Debt Service Reserve Account (as hereinafter defined).

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

The Series 2004A Bonds are being issued on a parity with the Authority's Outstanding Bonds, and Additional Authority Obligations which may be issued in the future. See "**SECURITY FOR THE SERIES 2004A BONDS**—AUTHORITY OBLIGATIONS—Additional Authority Obligations."

Certain factors that may affect an investment decision concerning the Series 2004A Bonds are described throughout this Official Statement, including descriptions of the RTA's financial results and projected financial results and the security for the Series 2004A Bonds. Persons considering a purchase of the Series 2004A Bonds should read this Official Statement in its entirety.

Certain capitalized terms used in this Official Statement are defined in Appendix E—"Summary of Certain Provisions of the General Ordinance and the 2004A Series Ordinance."

THE SERIES 2004A BONDS

AUTHORITY

The Series 2004A Bonds are being issued pursuant to the Regional Transportation Authority Act of the State of Illinois, as amended (the *"Act"*), the Local Government Debt Reform Act of the State of Illinois, as amended, the General Ordinance and the 2004A Series Ordinance.

PURPOSE

The proceeds of the Series 2004A Bonds will be used to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities authorized under the Act (the *"Project"*) and to pay Costs of Issuance of the Series 2004A Bonds. See "**USE OF SERIES 2004A BOND PROCEEDS**" and "**RTA CAPITAL PROGRAM**—PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2004A BOND PROCEEDS."

CAPITAL ASSETS FUND

The General Ordinance establishes the Capital Assets Fund. All proceeds received upon the issuance of the Series 2004A Bonds (other than accrued interest and amounts to be used to pay Costs of Issuance of the Series 2004A Bonds) will be deposited in a separate account in the Capital Assets Fund designated as the Series 2004A Bonds Capital Assets Account (the *"2004A Capital Assets Account"*) established pursuant to the 2004A Series Ordinance. All funds in the 2004A Capital Assets Account will be held by the Trustee and (i) paid out on the order of an Authorized Officer (which shall include the Executive Director and Chief Financial Officer of the Authority) for the purposes of paying or reimbursing costs of the Project, or (ii) transferred on the order of an Authorized Officer (which shall include the Executive Director and Chief Financial Officer of the Authority) to the Debt Service Fund for the payment of the principal of and interest on the Series 2004A Bonds and other Outstanding Authority Obligations. See "**RTA CAPITAL PROGRAM**—PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2004A BOND PROCEEDS."

MATURITIES AND INTEREST RATES

The Series 2004A Bonds will be dated as of September 15, 2004, will mature on the dates and in the amounts set forth on the inside cover page hereof, and bear interest payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2005, at the rates set forth on the inside cover page hereof. The Series 2004A Bonds will be issued in the denomination of $5,000 or any integral multiple thereof.

Registration

The Series 2004A Bonds will be issued only as fully registered Bonds without coupons and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). See Appendix F—"Certain Provisions Relating to Global Book-Entry Only System."

Mandatory Redemption

The Series 2004A Bonds maturing on June 1, 2029 are subject to mandatory redemption, in integral multiples of $5,000 selected by the Trustee as provided in the General Ordinance, through the application of Sinking Fund Installments, 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
2028	$12,330,000
2029 (maturity)	12,995,000

The Series 2004A Bonds maturing on June 1, 2034 are subject to mandatory redemption, in integral multiples of $5,000 selected by the Trustee as provided in the General Ordinance, through the application of Sinking Fund Installments, 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
2030	$13,695,000
2031	14,435,000
2032	15,215,000
2033	16,035,000
2034 (maturity)	16,900,000

The Authority may direct the Trustee to purchase Series 2004A Bonds with funds on hand in the Series 2004A Bonds Account as authorized by the General Ordinance. The principal amount of the Series 2004A Bonds so purchased shall be applied against the Sinking Fund Installments for the Series 2004A Bonds in such order of the sinking fund payment dates as the Authority may determine, or, if no such determination is made, in the inverse order of future sinking fund payment dates.

REDEMPTION PROCEDURES

In the event of the redemption of less than all of a series of the Series 2004A Bonds of a particular maturity, the Trustee will select by lot from such maturity, using such method as it deems proper (based on units of $5,000 principal amount), the Series 2004A Bonds of that series or portions thereof that are to be redeemed.

Upon any redemption thereof, the Trustee is required to give notice to the Holders of those Series 2004A Bonds which are to be redeemed in whole or in part. Such notice is to be mailed by first class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the redemption date and will specify those Series 2004A Bonds which are subject to redemption, the principal amount to be redeemed, the Redemption Price, the redemption date and the place where the Redemption Price will be payable and shall state that from and after the redemption date, interest on such Series 2004A Bonds will cease to accrue.

USE OF SERIES 2004A BOND PROCEEDS

The proceeds of the Series 2004A Bonds will be applied approximately as follows:

Deposit to 2004A Capital Assets Account	$299,437,982.67
Deposit to 2004A Bonds Account	1,113,819.58
Underwriter's Discount[1]	2,370,741.62
Costs of Issuance[2]	1,124,725.56
TOTAL	$304,047,269.43

(1) Includes premium for the Municipal Bond Insurance Policy for the Insured Bonds.

(2) Includes premium for the Reserve Fund Credit Instrument for the Series 2004A Bonds.

See **"RTA CAPITAL PROGRAM**– PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2004A BOND PROCEEDS."

SECURITY FOR THE SERIES 2004A BONDS

SECURITY AND SOURCES OF PAYMENT

The Series 2004A Bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged.

The Series 2004A Bonds, together with the Outstanding Bonds and any other notes or bonds that may be issued on a parity therewith (collectively, the *"Authority Obligations"*), are payable from all lawfully available Revenues (as defined below) and all other lawfully available funds received or held by the Authority. The Series 2004A Bonds and other Authority Obligations are not payable from Additional State Assistance or Additional Financial Assistance (each as hereinafter defined and referred to herein collectively as *"State*

Assistance"), amounts in the Authority's self-insurance fund or amounts required to be held or used with respect to Separate Ordinance Obligations (as hereinafter defined). See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES."

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

The Series 2004A Bonds and other Authority Obligations are secured by an assignment of and lien on Sales Tax Revenues and Public Transportation Fund Revenues (each as hereinafter defined). Sales Tax Revenues are collected by the State of Illinois Department of Revenue (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." Subject to appropriation by the Illinois General Assembly, Public Transportation Fund Revenues are paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Public Transportation Fund Revenues." The Series 2004A Bonds are also secured by a separate debt service reserve account established under the Debt Service Reserve Fund. See "**SECURITY FOR THE SERIES 2004A BONDS**—DEBT SERVICE RESERVE FUND."

"*Revenues*" means all Sales Tax Revenues, all Public Transportation Fund Revenues, all amounts received from other taxes as are or shall be imposed by the Authority, all other receipts, revenues or funds granted, paid, appropriated or otherwise disbursed to the Authority from the State or any department or agency of the State or any unit of local government or the federal government or from any other source, for the purpose of carrying out the Authority's responsibilities, purposes and powers, all revenues and receipts derived from the Authority's operations (including interest and other investment income) and any other revenues or receipts of the Authority. Revenues, however, shall not include State Assistance, amounts in or payments to the Authority from the Service Boards for deposit in the Authority's joint self-insurance fund, or any Secured Government Payments or receipts from any *ad valorem* real property taxes levied by or on behalf of the Authority, to the extent such Secured Government Payments or tax receipts have been assigned or pledged by the Authority to a trustee for the purpose of paying principal, redemption price or purchase price of or interest on Separate Ordinance Obligations, or for the purpose of reimbursing a provider of a Credit Support Instrument or Reserve Fund Credit Instrument or reinstating coverage under such an instrument in respect of Separate Ordinance Obligations for payment made under such an instrument, or investment earnings on amounts held by such a trustee to pay debt service on or to secure Separate Ordinance Obligations. See "**SECURITY FOR THE SERIES 2004A BONDS**—AUTHORITY OBLIGATIONS."

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

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

DEBT SERVICE FUND

The General Ordinance creates a Debt Service Fund to be maintained by the Trustee and used to pay debt service on the Series 2004A Bonds and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of obligations. The 2004A Series Ordinance establishes the 2004A Bonds Account.

The 2004A Series Ordinance establishes a monthly deposit requirement for the Series 2004A Bonds in the 2004A Bonds Account. The General Ordinance provides that each month, any amounts in the Debt Service Fund in excess of the required deposits therein (other than in any Rebate Accounts created thereunder) are required to be transferred to the Debt Service Reserve Fund until the amount in each Account in the Debt Service Reserve Fund equals the Reserve Requirement (as hereinafter defined) for such Account, are then used to make required deposits to the Rebate Accounts, and are then paid by the Trustee to the RTA or upon the RTA's direction 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 2004A Bonds Debt Service Reserve Fund Account is established by the 2004A Series Ordinance for the purpose of securing the Series 2004A Bonds (the *"Series 2004A Debt Service Reserve Account"*). Sixteen other Debt Service Reserve Fund Accounts, each securing one of the sixteen 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 SERIES 2004A BONDS**—DEBT SERVICE FUND." If in any month, after the required deposits to the Debt Service Fund (other than to any Rebate Accounts) have been made, and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have been made (as described in the preceding sentence), the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the RTA is required immediately to deposit with the Trustee any and all other money which it has on hand and is lawfully available to make up the deficiency. Transfers or deposits to the Debt Service Reserve Fund shall be made proportionately to the respective Accounts therein on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit.

All amounts on deposit in the Series 2004A Debt Service Reserve Account shall be held in trust for the sole benefit of the Holders of the Series 2004A Bonds, and shall be transferred by the Trustee to the Debt Service Fund to the credit of the 2004A Bonds Account at the times and in the amounts as required in order to pay principal of the Series 2004A Bonds, at maturity or on Sinking Fund Installment dates, and to pay interest on the Series 2004A Bonds, as it falls due, if there are not sufficient amounts in the 2004A Bonds Account for that purpose.

All or any part of the Reserve Requirement for any Debt Service Reserve Account may be met by the deposit with the Trustee of a Reserve Fund Credit Instrument. See Appendix E—"Summary of Certain Provisions of the General Ordinance and the 2004A Series Ordinance—Debt Service Reserve Fund."

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

DEBT SERVICE RESERVE FUND CREDIT INSTRUMENTS

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

RESERVE FUND CREDIT INSTRUMENT

Concurrently with the issuance of the Series 2004A Bonds, FSA will issue its Municipal Bond Debt Service Reserve Insurance Policy (the *"Reserve Policy"*). The Reserve Policy unconditionally guarantees the scheduled payment of the principal of and interest on the Series 2004A Bonds which has become due, but shall be unpaid by reason of nonpayment by the RTA, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, which maximum amount represents the Reserve Requirement for the Series 2004A Bonds. Financial Security will make such payments to the Trustee on the later of that date on which such principal and interest is due or on the business day next following the day on which Financial Security shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from the Trustee of the nonpayment of such amount by the RTA. The term "nonpayment" in respect of a Series 2004A Bond includes any payment of principal or interest made to an owner of a Series 2004A Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2004A Bonds. The Reserve Policy covers failure to pay principal of the Series 2004A Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Series 2004A Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of June 1, 2034 or the date on which the Series 2004A Bonds are no longer Outstanding under the General Ordinance.

In connection with the issuance of the Reserve Policy, Financial Security has required, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the General Ordinance and the 2004A Series Ordinance other than (A) acceleration of the Series 2004A Bonds or (B) remedies which would adversely affect holders of Authority Obligations in the event that the RTA fails to reimburse Financial Security for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the General Ordinance and the 2004A Series Ordinance be subject to Financial Security's consent. Other rights granted to Financial Security in connection with its issuance of the Reserve Policy are set forth in Appendix E hereto. Reference should be made as well to such Appendix for a discussion of the circumstances, if any, under which the RTA is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 2004A Bonds and reference should be made to the information under the caption "**RATINGS**" for a discussion of such ratings and the basis for their assignment to the Series 2004A Bonds. Reference should be made to the information under the caption "**RATINGS**" for a discussion of the underlying ratings of the Series 2004A Bonds.

For information concerning Financial Guaranty, see "**MUNICIPAL BOND INSURANCE POLICY.**"

REBATE ACCOUNT

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

AUTHORITY OBLIGATIONS

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

Effective January 1, 2000, the Act was amended to authorize the RTA (i) to issue an additional $260,000,000 of SCIP Bonds in each year for the period of 2000 through 2004 and (ii) to issue and have outstanding from time to time an additional $300,000,000 of non-SCIP Bonds. Pursuant to this authorization, the Authority issued $260,000,000 of SCIP Bonds in June, 2000, $100,000,000 of SCIP Bonds in March, 2001, $160,000,000 of SCIP Bonds in March, 2002 and $260,000,000 of SCIP Bonds in April, 2003. The Authority issued $200,000,000 of non-SCIP Bonds in July, 2002, $150,000,000 of non-SCIP Bonds in January, 2003 and $19,055,000 of non-SCIP Bonds in April, 2003. The Authority is authorized to issue non-SCIP Bonds to refund non-SCIP Bonds within the limits on the principal amount of outstanding non-SCIP Bonds described above. The Series 2004A Bonds will constitute a portion of the SCIP Bonds that can be issued for public transportation projects pursuant to this authorization.

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

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

RTA BOND AUTHORIZATION
[in millions]

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

[1] Authorized to be issued and outstanding.
[2] Authorized to be issued.

Upon the issuance of the Series 2004A Bonds, the Authority will have $1,450,800,000 (including the Series 2004A Bonds) of SCIP Bonds Outstanding and will have $751,115,000 of non-SCIP Bonds Outstanding. No Working Cash Notes are outstanding.

Under the Act, Authority Obligations, which include the Series 2004A Bonds, are superior to and have priority over all other obligations of the Authority, except Separate Ordinance Obligations that have a prior claim to Secured Government Payments (as hereinafter defined) or *ad valorem* property tax receipts to the extent provided for under the Act and the authorizing ordinances establishing the Separate Ordinance Obligations.

Additional Authority Obligations. The RTA may issue Additional Authority Obligations from time to time for any lawful purpose, which Additional Authority Obligations shall be on a parity with the Outstanding Bonds and the Series 2004A Bonds. Continued funding of the RTA's capital program at recent levels will require the issuance of Additional Authority Obligations. See "**RTA CAPITAL PROGRAM** – GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM."

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

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Fund Policies deposited into the respective Debt Service Reserve Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds and the Series 2004A 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 to 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 in November, 2001 in which the Authority pays UBS AG a variable rate and UBS AG pays the Authority a fixed rate per annum with respect to a notional amount 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 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. If the option under the agreement is exercised by Bear Stearns on June 1, 2005, the parties would effect an interest rate swap, pursuant to which the Authority would pay a fixed rate and Bear Stearns would pay the Authority a variable rate. The initial notional amount would be $148,520,000 which would decline on the basis of the maturity schedule of the applicable Authority Obligations. If the interest rate swap is effected, this rate protection contract would be scheduled to terminate on June 1, 2025.

In November 2003, the Authority extended the terms of three options it had previously sold in connection with three additional rate protection contracts. The Authority extended the term of each of the options to December 16, 2004. The Authority had previously sold the options to JP Morgan Chase Bank, Bear Stearns and Goldman Sachs Capital Markets, L.P., respectively (each, a "*Counterparty*"), pursuant to which upon the occurrence of certain conditions within the term of the respective option, the applicable Counterparty would effect an interest rate swap and the Authority would pay the applicable Counterparty a variable rate and the applicable Counterparty would pay the Authority a fixed rate per annum, with respect to a notional amount related to certain other outstanding Authority Obligations. The Authority Obligations under the rate protection contract with JP Morgan Chase Bank consist of all or a portion of its Series 1997 Bonds, its Series 1999 Bonds and its Series 2001B Bonds. The Authority Obligations under the rate protection contract with Bear Stearns consist of all or a portion of its Series 2000 Bonds and Series 2002A Bonds. The Authority Obligations under the rate protection contract with Goldman Sachs Capital Markets, L.P. consist of all or a portion of its Series 2003B Bonds. If the options are exercised by December 16, 2004, the notional amounts will be $152,000,000, $80,238,000 and $52,000,000, respectively, each of which would decline as the applicable Authority Obligations mature, and the agreements would be scheduled to terminate on June 1, 2022, July 1, 2022 and June 1, 2024, respectively.

In August 2003, the Authority entered into a rate protection contract with UBS AG and a rate protection contract with Merrill Lynch Capital Services, Inc. ("*Merrill Lynch*"), in which the Authority pays UBS AG and Merrill Lynch a variable rate equal to the Bond Market Association Municipal Index and UBS AG and Merrill Lynch pay the Authority a variable rate equal to 78.25% of the LIBOR index, respectively, 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 relate to the November, 2001 rate protection contract with UBS AG and the three options that the Authority has outstanding. These two rate protection contracts are scheduled to terminate on June 1, 2024.

In March 2004, the Authority entered into a rate protection contract with Merrill Lynch pursuant to which it sold an option to Merrill Lynch. Upon the occurrence of certain conditions and if Merrill Lynch exercises the option by March 21, 2005, the parties would effect an interest rate swap in which the Authority would pay Merrill Lynch a variable rate and Merrill Lynch would pay the Authority a fixed rate per annum, with respect to a notional amount related to certain Authority Obligations, consisting of all or a portion of its Series 1997 Bonds, Series 2000A Bonds and Series 2001B Bonds. The initial notional amount would be $52,000,000 and would decline as the applicable Authority Obligations mature. If the interest rate swap is effected, this rate protection contract is scheduled to terminate on July 1, 2023.

The Authority's obligations under the aforesaid agreements, if any, are payable from its general fund, but are subordinate to the Series 2004A 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 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 2004A 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 2004A 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 2004A 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 2004A 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 2004A Bonds for each calendar year is set forth below:

	SERIES 2004A BONDS		OUTSTANDING BONDS	
YEAR	PRINCIPAL	INTEREST[2]	PRINCIPAL AND INTEREST[1][2]	TOTAL DEBT SERVICE[2]
2005	$1,010,000	$17,318,512	$162,924,246	$181,252,758
2006	3,985,000	14,170,413	162,537,165	180,692,578
2007	4,190,000	13,966,038	162,418,987	180,575,025
2008	4,405,000	13,751,163	162,270,187	180,426,350
2009	4,635,000	13,525,163	162,184,146	180,344,309
2010	4,870,000	13,287,538	162,116,071	180,273,609
2011	5,120,000	13,037,788	161,977,115	180,134,903
2012	5,385,000	12,775,163	161,838,296	179,998,459
2013	5,660,000	12,499,038	161,692,618	179,851,656
2014	5,950,000	12,208,788	161,537,269	179,696,057
2015	6,255,000	11,880,206	161,322,238	179,457,444
2016	6,575,000	11,511,344	161,001,840	179,088,184
2017	6,920,000	11,123,363	160,855,630	178,898,993
2018	7,295,000	10,714,681	160,842,444	178,852,125
2019	7,685,000	10,293,613	160,725,911	178,704,524
2020	8,100,000	9,859,525	143,930,610	161,890,135
2021	8,540,000	9,401,925	135,732,053	153,673,978
2022	9,000,000	8,919,575	127,865,190	145,784,765
2023	9,485,000	8,423,094	110,109,936	128,018,030
2024	9,995,000	7,911,744	102,487,835	120,394,579
2025	10,535,000	7,372,831	82,041,405	99,949,236
2026	11,100,000	6,791,038	67,154,675	85,045,713
2027	11,700,000	6,164,038	66,976,288	84,840,326
2028	12,330,000	5,487,800	66,788,963	84,606,763
2029	12,995,000	4,759,706	66,587,369	84,342,075
2030	13,695,000	3,992,369	66,365,313	84,052,682
2031	14,435,000	3,183,631	46,637,631	64,256,262
2032	15,215,000	2,331,194	39,455,713	57,001,907
2033	16,035,000	1,432,756	27,958,963	45,426,719
2034	16,900,000	485,875	0	17,385,875
	$260,000,000	$278,579,906	$3,576,336,107	$4,114,916,013

[1] Prior to issuance of the Series 2004A Bonds.

[2] Columns may not add due to rounding.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows projected debt service coverage by projected available Sales Tax Revenues and by projected Available Revenues. Available Revenues consists of the total of Sales Tax Revenues and Public Transportation Fund Revenues. The Authority makes no representation by the inclusion of the following table that the Available Revenues for debt service coverage will be the amounts shown on the following table. Over the term of the Series 2004A Bonds, Available Revenues will be impacted by a number of economic and other factors, some of which are described in Appendix A. Changes in such factors in any year or over the term of the Series 2004A Bonds could result in a material change in the amounts of Available Revenues.

The RTA's budget of Sales Tax Revenues and Public Transportation Fund Revenues for calendar year 2004, which was adopted in December, 2003, is based upon the RTA's projection of estimated revenues to be available and not the estimated revenue projections of the Governor's Office of Management and Budget (the *"GOMB"*) submitted to the RTA by the GOMB in July, 2003. The RTA's budget of estimated Sales Tax Revenues and Public Transportation Fund Revenues for calendar year 2004 reflects a more positive outlook than that of the GOMB. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Sales Tax Revenues," —"Public Transportation Fund Revenues" and —"2004 BUDGET AND 2005-06 FINANCIAL PLAN." At the time the RTA prepared its 2004 budget, the RTA projected an annual growth rate in Sales Tax Revenues and Public Transportation Fund Revenues for 2004 of 3.2% over anticipated calendar year 2003 results. Sales Tax Revenues for calendar year 2003 equaled $655 million. At this time the RTA expects that it will meet its targeted growth rate projection for calendar year 2004. Should 2004 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could affect the projections for calendar years 2005 and beyond. The RTA's projections for calendar years 2005 and 2006 assume an annual growth rate of 3.2%. After calendar year 2006, projections were also computed using an annual growth rate of 3.2%. See Appendix A—"RTA HISTORICAL AND PROJECTED SALES TAX REVENUES."

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 upon which they are based. 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 Official Statement are cautioned not to place undue reliance on the projected financial information. Such forecast or projected information will be impacted by a number of economic and other factors, some of which are described in Appendix A. Changes in such factors in any year or over the term of the Series 2004A Bonds could result in a material change in the Sales Tax Revenues. In conjunction with its debt issuances, the RTA makes projections of 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 2004-2035. 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 or 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.

DEBT SERVICE COVERAGE
(Dollars in Thousands)

Calendar Year	Total Debt Service	Projected Sales Tax Revenues	Times Coverage by Sales Tax Revenues	Projected Available Revenues	Times Coverage by Projected Available Revenues
2005	$181,253	$697,600	3.85	$872,000	4.81
2006	180,693	719,900	3.98	899,875	4.98
2007	180,575	742,930	4.11	928,663	5.14
2008	180,426	766,704	4.25	958,380	5.31
2009	180,344	791,238	4.39	989,048	5.48
2010	180,274	816,558	4.53	1,020,697	5.66
2011	180,135	842,688	4.68	1,053,360	5.85
2012	179,998	869,654	4.83	1,087,067	6.04
2013	179,852	897,483	4.99	1,121,854	6.24
2014	179,696	926,202	5.15	1,157,753	6.44
2015	179,457	955,841	5.33	1,194,801	6.66
2016	179,088	986,428	5.51	1,233,034	6.89
2017	178,899	1,017,993	5.69	1,272,491	7.11
2018	178,852	1,050,569	5.87	1,313,211	7.34
2019	178,705	1,084,187	6.07	1,355,234	7.58
2020	161,890	1,118,881	6.91	1,398,601	8.64
2021	153,674	1,154,685	7.51	1,443,357	9.39
2022	145,785	1,191,635	8.17	1,489,544	10.22
2023	128,018	1,229,768	9.61	1,537,210	12.01
2024	120,395	1,269,120	10.54	1,586,400	13.18
2025	99,949	1,309,732	13.10	1,637,165	16.38
2026	85,046	1,351,643	15.89	1,689,554	19.87
2027	84,840	1,394,896	16.44	1,743,620	20.55
2028	84,607	1,439,533	17.01	1,799,416	21.27
2029	84,342	1,485,598	17.61	1,856,997	22.02
2030	84,053	1,533,137	18.24	1,916,421	22.80
2031	64,256	1,582,197	24.62	1,977,747	30.78
2032	57,002	1,632,828	28.65	2,041,034	35.81
2033	45,427	1,685,078	37.09	2,106,348	46.37
2034	17,386	1,739,001	100.02	2,173,751	125.03

MUNICIPAL BOND INSURANCE POLICY

BOND INSURANCE POLICY

Concurrently with the issuance of the Series 2004A Bonds, Financial Security will issue its Municipal Bond Insurance Policy (the *"Policy"*) for the Series 2004A Bonds maturing on and after June 1 of the years 2009 through 2034, inclusive (the "*Insured Bonds*"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included in Appendix I to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

FINANCIAL SECURITY ASSURANCE INC.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("*Holdings*"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,212,545,000 and its total unearned premium reserve was approximately $1,501,280,000 in accordance with statutory accounting practices. At June 30, 2004, Financial Security's total shareholders' equity was approximately $2,438,206,000 and its total net unearned premium reserve was approximately $1,255,708,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Insured Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. Financial Security makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in this Official Statement.

THE REGIONAL TRANSPORTATION AUTHORITY

GOVERNANCE

The Illinois Constitution recognizes that public transportation is an essential public purpose for which public funds may be expended. To implement that public policy, the State has provided for extensive investment in public transportation infrastructure and significant involvement in the provision of public transportation services for the 8.0 million residents of the six-county northeastern Illinois region (the "*Region*"). For example, replacement costs for the assets used in public transportation service are approximately $24 billion. Over 2,400 buses are deployed on over 360 routes and more than 2,300 rail cars and locomotives operate on 19 rail lines. In 2003, approximately 552.5 million riders made use of the System (as hereinafter defined). Public transportation is vital to the economic well-being of the Region.

To finance, oversee and operate public transportation in the Region, the State has created four entities by law: the RTA, the Chicago Transit Authority (the "*CTA*"), the Commuter Rail Division ("*Metra*") and the Suburban Bus Division ("*Pace*" and together, with the CTA and Metra, each a *"Service Board"* and collectively, the *"Service Boards"*). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State. By law, the RTA is responsible for planning, coordinating, financing and providing public transportation services in the Region. The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. The RTA provides financial assistance to, and is responsible for fiscal oversight of, the Service Boards. The CTA provides bus and rail service in Chicago and those suburbs close to Chicago. Metra provides commuter rail service between the Chicago Central Business District and 228 Chicago and suburban locations. Pace provides bus service throughout the suburbs and to the City of Chicago. The public transportation services operated by the Service Boards, as coordinated by the RTA to the extent provided in the Act, are referred to herein as the *"System."*

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

Central to its planning, funding and oversight responsibilities, the Act requires the RTA to prepare and adopt each year an annual operating budget and two-year financial plan for the System balancing the anticipated revenues from all sources with anticipated expenditures. See "THE REGIONAL TRANSPORTATION AUTHORITY—2004 BUDGET AND 2005-06 FINANCIAL PLAN." Further, the RTA and its Service Boards are required by the Act to maintain a "system generated revenue recovery ratio" of 50% (the "*System Generated Revenue Recovery Ratio*"), i.e. at least 50% of the System's operating costs must be recovered through 1) revenues generated by the System, including fare box receipts, 2) revenues from certain other sources, such as investment income and concessions, and 3) reduced fare reimbursements by the State. It is the RTA's responsibility to ensure that this ratio is maintained through the review and approval of each Service Board's

Budget and System Generated Revenue Recovery Ratio. On an on-going basis, the RTA monitors the budgetary and operational performance of the Service Boards to ensure compliance with their budgets and the System Generated Revenue Recovery Ratio. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—FINANCIAL CONTROLS OVER SERVICE BOARDS."

The Act also requires the RTA to prepare and adopt each year a five-year capital program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000, unless the project has been incorporated in that Program.

ORGANIZATION AND MANAGEMENT

The governing body of the RTA is its Board of Directors consisting of thirteen persons. Four directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. The fifth City of Chicago representative on the Board is the Chairman of the CTA. Four directors are appointed by the commissioners of the Cook County Board elected from districts a majority of the electors of which reside outside the City of Chicago. One director is appointed by the Chairman of the DuPage County Board, with the advice and consent of the DuPage County Board, and two directors are appointed by the joint determination of the Chairmen of the County Boards of Kane, Lake, McHenry and Will Counties. The thirteenth member, who is the Chairman of the Board of the RTA, is appointed by the other twelve directors by a three-fourths vote. The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

The RTA maintains a staff of approximately 75 transportation professionals.

Thomas J. McCracken, Jr. resigned his position as Chairman of the Regional Transportation Authority Board of Directors upon the expiration of his term on June 30, 2004. The position of Chairman of the Regional Transportation Authority Board of Directors has remained vacant since July 1, 2004.

Paula Thibeault was appointed Executive Director of the RTA in September, 2003. Prior to her appointment, Ms. Thibeault served as interim Executive Director of the RTA since January, 2003. Previous to serving as Executive Director, Ms. Thibeault served as General Counsel of the RTA since 1996. Previous to becoming General Counsel, she served the RTA in a variety of capacities. Ms. Thibeault has owned and operated her own consulting business in Washington, D.C. She graduated from the University of Dayton and received a J.D. from The National Law Center at George Washington University. Ms. Thibeault is licensed to practice law in the State of Illinois and the District of Columbia.

Joseph G. Costello has served as Chief Financial Officer of the RTA 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.

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

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

Andrew S. Gruber has served as General Counsel of the RTA since January, 2004, after serving as Interim General Counsel since January, 2003. Previously, Mr. Gruber practiced law at the Chicago firm of Mayer, Brown, Rowe & Maw, LLP, and was a legislative staff member for the Illinois General Assembly. Mr. Gruber received a B.A. Degree from the University of Wisconsin, Madison and a J.D. from Northwestern University School of Law.

RIDERSHIP TRENDS

System ridership for the year 2003 was 552.5 million, which reflects a decline of 2.9% over the year 2002.

YEARLY RIDERSHIP
UNLINKED PASSENGER TRIPS
(IN MILLIONS)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CTA										
Bus	327.3	307.3	303.3	289.2	291.7	300.2	303.3	303.1	304.9	293.7
Rail	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3
Total CTA	448.2	426.6	427.3	419.2	424.1	441.9	450.5	454.8	457.3	444.0
METRA	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2	76.3	74.8
PACE	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0	34.9	33.7
SYSTEM TOTAL	558.8	534.2	535.4	529.4	537.9	558.7	567.9	571.0	568.5	552.5
PERCENT CHANGE	0.7%	(4.4%)	0.2%	(1.1%)	1.6%	3.9%	1.7%	0.5%	(0.4%)	(2.9%)

RTA FINANCES

Revenues. The RTA has the following principal sources of revenues: (i) Sales Tax Revenues, including Replacement Revenues; (ii) Public Transportation Fund Revenues; (iii) State Assistance; and (iv) Miscellaneous Revenues (including State reimbursements for certain reduced fare programs) all as described below. Sales Tax Revenues and Public Transportation Fund Revenues are pledged under the General Ordinance and paid directly to the Trustee as security for Authority Obligations, including the Series 2004A Bonds; other funds, such as State Assistance, are not available for payments on Authority Obligations, including the Series 2004A Bonds.

Sales Tax Revenues. Proceeds of the RTA Sales Tax are pledged as security for the Series 2004A Bonds and other Authority Obligations and are assigned by the RTA and paid directly by the State to the Trustee for payment of debt service on Authority Obligations, including the Series 2004A Bonds. The RTA Sales Tax currently imposed by the RTA consists of the following: (i) in Cook County, a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a *"Food and Drug Tax"*); (ii) a tax of 0.75% in Cook County, and 0.25% in counties within Northeastern Illinois other than Cook County, of the gross receipts from all other taxable retail sales (a *"General Sales Tax"*); (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than in Cook County, of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a *"Use Tax"*); 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 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"*). Moneys in the RTA Tax Fund are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller directly to the Trustee for any necessary payments of debt service on the Series 2004A Bonds or other Authority Obligations, before being paid to the RTA. See "**SECURITY FOR THE SERIES 2004A BONDS**—SECURITY AND SOURCES OF PAYMENT."

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

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

The Replacement Revenues are pledged as security for the Series 2004A Bonds and other Authority Obligations. Under the General Ordinance, the Replacement Revenues are assigned by the RTA and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Series 2004A Bonds.

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

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

Public Transportation Fund Revenues. The Public Transportation Fund Revenues are pledged as security for the Series 2004A Bonds and other Authority Obligations and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Series 2004A Bonds. Subject to annual appropriation by the Illinois General Assembly, each month the State Comptroller orders and the State Treasurer transfers from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 25% of the net revenues realized from the RTA Sales Tax and 25% of the net Replacement Revenues. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Sales Tax Revenues."

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

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

Board's deficiency. Since the enactment of the System Generated Revenue Recovery Ratio requirement, the System has met the coverage tests required by law.

State Assistance. The Act provides supplemental State funding in the forms of additional state assistance ("*Additional State Assistance*") and additional financial assistance ("*Additional Financial Assistance*") to the RTA in connection with its issuance of SCIP Bonds (collectively, "*State Assistance*"). State Assistance received by the RTA may not be pledged as security for payment of debt service on Authority Obligations, including the Series 2004A Bonds. Under the Act, the RTA may not assign its right to receive State Assistance payments or direct their payment to the Trustee or any other entity for payment of debt service on Authority Obligations, including the Series 2004A Bonds. State Assistance is paid directly to the RTA and may be spent at its discretion for its corporate purposes.

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

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

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

The RTA has filed its certification with respect to State fiscal year 2004 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 Series 2004A Bonds.

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

Operating Grants to Service Boards. Under the Act and the General Ordinance, the State pays all Sales Tax Revenues directly to the Trustee as security for debt service on Authority Obligations, including the Series 2004A Bonds. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the RTA for its corporate purposes, including distribution to the Service Boards. See "**SECURITY FOR THE SERIES 2004A BONDS**—DEBT SERVICE FUND." Of the Sales Tax Revenues, the RTA withholds 15%, to be deposited into the RTA's general fund and to be used at the RTA's discretion. The RTA is required to pay to the Service Boards the remainder of the Sales Tax Revenues as follows: (i) an amount equal to 85% of the total proceeds collected within the City of Chicago is allocated and paid to the CTA; (ii) an amount equal to 85% of the total proceeds collected in suburban Cook County is allocated and paid 30% to the CTA, 55% to Metra and 15% to Pace; and (iii) an amount equal to 85% of the total proceeds collected in the five counties in Northeastern Illinois other than Cook County is allocated and paid 70% to Metra and 30% to Pace.

Under the Act and the General Ordinance, the State pays all Public Transportation Fund Revenues to the Trustee as security for debt service on Authority Obligations, including the Series 2004A Bonds. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the RTA for its corporate purposes, including distribution to the Service Boards. See "**SECURITY FOR THE SERIES 2004A BONDS**—DEBT SERVICE FUND." The amounts provided to the Service Boards from Public Transportation Fund Revenues, as well as from State Assistance, investment income and other revenues, are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that (i) the RTA has adopted a balanced budget pursuant to the Act; and (ii) the Service Board which is to receive these funds is in compliance with the budget requirements imposed upon the Service Boards pursuant to the Act. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Public Transportation Fund Revenues."

The Act requires that no moneys be released by the RTA to the CTA in any Fiscal Year, except for the proceeds of taxes imposed by the RTA and distributed by formula, unless ". . . a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation." The City of Chicago and Cook County also must continue to provide services to the CTA at the same level and on the same basis as services were provided as of the effective date of the Act or as otherwise approved by the RTA Board. Funds received from this local assistance are not available for the payment of debt service on Authority Obligations, including the Series 2004A Bonds.

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

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

Debt Service. The total annual debt service payments on Outstanding Authority Obligations is set forth in the table entitled "**SECURITY FOR THE SERIES 2004A BONDS**—ANNUAL DEBT SERVICE" above.

FINANCIAL CONTROLS OVER SERVICE BOARDS

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

The Act confers upon the RTA Board powers to prescribe regulations requiring that the Service Boards submit to the RTA such information as the RTA may require. On a quarterly basis, the Service Boards must report their financial condition and results of operations to the RTA. The RTA Board, by the affirmative vote of nine of its Directors, determines that the results are substantially in accordance with the adopted budget and certifies such to the Governor, the Mayor of the City of Chicago and the Auditor General of the State. If a Service Board is found not to be substantially in compliance with its budget, the RTA may direct that Service Board to submit a revised budget meeting the mandated criteria. If a Service Board's budget does not meet the criteria, the RTA may not release any funds, other than such Service Board's share of Sales Tax Revenues, to the Service Board. See "**THE REGIONAL TRANSPORTATION AUTHORITY**- 2004 BUDGET AND 2005-06 FINANCIAL PLAN."

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

HISTORICAL FINANCIAL RESULTS

Table I contains Statements of Revenues and Expenditures for the RTA (including funding for the Service Boards) for the years from 1999 to 2003. The financial information is presented on a funding basis and differs in certain respects from the presentation of the financial statements contained in Appendix B—"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 2004 Budgets and 2005-06 Financial Plans." Not all of the amounts shown under the heading "REVENUES" in the Table constitute security for the Authority Obligations, including the Series 2004A Bonds. See "**SECURITY FOR THE SERIES 2004A BONDS**."

As shown in Table I, for the period 1999 through 2003, RTA revenues grew approximately $128 million, an annual compound growth rate of 3.6%. Sales Taxes and Public Transportation Fund Revenues grew at an annual compound growth rate of approximately 1.7% from 1999 through 2003. The increase in sales tax in years 1999 and 2000 reflects the robust economy of the Region during that period and related increased consumer spending. The lack of expansion in activity since 2001 has negatively impacted growth in sales tax revenues for the past three years. The Public Transportation Fund amount equals 25% of the sales tax total and so increases or decreases with the sales tax. Increased State Assistance, which reimburses the RTA for debt service on SCIP Bonds reflects an increasing level of debt service, due to the increasing amounts of the outstanding SCIP Bonds.

Revenues for 2003 were approximately $962 million (as shown in Table I), which is approximately $32 million more than revenues for 2002 and approximately $10 million less than the amount budgeted by the RTA for 2003. Operating expenditures were approximately $817 million in 2003, an increase of approximately $32 million over operating expenditures for 2002, closely matching the amount budgeted by the RTA for 2003.

The RTA established a fund balance policy in 1998. At that time, the RTA Board adopted an ordinance requiring that its annual budget reflect an undesignated/unreserved fund balance in its general fund at year end in an amount equal to not less than five percent (5%) of the RTA's total operating expenditures for that year. If actual Sales Tax Revenues or other RTA revenues were to fall short of the amounts reflected in the annual budget for a given year, then the RTA in the succeeding year's annual budget and two year financial plan would be required by the policy to provide for the replacement of any resulting shortfall in the undesignated/unreserved balance in the RTA's general fund by the end of the two year financial plan. This measure was taken specifically to maintain financial stability during periods of economic uncertainty. To date, to the extent there has been a shortfall in the amount of revenues reflected in an annual budget of the RTA, the RTA has modified its annual budget for the succeeding year to comply with the policy and replace any such shortfall and maintain the required undesignated/unreserved fund balance by the end of such financial planning period.

In Table I, the "Funds Before Capital Expenditures and Other Initiatives" represent resources available, but not used, for debt service and operations. Generally the RTA uses such funds to replenish its fund balance, if necessary, and provide additional capital investment for the Service Boards. The amount of these funds has diminished in recent years as the RTA has chosen to maintain its operating funding at previously indicated levels providing financial stability and avoiding disruptive service reductions.

The RTA continues to fund the Service Boards' 2004 operations at the levels established in last year's 2004-2005 financial plan. For 2004, the RTA has budgeted that the undesignated/unreserved fund balance will be reduced to $6 million, or less than one percent (1%) of the RTA's budgeted expenditures for 2004. The RTA's 2005-2006 financial plan provides for the replenishment of the undesignated/unreserved fund balance to an amount equal to at least five percent (5%) of the RTA's budgeted expenditures for that financial planning period.

TABLE I*

RTA STATEMENTS OF REVENUES AND EXPENDITURES
(INCLUDING FUNDING FOR THE SERVICE BOARDS)
1999-2003 FINANCIAL INFORMATION
(Dollars in Thousands)

	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL
REVENUES					
Sales Tax	$613,514	$650,284	$653,522	$647,686	$654,988
Public Transportation Fund (PTF)	153,343	162,247	164,987	165,665	164,739
State Assistance	39,446	41,839	43,662	67,455	85,226
State Reduced Fare Reimbursements	19,386	38,759	39,531	36,260	39,662
Investment Income and Other[1]	8,436	12,125	9,068	13,841	17,512
TOTAL REVENUES[2]	$834,125	$905,254	$910,770	$930,907	$962,172
DEBT SERVICE[3]	$73,819	$87,632	$83,793	$111,652	$136,091
OPERATING EXPENDITURES					
Financial Assistance to Service Boards[4]	$638,328	$659,754	$690,989	$724,558	$752,294
Administration and Regional Expenses[5]	15,788	16,806	19,332	23,707	25,314
State Reduced Fare Reimbursements to Service Boards	19,386	38,759	39,531	36,260	39,662
TOTAL OPERATING EXPENDITURES[6]	$673,502	$715,319	$749,852	$784,525	$817,270
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	$86,804	$102,303	$77,125	$34,730	$8,766
SYSTEM GENERATED REVENUE RECOVERY RATIO[7]	53.4%	53.8%	53.6%	54.4%	53.6%

*Prepared by the RTA from budgetary basis statements included as supplementary information in audited financial statements. The budgetary basis is non-GAAP presentation.

(Dollars in Thousands)

1. Excludes investment income totaling $32,999 from the following funds: Debt Service $9,256, Capital Projects $98, Joint Self Insurance/Pension $13,490 and Pace $10,155. Also excluded were interest revenue from leasing transactions of $138,101, capital grants of $412,872, and other public funding of $236,582. Reduced Fare adjustments of $39,662 were included as part of the Service Board revenue of $776,696. Total revenue exclusions were $780,892.

2. The following schedule reconciles the RTA's 2003 Table I revenue with the total revenue of $2,519,715 identified on page 33 of the Combining Financial Statements included in Appendix C.

Adjustments from the Combining Financial Report

Revenue Exclusions	
Debt Service Fund	$ 9,256
Capital Projects Fund	98
Joint Self-Insurance/Pension Fund	13,490
Pace Investment Income	10,155
Total Investment Income	32,999
Interest Revenue from Leasing Transactions	138,101
Capital Grants	412,872
Other Public Funding	236,582
Reduced Fare	
Total Revenue Exclusions	(39,662)
Total Service Board Revenues	780,892
Total Combining Adjustments	776,696
Total Table I Revenues	1,557,588
	962,127
Total Combining Revenue	
	$ 2,519,715

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 2003 include: financial assistance to the Service Boards of $769,867 which included Metra capital of $17,573. These expenditures are shown on the Combining Financial Statements, page 33 of Appendix C.

5. Includes appropriated funds for long term transit technology and coordination initiative expenditures not realized in the current year of $3,787. Excludes Regional expenses from the Joint Self Insurance/Pension fund totaling $7,147, and depreciation totaling $303. Regional and administration expenses on the Combining Financial Statements, page 33 of Appendix C are $21,526.

6. The following schedule reconciles the RTA's 2003 Table I operating expenditures with the total expenditures of $2,429,781 identified on page 33 of the 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.

Adjustments from the 2003 Combining Financial Statements

Expense Exclusions	$ 7,147
Regional Expenses (note #5)	3,787
Technology & coordination Expenses (note #5)	109,981
Bond Related Expenses	135,728
Interest Expense from Leasing Transactions	1,355,870
Other Service Board Operating Expense & Depreciation	
Total Combining Adjustments	1,612,513
Total Table I Expenses	817,270
Total Combining Expenses	
	$2,429,783

7. The RTA Act defines a system generated revenue recovery ratio, representing the portion of costs covered by revenues. The ratio must equal at least 50% region-wide. The 2003 Combining Financial Statements presents the calculation of this ratio on pages 29-30 of Appendix C.

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%.

In determining the amounts to be available during the period of the annual budget and two-year financial plan, the RTA starts with an estimate of Sales Tax Revenues for the next calendar year provided by GOMB in July of each year. The RTA viewed the GOMB's projections of Sales Tax Revenues for 2003 and percentage growth of Sales Tax Revenues for 2004 as too low and used its own estimates for these figures. The GOMB projected Sales Tax Revenues for 2003 and 2004 of $648 million. At the time the RTA prepared its 2004 budget, the RTA projected an annual growth rate in Sales Tax Revenues and Public Transportation Fund Revenues for 2004 of 3.2% over anticipated calendar year 2003 results which, due to the fact that Sales Tax Revenues for 2003 ended up being greater than forecast, now represents a growth rate of 2.6% in Sales Tax Revenues and Public Transportation Fund Revenues over calendar year 2003. Accordingly, in preparing its 2004 Budget and 2005-2006 Financial Plan and setting the amounts available to each Service Board for operations and capital needs for the same period, the RTA used a Sales Tax Revenue projection of $672 million in 2004, rather than the GOMB's projection of $648 million. At this time the RTA expects that it will exceed its targeted projection for calendar year 2004.

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 2004 Budget and 2005-2006 Financial Plan to the RTA for approval under the Act. On December 12, 2003, the RTA's 2004 annual budget and five year program was approved. At that same meeting, the RTA approved the annual budgets and 2005-2006 financial plans of the CTA, Metra and Pace. Table II, which follows, presents the adopted 2004 Budget and 2005-2006 Financial Plan of the RTA on the same basis as Table I.

The 2004 Budgets of each Service Board are balanced and achieve the statutorily required System Generated Revenue Recovery Ratio of no less than 50%. See Appendix D for individual Service Board historical operating financial results for 1999 through 2003 and the Service Boards' 2004 Budgets and 2005-2006 Financial Plans.

On September 10, 2004, the RTA advised each Service Board of the amounts estimated to be available for operating and capital needs in 2005, 2006 and 2007, established the 2005 System Generated Revenue Recovery Ratio for each of the Service Boards and authorized the Service Boards to prepare two separate budgets in connection with the amounts estimated to be available in 2005, 2006 and 2007. One budget assumes the receipt by the Service Boards of additional operating funds from the State and the alternative budget assumes that no additional funding will be available. In the event the actual amount of Sales Tax Revenues and Public Transportation Fund Revenues received for year 2005 is less than the amount assumed by the RTA in advising the Service Boards of the estimated amounts available for their operating and capital needs, the RTA may reduce the amount of proposed increases in operating grants to the Service Boards for years 2006 and 2007.

TABLE II
RTA 2004 BUDGET AND 2005-06
FINANCIAL PLAN
(Dollars in Thousands)

	2004 BUDGET	2005 PLAN	2006 PLAN
REVENUES			
Sales Tax	$671,750	$693,250	$718,900
Public Transportation Fund (PTF)	167,938	173,313	179,725
State Assistance	90,632	110,070	125,239
State Reduced Fare Reimbursements	39,200	39,200	39,200
Investment Income and Other	18,536	15,173	13,616
TOTAL REVENUES	$988,056	$1,031,006	$1,076,680
DEBT SERVICE(1)	$160,032	$178,621	$202,027
OPERATING EXPENDITURES			
Financial Assistance to Service Boards(2)	$743,881	$750,130	$756,523
Administration and Regional Expenses(3)	23,673	22,556	22,639
State Reduced Fare Reimbursements to Service Boards(1)	39,200	39,200	39,200
TOTAL OPERATING EXPENDITURES	$806,754	$811,886	$818,362
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	$21,270	$40,499	$56,291
FUND BALANCE (undesignated/unreserved)	$14,126	$6,208	$13,030
SYSTEM GENERATED REVENUE RECOVERY RATIO	54.6%	55.3%	55.9%

(1) These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders. The increase in debt service shown for Fiscal Years 2005 and 2006 reflects the expected issuance of additional RTA bonds.

(2) Includes financial assistance for Service Boards and sales tax interest.

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

RTA CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM

The System provided 552.5 million passenger trips in calendar year 2003. This has the beneficial impact of reducing road congestion, and so improving the flow of goods and services as well as air quality. In addition, the System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with a replacement value of approximately $24 billion. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order, as well as to respond to changing markets. The RTA five-year capital program embodies the detail of this investment, updated and adopted annually by the RTA Board, as required by the Act.

Sources of funds for capital investment include federal programs, proceeds of RTA bonds, and State of Illinois programs. The level of funding at the federal as well as state levels has risen reflecting the increasing recognition of the importance of public transportation. See "**SECURITY FOR THE SERIES 2004A BONDS**—AUTHORITY OBLIGATIONS."

In recent years the RTA and the Service Boards have also been able to direct funds to capital investment by successfully constraining operating costs and by designating a portion of operating revenues for capital.

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program covers years 2004 through 2008. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by track and structure repair and System expansion. System expansion includes plans by the CTA and Metra to extend or reconstruct certain existing lines to increase ridership and to modernize and enlarge passenger facilities such as station platforms to assure passenger comfort and safety.

Capital programs for the CTA during this period total approximately $2.8 billion, including the following major projects:

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

Capital programs for Metra during this period total approximately $1.6 billion, including the following major projects:

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

Capital programs for Pace during this period total approximately $222 million, including the following major projects:

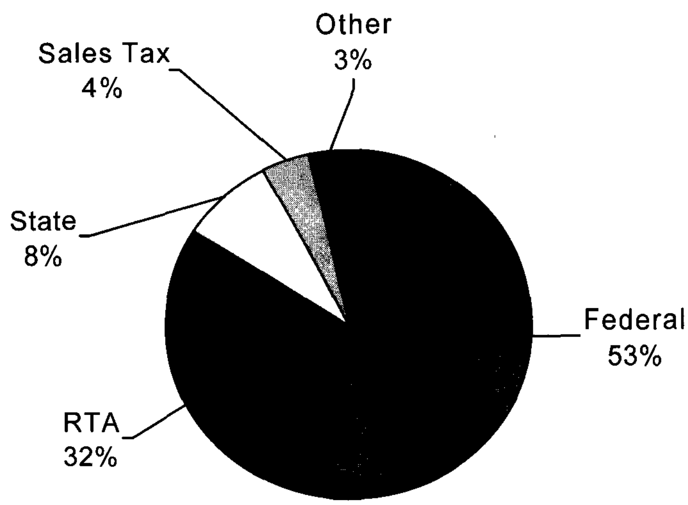
- Purchase and rehabilitate bus rolling stock
- Purchase paratransit vehicle and van rolling stock
- Construct and improve garages

2004-2008 Capital Program ($000,000)
by Asset Category

ASSET CATEGORY	CTA	Metra	Pace	TOTAL
Rolling Stock	$950	$630	$129	$1709
Track & Structure	850	493	0	1,343
Support Facilities & Equipment	364	156	74	594
Stations & Passenger Facilities	298	168	3	469
Electric & Communications	259	119	14	392
All Other	65	60	5	130
Total	$2,786	$1,627	$224	$4,637

The chart below illustrates the anticipated funding sources for the RTA 2004-2008 Capital Program.

2004-2008 Capital Program
Funding Sources



PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2004A BOND PROCEEDS

The Series 2004A Bond proceeds are expected to be used by the RTA to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities and to pay Costs of Issuance of the Series 2004A Bonds.

The information set forth below briefly describes the SCIP Projects which each Service Board intends to finance through use of the Series 2004A Bond proceeds. These SCIP Projects represent only a portion of the projects detailed in the RTA's current five year capital program. The SCIP Projects have been approved by the Governor.

The CTA expects to fund a portion of the following projects with proceeds of the Series 2004A Bonds:

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

Metra expects to fund a portion of the following projects with the proceeds of the Series 2004A Bonds:

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

Pace expects to fund a portion of the following projects with proceeds of the Series 2004A Bonds:

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

LITIGATION

The RTA is a party to a number of lawsuits and proceedings arising out of its operations or the operations of the Service Boards. However, the RTA does not believe that the outcome of such litigation will have a material adverse effect on the ability of the RTA to pay debt service on outstanding Authority Obligations, including the Series 2004A Bonds. At the time of delivery of the Series 2004A Bonds, the RTA will furnish a certificate, in form and substance satisfactory to Bond Counsel, to that effect.

Pace Litigation. On January 11, 2002, Pace filed a two count complaint for declaratory judgment and damages against the RTA in the Circuit Court of McHenry County, Illinois entitled *Pace v. The Regional Transportation Authority.* In Count I of the complaint, Pace sought a declaratory judgment that the RTA violated Section 4.11(a) of the Act by disproportionately and prejudicially increasing Pace's farebox recovery ratio for the years 1996 through 2002, and sought recovery of damages in the amount of $99,755,000. In Count II of the complaint, Pace sought a declaratory judgment that the

RTA violated Section 4.11(b)(2) of the Act by refusing to approve Pace's 2002 budget as submitted by Pace and seeks damages in the amount of $38,800,000.

At a hearing held on May 30, 2002, the court granted the RTA's motion to dismiss both Count I and Count II of the complaint. On June 25, 2002, Pace filed its appeal of this decision with the Second District Appellate Court. In 2003, the Appellate Court reversed the Circuit Court's dismissal of the complaints and remanded with directions. With respect to Count I, the Court held that Pace was not entitled to any recovery for the years 1996 through 2001 because claims as to those years were barred by laches. The Court, however, permitted Pace to proceed with its claim under Count I for the year 2002, provided that Pace joined the CTA and Metra as necessary parties to the action. The Court also held that Count II survived in its entirety and may proceed as pleaded. The RTA petitioned the Illinois Supreme Court for leave to appeal the Appellate Court's decision, but the petition was denied.

In May, 2004, Pace filed an amended complaint against the RTA and joined the CTA and Metra as necessary parties. In Count I of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(a) of the Act by disproportionately and prejudicially increasing Pace's farebox recovery ratio for the years 2002 through 2004, and seeks recovery of damages in excess of $70 million. In Count II of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(b)(2) of the Act by refusing to approve Pace's 2002 budget as submitted by Pace and seeks damages in the amount of $38,800,000 and an order prohibiting the RTA from imposing any limitations on Pace's use of federal funds in connection with its approval of Pace's budget.

The RTA has filed a motion to dismiss the complaint. The RTA intends to defend against this litigation vigorously. It has been advised by its counsel that it has substantial defenses to the claims made in the complaint. However, because of the uncertainties associated with all litigation, no assurances can be given with respect to the outcome of this case or its financial impact on the RTA.

At the time of issuance of the Series 2004A Bonds, Mayer, Brown, Rowe & Maw, 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 Series 2004A Bonds or that materially affects the validity of the Series 2004A Bonds or the validity of the security for the Series 2004A Bonds.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2004A 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 2004A Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2004A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2004A Bonds. The Authority has also covenanted that it will not take any action, omit to take any action or permit the taking or omission of any action within its control (including, without limitation, making or permitting any use of the proceeds of the Series 2004A Bonds) if taking, permitting or omitting to take such action would cause any of the Series 2004A Bonds to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Series 2004A Bonds to be included in the gross income of the recipients thereof for federal income tax purposes and that, to the extent possible under Illinois law, it will comply with whatever federal tax law is adopted in the future which applies to the Series 2004A Bonds and affects the tax-exempt status of the Series 2004A Bonds.

Subject to the Authority's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2004A Bonds is not includible in the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2004A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

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

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2004A Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earning and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2004A Bonds.

Ownership of the Series 2004A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2004A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Series 2004A Bond is purchased at any time for a price that is less than the Series 2004A Bond's stated redemption price at maturity, the purchaser will be treated as having purchased such Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2004A 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 2004A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2004A Bonds.

There are or may be pending in the Congress of the United States legislative proposals including some that carry retroactive effective dates, that, if enacted, could adversely affect the market value of the Series 2004A 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 2004A 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. Although no Authority Obligations are currently under examination by the Service and the Authority has no reason to believe any of the Authority Obligations will be so examined, it cannot be predicted whether or not the Service will commence an audit of the Series 2004A Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2004A Bonds until the audit is concluded, regardless of the ultimate outcome.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Series 2004A Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. A copy of the form of Undertaking is attached as Appendix H.

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

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2004A Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (*"Bond Counsel"*), who has been retained by, and acts as, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is attached as Appendix G. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Series 2004A Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Chapman and Cutler LLP has, at the request of the Authority, reviewed the statements in this Official Statement appearing under the headings "THE SERIES 2004A BONDS," "SECURITY FOR THE SERIES 2004A BONDS" (other than under the subheadings "ANNUAL DEBT SERVICE" and "ESTIMATED DEBT SERVICE COVERAGE") and "TAX EXEMPTION" and in "APPENDIX E— SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2004A SERIES ORDINANCE", and is of the opinion that insofar as they purport to describe or summarize certain provisions of the Series 2004A Bonds (apart from the information relating to DTC and its book-entry only system), the General Ordinance, the 2004A Series Ordinance, and Bond Counsel's opinion concerning certain federal tax matters relating to the Series 2004A Bonds, said statements are accurate summaries of such provisions in all material respects.

RATINGS

Fitch, S&P and Moody's have assigned their underlying municipal bond ratings of "AA," "AA" and "Aa2," respectively, to the Series 2004A Bonds. The Insured Bonds also have been assigned insured ratings of "AAA," "AAA" and "Aaa," by Fitch, S&P and Moody's respectively. The insured ratings are based on the Policy issued by Financial Security.

An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The RTA furnished to the rating agencies certain information and materials regarding itself and the Series 2004A Bonds. Generally, the rating agencies base their ratings on certain studies and assumptions. There is no assurance that the ratings will continue to be in effect for any given period of time, or that such ratings will not be lowered or withdrawn by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward change in or withdrawal of such ratings could adversely affect the market price of the Series 2004A Bonds.

FINANCIAL ADVISOR

Public Sector Group, Inc. has served as financial advisor (the *"Financial Advisor"*) to the RTA in connection with the issuance and sale of the Series 2004A Bonds. The Financial Advisor is not obligated to undertake any independent verification of, or assume any responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Goldman, Sachs & Co. (the *"Underwriter"*) has agreed to purchase the Series 2004A Bonds from the RTA at an aggregate price of $300,562,708.23, reflecting an original issue premium of $42,933,449.85, an Underwriter's discount of $1,531,241.62 and a bond insurance premium in the amount of $839,500.00, plus accrued interest.

The public offering price of the Series 2004A Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2004A Bonds to dealers and others (including unit investment trusts and other affiliated portfolios of certain underwriters) at a price lower than such initial public offering price.

MISCELLANEOUS

The references, excerpts and summaries of documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2004A Bonds, the security for the Series 2004A Bonds and the rights and obligations of the Holders thereof.

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

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, is set forth as such and not as a representation of fact; no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RTA since the date hereof.

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

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

REGIONAL TRANSPORTATION AUTHORITY

By: /s/ Dwight Magalis
Its: Chairman of the Finance Committee

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

REGIONAL TRANSPORTATION AUTHORITY

By: Dwight A. Magalis

Its: Chairman of the Finance Committee

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 $281 million in 1982 to approximately $655 million in 2003. 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 1982 to 2003, Table A-II shows the percentage change on a year-to-year basis. For the years 1982 through 2003, Sales Tax Revenues grew at a compound growth rate of approximately 4.1%.

In 2001, the economy went into a recession early in the year. Throughout 2002 and 2003 the economy experienced a slower growth rate than in prior years and, as a result, Sales Tax Revenues decreased from $654 million in 2001 to approximately $648 million in 2002, representing a decline of 0.9%. Actual sales tax results indicate that approximately $655 million in Sales Tax Revenues was generated in 2003, which is slightly above (1.1%) Sales Tax Revenues for 2002.

The methodology used by the RTA for projecting Sales Tax Revenues is explained below. See "METHODOLOGY FOR SALES TAX REVENUES FORECAST." As shown in Table A-III, Sales Tax Revenues are expected to increase from approximately $698 million in 2005 to approximately $720 million in 2006. The year-to-year percentage change in Sales Tax Revenues for years 2004-2007 is shown in Table A-IV. From 2004-2007, Sales Tax Revenues are expected to grow at an average annual compound growth rate of 3.2%. See **"THE REGIONAL TRANSPORTATION AUTHORITY**— 2004 BUDGET AND 2005-06 FINANCIAL PLAN." However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material.

The projection of sales tax for the Region uses forecasts of population growth, total personal income, wages, and salaries for the Chicago metropolitan area. In addition, sales tax projections reflect estimated consumption expenditures for durable goods, nondurable goods, and services. See, "FACTORS AFFECTING SALES TAX REVENUES" below. The RTA used these factors for projections from 2004 through 2007. A significant change in any one of these factors may have a material impact on these projections.

Projected Revenues. The RTA budget for 2004 projected a 3.2% growth rate in Sales Tax Revenues in 2004 compared to anticipated Sales Tax Revenues for calendar year 2003. This projection produces Sales Tax Revenues of approximately $676 million in 2004. The RTA forecast for projected Sales Tax Revenues on which it based its 2004 Budget and the 2005-06 Financial Plan is shown in Table A-III.

METHODOLOGY FOR SALES TAX REVENUES FORECAST

The RTA calculated Sales Tax Revenues (for the period 2004-2006) in September, 2003, and based its 2005-2006 operating funding levels to the Service Boards on those projections. These funding levels were adopted by the RTA Board on December 13, 2003. For that calculation, the RTA used percentage sales tax growth figures for 2004 that were higher than the GOMB's projected sales tax growth rate for the same period.

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 upon which they are based. 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 Official Statement are cautioned not to place undue reliance on the projected financial information. Such forecast or projected information will be impacted by a number of economic and other factors, some of which are described below. Changes in such factors in any year or over the term of the Series 2004A Bonds could result in a material change in the Sales Tax Revenues. In conjunction with its debt issuances, the RTA makes projections of 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 2004-2005 as the basis for the 2004 budget and the 2005-2006 financial plan adopted on December 12, 2003. 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 - 1982 to 2003
(In Thousands of Dollars)

Year	Total	Year	Total
1982	$281,602	1993	$462,393
1983	298,158	1994	497,698
1984	328,377	1995	513,301
1985	342,441	1996	532,304
1986	368,579	1997	555,496
1987	386.439	1998	576,704
1988	418,752	1999	613,514
1989	429,988	2000	650,284
1990	441,110	2001	653,522
1991	425,173	2002	647,685
1992	445.891	2003	654,988

TABLE A-II
SALES TAX GROWTH RATES (%)
ACTUAL - 1982 to 2003

Year	Total	Year	Total
1982	1.936%	1993	3.701%
1983	5.879	1994	7.635
1984	10.135	1995	3.135
1985	4.283	1996	3.702
1986	7.633	1997	4.357
1987	4.846	1998	3.818
1988	8.362	1999	6.383
1989	2.683	2000	5.993
1990	3.284	2001	0.498
1991	(4.275)	2002	(.893)
1992	4.885	2003	1.128

TABLE A-III
SALES TAX REVENUES
PROJECTED - 2004-2006
(In Thousands of Dollars)

Year	Total
2004	$675,950
2005	697,600
2006	719,900

TABLE A-IV
SALES TAX GROWTH RATES (%)
PROJECTED - 2004-2007

Year	Total
2004	3.200 %
2005	3.200
2006	3.200
2007 and beyond	3.200

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)

COUNTY	1990	% OF TOTAL	2000	% OF TOTAL	% CHANGE
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	359	4.9	502	6.2	39.8
Total	7,274	100.0 %	8,091	100.0%	11.2%

Source: United States Census Bureau

Employment. Employment totals for 1980, 1990, 1995, and 2000 by County are presented in Table A-VI. The 16.1% employment growth in the Region shown between 1990 and 2000 outpaced the 11.2 % population growth recorded by the United States Census Bureau over the past decade. However, the Region's employment situation remains unfavorable compared to national and State results. For example, in June, the national unemployment rate was 5.6% compared to 5.9% for the State of Illinois and 6.2% for the Region.

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

Area	1980	% OF TOTAL	1990	% OF TOTAL	1995	% OF TOTAL	2000	% OF TOTAL
Cook	2,913	78.6	3,135	72.5	3,157	69.0	3,350	66.7
DuPage	289	7.8	509	11.8	621	13.6	709	14.1
Kane	134	3.6	175	4.0	197	4.3	242	4.8
Lake	211	5.7	299	6.9	350	7.6	419	8.3
McHenry	57	1.5	84	1.9	102	2.2	118	2.3
Will	102	2.8	125	2.9	152	3.3	185	3.8
Total	3,706	100.0%	4,327	100.0%	4,579	100.0%	5,023	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 33% of the Region's total. Cook County now makes up about 67% of the total, compared to 1980, when Cook County made up 79% of the Region's work force. Employment levels were at 3.7 million for the Region in 1980, 4.3 million in 1990, and are now at 5.0 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	1980	% OF TOTAL	1990	% OF TOTAL	1995	% OF TOTAL	2000	% OF TOTAL
Services	862	23.3	1,273	29.4	1,470	32.1	1,727	34.4
Retail	573	15.5	666	15.4	710	15.5	730	14.6
Manufacturing	812	21.9	667	15.4	654	14.3	632	12.6
Government	477	12.9	501	11.6	517	11.3	543	10.8
Finance, Insurance, & Real Estate	334	9.0	437	10.1	445	9.7	519	10.1
Wholesale	268	7.2	297	6.9	282	6.2	293	5.8
Transportation and Public Utilities	205	5.5	246	5.7	258	5.6	293	5.8
Construction	144	3.9	204	4.7	201	4.4	247	4.9
Other	31	0.8	36	0.8	42	0.9	49	0.9
Total	3,706	100.0%	4,327	100.0%	4,579	100.0%	5,033	100.0%

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

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

TABLE A-VIII
REGION PER CAPITA INCOME

Area	1980	1990	1995	2000
Cook	$11,884	$22,186	$27,480	$33,704
DuPage	13,985	28,067	35,742	46,611
Kane	11,410	21,196	24,524	29,942
Lake	13,432	29,054	36,666	46,640
McHenry	11,558	21,966	25,925	31,571
Will	10,564	18,963	22,896	26,664

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

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Twelve Months Ended December 31, 2003

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Regional Transportation Authority Northeastern Illinois

Comprehensive Annual Financial Report for the Year Ended December 31, 2003 and Independent Auditors' Report

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REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2003

Prepared by:

Finance Department
Joseph G. Costello, CPA, CPFO
Chief Financial Officer

and

John Yu, CPA
Controller

REGIONAL TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

REGIONAL TRANSPORTATION AUTHORITY

TABLE OF CONTENTS (Continued)

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Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1550
Chicago
Illinois
60604
312.913.3200
www.rtachicago.com

June 8, 2004

To the Board of Directors of the Regional Transportation Authority:

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, 2003. 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. 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 Deloitte & Touche LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States 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, 2003 are presented in conformity with accounting principles generally accepted in the United States. The independent auditors' 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 auditors' 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 Regional Transportation Authority management's discussion and analysis 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 Regional Transportation Authority 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 Chicago Transit Authority ("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

By July 1 of each year, the Illinois Office of Management and Budget ("OMB") must submit to the RTA an estimate of sales tax collections for the next year. 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 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 the budget to the RTA, the Service Boards must hold at least one public hearing in each of the counties in which it provides service, and at least one meeting with the affiliated county boards. 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 then hold at least one public hearing in the metropolitan region and one meeting with each county board on the proposed budget. After conducting these hearings and taking into consideration the comments, the RTA must adopt a budget, which meets the statutory criteria. 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;

- *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 budget, the RTA has continuing oversight powers concerning the budget and the financial condition of each Service Board and 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 the Board shall so advise the Service Board and it "shall, within the period specified by the Board, submit a revised budget incorporating such results."

- Once a Service Board submits the revised budget plan, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA will not release any monies to the Service Board(s) except the statutory allocation of taxes.

- If a Service Board submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period the RTA "shall continue to release funds to the Service Board."

Amendment

When prudent, the budget is amended due to shifts in the economic climate, governmental funding programs, or new projects. 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 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 552.5 million riders in 2003, a decrease of 2.8% compared to the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of twelve appointed members and one elected member from the six-county region. The Mayor of the City of Chicago appoints five directors. This includes the Chairman of the CTA who also serves on the RTA Board. The suburban members of the Cook County Board appoint four directors. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. These twelve directors, with a minimum concurrence of nine directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of eighty-one. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit started at $5 million for 1985 and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under this limit.

The Chicago Transit Board, consisting of seven members, governs the CTA. 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 seven members, governs Metra. The suburban members of the Cook County Board appoint three members. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These six directors, with a minimum concurrence of five directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of twelve 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 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 9 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 rate in 1979. 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 ¾% in Cook County and ¼% 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% throughout the six county areas.

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 is identical to the ROT. The tax base is identical to the State service occupation tax base.

The UT is imposed on persons living in the six county area 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.

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 FINANCIAL CONDITION

National Economy

Through 2000, the real gross domestic product ("GDP"), the output of goods and services produced in the United States, had several consecutive years of annual growth in the neighborhood of 4%. In 2001, the growth rate plunged to 0.5% before rebounding to a modest 2.2% in 2002. Real GDP grew at an annual rate of 3.1% during 2003. The Blue Chip Economic Indicators' ("BCEI") monthly survey of 100 leading economists projects real GDP growth for 2004 and 2005 at 4.6% and 3.8%, respectively.

The national unemployment rate averaged 6.0% in 2003, the highest average annual rate since 1994. The national unemployment rate averaged 5.6% during the first quarter of 2004.

In 2003, the consumer price index ("CPI"), a measure of the pace of inflation, increased 2.3%. Excluding food and energy, the core CPI increased only 1.5% in 2003, the smallest increase since 1965. Primarily because of the recent rise in energy prices, the BCEI forecasts the CPI to increase 1.9% in 2004. The CPI is expected to increase 2.0% in 2005.

Real Personal Consumption Expenditures ("PCE"), a measure of goods and services purchased by consumers, had several consecutive years of annual growth in excess of 4.5% through 2000. In 2002, real personal consumption expenditures increased 3.4%, rebounding from a 2.5% increase in 2001. PCE increased 3.1% in 2003. The BCEI projects the PCE to increase 3.8% in 2004, the greatest increase since 2000. The PCE is expected to increase by 3.2% in 2005.

Illinois and Regional Economy

While the national unemployment rate in 2003 was at its highest level in 9 years, both Illinois and the Chicago region posted an even higher rate of 6.7%. Matching the Chicago area's unemployment rate in 2002, this is the highest level of unemployment in the State of Illinois since 1993. During the first quarter of 2004, the national unemployment rate averaged 5.6%, while the Illinois and Chicago area unemployment rates averaged 6.2% and 6.8%, respectively. The Illinois economy has lost 261,000 jobs since January 2001.

The March 2004 Monthly Revenue Briefing issued by the State of Illinois Economic and Fiscal Commission noted that during the first three quarters of the State's fiscal year 2004, sales tax receipts of $4,742 million increased $222 million or 4.9% compared to the same period during the State's previous fiscal year. However, approximately $94 million of this increase has been coded as tax amnesty, resulting in a net increase of only $128 million or 2.8%.

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 should be 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 in fact might 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-owned financial institutions as provided in this policy.

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.

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 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

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. For 2001, 2002, and 2003, the employer's pension costs equal the required and actual contributions which were $0, $6,875,000, and $3,511,000, respectively. The required contributions were determined as part of the January 1, 2001, 2002, and 2003 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 11 participants eligible to receive benefits at December 31, 2003. 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 ("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, 2002. This represents the ninth consecutive year that the RTA has received this prestigious award. A reproduction of the Certificate of Achievement follows this letter of transmittal.

To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. We believe that our current CAFR, for the year ended December 31, 2003, continues to meet the Certificate of Achievement Program requirements. We will submit 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 beginning January 1, 2003. This marks the seventh 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.

J G Costello

Joseph G. Costello
Chief Financial Officer

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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

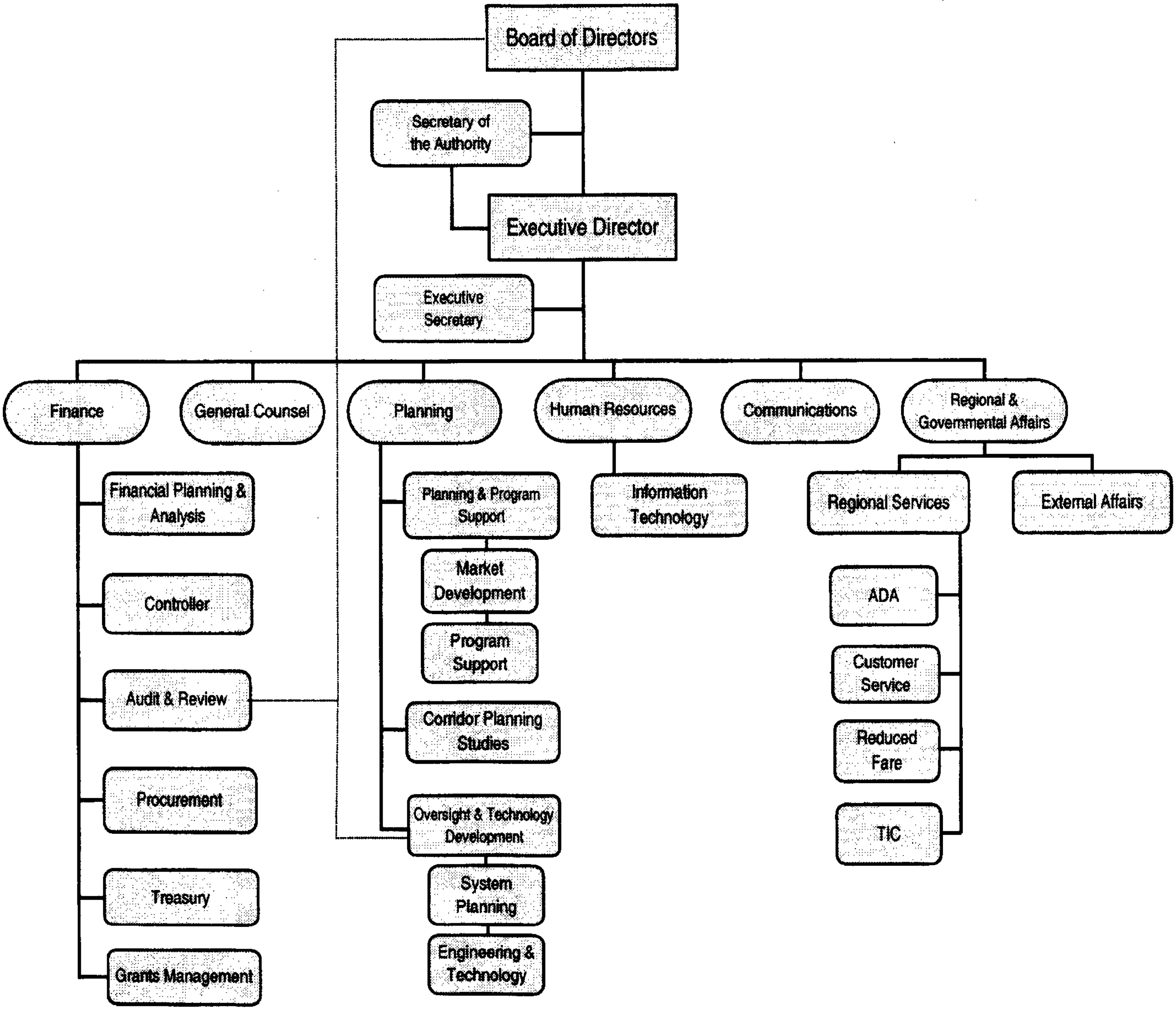
President

Executive Director

Regional Transportation Authority

Organizational Chart

December 31, 2003



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2003

Board of Directors

Chairman	Thomas J. McCracken, Jr.
Directors	Carole L. Brown
	Allan C. Carr
	Patrick J. Durante
	Armando Gomez, Sr.
	Dwight A. Magalis
	Mary M. McDonald
	Fred T. L. Norris
	Thomas H. Reece
	Michael Rosenberg
	Donald L. Totten
	Douglas M. Troiani
	Reverend Addie L. Wyatt

Administration

Executive Director	Paula S. Thibeault
Chief Financial Officer	Joseph G. Costello
Deputy Executive Director, Planning	John DeLaurentiis
Human Resources Director	Brenda Duncan
Legislative Director	George Edwards
General Counsel	Andrew Gruber
Communications Director	David Loveday
Secretary to the Authority	Audrey Maclennan

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INDEPENDENT AUDITORS' 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, 2003, 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, and each major fund of the Regional Transportation Authority as of December 31, 2003, and the respective changes in its 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.

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. This supplementary information is the responsibility of RTA's management. 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 an opinion on the RTA's respective financial statements that collectively comprise the RTA's basic financial statements. The combining and individual fund schedules, the introductory section, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of RTA's management. The fund level financial statements and the combining and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

June 8, 2004

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a narrative introduction, overview, and analysis of the basic financial statements for the year ended December 31, 2003, for the Regional Transportation Authority ("RTA"). We encourage readers to consider information in the financial statements that follow this document.

OVERALL ANALYSIS

For the year ended December 31, 2003, the RTA statement of activities for the governmental activities shows expenses increasing to $699 million from $673 million for the same period in 2002, an increase of $26 million. Financial assistance to CTA, Metra, and Pace ("Service Boards") also increased by $4 million because of increased expenditures from the general fund. This increase included budgeted increases as well as RTA discretionary funds used to cover a sales tax revenue budget shortfall during the year. Revenues grew by $15 million over 2002 primarily due to greater state assistance.

The government-wide statement of net assets shows assets at $773 million for the governmental activities, a net increase of $114 million. The capital projects fund contributed largely to this increase as its cash and investments balances increased by $133 million, reflecting the issuance of additional long-term bonds. The debt service fund cash and investments increased by $14 million due to additional transfers required from the general fund. The general fund cash and investments decreased by $47 million with a partially offsetting increase in receivables in the amount of $7 million, reflecting the timing of receipts and a sales taxes revenue budget shortfall.

In the government-wide statement of net assets, bond-related liabilities increased due to the issuance of $429 million of new bonds during the year to fund RTA system capital projects and refund previously issued bonds. Non-bond related current liabilities decreased by $1.5 million. However, the bond related current liabilities and long-term liabilities increased by $15 million and $423 million, respectively, which reflects the level of bonds outstanding.

At the end of 2003, the government-wide statement of net assets shows a deficit of $1.5 billion for the governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of $641 million, a $2.102 billion difference between the fund balance and the net deficit, respectively. 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 primarily 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 tax imposed by the RTA in the region represents 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 five parts:

1. Introductory Section—This section includes the letter of transmittal, GFOA Certificate of Achievement, organizational chart and list of principal officials.

2. Financial Section—This section is comprised of the independent auditors' report, the management's discussion and analysis (this section), the basic financial statements, and the notes to financial statements.

3. Required Supplementary Information—In this section, the RTA presents the Schedule of Revenues, Expenditures, and Changes to Fund Balance, Budget and Actual (Budgetary Basis)—General Fund. A discussion of the Budgetary Highlights follows the analysis of the RTA Fund Financial Statements.

4. Combining and Individual Fund Schedules—These schedules, referred to earlier in connection with the individual fund data for each of the RTA governmental funds, appear in this CAFR immediately following the required supplementary information.

5. Statistical Section (Unaudited)—This section is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the RTA.

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

Government-wide Financial Statements—The government-wide financial statements provide a broad overview of the RTA finances in a manner similar to 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 for the RTA 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 transportation 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 over time as the RTA continues with its bond financing 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 payment of debt service 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 and, accordingly, 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 detail.

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 on balances of spendable resources available at the end of the year.

  When comparing the information presented for governmental funds, with similar information presented for governmental activities in the government-wide financial statements, the latter 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" 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 debt service fund and capital projects fund are presented as "major" governmental funds.

  The RTA adopts an annual appropriated budget for its general fund. The Combining and Individual Fund Schedules include a budgetary comparison statement to demonstrate compliance with this budget.

- ***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 Two of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separately audited financial statements.

- ***Fiduciary Funds***—Fiduciary funds account for resources held for the benefit of parties outside the government. 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 separately audited financial statements.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Assets:

SUMMARY OF NET ASSETS
DECEMBER 31, 2003 AND 2002
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2003	2002	Variance	2003	2002	Variance	2003	2002	Variance
Assets:									
Cash and investments	$ 674,187	$ 572,844	$ 101,343	$ 39,868	$ 44,383	$ (4,515)	$ 714,055	$ 617,227	$ 96,828
Other assets	96,153	85,730	10,423	4,403	2,363	2,040	100,556	88,093	12,463
Capital assets—net	3,081	1,286	1,795				3,081	1,286	1,795
Total assets	773,421	659,860	113,561	44,271	46,746	(2,475)	817,692	706,606	111,086
Liabilities:									
Current non-bond-related liabilities	107,514	108,986	(1,472)		11	(11)	107,514	108,997	(1,483)
Current bond-related liabilities	76,578	61,500	15,078				76,578	61,500	15,078
Long-term non-bond-related liabilities	13,804	6,630	7,174				13,804	6,630	7,174
Long-term bond-related liabilities	2,036,600	1,613,166	423,434				2,036,600	1,613,166	423,434
Total liabilities	2,234,496	1,790,282	444,214		11	(11)	2,234,496	1,790,293	444,203
Net assets (deficit):									
Invested in capital assets	3,081	1,286	1,795				3,081	1,286	1,795
Restricted for:									
Service Boards capital projects	539,324	405,621	133,703				539,324	405,621	133,703
Debt service	22,845	20,888	1,957				22,845	20,888	1,957
Unrestricted (deficit)	(2,026,325)	(1,558,217)	(468,108)	44,271	46,735	(2,464)	(1,982,054)	(1,511,482)	(470,572)
Total net assets (deficit)	$ (1,461,075)	$ (1,130,422)	$(330,653)	$ 44,271	$ 46,735	$ (2,464)	$ (1,416,804)	$ (1,083,687)	$ (333,117)

As of December 31, 2003, cash and investments for governmental activities increased by $101 million. The capital projects fund and debt service fund have more cash and investments this year than the previous year. They increased by $134 million and $14 million, respectively. The increase in cash and investments for the capital projects fund reflects bond issuance during the year, offset by the increased spending in bond capital expenditures. The debt service fund increase in cash and investments was a result of increased transfers required from the general fund. Cash and investments for the general fund decreased by $47 million during the year. Other assets increased by $10 million of which $7 million was due to an increase in intergovernmental receivables. Total liabilities increased by $444 million to $2.234 billion in 2003. The increase is primarily due to the issuance of $429 million of general obligation bonds in 2003.

As noted earlier, the net deficit for the RTA of $1.461 billion represents restricted net assets of $22.8 million and $499 million for the debt service fund and the capital projects fund, respectively; and a net deficit of $2.026 billion for the general fund. This net deficit for the general fund, from a $71 million fund balance in the governmental funds' balance sheet to a deficit of $2.026 billion, represents a change of $2.1 billion.

The presentation of financial statements under the GASB Statement No. 34 requires the recognition of $2.1 billion in current and long-term general obligation bonds payable in the statement of net assets. Prior to the implementation of GASB Statement No. 34, these bonds were recorded in the general long-term debt account group and presented in RTA CAFRs, prior to the 2001 CAFR, 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 2004 as established in September 2003 during the 2004 budget process.

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

SUMMARY OF ACTIVITIES

DECEMBER 31, 2003 AND 2002
(In thousands)

	Governmental Activities			Business-type Activities			Total		
	2003	2002	Variance	2003	2002	Variance	2003	2002	Variance
Expenses:									
Financial assistance to Service Boards	$ 213,127	$ 209,106	$ 4,021	$ -	$ -	$ -	$ 213,127	$ 209,106	$ 4,021
Capital grants	354,083	351,041	3,042				354,083	351,041	3,042
Administrative expenses	6,154	6,510	(356)	3,082	4,852	(1,770)	9,236	11,362	(2,126)
Regional and technology program expenses	15,164	18,641	(3,477)				15,164	18,641	(3,477)
Rent expense (accrued)	512		512				512		512
Interest expense	109,981	88,038	21,943				109,981	88,038	21,943
Total expenses	699,021	673,336	25,685	3,082	4,852	(1,770)	702,103	678,188	23,915
Revenues and transfers:									
Sales taxes	98,248	97,153	1,095				98,248	97,153	1,095
PTF and state assistance	249,964	233,120	16,844				249,964	233,120	16,844
Program revenues	1,058	3,148	(2,090)		3	(3)	1,058	3,151	(2,093)
Investment income and other	19,098	22,387	(3,289)	618	1,055	(437)	19,716	23,442	(3,726)
Transfers in (out)									
Total revenues and transfers	368,368	355,808	12,560	618	1,058	(440)	368,986	356,866	12,120
Change in net assets	(330,653)	(317,528)	(13,125)	(2,464)	(3,794)	1,330	(333,117)	(321,322)	(11,795)
Net assets—beginning of year	(1,130,422)	(812,894)	(317,528)	46,735	50,529	(3,794)	(1,083,687)	(762,365)	(321,322)
Net assets—end of year	$ (1,461,075)	$ (1,130,422)	$ (330,653)	$ 44,271	$46,735	$(2,464)	$(1,416,804)	$(1,083,687)	$(333,117)

Financial assistance increased from $209 million in 2002 to $213 million in 2003 reflecting support of expanded operations by the Service Boards. The increase of $4 million, 2% over last year, includes a payment from the general fund to cover a sales tax revenue budget shortfall. The RTA funding policy requires Service Boards funding up to the approved budget during the year.

Capital grants to the Service Boards increased by $3 million, from $351 million to $354 million, an increase of 1% over 2002 levels as increased funding becomes available from the proceeds of bonds issued by the RTA. Effective January 1, 2000, as part of the State Illinois FIRST legislation, RTA's authority to issue bonds for capital projects increased by $1.6 billion. Through the end of 2003, the RTA issued $1.13 billion in bonds under this expanded authority. The large amount of bond interest expense has increased by $22 million from $88 million, which reflects the level of bonds outstanding.

Total revenues grew by $11 million over 2002. State assistance increased by $17 million, program revenues decreased by $2 million and investment income and other decreased by $4 million, a net increase of $11 million during the year. The increase in state assistance results from more ASA/AFA revenues recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As RTA issues additional SCIP bonds, RTA qualifies for more assistance from the State for its debt service. There are more grant reimbursements as a result of increased grant expenditures compared to last year. Investment income was lower than in previous year due to a lower interest rate environment in 2003. Additionally, the size of RTA's investment portfolio declined from the prior year.

Insurance premium represents the single major expense while investment income represents the only revenue for the Business-type activities (insurance financing).

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted previously, 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 on balances of spendable resources available at the end of the year. See the Statement of Activities and the Balance Sheet Governmental Funds on pages 12 and 13 respectively, for further detail.

General Fund—Assets in the general fund primarily represent amounts for Service Board operations and capital projects. Assets decreased by $41 million from $202 to $161 million in 2002 and 2003, respectively, mainly because of a sales taxes revenue budget shortfall. Intergovernmental receivables accounted for a $7 million increase in state assistance (ASA/AFA) receivable, which reflects timing of receipts.

At December 31, 2003, the majority of RTA current liabilities of $90 million are comprised of intergovernmental payables, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and advances from the State, which totaled $59 million. Other liabilities increased by $11 million.

The total fund balance of the general fund equals $71 million at December 31, 2003. This is lower by $49 million compared to the same period last year. This was primarily due to the general fund's increased expenditures for debt service and a sales taxes revenue budget shortfall. The amount of $40 million represents funds reserved for Service Boards capital projects.

Reserved for other includes $19.9 million in interest rate swap expenses, $5.5 million in RTA capital and $1.1 million 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:

- Active transit station signs (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).

The remaining unreserved and undesignated fund balances total $4.9 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, 2003, the RTA has nineteen series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2003 debt service fund balance of $70 million increased by $13 million from 2002 year-end. This increase reflects the additional debt service requirements for the newly issued SCIP bonds of $260 million and Non-SCIP bonds of $150 million in 2003. The RTA also issued refunding bonds for $19 million during 2003.

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. The total capital projects fund balance of $499 million increased from 2002, reflecting the proceeds of the new bonds, offset by the increased activity in bond capital expenditures during 2003.

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 surpassed budget goals by approximately $300 thousand. Traditional revenue sources (sales taxes and Public Transportation Fund) were down by $6 million. A less robust economic environment resulted in lower than budgeted sales tax receipts, hence, lower 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 Additional State Assistance and Additional Financial Assistance, included in the State assistance line item in the financial statements, contributed $9 million more than budget levels. Grants and reimbursements were down $3 million, while investment income was up approximately $200 thousand, which was due mainly to interest rate swap transactions in 2003.

Financial assistance exceeded budget by $15 million because the general fund made up for the Service Boards budget funding levels resulting from a sales taxes revenue budget shortfall. Non-administration and technology program expenditures did not reach budgeted levels by $6.0 million, primarily due to delay in some program initiatives. The RTA transferred $3 million less than budget for debt service because of interest income earned on debt service deposits.

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 that portion of the funding for these assets. The details of the RTA bond program are further discussed in Note 9 of this report.

Service Boards Capital Assets—The RTA System provides 552.5 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 $26 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 detail 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 the Federal as well as the 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 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 authority to issue up to $500 million in SCIP bonds and had authority 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 RTA bonds. As of year-end 2003, the RTA has issued $1.280 billion in SCIP bonds, with total SCIP bonds outstanding of $1.21 billion. The remaining $771.9 million bonds outstanding relate to Non-SCIP bonds.

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch, Inc., and "Aaa" from Moody's Investors Service, Inc. Such ratings are based, in part, on the RTA having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA," and "Aa2," respectively, without such insurance. These ratings reflect a positive outlook by the rating agencies based on their assessment of the essential nature of the RTA System, its financial position and performance, and public funding support.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the Regional Transportation Authority. Users of this CAFR should address questions concerning the information in this CAFR, or requests for additional financial information, to the Regional Transportation Authority, c/o Chief Financial Officer, 175 West Jackson Blvd., Suite 1550, Chicago, Illinois 60604.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
DECEMBER 31, 2003
(In thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 3):			
Externally restricted—investments	$ 70,481	$ -	$ 70,481
Restricted—cash and cash equivalents		20,948	20,948
Restricted—investments	593,764	18,920	612,684
Unrestricted—investments	9,942		9,942
Intergovernmental receivables (Note 4)	85,180		85,180
Current portion of unamortized bond issue costs	342		342
Accrued interest on investments	1,199	69	1,268
Internal balances (Note 5)	170	(159)	11
Prepaid expenses	1,155	4,493	5,648
Unamortized bond issue costs	8,107		8,107
Capital assets—net of accumulated depreciation (Note 8)	3,081	-	3,081
Total assets	773,421	44,271	817,692
LIABILITIES:			
Vouchers payable	12		12
Current portion of:			
General obligation bonds payable (Note 9)	40,430		40,430
Deferred revenue	13,243		13,243
Unamortized bond premium	3,900		3,900
Due to Pension Trust Fund (Note 5)	523		523
Intergovernmental payables (Note 4)	88,663		88,663
Accrued other expenses	3,561		3,561
Deferred rent	512		512
Accrued interest payable	32,248		32,248
Claims liability (Note 12)	1,000		1,000
Deferred revenue	1,950		1,950
Other liabilities	11,854		11,854
Unamortized bond premium	94,685		94,685
General obligation bonds payable (Note 9)	1,941,915		1,941,915
Total liabilities	2,234,496	-	2,234,496
NET ASSETS (DEFICIT):			
Invested in capital assets (Note 8)	3,081		3,081
Restricted for:			
Service Boards capital projects	539,324		539,324
Debt service	22,845		22,845
Accumulated unrestricted (deficit)	(2,026,325)	44,271	(1,982,054)
TOTAL NET ASSETS (DEFICIT)	$ (1,461,075)	$ 44,271	$ (1,416,804)

See notes to financial statements

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003
(In thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets: Governmental Activities	Net Expense/Revenue and Changes in Net Assets: Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$ 213,127	$ -	$ 213,127	$ -	$ 213,127
Capital grants—discretionary	34,830		34,830		34,830
Capital grants—bonds	319,253		319,253		319,253
Administrative expenses	6,666		6,666		6,666
Regional expenses	13,378	1,058	12,320		12,320
Technology program expenses	1,786		1,786		1,786
Interest expense	109,981		109,981		109,981
Total governmental activities	699,021	1,058	697,963		697,963
Business-type activities—insurance financing	3,082			3,082	3,082
TOTAL PRIMARY GOVERNMENT	$ 702,103	$ 1,058	697,963	3,082	701,045
REVENUES:					
General:					
Sales taxes			98,248		98,248
Interest on sales taxes			41		41
Public Transportation Fund			164,738		164,738
State assistance			85,226		85,226
Investment income			16,548	618	17,166
Other revenues			2,509		2,509
Total revenues			367,310	618	367,928
CHANGES IN NET ASSETS (DEFICIT)			(330,653)	(2,464)	(333,117)
NET ASSETS (DEFICIT):					
Beginning of year			(1,130,422)	46,735	(1,083,687)
End of year			$(1,461,075)	$44,271	$(1,416,804)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003
(In thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and investments (Note 3):				
Externally—restricted investments	$ -	$ 70,481	$ -	$ 70,481
Restricted—investments	64,304		529,460	593,764
Unrestricted—investments	9,942			9,942
Due from other funds (Note 5)	183	41		224
Intergovernmental receivables (Note 4)	85,180			85,180
Accrued interest on investments	524	675		1,199
Prepaid items	1,155			1,155
TOTAL ASSETS	$ 161,288	$ 71,197	$ 529,460	$ 761,945
LIABILITIES:				
Vouchers payable	$ 12	$ -	$ -	$ 12
Due to other funds (Note 5)	523	13	41	577
Intergovernmental payables (Note 4)	58,618		30,045	88,663
Deferred revenue	15,193			15,193
Accrued other items	2,281	1,280		3,561
Deferred rent payable	512			512
Other liabilities	11,854			11,854
Claims liability (Note 12)	1,000			1,000
Total liabilities	89,993	1,293	30,086	121,372
FUND BALANCES:				
Reserved for:				
Service Boards capital projects	39,950		499,374	539,324
Prepaid items	1,051			1,051
Debt service		69,904		69,904
RTA capital projects	5,488			5,488
Interest rate swap expenses	19,917			19,917
Unreserved, undesignated	4,889			4,889
Total fund balances	71,295	69,904	499,374	640,573
TOTAL LIABILITIES AND FUND BALANCES	$ 161,288	$ 71,197	$ 529,460	$ 761,945

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2003 (In thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	$ 640,573
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.	3,081
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.	8,449
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.	(1,982,345)
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.	(98,585)
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.	(32,248)
TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	$ (1,461,075)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003
(In thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 98,248	$ -	$ -	$ 98,248
Interest on sales taxes	41			41
Public Transportation Fund	164,738			164,738
State assistance	85,226			85,226
Investment income	7,194	9,256	98	16,548
Other revenues	3,469			3,469
Total revenues	358,916	9,256	98	368,270
EXPENDITURES:				
Financial assistance to Service Boards	213,127			213,127
Capital grants—discretionary	34,830			34,830
Capital grants—bonds			319,253	319,253
Administrative	6,480			6,480
Regional	16,833			16,833
Capital outlay	214			214
Debt service:				
Principal		37,940		37,940
Interest		102,668		102,668
Debt issuance costs		4,240		4,240
Total expenditures	271,484	144,848	319,253	735,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	87,432	(135,592)	(319,155)	(367,315)
OTHER FINANCING SOURCES (BONDS ISSUED):				
Bond Proceeds			457,167	457,167
Refunding Bond Proceeds		12,313		12,313
Transfers Out (Note 6):				
Debt Service Fund	(136,091)		85	(136,006)
Transfers In (Note 6):				
General Fund		136,091		136,091
Capital Projects Fund		(85)		(85)
Total other financing (uses) sources	(136,091)	148,319	457,252	469,480
NET CHANGE IN FUND BALANCES	(48,659)	12,727	138,097	102,165
FUND BALANCES:				
Beginning of year	119,954	57,177	361,277	538,408
End of year	$ 71,295	$ 69,904	$ 499,374	$ 640,573

See notes to financial statements.

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, 2003
(In thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS	$ 102,165
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 ($2,098) exceeded depreciation expense ($303) in the current period.	1,795
The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net assets.	(469,480)
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.	37,940
Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(10,487)
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.	3,900
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.	3,514
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (330,653)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
DECEMBER 31, 2003
(In thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$ 20,948
Investments (Note 3)	18,920
Accrued interest on investments	69
Prepaid insurance	4,493
Total current assets	44,430
LIABILITIES:	
Current:	
Due to General Fund (Note 5)	159
Total current liabilities	159
NET ASSETS—Unrestricted	$ 44,271

See notes to financial statements.

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, 2003
(In thousands)

OPERATING EXPENSES:	
Insurance expense	$ 3,023
Bank charges	1
Professional fees	58
Total operating expenses	3,082
OPERATING LOSS	(3,082)
NON-OPERATING REVENUES—Investment income	618
CHANGE IN NET ASSETS	(2,464)
NET ASSETS:	
Beginning of year	46,735
End of year	$ 44,271

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2003
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Service Boards	$ 3
Payments to insurance vendor	(5,221)
Payments to other vendors	(1)
Net cash flows from operating activities	(5,219)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	5,533
Investment income	704
Net cash flows from investing activities	6,237
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,018
CASH AND CASH EQUIVALENTS:	
Beginning of year	19,930
End of year	$ 20,948
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (3,082)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in:	
Prepaid insurance	(2,187)
Interagency receivable	3
Due to General Fund	58
Accrued expenses	(11)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (5,219)

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:
The change in market value of JSIF investments in 2003 was zero.

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003
(In thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents (Note 3)	$ 1,248	$ -
Investments—equity securities and mutual fund (Note 3)	79,824	
Intergovernmental receivables:		
Sales tax		149,613
Interest on sales tax		38
Reduced fare reimbursement		19,685
Advances to Service Boards (Note 7)		47,844
Pension contribution from Service Boards	4,909	
Due from General Fund (Note 5)	523	
Accrued dividends	19	
Total assets	86,523	217,180
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards		149,613
Interest on sales taxes due to Service Boards		38
Reduced fare reimbursement		19,685
Advances from State (Note 7)		47,844
Accrued other items	134	
Due to General Fund	11	
Total liabilities	145	217,180
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 86,378	$ -

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2003
(In thousands)

	Pension Trust Fund
ADDITIONS:	
Investment loss:	
Net appreciation in fair value of investments	$ 10,745
Interest and dividends	2,129
	12,874
Less investment expenses:	
Investment managers	252
Plan administration	109
Trust fees	44
Investment advisor	72
Total investment expenses	477
Net investment gain	12,397
Contributions:	
RTA pension contributions	331
Metra pension contributions	1,992
Pace pension contributions	1,188
Total contributions	3,511
Total net additions (deductions)	15,908
DEDUCTIONS:	
Benefit payments	3,292
Administrative expenses	380
Total deductions	3,672
NET INCREASE IN PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	12,236
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	74,142
End of year	$ 86,378

See notes to financial statements.

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 fixed 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 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 2004 for a total of $1.3 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 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.

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 capitalization policy follows the Government Finance Officers Association's ("GFOA") recommended practices for setting capitalization thresholds of no less than $5,000 for any individual capital item. 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.

Description	**Useful Life**
Furniture and 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. RTA discretionary capital grants to Service Boards are also restricted by the RTA Board under the Five-Year Capital Program. Bond proceeds and RTA contributions set aside for the Joint Self-Insurance Fund are also restricted by the Loss Financing Plan Articles of Agreement. Additionally, all funds received from SWAP settlements (excluding option fees) are accumulated in a collateral reserve until the reserve equals not less than two percent of the notional amount of all SWAPs on the date of receipt.

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

Accrued Other Items—Accrued other items represent short-term payables at year-end. Compensated absences which are reported within this category represent the liability for employees' vested vacation at year-end. 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. The entire liability for compensated absences is recorded in the General Fund, since, with the exception of an immaterial amount, it will be liquidated with expendable available financial resources.

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

Reserved for Service Boards Capital 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 Employee Retirement represents the excess of the Pension Trust Fund's assets over its liabilities, held in trust to be used for the payment of employee retirement benefits incurred under the Plan.

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

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

The 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.

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 2004 fiscal year which will end June 30, 2004.

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 2003, which ends June 30, 2003, 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, 2003 and June 30, 2004, the grants were in the amount of $40 and $39 million, respectively. 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 $40 million of ASA in 2003.

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) $54 million and $43 million in the State's fiscal year 2003 and 2004, respectively. The RTA recognized $45 million of AFA in 2003.

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 $18 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 $12,033,096 for the year ended December 31, 2003.

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 $21 million at December 31, 2003 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net assets. The remaining $19 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 20, 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.

3. CASH AND 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. They comprise the following:

	Deposits	Cash Equivalents	Investments	Total
Externally restricted	$ -	$ -	$ 70,481,426	$ 70,481,426
Restricted	2,526,548	20,491,793	610,613,738	633,632,079
Unrestricted	4,783,588		5,158,329	9,941,917
Total	$7,310,136	$20,491,793	$686,253,493	$714,055,422

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 has an investment policy which was revised on March 4, 1999. This policy is in accordance with the Illinois statutes and allows the RTA to invest in (1) certain obligations of the U.S. Government and its agencies; (2) interest-bearing certificates of deposit, interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (3) 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 2 standard rating services; (4) certain money market mutual funds; (5) Illinois Funds; (6) repurchase agreements; and (7) bankers' acceptances.

Deposits—At year-end, the carrying amount of the RTA's deposits was $7,310,136 and the bank balances were $19,362,988. The bank balances were covered by Federal Depository Insurance or collateral held by the RTA's agent in the RTA's name.

Investments—The RTA's investments are categorized to give an indication of the level of risk assumed by the RTA. Categorized investments that are insured or registered are held by the RTA's agent in the RTA's name. At December 31, 2003, the RTA held the following investments, including cash and cash equivalents:

Type of Investment	Fair Value
Investments subject to categorization:	
U.S. Treasury securities	$ 2,979,035
Repurchase agreements	529,388,437
Commercial paper	38,406,296
U.S. Agency Securities	19,893,648
Investments not subject to categorization:	
Money market	99,720,678
Illinois fund investment pool	11,896,393
Interest rate swap unrealized loss	(7,393,241)
Total investments (including cash equivalents)	$694,891,246

The RTA's investments in repurchase agreements recorded in the Capital Projects Fund total $529,459,994. These repurchase agreements were collateralized with U.S. Treasury Notes and other securities backed by the full faith and credit of the United States government. The RTA's repurchase agreements require collateral of 102% of the investment value.

The RTA's investments in money market funds are primarily for sales tax proceeds temporarily held at year-end, debt service funds and the Joint Self-Insurance Fund. 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 Bills and U.S. Treasury Notes and are collateralized with the same. These funds are not categorized as to credit risk because they are not evidenced by a transferable financial instrument or security.

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.

The table below presents a summarization of the fair values of the Plan's investments as of December 31, 2003. All categorized investments are insured or registered and are held by the Plan's master custodian (LaSalle National Bank) in the Plan's name. Investments in money market and mutual funds are not categorized because the relationship between the Plan and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

	Fair Value 2003
Categorized:	
Equity securities	$27,078,724
Noncategorized:	
Fixed income mutual funds	30,494,399
Equity mutual funds	22,251,711
Total investments	79,824,834
Noncategorized:	
Money market	1,247,566
Total	$81,072,400

Ownership of Greater than 5% of Plan Net Assets Held in Trust for Pension Benefits—The Plan's investments which exceeded 5% of net assets available for benefits as of December 31, 2003:

Description of Investment	2003
LaSalle Bank:	
Dodge & Cox Income Fund	$19,673,407
Samco Fixed Income Portfolio Class A	10,820,992
State Street Russell 1000 Growth SL Fund	10,501,953
Wellington Trust Interntional Equity Fund	11,749,759
Ariel Capital	8,850,278
Institutional Capital Fund	19,122,837

Interest Rate Swaps—The RTA, under board ordinances adopted in 2001, 2002, and 2003, entered into interest rate swap agreements to modify the interest rate characteristics of its outstanding bonds from fixed rate to variable rate. 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 receivable from the counterparty is included in other receivables.

One such swap agreement was entered into on November 22, 2001. The interest rate swap has a notional amount of $110,190,000 (as of December 31, 2003) and matures on June 1, 2020. This agreement has 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 Bond Market Association ("BMA") Municipal Swap Index averaged over six months. As a result, for the year ended December 31, 2003, interest income of $3,616,847 for this swap transaction was recognized.

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, upfront 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 one floating-to-fixed swap. This transaction was entered in 2002. The purpose was to lock-in historically low interest rates for the current refunding of the 1996 bonds planned for 2005.

During 2003, the RTA entered or extended multiple fixed-to-floating options that provided upfront cash payments of $12,736,000, in addition to $12,364,400 received and deferred in 2002. As of December 31, 2003, the notional value of the three outstanding fixed-to-floating options was $284,238,000. Only $9,907,323 of revenues were recorded during the year, and the remaining amount of $15,193,077 will be amortized up to the exercise date of the options.

Additionally in 2003, the RTA entered two basis rate swap transactions in which the RTA assumed a different variable interest rate index than counterparties. The transactions were entered as 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 fixed-to-floating swaps. The notional amount and maturity of the basis rate swaps mirror the notional amount and maturity of RTA's existing fixed-to-floating swaps and options. On December 31, 2003 the notional amount was $394,428,000. In 2003, the cash flow impact was $(92,412). These swaps do not change the notional amount of variable rate exposure.

The 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 to pay amounts due (i.e., if ever interest rates spike high enough to cause the RTA to owe a payment). In this manner, the RTA would avoid the use of operating funds for such payments.
- 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.

The interest rate swap has an estimated valuation of $(7,393,241) as of December 31, 2003. The detail information regarding the interest rate swap valuations are as follows:

Total market value at December 31, 2003	$ (22,323,254)
Add total unrealized revenue	15,193,077
Less total accrued interest	(263,064)
Net valuation for all outstanding interest rate swap agreements	$ (7,393,241)

4. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

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

Receivable	**Amount**
General Fund:	
Sales taxes	$26,402,255
Interest on sales taxes	6,745
Public Transportation Fund	27,683,814
State assistance (ASA & AFA)	29,170,179
Illinois Department of Transportation (IDOT) grants and others	1,917,553
Total intergovernmental receivables	$85,180,546
Payable	
General Fund:	
Financial assistance	$48,459,442
Capital grants	1,715,264
Advances from State	8,442,962
Total General Fund	58,617,668
Capital Projects Fund:	
Capital grants	30,045,400
Total intergovernmental payables	$88,663,068

5. 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, 2003, the amounts due to/from other funds presented in the Governmental Fund's Balance Sheet, Joint Self-Insurance Fund's Statement of Net Assets, and the Pension Trust Fund's statement of Fiduciary Net Assets are as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	$ 40,582
General	Debt Service	13,440
General	Joint Self-Insurance	159,156
Pension Trust	General	522,530
General	Pension Trust	10,465
Total		$ 746,173

6. 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 are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	$ 136,090,702
Debit Service	Capital Projects	84,740
Total		$ 136,175,442

7. 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	$ 22,176,847
Metra	19,542,643
Pace	6,123,962
Total Service Board Advances	$ 47,843,452

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

8. CAPITAL ASSETS

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

	Balance at January 1, 2003	Additions	Retirements	Balance at December 31, 2003
Office furniture and equipment	$ 171,318	$ 48,978	$	$ 220,296
Computer equipment	2,285,063	68,946	(15,171)	2,338,838
Leasehold improvements	847,670	96,529		944,199
Subtotal	3,304,051	214,453	(15,171)	3,503,333
Less accumulated depreciation:				
Office furniture and equipment	60,358	40,334		100,692
Computer equipment	1,900,925	200,156	(15,171)	2,085,910
Leasehold improvements	56,511	62,947		119,458
Subtotal	2,017,794	303,437	(15,171)	2,306,060
Construction—in progress Technology Program		1,884,387		1,884,387
Capital assets—net of accumulated depreciation	$1,286,257			$3,081,660

All capital assets are associated with governmental activities.

Total 2003 depreciation expense of $303,437 was allocated between two functions; $116,899 to regional expenditures and $186,538 to administrative expenditures.

9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2003	New Issues	Current Retirements	December 31, 2003
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000			55,745,000
* 1992A and 1992B	66,750,000		4,550,000	62,200,000
* 1993A and 1993B	2,480,000		2,480,000	
1993C Refunding	21,765,000		21,765,000	
* 1994A and 1994B	39,595,000		5,230,000	34,365,000
* 1994C and 1994D	79,835,000		3,000,000	76,835,000
1996 Refunding	148,055,000		625,000	147,430,000
1997 Refunding	90,570,000		2,545,000	88,025,000
1999 Refunding	292,570,000		615,000	291,955,000
* 2000A	256,370,000		3,825,000	252,545,000
* 2001A	98,600,000		1,465,000	97,135,000
2001B Refunding	37,250,000		30,000	37,220,000
* 2002A	160,000,000		2,240,000	157,760,000
2002B	200,000,000		8,720,000	191,280,000
* 2003A		260,000,000		260,000,000
2003B		150,000,000		150,000,000
2003C Refunding		19,055,000		19,055,000
Total	$ 1,610,380,000	$ 429,055,000	$ 57,090,000	$ 1,982,345,000

* Strategic Capital Improvement Program (SCIP) Bonds

On December 31, 2003, the total general obligation bonds payable of $1,982,345,000 is classified as current and long-term in the Statement of Net Assets in the amounts of $40,430,000 and $1,941,915,000, 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. On December 31, 2003, $20,350,000 of outstanding general obligation bonds (1990A Series) was considered defeased and therefore has 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. On December 31, 2003, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) were 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. On December 31, 2003, $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) were 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. On December 31, 2003, $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) were 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. On December 31, 2003, $37,750,000 of outstanding general obligation bonds (1993A) was considered defeased and therefore has 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. On December 31, 2003, $19,150,000 of outstanding general obligation bonds (1993C) was considered defeased and therefore 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 maturity" columns represent principal payments due bondholders from the trustee. Within the following tables, the Principal Maturity column sometimes differs from the Principal—Debt Service Requirements column because the latter are remitted and accumulated by the trustee from the RTA before principal payments are made to the bondholders. Further differences, if any, between debt service amounts presented in the following tables and the amounts presented in the financial statements represent timing differences. Also, investment income earned in the capital projects and debt service accounts may lower actual cash transfers from the General Fund.

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 a source from which to pay the 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	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ -	$ 4,377,240	$ 4,377,240	$ -
2005		4,377,240	4,377,240	
2006		4,377,240	4,377,240	
2007		4,377,240	4,377,240	
2008		4,377,240	4,377,240	
2009-2013	16,970,000	20,159,640	37,129,640	16,970,000
2014-2018	29,060,000	11,882,160	40,942,160	29,060,000
2019-2020	14,765,000	1,613,160	16,378,160	14,765,000
Total	$60,795,000	$55,541,160	$116,336,160	$ 60,795,000

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 a source from which to pay the 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 Series 1991A Bonds to maturity are set forth below:

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ -	$ 3,734,914	$ 3,734,914	$ -
2005		3,734,916	3,734,916	
2006		3,734,914	3,734,914	
2007		3,734,914	3,734,914	
2008		3,734,915	3,734,915	
2009-2013	8,455,000	18,400,544	26,855,544	
2014-2018	26,635,000	12,504,210	39,139,210	
2019-2021	20,655,000	2,827,400	23,482,400	55,745,000
Total	$55,745,000	$52,406,727	$108,151,727	$55,745,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 5,080,000	$ 4,608,334	$ 9,688,334	$ 4,835,000
2005	5,531,818	4,208,481	9,740,299	5,220,000
2006	6,053,636	3,712,221	9,765,857	5,710,000
2007	6,625,455	3,169,161	9,794,616	6,250,000
2008	7,247,273	2,554,801	9,802,074	6,840,000
2009-2013	28,584,999	3,492,200	32,077,199	33,345,000
Total	$59,123,181	$21,745,198	$ 80,868,379	$ 62,200,000

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 5,645,000	$ 2,428,250	$ 8,073,250	$ 5,645,000
2005	4,325,000	2,077,025	6,402,025	4,325,000
2006		1,951,599	1,951,599	
2007		1,951,600	1,951,600	
2008		1,951,600	1,951,600	
2009-2024	24,395,000	15,650,600	40,045,600	24,395,000
Total	$34,365,000	$26,010,674	$ 60,375,674	$ 34,365,000

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, such as 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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 3,240,000	$ 5,829,162	$ 9,069,162	$ 3,240,000
2005	3,505,000	5,567,794	9,072,794	3,505,000
2006	3,790,000	5,285,112	9,075,112	3,790,000
2007	4,095,000	4,979,569	9,074,569	4,095,000
2008	4,420,000	4,649,612	9,069,612	4,420,000
2009-2013	8,805,000	20,791,119	29,596,119	8,805,000
2014-2018	35,420,000	13,311,401	48,731,401	2,210,000
2019-2025	13,560,000	798,250	14,358,250	46,770,000
Total	$76,835,000	$61,212,019	$138,047,019	$76,835,000

1996 General Obligation Refunding Bonds—In January 1996, the RTA issued $151 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2009, 2012, 2015 and 2024, in the aggregate amount of $60 million and Series 1994D Bonds, maturing June 1 in the years 2009-2014 and 2025, in the aggregate amount of $76 million.

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 660,000	$ 8,048,019	$ 8,708,019	$ 660,000
2005	2,470,000	7,967,813	10,437,813	2,470,000
2006	2,590,000	7,838,150	10,428,150	2,590,000
2007	2,725,000	7,701,953	10,426,953	2,725,000
2008	2,865,000	7,558,709	10,423,709	2,865,000
2009-2013	34,945,000	33,041,141	67,986,141	34,945,000
2014-2018	17,300,000	25,271,910	42,571,910	17,300,000
2019-2023	58,340,000	16,496,480	74,836,480	
2024-2025	25,535,000	1,283,940	26,818,940	83,875,000
Total	$147,430,000	$115,208,115	$262,638,115	$147,430,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 3,980,000	$ 4,894,600	$ 8,874,600	$ 3,980,000
2005	4,190,000	4,690,350	8,880,350	4,190,000
2006	4,400,000	4,475,600	8,875,600	4,400,000
2007	4,625,000	4,249,975	8,874,975	4,625,000
2008	4,875,000	4,000,288	8,875,288	4,875,000
2009-2013	21,535,000	15,963,014	37,498,014	21,535,000
2014-2018	19,975,000	10,473,150	30,448,150	19,975,000
2019-2025	24,445,000	3,559,650	28,004,650	24,445,000
Total	$88,025,000	$52,306,627	$140,331,627	$88,025,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 645,000	$ 16,637,887	$ 17,282,887	$ 645,000
2005	670,000	16,605,012	17,275,012	670,000
2006	5,135,000	16,459,887	21,594,887	5,135,000
2007	5,395,000	16,196,637	21,591,637	5,395,000
2008	5,665,000	15,920,137	21,585,137	5,665,000
2009-2013	51,275,000	73,022,645	124,297,645	51,275,000
2014-2018	77,325,000	53,475,820	130,800,820	77,325,000
2019-2023	123,665,000	24,175,543	147,840,543	123,665,000
2024-2025	22,180,000	918,600	23,098,600	22,180,000
Total	$291,955,000	$233,412,168	$525,367,168	$291,955,000

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.

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

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

Year	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2004	$ 4,030,000	$ 15,871,950	$ 19,901,950	$ 4,030,000
2005	4,245,000	15,640,225	19,885,225	4,245,000
2006	4,480,000	15,396,138	19,876,138	4,480,000
2007	4,730,000	15,138,538	19,868,538	4,730,000
2008	4,995,000	14,866,563	19,861,563	4,995,000
2009-2013	29,605,000	69,623,501	99,228,501	29,605,000
2014-2018	39,505,000	59,341,439	98,846,439	39,505,000
2019-2023	53,240,000	45,391,439	98,631,439	53,240,000
2024-2028	72,120,000	26,201,825	98,321,825	40,615,000
2029-2030	35,595,000	3,505,775	39,100,775	67,100,000
Total	$252,545,000	$280,977,393	$533,522,393	$252,545,000

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% on 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	Debt Service Requirements			Principal Maturity
	Principal	Interest	Total	
2004	$ 1,535,000	$ 5,684,988	$ 7,219,988	$ 1,535,000
2005	1,610,000	5,608,238	7,218,238	1,610,000
2006	1,695,000	5,527,738	7,222,738	1,695,000
2007	1,785,000	5,442,988	7,227,988	1,785,000
2008	1,880,000	5,344,813	7,224,813	1,880,000
2009-2013	11,050,000	25,039,302	36,089,302	11,050,000
2014-2018	14,520,000	21,295,563	35,815,563	14,520,000
2019-2023	19,115,000	16,639,575	35,754,575	10,835,000
2024-2028	25,165,000	10,329,300	35,494,300	27,845,000
2029-2031	18,780,000	2,294,700	21,074,700	24,380,000
Total	$97,135,000	$103,207,205	$200,342,205	$97,135,000

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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 1,340,000	$ 1,968,725	$ 3,308,725	$ 1,340,000
2005	1,410,000	1,899,975	3,309,975	1,410,000
2006	1,485,000	1,827,600	3,312,600	1,485,000
2007	1,555,000	1,755,488	3,310,488	1,555,000
2008	1,630,000	1,679,750	3,309,750	1,630,000
2009-2013		8,195,000	8,195,000	
2014-2018	12,855,000	6,505,814	19,360,814	12,855,000
2019-2023	16,945,000	2,433,064	19,378,064	16,945,000
Total	$37,220,000	$26,265,416	$63,485,416	$37,220,000

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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 2,325,000	$ 9,198,938	$ 11,523,938	$ 2,325,000
2005	2,430,000	9,082,688	11,512,688	2,430,000
2006	2,555,000	8,961,188	11,516,188	2,555,000
2007	2,690,000	8,833,438	11,523,438	2,690,000
2008	2,835,000	8,698,938	11,533,938	2,835,000
2009-2013	16,635,000	41,150,827	57,785,827	16,635,000
2014-2018	21,830,000	35,902,425	57,732,425	21,830,000
2019-2023	28,860,000	28,669,500	57,529,500	28,860,000
2024-2028	38,240,000	18,948,600	57,188,600	38,240,000
2029-2032	39,360,000	6,069,900	45,429,900	39,360,000
Total	$157,760,000	$175,516,442	$333,276,442	$157,760,000

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 semiannually 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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 8,900,000	$ 9,929,588	$ 18,829,588	$ 8,900,000
2005	9,125,000	9,501,213	18,626,213	9,125,000
2006	9,400,000	9,038,088	18,438,088	9,400,000
2007	9,710,000	8,560,338	18,270,338	9,710,000
2008	10,060,000	8,053,513	18,113,513	10,060,000
2009-2013	56,795,000	31,514,763	88,309,763	56,795,000
2014-2018	70,935,000	14,285,272	85,220,272	70,935,000
2019	16,355,000	439,541	16,794,541	16,355,000
Total	$191,280,000	$91,322,316	$282,602,316	$191,280,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 550,000	$ 18,186,469	$ 18,736,469	$ 550,000
2005	4,010,000	14,538,175	18,548,175	4,010,000
2006	4,130,000	14,377,775	18,507,775	4,130,000
2007	4,335,000	14,212,575	18,547,575	4,335,000
2008	4,555,000	13,995,825	18,550,825	4,555,000
2009-2013	26,655,000	66,314,625	92,969,625	26,655,000
2014-2018	34,790,000	58,554,050	93,344,050	34,790,000
2019-2023	45,470,000	47,875,525	93,345,525	45,470,000
2024-2028	59,130,000	33,753,000	92,883,000	21,855,000
2029-2033	76,375,000	14,215,500	90,590,500	113,650,000
Total	$260,000,000	$296,023,519	$556,023,519	$260,000,000

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:

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ -	$ 8,110,825	$ 8,110,825	$ -
2005	2,355,000	8,063,725	10,418,725	2,355,000
2006	2,435,000	7,967,925	10,402,925	2,435,000
2007	2,545,000	7,868,325	10,413,325	2,545,000
2008	2,675,000	7,763,925	10,438,925	2,675,000
2009-2013	15,570,000	36,905,163	52,475,163	15,570,000
2014-2018	20,105,000	32,213,614	52,318,614	20,105,000
2019-2023	26,140,000	25,889,577	52,029,577	26,140,000
2024-2028	33,985,000	17,658,901	51,643,901	26,455,000
2029-2033	44,190,000	6,619,114	50,809,114	51,720,000
Total	$150,000,000	$159,061,094	$309,061,094	$150,000,000

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:

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ 2,745,000	$1,011,625	$ 3,756,625	$ 2,745,000
2005	2,995,000	4,400	2,999,400	2,995,000
2006	3,115,000	634,600	3,749,600	3,115,000
2007	3,240,000	510,000	3,750,000	3,240,000
2008	3,395,000	348,000	3,743,000	3,395,000
2009	3,565,000	178,250	3,743,250	3,565,000
Total	$19,055,000	$2,686,875	$ 21,741,875	$19,055,000

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, $70,481,426 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2003.

10. 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 eighty-five 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 2002, the RTA Board approved a resolution that a contribution of $3,511,000 be made to the Plan. The contribution is to be allocated as follows: Metra—$1,992,328; Pace—$ 1,187,561; RTA—$331,111. As of December 31, 2003, $5,432,000 had not been funded and is reported as contribution receivable in the Statements of Plan Net Assets. The 2003 and 2002 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 notes 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. The actuarially determined contribution requirements for the year 2003 were $5,432,000. In 2002, actuarially determined contribution requirements were $6,775,000. In 2001, actuarially determined contribution requirements were zero and no contributions were made for that period. 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 2003, 2002 and 2001, the RTA's annual pension costs equal the required contributions which were $3,511,000, $6,875,000, and $0, respectively. The required contributions were determined as part of the January 1, 2003, 2002 and 2001 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:

Valuation Date	**January 1, 2003**	**January 1, 2002**	**January 1, 2001**
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Historical assumptions:			
Interest return	8.5 %	8.5 %	8.5 %
Salary increases:			
Attributed to inflation	4.0 %	4.0 %	4.0 %
Attributed to seniority/merit	0.5 %	0.5 %	0.5 %
Participants:			
Retirees and beneficiaries currently receiving benefits	218	196	179
Terminated employees entitled to benefits but not yet receiving them	384	379	346
Current employees:			
Vested	684	674	669
Nonvested	275	224	237
Total	1,561	1,473	1,431

11. 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's 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 2003, the RTA incurred $10,665 in other postemployment benefit expenditures. There are 11 participants eligible to receive benefits as of December 31, 2003.

12. 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 Metra's insurance policy with Liberty Mutual Insurance Group/Boston. 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. Automobile liability insurance with a $5,000,000 limit is also provided through Metra's policy with the Federal Insurance Company. 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 Metra and 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.

The RTA provides a Group Insurance Plan to eligible employees. The Insurance Plan includes coverage for comprehensive medical benefits from Blue Cross Blue Shield of Illinois ("BCBS"). Under the BCBS Plan, employees can choose from a Preferred Provider Option, HMO Illinois or Blue Advantage HMO. Eligible employees receive dental benefits from Delta Dental Plan of Illinois. Long-term disability, employee and dependent life insurance benefits are provided by Standard Insurance Co. Monthly premiums are paid directly to the benefit providers, and are also accounted for in the General Fund.

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.

The RTA is a defendant or respondent in various lawsuits and administrative proceedings. Although, in the opinion of the RTA management, the ultimate resolution of these lawsuits will not have a material adverse effect, on the RTA's financial position or the results of its operations, prudence dictates that management establish a claims liability of $1,000,000. During the year ended December 31, 2003, there were no claims incurred or paid on current or prior year events.

13. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. Operating lease expenditures totaled $1,253,286 in 2003. Minimum required annual rental payments by the RTA are as follows:

Year Ending December 31	Amount
2004	$ 1,262,958
2005	1,269,730
2006	1,350,992
2007	1,432,254
2008-2012	8,380,204
2013-2017	10,037,613
Total	$23,733,751

14. SUBSEQUENT EVENTS

On March 18, 2004, the RTA entered into a floating-to-fixed swaption having a notional value of $260 million and an expiration of December 2004. This is a hedge against rising interest rates anticipated when $260 million of SCIP bonds are issued (circa) December 2004.

On March 30, 2004, the RTA sold a fixed-to-floating swaption having a notional value of $52 million and an expiration of March 2005. The RTA received a fee of $1.3 million.

In May 2004, the RTA entered into three Debt Service Deposit Agreements relative to all Agency bonds outstanding. The RTA received approximately $47 million. Under these agreements the RTA instructs the trustee to transfer all debt service deposits to counterparties in exchange for securities having a value adequate to satisfy bondholder payments plus a one-time cash payment.

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REQUIRED SUPPLEMENTARY INFORMATION

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REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—(BUDGETARY BASIS)—GENERAL FUND
YEAR ENDED DECEMBER 31, 2003

	General Fund		
	Original and Final Budget	**Actual**	**Variance**
REVENUES:			
Sales taxes	$ 100,969,000	$ 98,248,247	$ (2,720,753)
Interest on sales taxes	240,000	40,698	(199,302)
Public Transportation Fund	168,281,991	164,738,597	(3,543,394)
State assistance	75,910,002	85,225,834	9,315,832
Investment income	6,956,153	7,194,381	238,228
Other revenues	6,221,096	3,468,668	(2,752,428)
Total revenues	358,578,242	358,916,425	338,183
EXPENDITURES:			
Financial assistance to Service Boards	197,707,000	213,126,938	(15,419,938)
Capital grants—current year	28,336,000	28,336,000	
Administration	5,757,265	5,967,605	(210,340)
Non-Administration:			
Travel Information Center	4,172,603	4,537,182	(364,579)
Other	13,844,112	10,509,726	3,334,386
Capital outlay	600,000	600,000	
Other expense		512,300	(512,300)
Technology program	4,804,000	1,786,153	3,017,847
Total expenditures	255,220,980	265,375,904	(10,154,924)
EXCESS OF REVENUES OVER EXPENDITURES—Budgetary basis	103,357,262	93,540,521	(9,816,741)
OTHER FINANCING USES—Transfers out	(139,162,000)	(136,090,702)	3,071,298
Total other financing uses	(139,162,000)	(136,090,702)	3,071,298
NET CHANGE IN FUND BALANCE—Budgetary basis	$ (35,804,738)	(42,550,181)	$ (6,745,443)
Budgetary basis to GAAP basis adjustments		(6,108,622)	
NET CHANGE IN FUND BALANCE—GAAP basis		(48,658,803)	
FUND BALANCE:			
Beginning of year		119,954,228	
End of year		$ 71,295,425	

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, 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 was no budget amendment to the 2003 budget. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. 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 Federal Transit Administration ("FTA") operating assistance grants;

- The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;

- The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and

- The fourth 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:

	General Fund
Excess of expenditures over revenues and other financing use—budgetary basis	$ (42,550,182)
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(1,539,139)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	(4,955,030)
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	385,547
Budgetary basis to GAAP basis adjustments	(6,108,622)
Net change in fund balance—GAAP basis	$ (48,658,804)

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2003

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, 1998	$ 76,378,094	$ 48,660,237	$ 27,717,857	156.96	$ 44,390,082	(1)
January 1, 1999	81,946,867	51,622,195	30,324,672	158.74	46,099,909	(1)
January 1, 2000	86,771,358	64,467,694	22,303,664	134.60	48,566,176	(1)
January 1, 2001	81,992,860	71,286,653	10,706,207	115.02	49,548,474	(1)
January 1, 2002	76,888,695	79,946,039	(3,057,344)	96.18	50,855,571	6%
January 1, 2003	80,974,751	87,815,116	(6,840,365)	92.21	53,969,194	12.7 %

(1) The actuarial value of assets is in excess of the actuarial accrued liabilities.

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2003

	Annual Required Contribution	Percentage Contributed
Year ended:		
1998	-	(1)
1999		(1)
2000		(1)
2001		(1)
2002	6,875,000	100%
2003	3,511,000	100%

(1) No contributions were required or made for the years ended December 31, 1998, 1999, 2000 and 2001.

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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
TWELVE MONTHS ENDED DECEMBER 31, 2003

	General Fund		
	Original and Final Budget	Actual	Variance
EXPENDITURES:			
Financial assistance to Service Boards	$ 197,707,000	$ 213,126,938	$ (15,419,938)
Capital grants—current year	28,336,000	28,336,000	
Total grant expenditures	226,043,000	241,462,938	(15,419,938)
Administration:			
Salaries and benefits	3,619,982	3,681,283	(61,301)
Business expenses	128,472	89,555	38,917
Supplies, services and other expenses	138	68,422	(68,284)
Rentals and utilities	1,316,673	1,253,630	63,043
Professional services	692,000	874,714	(182,714)
Total administration	5,757,265	5,967,604	(210,339)
Non-Administration:			
Travel Information Center	4,172,603	4,537,182	(364,579)
Other:			
Public Affairs	1,794,522	1,706,848	87,674
Customer Service Center	237,552	274,334	(36,782)
Reduced fare registration	404,548	409,899	(5,351)
Americans with Disabilities Act	2,501,157	3,011,939	(510,782)
Other regional projects	8,906,333	5,106,706	3,799,627
Total other	13,844,112	10,509,726	3,334,386
Total Non-Administration	18,016,715	15,046,908	2,969,807
Capital outlay	600,000	600,000	
Other expense		512,300	(512,300)
Technology program	4,804,000	1,786,153	3,017,847
TOTAL EXPENDITURES	$ 255,220,980	$ 265,375,903	$ (10,154,923)

SCHEDULE A-2

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2003

	General Fund			Sales Tax Agency Fund			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:									
Sales taxes	$ 100,969,000	$ 98,248,247	$ (2,720,753)	$ 572,160,000	$ 556,740,062	$ (15,419,938)	$ 673,129,000	$ 654,988,309	$ (18,140,691)
Interest on sales taxes	240,000	40,698	(199,302)	1,360,000	230,624	(1,129,376)	1,600,000	271,322	(1,328,678)
Public Transportation Fund	168,281,991	164,738,597	(3,543,394)				168,281,991	164,738,597	(3,543,394)
State assistance	75,910,002	85,225,834	9,315,832				75,910,002	85,225,834	9,315,832
Reduced fare reimbursement				40,000,000	39,662,179	(337,821)	40,000,000	39,662,179	(337,821)
Investment income	6,956,153	7,194,381	238,228				6,956,153	7,194,381	238,228
Other revenues	6,221,096	3,468,668	(2,752,428)				6,221,096	3,468,668	(2,752,428)
Total revenues	358,578,242	358,916,425	338,183	613,520,000	596,632,865	(16,887,135)	972,098,242	955,549,290	(16,548,952)
EXPENDITURES:									
Financial assistance to Service Boards	197,707,000	213,126,938	(15,419,938)	572,160,000	556,740,062	15,419,938	769,867,000	769,867,000	
Capital grants—current year	28,336,000	28,336,000					28,336,000	28,336,000	
Reduced fare reimbursement				40,000,000	39,662,179	337,821	40,000,000	39,662,179	(337,821)
Administration	5,757,265	5,967,605	(210,340)				5,757,265	5,967,605	210,340
Non-Administration:									
Travel Information Center	4,172,603	4,537,182	(364,579)				4,172,603	4,537,182	364,579
Other	13,844,112	10,509,726	3,334,386				13,844,112	10,509,726	(3,334,386)
Interest on sales taxes to Service Boards				1,360,000	230,624	1,129,376	1,360,000	230,624	(1,129,376)
Capital outlay	600,000	600,000					600,000	600,000	
Lease expense		512,300	(512,300)					512,300	512,300
Technology program	4,804,000	1,786,153	3,017,847				4,804,000	1,786,153	(3,017,847)
Total expenditures	255,220,980	265,375,904	(10,154,924)	613,520,000	596,632,865	16,887,135	868,740,980	862,008,769	(6,732,211)
EXCESS OF REVENUES OVER EXPENDITURES—Budgetary basis	103,357,262	93,540,521	(9,816,741)	-	-	-	103,357,262	93,540,521	(9,816,741)
OTHER FINANCING USES— Transfers out	(139,162,000)	(136,090,702)	3,071,298				(139,162,000)	(136,090,702)	3,071,298
Total other financing uses	(139,162,000)	(136,090,702)	3,071,298	-	-	-	(139,162,000)	(136,090,702)	3,071,298
NET CHANGE IN FUND BALANCE— Budgetary basis	$ (35,804,738)	(42,550,181)	$ (6,745,443)	$ -		$ -	$ (35,804,738)	(42,550,181)	$ (6,745,443)
Budgetary basis to GAAP basis adjustments		(6,108,622)						(6,108,622)	
NET CHANGE IN FUND BALANCE—GAAP BASIS		(48,658,803)						(48,658,803)	
FUND BALANCE: Beginning of year		119,954,228						119,954,228	
End of year		$ 71,295,425			$ -			$ 71,295,425	

Note: The combined schedule of revenues, expenditures, and changes in fund balance budget and actual—general and sales tax agency funds is presented on a statutory basis as required by the RTA Act.

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.

1996—to account for transfers received, investment income and principal and interest payments made for 1996 refunding 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.

*Strategic Capital Improvement Program (SCIP) Bonds

SCHEDULE B-1

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE—DEBT SERVICE FUND ACCOUNTS
DECEMBER 31, 2003

	1990A	1991A	1992 A&B	1994A & B	1994C & D	1996A Refunding Bonds	1997	1999
ASSETS:								
Cash and investments	$1,428,253	$1,057,365	$4,025,473	$7,695,745	$3,549,058	$1,743,529	$3,339,274	$5,063,466
Due from other funds					40,582			
Accrued interest	566	392	1,766	3,909	1,514	509	1,410	1,911
TOTAL ASSETS	$1,428,819	$1,057,757	$4,027,239	$7,699,654	$3,591,154	$1,744,038	$3,340,684	$5,065,377
LIABILITIES:								
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-	-	-	-
FUND BALANCES:								
Reserved for debt service	1,428,819	1,057,757	4,027,239	7,699,654	3,591,154	1,744,038	3,340,684	5,065,377
TOTAL LIABILITIES AND FUND BALANCES	$1,428,819	$1,057,757	$4,027,239	$7,699,654	$3,591,154	$1,744,038	$3,340,684	$5,065,377

	2000A	2001A	2001B	2002A	2002B	2003A	2003B	2003C	Total
ASSETS:									
Cash and investments	$10,380,067	$3,764,905	$1,079,371	$5,962,396	$6,768,424	$11,475,497	$ 829,093	$2,319,509	$70,481,42
Due from other funds									40,58
Accrued interest	5,645	2,043	432	3,246	96,102	274,566	280,244	1,191	675,44
TOTAL ASSETS	$10,385,712	$3,766,948	$1,079,803	$5,965,642	$6,864,526	$11,750,063	$1,109,337	$2,320,700	$71,197,45
LIABILITIES:									
Due to other funds	$ 13,440	$ -	$ -	$ -	$ -	$ 1,212,431	$ -	$ 67,442	$ 1,293,31
Total liabilities	13,440	-	-	-	-	1,212,431	-	67,442	1,293,31
FUND BALANCES:									
Reserved for debt service	10,372,272	3,766,948	1,079,803	5,965,642	6,864,526	10,537,632	1,109,337	2,253,258	69,904,14
TOTAL LIABILITIES AND FUND BALANCES	$10,385,712	$3,766,948	$1,079,803	$5,965,642	$6,864,526	$11,750,063	$1,109,337	$2,320,700	$71,197,45

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES—
DEBT SERVICE FUND ACCOUNTS
TWELVE MONTHS ENDED DECEMBER 31, 2003

	1990A	1991A	1992 A& B	1993A&B	1993C	1994A & B	1994C & D	1996	1997	1999
REVENUES:										
Investment income	$ 13,202	$ 10,000	$ 33,058	$ 8,857	$ 9,794	$ 58,414	$ 32,023	$ 21,900	$ 24,766	$ 59,095
Total revenues	13,202	10,000	33,058	8,857	9,794	58,414	32,023	21,900	24,766	59,095
EXPENDITURES:										
Debt service—principal			4,550,000	2,480,000	2,615,000	5,230,000	3,000,000	625,000	2,545,000	615,000
Debt service—interest	4,377,240	3,734,915	4,921,795	64,480	598,229	2,863,250	6,070,963	8,080,947	5,057,725	16,669,388
Other debt related cost										
Total expenditures	4,377,240	3,734,915	9,471,795	2,544,480	3,213,229	8,093,250	9,070,963	8,705,947	7,602,725	17,284,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,364,038)	(3,724,915)	(9,438,737)	(2,535,623)	(3,203,435)	(8,034,836)	(9,038,940)	(8,684,047)	(7,577,959)	(17,225,293)
OTHER FINANCING SOURCES:										
Transfers in—principal			4,731,366	901,816	950,908	5,494,094	3,152,734	647,272	3,458,182	634,088
Transfers in—interest	4,377,240	3,734,920	4,894,515	51,584	478,584	2,821,410	6,047,710	8,077,742	5,045,000	16,666,310
Transfer in—other				(218,117)	(924,981)			218,117		
Other financing sources					868,819					
Other financing uses										
Total other financing sources	4,377,240	3,734,920	9,625,881	735,283	1,373,330	8,315,504	9,200,444	8,943,131	8,503,182	17,300,398
NET CHANGE IN FUND BALANCES	13,202	10,005	187,144	(1,800,340)	(1,830,105)	280,668	161,504	259,084	925,223	75,105
FUND BALANCES:										
Beginning of year	1,415,617	1,047,752	3,840,095	1,800,340	1,830,105	7,418,986	3,429,650	1,484,954	2,415,461	4,990,272
End of year	$ 1,428,819	$ 1,057,757	$ 4,027,239	$ -	$ -	$ 7,699,654	$ 3,591,154	$ 1,744,038	$ 3,340,684	$ 5,065,377

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE B-2

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES—
DEBT SERVICE FUND ACCOUNTS
TWELVE MONTHS ENDED DECEMBER 31, 2003

	2000A	2001A	2001B	2002A	2002B	2003A	2003B	2003C	Total
REVENUES:									
Investment income	$ 82,940	$ 153,905	$ 5,706	$ 2,020,333	$ 1,563,049	$ 2,128,708	$ 3,005,335	$ 24,485	$ 9,255,570
Total revenues	82,940	153,905	5,706	2,020,333	1,563,049	2,128,708	3,005,335	24,485	9,255,570
EXPENDITURES:									
Debt service—principal	3,825,000	1,465,000	30,000	2,240,000	8,720,000				37,940,000
Debt service—interest	16,091,888	5,758,238	2,002,782	9,310,938	10,260,638		6,804,082		102,667,498
Other debt related cost						2,491,558	1,590,988	157,754	4,240,300
Total expenditures	19,916,888	7,223,238	2,032,782	11,550,938	18,980,638	2,491,558	8,395,070	157,754	144,847,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,833,948)	(7,069,333)	(2,027,076)	(9,530,605)	(17,417,589)	(362,850)	(5,389,735)	(133,269)	(135,592,228)
OTHER FINANCING SOURCES:									
Transfers in—principal	3,936,819	1,503,180	863,634	2,286,364	9,151,637	338,464		1,689,234	39,739,792
Transfers in—interest	15,916,420	5,256,765	2,002,710	6,857,307	4,698,528	8,070,460	814,166	539,539	96,350,910
Transfer in—other	(13,259)				925,057	(71,557)			(84,740)
Other financing sources					3,038,952	2,563,115	5,684,906	20,679,500	32,835,292
Other financing uses								(20,521,746)	(20,521,746)
Total other financing sources	19,839,980	6,759,945	2,866,344	9,143,671	17,814,174	10,900,482	6,499,072	2,386,527	148,319,508
NET CHANGE IN FUND BALANCES	6,032	(309,388)	839,268	(386,934)	396,586	10,537,632	1,109,337	2,253,258	12,727,281
FUND BALANCES:									
Beginning of year	10,366,240	4,076,336	240,535	6,352,576	6,467,940				57,176,859
End of year	$ 10,372,272	$ 3,766,948	$ 1,079,803	$ 5,965,642	$ 6,864,526	$10,537,632	$ 1,109,337	$ 2,253,258	$ 69,904,140

(Concluded)

C. CAPITAL PROJECTS FUND

***Capital Projects Fund Accounts*:**

Strategic Capital Improvement Program ("SCIP")—to account for 1992 through 1994, 2000, 2001, 2002 and 2003 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 and 2002 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, 2003

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	$ 292,635,991	$ 236,824,003	$ -	$ 529,459,994
Due from other funds			11,300,624	11,300,624
Accrued interest				
TOTAL ASSETS	$ 292,635,991	$ 236,824,003	$ 11,300,624	$ 540,760,618
LIABILITIES:				
Due to Service Boards	$ 18,633,275	$ 11,412,125	$ -	$ 30,045,400
Due to other funds	1,668,009	9,673,198		11,341,207
Total liabilities	20,301,284	21,085,323	-	41,386,607
FUND BALANCES:				
Reserved for Service Boards capital projects	272,334,708	215,738,681	11,300,624	499,374,013
TOTAL LIABILITIES AND FUND BALANCES	$ 292,635,992	$ 236,824,004	$ 11,300,624	$ 540,760,620

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES—
CAPITAL PROJECTS FUND ACCOUNTS
TWELVE MONTHS ENDED DECEMBER 31, 2003

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	$ -	$ 98,087	$ -	$ 98,087
Total revenues	-	98,087	-	98,087
EXPENDITURES:				
Capital grants—bonds	224,869,558	92,283,558	2,099,476	319,252,592
Total expenditures	224,869,558	92,283,558	2,099,476	319,252,592
DEFICIENCY OF REVENUES OVER EXPENDITURES	(224,869,558)	(92,185,471)	(2,099,476)	(319,154,505)
OTHER FINANCING SOURCES (USES):				
Bond proceeds (gross)	297,920,000	159,247,179		457,167,179
Transfer in (out)	84,740	205,104	(205,104)	84,740
Total other financing sources	298,004,740	159,452,283	(205,104)	457,251,919
NET CHANGE IN FUND BALANCES	73,135,182	67,266,812	(2,304,580)	138,097,414
FUND BALANCES:				
Beginning of year	199,199,525	148,471,867	13,605,204	361,276,596
End of year	$ 272,334,707	$ 215,738,679	$ 11,300,624	$ 499,374,010

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

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES— SALES TAX AGENCY FUND TWELVE MONTHS ENDED DECEMBER 31, 2003

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
ASSETS:				
Intergovernmental receivables:				
Sales taxes	$ 145,394,178	$ 556,740,062	$ 552,521,462	$ 149,612,778
Interest on sales taxes	57,086	230,624	249,486	38,225
Reduced fare reimbursement	20,022,988	39,662,179	40,000,000	19,685,167
Advances to Service Boards	47,257,099	586,353		47,843,452
TOTAL ASSETS	$ 212,731,351	$ 597,219,218	$ 592,770,948	$ 217,179,621
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	$ 145,394,178	$ 556,740,062	$ 552,521,462	$ 149,612,778
Interest on sales taxes due to Service Boards	57,086	230,624	249,486	38,224
Reduced fare reimbursement	20,022,988	39,662,179	40,000,000	19,685,167
Advances from State	47,257,099	586,353		47,843,452
TOTAL LIABILITIES	$ 212,731,351	$ 597,219,218	$ 592,770,948	$ 217,179,621

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, 2003

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Construction In Progress Technology Progam	Total
Administrative	$220,296	$ 706,586	$944,199	$ 1,884,387	$ 3,755,468
Travel Information Center		1,632,252			1,632,252
Total general fixed assets	220,296	2,338,838	944,199	1,884,387	5,387,720
Less accumulated depreciation:					
Administrative	100,692	533,412	119,458		753,562
Travel Information Center		1,552,498			1,552,498
Total accumulated depreciation	100,692	2,085,910	119,458	-	2,306,060
Total general fixed assets—net	$119,604	$ 252,928	$824,741	$ 1,884,387	$ 3,081,660

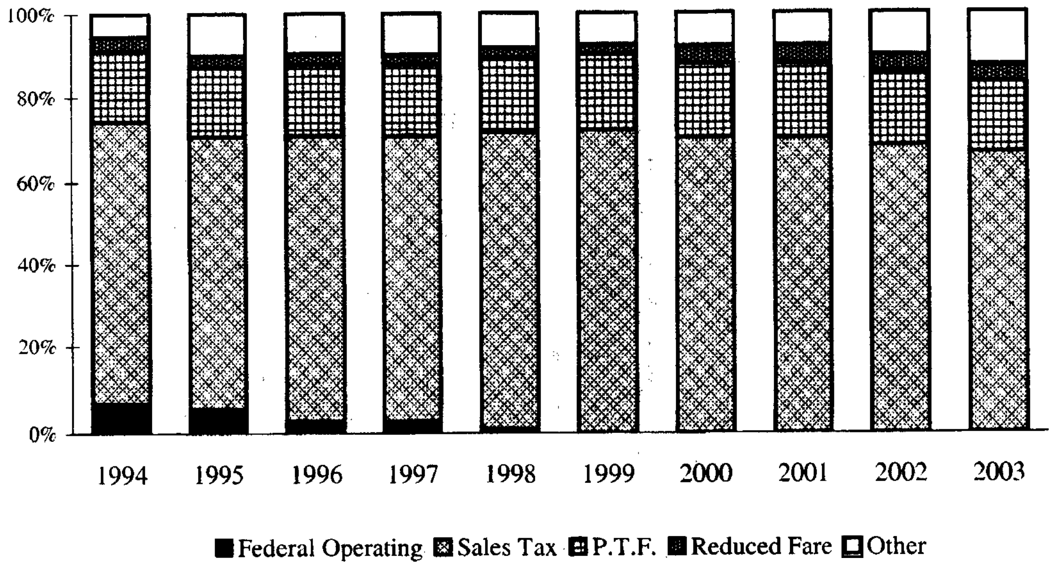
STATISTICAL SECTION
(UNAUDITED)

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

The revenues and expenditures presented on the following tables include the 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.

RTA REVENUE BY SOURCE

1994-2003

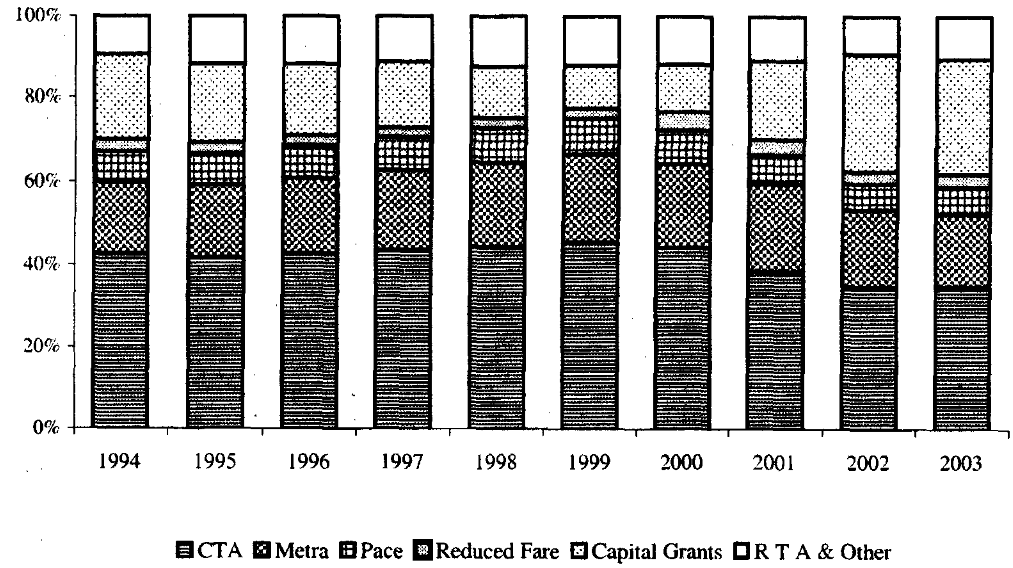


Last Ten Years *(In Thousands)*

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/94	$49,475	$497,698	$124,002	$24,861	$38,997	$735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,632	849,875
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	0	653,522	164,987	39,531	71,741	929,781
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	0	647,685	165,665	36,260	95,166	944,776
Percentage of Total	0.00%	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	0	654,988	164,739	39,662	122,517	981,906
Percentage of Total	0.00%	66.70%	16.78%	4.04%	12.48%	100%

DISTRIBUTION OF EXPENDITURES

1994-2003

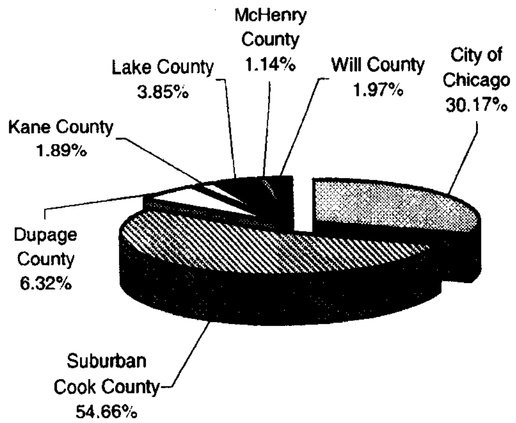


Last Ten Years *(In Thousands)*

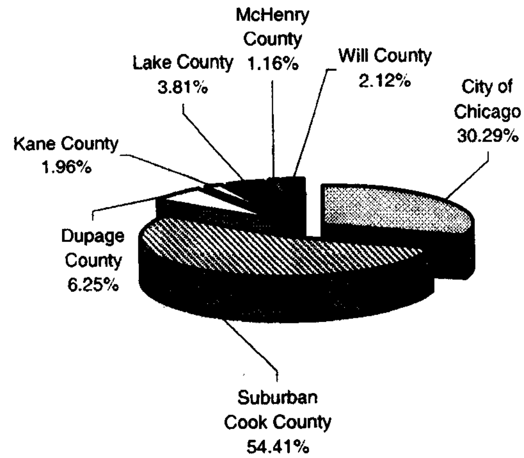
	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/94	$365,200	$148,638	$62,129	$575,967	$24,861	$174,128	$82,658	$857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,443	842,818
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	120,351	1,085,780
Percentage of Total	38.59%	21.21%	6.91%	66.71%	3.64%	18.56%	11.07%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	121,439	1,268,379
Percentage of Total	34.82%	18.84%	6.23%	59.89%	2.86%	27.68%	9.57%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	139,272	1,302,884
Percentage of Total	34.81%	17.93%	6.35%	59.09%	3.04%	27.18%	10.69%	100.00%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2002



2003



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

Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/94	$157,802	$273,398	$30,568	$8,006	$15,819	$4,541	$7,564	$497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.66%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
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%

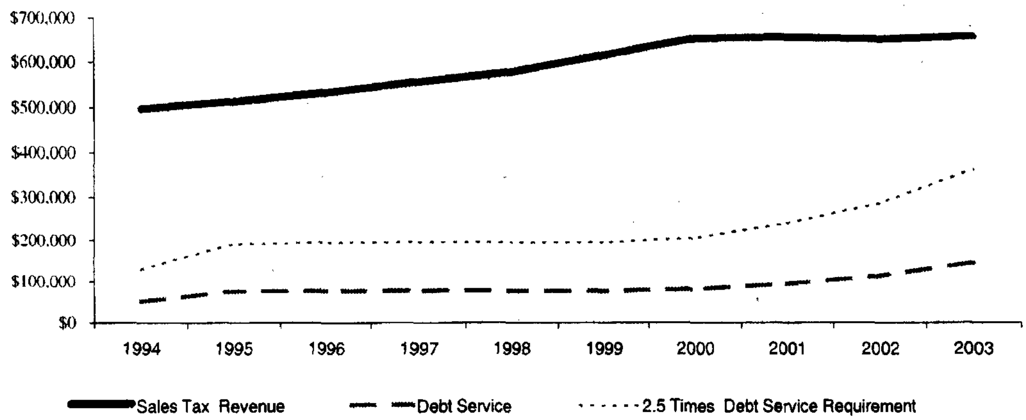
LEGAL DEBT CAPACITY

2003

Legal Debt Margin:		Balance Outstanding at December 31, 2003	Maximum Issued	
Debt Limitation per Act for General Obligations				$2,340,000,000
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	8,565,000		
1994B	General Obligation Bonds	8,735,000		
1994D	General Obligation Bonds	42,300,000		
1996	General Obligation Refunding Bonds	147,430,000		
1997	General Obligation Refunding Bonds	88,025,000		
2002B	General Obligation Bonds	191,280,000		
2003B	General Obligation Bonds	150,000,000	150,000,000	
2003C	Refunding	19,055,000	19,055,000	
Total RTA Bonds Applicable to Limitation		$771,930,000		(771,930,000
SCIP Bonds:				
1992A	General Obligation Bonds	$53,635,000	$188,000,000	
1993A	General Obligation Bonds	0	55,000,000	
1994A	General Obligation Bonds	25,630,000	195,000,000	
1994C	General Obligation Bonds	34,535,000	62,000,000	
1999	General Obligation Refunding Bonds	291,955,000		
2000	General Obligation Bonds	252,545,000	260,000,000	
2001A	General Obligation Bonds	97,135,000	100,000,000	
2001B	General Obligation Refunding Bonds	37,220,000		
2002A	General Obligation Bonds	157,760,000	160,000,000	
2003A	General Obligation Bonds	260,000,000	260,000,000	
Total SCIP Bonds Applicable to Limitation			$1,280,000,000	(1,280,000,000
Total SCIP Bonds Outstanding		$1,210,415,000		
Total Bonds Outstanding		$1,982,345,000		
Debt Margin for General Obligations				$288,070,000
Debt Limitation per Act for Working Cash Notes				100,000,000
Total Legal Debt Margin				$388,070,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1994 - 2003
(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 employs a more stringent benchmark than the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales Tax Revenue	$ 497,698	$ 513,301	$ 532,304	$ 555,496	$ 576,704	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985
Debt Service Requirement	51,978	76,550	77,639	78,359	77,883	77,866	81,676	95,187	113,526	143,979
2.5 Times Debt Service Requirement	$129,945	$191,375	$194,098	$195,898	$194,708	$194,665	$204,190	$237,968	$283,815	$359,948

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*

	Debt Service Requirements			Total	Ratio of Debt Service to Tot
Year	Principal	Interest	Total	Expenditures	Expenditures
1994	$7,350	$44,628	$51,978	$857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	64,526	77,639	870,254	8.92%
1997	13,898	64,461	78,359	864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,818	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,085,780	8.77%
2002	27,262	86,264	113,526	1,268,379	8.95%
2003	37,940	102,667	140,607	1,302,372	10.80%

Table

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
1994	$237.20	$141.92	$77.33	$17.9
1995	228.97	127.83	82.80	18.3
1996	233.97	131.92	84.48	17.5
1997	228.42	127.56	80.28	20.5
1998	252.95	142.97	88.17	21.8
1999	299.59	162.67	111.49	25.4
2000	336.65	177.17	132.89	26.5
2001	355.47	184.46	145.75	25.2
2002	430.08	225.42	174.29	30.3
2003	463.90	256.70	173.50	33.7
Total	$3,067.20	$1,678.62	$1,150.98	$237.6

Table 8

SERVICE BOARD OPERATING CHARACTERISTICS

2003

Chicago Transit Authority

Rapid Transit

- 7 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 12.5 million riders per month

Motor Bus

- 148 bus routes
- 2,026 buses
- 24.3 million riders per month

Paratransit

- 162 thousand riders per month

Metra Commuter Rail Division

- 546 route miles
- 1,189 miles of track
- 241 stations
- 140 locomotives
- 806 passenger cars
- 243 electric cars
- 705 weekly trains operated
- 97.1% on-time performance
- 6.2 million riders per month (excluding 79% South Shore)

Pace Suburban Bus Division

Fixed Route

- 159 regular routes
- 62 feeder routes
- 5 subscription routes
- 15 shuttle routes
- 606 vehicles in use during peak periods
- 2.6 million riders per month

Paratransit

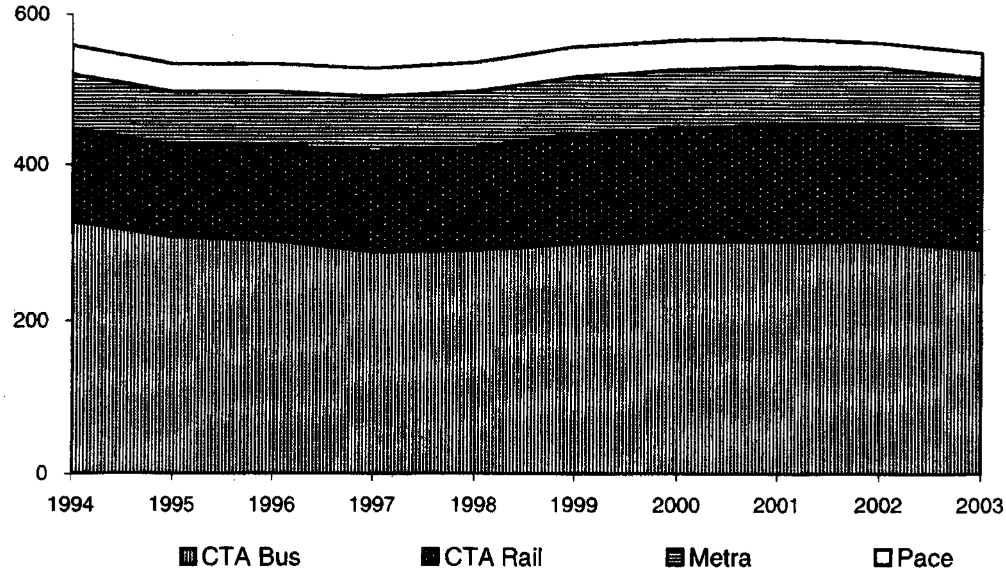
- 56 local services
- 353 Pace owned lift-equipped buses in service
- 210 communities served
- 126 thousand riders per month

Other

- 493 vanpools in operation
- 110 thousand riders per month

1994-2003
(In Millions)

SYSTEM RIDERSHIP UNLINKED PASSENGER TRIPS



Last Ten Years *(In Millions)*

Service Consumed:	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CTA - Bus	327.3	307.3	303.3	288.8	291.7	300.2	303.3	303.1	304.8	293.7
CTA - Rail	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3
Total CTA	448.2	426.6	427.3	418.8	424.1	441.9	450.5	454.8	457.2	444.0
Metra	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8
Pace	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0	34.8	33.7
System Total	558.8	534.2	535.4	529.0	537.9	558.7	567.9	571.0	568.8	552.5
Percent Change	0.7%	(4.4%)	0.2%	(1.2%)	1.7%	3.9%	1.6%	0.5%	(0.4%)	(2.9%)

APPENDIX C

COMBINING FINANCIAL STATEMENTS

Twelve Months Ended December 31, 2003

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.

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Regional Transportation Authority and Service Boards

Combining Financial Statements for the Year Ended December 31, 2003 (Unaudited)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

(Unaudited)

Prepared by:

Finance Department
Joseph G. Costello, CPA, CPFO
Chief Financial Officer

and

John Yu, CPA
Controller

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

TABLE OF CONTENTS

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REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2003
(In thousands)
(Unaudited)

		Service Boards					
ASSETS	**RTA Government-Wide Funds**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Combining Adjustments Debit**	**Combining Adjustments Credit**	**Total Combined**
CURRENT ASSETS:							
Cash and investments:							
Externally restricted—investments	$ 70,481	$ -	$ -	$ -	$ -	$ -	$ 70,481
Restricted—cash and cash equivalents	20,948			14,731			35,679
Unrestricted—cash and cash equivalents		23,400	51,473	9,859			84,732
Restricted—investments	612,684						612,684
Unrestricted—investments	9,942	30,660					40,602
Unamortized bond issue costs	342						342
Receivables:							
Intergovernmental receivables	85,180					177	85,003
Grant projects		3,247	70,969	6,287		31,761	48,742
RTA financial assistance		100,666	48,851	26,555		48,459	127,613
Other carriers			354	33			387
Other receivables		253,075	10,006	3,229		627	265,683
Interest on investments	1,268						1,268
Materials and supplies		70,137	11,286	3,806			85,229
Prepaid expenses	5,648	5,264	5,252	1,152			17,316
Due from Pension Fund	11						11
Total current assets	806,504	486,449	198,191	65,652	-	81,024	1,475,772
Fixed assets:							
Plant, property and equipment	3,384	5,625,119	3,637,054	471,070			9,736,627
Capital projects in progress			341,491	787			342,278
Less accumulated depreciation	(303)	(2,835,666)	(1,712,388)	(273,592)			(4,821,949)
Total fixed assets	3,081	2,789,453	2,266,157	198,265	-	-	5,256,956
Other assets:							
Unamortized bond issue costs	8,107	3,241					11,348
Investment relating to employee pension benefits plan		30,750					30,750
Restricted assets		208,659					208,659
Intangible assets		119,020	3,980				123,000
Amount due under sale/leaseback		1,677,902	280,354	103,817			2,062,073
Total other assets	8,107	2,039,572	284,334	103,817	-	-	2,435,830
TOTAL ASSETS	$817,692	$ 5,315,474	$ 2,748,682	$ 367,734	$ -	$81,024	$ 9,168,558

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENTS OF NET ASSETS (Continued)
DECEMBER 31, 2003
(In thousands)
(Unaudited)

		Service Boards					
LIABILITIES	**RTA Government-Wide Funds**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Combining Adjustments Debit**	**Combining Adjustments Credit**	**Total Combined**
CURRENT LIABILITIES:							
Vouchers payable	$ 12	$ 65,382	$ 71,798	$ 7,433	$ -	$ -	$ 144,625
Accrued interest payable	32,248						32,248
Intergovernmental payables	88,663				80,220		8,443
Due to pension trust fund	523						523
Current portion of general obligation bonds payable	40,430						40,430
Current portion of unamortized bond premium	3,900						3,900
Other current liabilities:							
Accrued other expenses	3,561	98,228	25,958	9,909	804		136,852
Unrealized revenue, capital grant		84,119					84,119
Deferred revenue, assistance and other	13,243	46,498	6,083	502			66,326
Supplemental retirement plan		1,700					1,700
Capital lease obligation		170,871	17,193	7,094			195,158
Claims liability	1,000	80,763	7,450	9,854			99,067
Total current liabilities	183,580	547,561	128,482	34,792	81,024	-	813,391
LONG-TERM LIABILITIES:							
General obligation bonds payable	1,941,915	207,200					2,149,115
Claims liability		83,399	27,458	5,635			116,492
Supplemental retirement plan		33,286					33,286
Capital lease obligation		1,608,101	263,161	96,724			1,967,986
Deferred revenue	1,950	54,284					56,234
Accrued pension cost		578,223					578,223
Unamortized bond premium	94,685	8,364					103,049
Other long-term liabilities	12,366	3,401		6,471			22,238
Total long-term liabilities	2,050,916	2,576,258	290,619	108,830			5,026,623
TOTAL LIABILITIES	$ 2,234,496	$3,123,819	$ 419,101	$143,622	$ 81,024	$ -	$ 5,840,014
NET ASSETS (DEFICIT)							
Invested in capital assets	$ 3,081	$ 980,572	$2,266,157	$198,265	$ -	$ -	$ 3,448,075
Retained earnings			63,424				63,424
Fund equity restricted for:							
Service Boards capital	539,324						539,324
Debt service	22,845						22,845
Bond capital projects							
Insurance	44,271						44,271
Payment on obligations and other		1,984,800					1,984,800
Accumulated unrestricted (deficit)	(2,026,325)	(773,717)		25,847	1,125,049	1,125,049	(2,774,195)
TOTAL NET ASSETS (DEFICIT)	$(1,416,804)	$2,191,655	$2,329,581	$224,112	$1,125,049	$1,125,049	$ 3,328,544

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003
(In thousands)
(Unaudited)

	RTA Government-Wide Funds	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 397,349	$ 243,673	$ 49,841	$ 1,100	$ -	$ 689,763
Sales taxes	98,248					556,739	654,987
Interest on sales taxes	41						41
Public Transportation Fund	164,738						164,738
State assistance	85,226						85,226
Investment income	17,166						17,166
Program revenues and others	3,567						3,567
Total revenues	368,986	397,349	243,673	49,841	1,100	556,739	1,615,488
EXPENSES:							
Operating expenses		1,022,295	455,212	138,928		1,015	1,615,420
Depreciation		367,536	147,712	36,363			551,611
Financial assistance to Service Boards	213,127					213,127	
Capital grants—discretionary	34,830					34,830	
Capital grants—bonds	319,253					319,253	
Insurance (JSIF)	3,082						3,082
Administrative expenses	6,666						6,666
Regional expenses	13,378					85	13,293
Technology program	1,786						1,786
Bond-related expenses	109,981						109,981
Total expenses	702,103	1,389,831	602,924	175,291	-	568,310	2,301,839
OPERATING LOSS	(333,117)	(992,482)	(359,251)	(125,450)	1,100	1,125,049	(686,351)
NONOPERATING REVENUE (EXPENSE):							
RTA financial assistance		453,486	233,632	82,747	769,865		
Leasehold revenue		4,489		2,424			6,913
Interest revenue from leasing transactions		118,437	18,167	1,497			138,101
Interest expense on leasing transactions		(116,064)	(18,167)	(1,497)			(135,728)
Capital farebox financing			9,056				9,056
Other public funding		38,161	222,886	13,697			274,744
Capital grants		477,179	218,451	71,326	354,084		412,872
Investment income		3,025		231			3,256
Gain on sale of assets		4,504					4,504
Total nonoperating revenue (expense)	-	983,217	684,025	170,425	1,123,949	-	713,718
CHANGES IN NET ASSETS	(333,117)	(9,265)	324,774	44,975	1,125,049	1,125,049	27,367
Investment in capital grant properties			2,175				2,175
NET ASSETS (DEFICIT):							
Beginning of year	(1,083,687)	2,200,920	2,002,632	179,137			3,299,002
End of year	$(1,416,804)	$ 2,191,655	$ 2,329,581	$ 224,112	$ 1,125,049	$ 1,125,049	$ 3,328,544

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003
(In thousands)
(Unaudited)

	RTA Joint Self-Insurance Fund	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Total Combined
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers	$ -	$ 368,412	$ 182,075	$ 46,771	$ 597,258
Payments to employees		(688,105)	(206,163)	(75,555)	(969,823)
Payments to vendors	(5,221)	(252,377)	(228,579)	(63,606)	(549,783)
Other receipts and payments	2	25,924	42,438	4,197	72,561
Net cash from operating activities	(5,219)	(546,146)	(210,229)	(88,193)	(849,787)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Financial assistance—operating		484,594	242,982	97,137	824,713
Repayment of obligation to RTA				(3)	(3)
Sales tax advance				148	148
Net cash from noncapital financing activities	-	484,594	242,982	97,282	824,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations		118,437			118,437
Interest expense on leasehold obligations		(116,064)			(116,064)
Increase in assets restricted for payment of leasehold obligations		(33,488)		102,321	68,833
Payments of capital lease obligations		31,115		(102,321)	(71,206)
Proceeds from leasing transactions		227		2,424	2,651
Financial assistance—grant projects		389,418	441,325	69,090	899,833
Capital farebox financing			9,056		9,056
Proceeds from the sale of property and equipment		4,504			4,504
Bond proceeds (net)		213,237			213,237
Payments for capital acquisition		(479,106)	(507,987)	(67,123)	(1,054,216)
Net cash from capital and related financing activities	-	128,280	(57,606)	4,391	75,065
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	704	3,025	1,825	223	5,777
Sales and purchases of investments—net	5,533	(150,567)	11,705		(133,329)
Net payments for injury and damage reserve		(11,907)			(11,907)
Net cash from investing activities	6,237	(159,449)	13,530	223	(139,459)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,018	(92,721)	(11,323)	13,703	(89,323)
CASH AND CASH EQUIVALENTS—Beginning of year	19,930	116,121	62,796	10,887	209,734
CASH AND CASH EQUIVALENTS—End of year	$20,948	$ 23,400	$ 51,473	$ 24,590	$ 120,411
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss from operations	$ (3,082)	$(992,482)	$(359,250)	$(125,450)	$(1,480,264)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation		367,536	147,712	36,363	551,611
Claims provision and settlement			(6,923)		(6,923)
State reduced fare assistance			(2,961)		(2,961)
Interest and dividends received			(1,824)		(1,824)
Changes in current assets and liabilities	(2,137)	78,800	13,017	894	90,574
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (5,219)	$(546,146)	$(210,229)	$ (88,193)	$ (849,787)

1. BASIS OF ACCOUNTING

The accompanying 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.

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 has the responsibility to monitor 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 City Council of the City of Chicago has granted the CTA the exclusive right to operate a passenger transportation system within the City of Chicago.

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 has responsibility 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 South West 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, 2003 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 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.

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 of America 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 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 value except short-term investments which are reported at cost or amortized cost, which reasonably approximates fair 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 balance sheet.

Fixed Assets—All fixed assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in fixed assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of fixed 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. 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 Tax— 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.

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 rate in 1979. 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 75% in Cook County and 25% 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% throughout the six county areas.

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 is identical to the ROT. The tax base is identical to the State service occupation tax base.

The UT is imposed on persons living in the six county area 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.

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:

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

The 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.

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 2004 fiscal year which will end on June 30, 2004.

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 2003, which ends June 30, 2003, 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, 2003 and June 30, 2004, the grants were in the amount of $40 and $39 million, respectively. This 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 $40 million of ASA in 2003.

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) $54 million and $43 million in the State's fiscal year 2003 and 2004, respectively. The RTA recognized $45 million of AFA in 2003.

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, 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 was no budget amendment to the 2003 budget. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/ expenditures. 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 Federal Transit Administration ("FTA") operating assistance grants;

- The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;

- The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and

- The fourth source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of the 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.

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. The debt payment undertaker is non-rated, and the equity payment undertaker has AAA and Aaa bond ratings from Standard & Poor's and Moody's, respectively. Both finance companies' performance under the agreement is guaranteed by their parent company which carries the same bond ratings. In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying balance sheet.

The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:	
2004	$ 17,193,268
2005	17,193,268
2006	17,193,268
2007	17,193,268
2008	23,312,679
Thereafter	473,319,272
Total future minimum payments	565,405,023
Less imputed interest	(285,050,814)
Present value of minimum lease payments	$ 280,354,209

The present value of minimum lease payments of the Metra lease is $280.4 million which is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

Pace

On September 23, 2003, Pace entered into a lease and leaseback agreement with a third party pertaining to certain buses, with a book value of $51.7 million as of December 31, 2003. 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. On November 13, 2003, Pace entered into a lease and leaseback agreement (second tranche) with a third party pertaining to certain buses, with a book value of $27.5 million as of December 31, 2003. 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 following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:	
2004	$ 7,094,202
2005	12,444,395
2006	4,072,866
2007	25,876,035
2008	
Thereafter	125,838,453
Total future minimum payments	175,325,951
Less interest	(71,508,098)
Present value of minimum lease payments	$103,817,853

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately $72.3 million and $31.4 million, respectively, and are reflected in the accompanying December 31, 2003 statement of net assets as the total of the current and long-term portions of the Capital lease obligation.

CTA

In 2003, the CTA issued Public Building Commission of Chicago ("PBC") Building Revenue Bonds in the amount of $119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building and facilities, including certain furniture, fixtures, and equipment that are owned by the Commission and leased to the CTA for use as its headquarters. The bonds are payable from and secured by the lease entered into between the Commission and the CTA in March 2003 and is considered a general obligation of the CTA payable from any lawfully available funds.

The following table sets forth the aggregate amounts due under the capital lease agreement:

Future minimum payments due:	
2004	$ 8,718,000
2005	9,945,000
2006	9,847,000
2007	9,891,000
2008	9,922,000
Thereafter	147,624,000
Total future minimum payments	$195,947,000

The CTA has also recorded the $119 million as an intangible asset to offset the lease. The CTA expects to move into the new headquarters during fiscal year 2004, at which time the intangible asset will be reclassified as a capital asset.

In 2003, the CTA entered into a lease/leaseback agreement with a third party pertaining to certain buses, with a book value of $15.4 million as of December 31, 2003. Under the bus 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.

Under the sublease, the CTA is required to make the following payments:

Future minimum payments due:	
2004	$ 23,000
2005	1,294,000
2006	1,362,000
2007	9,373,000
2008	
Thereafter	27,104,000
Total future minimum payments	$39,156,000

The present value of the future payments to be made by the CTA under the lease of approximately $23.7 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lot 1 and 2), with a book value of $79.2 million as of December 31, 2003. 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.

Under the sublease, the CTA is required to make the following payments:

Future minimum payments due:	
2004	$ 46,431,000
2005	
2006	
2007	
2008	
Thereafter	147,524,000
Total future minimum payments	$ 193,955,000

The present value of the future payments to be made by CTA under the lease of approximately $131.4 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

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 $47.7 million as of December 31, 2003. 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 CTA under a sublease.

Under the sublease, the CTA is required to make the following payments:

Future minimum payments due:	
2004	$ -
2005	6,928,000
2006	6,928,000
2007	6,928,000
2008	103,094,000
2020	159,009,000
Total future minimum payments	$ 282,887,000

The present value of the future payments to be made by the CTA under the lease of approximately $158.3 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

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 $354.1 million as of December 31, 2003. 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").

Under the 1998 Lease, the CTA is required to make the following payments:

Future minimum payments due:	
2004	$ 35,191,000
2005	23,864,000
2006	12,835,000
2007	24,853,000
2008	38,184,000
Thereafter	376,318,000
Total future minimum payments	$511,245,000

The present value of the future payments to be made to CTA under the lease of approximately $291.6 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

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 $58.1 million as of December 31, 2003. 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").

During 1997, the CTA received certain funds as prepayments by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due from the CTA and may take possession of the facilities upon a default by the CTA under the Lease.

Under the Leases, the CTA is required to make the following annual rental payments:

Future minimum payments due:	
2004	$ 12,146,000
2005	
2006	
2007	
2025	614,300,000
Total future minimum payments	$626,446,000

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 2022 and 2023) of approximately $35.6 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

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 $64.2 million as of December 31, 2003. 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 ("1996 Lease").

Under the 1996 Lease, the CTA is required to make a rental payment of $7.8 million in 2004. The 1996 Lease also requires a payment at the end of the initial term (in the year 2024) of $653.5 million, which is fully defeased from the Equity Trust and final head-lease payment. 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 $31.8 million is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80.0 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, 2003, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $987.4 million. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

The present value of all future payments to be made by CTA under all its leases of approximately $1.779 billion is reflected in the accompanying December 31, 2003 statement of net assets as capital lease obligations.

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 235/0.01, 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, 2003, $844 million of cash and investments. Of this amount, $648 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 $2.4 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 for RTA were as follows:

	January 1, 2003	New Issues	Current Retirements	December 31, 2003
1990A	$ 60,795,000	$ -	$ -	$ 60,795,000
1991A	55,745,000			55,745,000
1992A* and 1992B	66,750,000		4,550,000	62,200,000
1993A* and 1993B	2,480,000		2,480,000	
1993C Refunding	21,765,000		21,765,000	
1994A* and 1994B	39,595,000		5,230,000	34,365,000
1994C* and 1994D	79,835,000		3,000,000	76,835,000
1996 Refunding	148,055,000		625,000	147,430,000
1997 Refunding	90,570,000		2,545,000	88,025,000
1999 Refunding	292,570,000		615,000	291,955,000
2000A*	256,370,000		3,825,000	252,545,000
2001A*	98,600,000		1,465,000	97,135,000
2001B Refunding	37,250,000		30,000	37,220,000
2002A*	160,000,000		2,240,000	157,760,000
2002B	200,000,000		8,720,000	191,280,000
2003A*		260,000,000		260,000,000
2003B		150,000,000		150,000,000
2003C Refunding		19,055,000		19,055,000
Total	$ 1,610,380,000	$ 429,055,000	$ 57,090,000	$ 1,982,345,000

* Strategic Capital Improvement Program (SCIP) Bonds

On December 31, 2003, the total general obligation bonds payable of $1,982,345,000 is classified as current and long-term in the Statement of Net Assets in the amounts of $40,430,000 and $1,941,915,000, 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. On December 31, 2003, $20,350,000 of outstanding general obligation bonds (1990A Series) was considered defeased and therefore 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. On December 31, 2003, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) were considered defeased and therefore 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. On December 31, 2003, $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) were considered defeased and therefore 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. On December 31, 2003, $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) were considered defeased and therefore 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. On December 31, 2003, $37,750,000 of outstanding general obligation bonds (1993A) was considered defeased and therefore 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. On December 31, 2003, $19,150,000 of outstanding general obligation bonds (1993C) was considered defeased and therefore 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 maturity columns represent principal payments due bondholders from the trustee. Within the following tables, the Principal Maturity columns sometimes differ from the Principal—Debt Service Requirements columns because the latter are remitted and accumulated by the trustee from the RTA before principal payments are made to the bondholders. Further differences, if any, between debt service amounts presented in the following tables and the amounts presented in the financial statements represent timing differences. Also, investment income earned in the capital projects and debt service accounts may lower actual cash transfers from the General Fund.

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 a source from which to pay the 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	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ -	$ 4,377,240	$ 4,377,240	$ -
2005		4,377,240	4,377,240	
2006		4,377,240	4,377,240	
2007		4,377,240	4,377,240	
2008		4,377,240	4,377,240	
2009-2013	16,970,000	20,159,640	37,129,640	16,970,000
2014-2018	29,060,000	11,882,160	40,942,160	29,060,000
2019-2020	14,765,000	1,613,160	16,378,160	14,765,000
Total	$60,795,000	$55,541,160	$116,336,160	$60,795,000

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 a source from which to pay the 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	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2004	$ -	$ 3,734,914	$ 3,734,914	$ -
2005		3,734,916	3,734,916	
2006		3,734,914	3,734,914	
2007		3,734,914	3,734,914	
2008		3,734,915	3,734,915	
2009-2013	8,455,000	18,400,544	26,855,544	
2014-2018	26,635,000	12,504,210	39,139,210	
2019-2021	20,655,000	2,827,400	23,482,400	55,745,000
Total	$55,745,000	$52,406,727	$108,151,727	$55,745,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 5,080,000	$ 4,608,334	$ 9,688,334	$ 4,835,000
2005	5,531,818	4,208,481	9,740,299	5,220,000
2006	6,053,636	3,712,221	9,765,857	5,710,000
2007	6,625,455	3,169,161	9,794,616	6,250,000
2008	7,247,273	2,554,801	9,802,074	6,840,000
2009-2013	28,584,999	3,492,200	32,077,199	33,345,000
Total	$59,123,181	$21,745,198	$80,868,379	$62,200,000

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 5,645,000	$ 2,428,250	$ 8,073,250	$ 5,645,000
2005	4,325,000	2,077,025	6,402,025	4,325,000
2006		1,951,599	1,951,599	
2007		1,951,600	1,951,600	
2008		1,951,600	1,951,600	
2009-2024	24,395,000	15,650,600	40,045,600	24,395,000
Total	$34,365,000	$26,010,674	$60,375,674	$34,365,000

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, such as 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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 3,240,000	$ 5,829,162	$ 9,069,162	$ 3,240,000
2005	3,505,000	5,567,794	9,072,794	3,505,000
2006	3,790,000	5,285,112	9,075,112	3,790,000
2007	4,095,000	4,979,569	9,074,569	4,095,000
2008	4,420,000	4,649,612	9,069,612	4,420,000
2009-2013	8,805,000	20,791,119	29,596,119	8,805,000
2014-2018	35,420,000	13,311,401	48,731,401	2,210,000
2019-2025	13,560,000	798,250	14,358,250	46,770,000
Total	$76,835,000	$61,212,019	$138,047,019	$76,835,000

1996 General Obligation Refunding Bonds—In January 1996, the RTA issued $151 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2009, 2012, 2015 and 2024, in the aggregate amount of $60 million and Series 1994D Bonds, maturing June 1 in the years 2009-2014 and 2025, in the aggregate amount of $76 million.

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 660,000	$ 8,048,019	$ 8,708,019	$ 660,000
2005	2,470,000	7,967,813	10,437,813	2,470,000
2006	2,590,000	7,838,150	10,428,150	2,590,000
2007	2,725,000	7,701,953	10,426,953	2,725,000
2008	2,865,000	7,558,709	10,423,709	2,865,000
2009-2013	34,945,000	33,041,141	67,986,141	34,945,000
2014-2018	17,300,000	25,271,910	42,571,910	17,300,000
2019-2023	58,340,000	16,496,480	74,836,480	
2024-2025	25,535,000	1,283,940	26,818,940	83,875,000
Total	$147,430,000	$115,208,115	$262,638,115	$147,430,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 3,980,000	$ 4,894,600	$ 8,874,600	$ 3,980,000
2005	4,190,000	4,690,350	8,880,350	4,190,000
2006	4,400,000	4,475,600	8,875,600	4,400,000
2007	4,625,000	4,249,975	8,874,975	4,625,000
2008	4,875,000	4,000,288	8,875,288	4,875,000
2009-2013	21,535,000	15,963,014	37,498,014	21,535,000
2014-2018	19,975,000	10,473,150	30,448,150	19,975,000
2019-2025	24,445,000	3,559,650	28,004,650	24,445,000
Total	$88,025,000	$52,306,627	$140,331,627	$88,025,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 645,000	$ 16,637,887	$ 17,282,887	$ 645,000
2005	670,000	16,605,012	17,275,012	670,000
2006	5,135,000	16,459,887	21,594,887	5,135,000
2007	5,395,000	16,196,637	21,591,637	5,395,000
2008	5,665,000	15,920,137	21,585,137	5,665,000
2009-2013	51,275,000	73,022,645	124,297,645	51,275,000
2014-2018	77,325,000	53,475,820	130,800,820	77,325,000
2019-2023	123,665,000	24,175,543	147,840,543	123,665,000
2024-2025	22,180,000	918,600	23,098,600	22,180,000
Total	$291,955,000	$233,412,168	$525,367,168	$291,955,000

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.

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 4,030,000	$ 15,871,950	$ 19,901,950	$ 4,030,000
2005	4,245,000	15,640,225	19,885,225	4,245,000
2006	4,480,000	15,396,138	19,876,138	4,480,000
2007	4,730,000	15,138,538	19,868,538	4,730,000
2008	4,995,000	14,866,563	19,861,563	4,995,000
2009-2013	29,605,000	69,623,501	99,228,501	29,605,000
2014-2018	39,505,000	59,341,439	98,846,439	39,505,000
2019-2023	53,240,000	45,391,439	98,631,439	53,240,000
2024-2028	72,120,000	26,201,825	98,321,825	40,615,000
2029-2030	35,595,000	3,505,775	39,100,775	67,100,000
Total	$252,545,000	$280,977,393	$533,522,393	$252,545,000

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% on 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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 1,535,000	$ 5,684,988	$ 7,219,988	$ 1,535,000
2005	1,610,000	5,608,238	7,218,238	1,610,000
2006	1,695,000	5,527,738	7,222,738	1,695,000
2007	1,785,000	5,442,988	7,227,988	1,785,000
2008	1,880,000	5,344,813	7,224,813	1,880,000
2009-2013	11,050,000	25,039,302	36,089,302	11,050,000
2014-2018	14,520,000	21,295,563	35,815,563	14,520,000
2019-2023	19,115,000	16,639,575	35,754,575	10,835,000
2024-2028	25,165,000	10,329,300	35,494,300	27,845,000
2029-2031	18,780,000	2,294,700	21,074,700	24,380,000
Total	$97,135,000	$103,207,205	$200,342,205	$97,135,000

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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 1,340,000	$ 1,968,725	$ 3,308,725	$ 1,340,000
2005	1,410,000	1,899,975	3,309,975	1,410,000
2006	1,485,000	1,827,600	3,312,600	1,485,000
2007	1,555,000	1,755,488	3,310,488	1,555,000
2008	1,630,000	1,679,750	3,309,750	1,630,000
2009-2013		8,195,000	8,195,000	
2014-2018	12,855,000	6,505,814	19,360,814	12,855,000
2019-2023	16,945,000	2,433,064	19,378,064	16,945,000
Total	$37,220,000	$26,265,416	$63,485,416	$37,220,000

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:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2004	$ 2,325,000	$ 9,198,938	$ 11,523,938	$ 2,325,000
2005	2,430,000	9,082,688	11,512,688	2,430,000
2006	2,555,000	8,961,188	11,516,188	2,555,000
2007	2,690,000	8,833,438	11,523,438	2,690,000
2008	2,835,000	8,698,938	11,533,938	2,835,000
2009-2013	16,635,000	41,150,827	57,785,827	16,635,000
2014-2018	21,830,000	35,902,425	57,732,425	21,830,000
2019-2023	28,860,000	28,669,500	57,529,500	28,860,000
2024-2028	38,240,000	18,948,600	57,188,600	38,240,000
2029-2032	39,360,000	6,069,900	45,429,900	39,360,000
Total	$157,760,000	$175,516,442	$333,276,442	$157,760,000

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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2004	$ 8,900,000	$ 9,929,588	$ 18,829,588	$ 8,900,000
2005	9,125,000	9,501,213	18,626,213	9,125,000
2006	9,400,000	9,038,088	18,438,088	9,400,000
2007	9,710,000	8,560,338	18,270,338	9,710,000
2008	10,060,000	8,053,513	18,113,513	10,060,000
2009-2013	56,795,000	31,514,763	88,309,763	56,795,000
2014-2018	70,935,000	14,285,272	85,220,272	70,935,000
2019	16,355,000	439,541	16,794,541	16,355,000
Total	$191,280,000	$91,322,316	$282,602,316	$191,280,000

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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2004	$ 550,000	$ 18,186,469	$ 18,736,469	$ 550,000
2005	4,010,000	14,538,175	18,548,175	4,010,000
2006	4,130,000	14,377,775	18,507,775	4,130,000
2007	4,335,000	14,212,575	18,547,575	4,335,000
2008	4,555,000	13,995,825	18,550,825	4,555,000
2009-2013	26,655,000	66,314,625	92,969,625	26,655,000
2014-2018	34,790,000	58,554,050	93,344,050	34,790,000
2019-2023	45,470,000	47,875,525	93,345,525	45,470,000
2024-2028	59,130,000	33,753,000	92,883,000	21,855,000
2029-2033	76,375,000	14,215,500	90,590,500	113,650,000
Total	$260,000,000	$296,023,519	$556,023,519	$260,000,000

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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2004	$ -	$ 8,110,825	$ 8,110,825	$ -
2005	2,355,000	8,063,725	10,418,725	2,355,000
2006	2,435,000	7,967,925	10,402,925	2,435,000
2007	2,545,000	7,868,325	10,413,325	2,545,000
2008	2,675,000	7,763,925	10,438,925	2,675,000
2009-2013	15,570,000	36,905,163	52,475,163	15,570,000
2014-2018	20,105,000	32,213,614	52,318,614	20,105,000
2019-2023	26,140,000	25,889,577	52,029,577	26,140,000
2024-2028	33,985,000	17,658,901	51,643,901	26,455,000
2029-2033	44,190,000	6,619,114	50,809,114	51,720,000
Total	$ 150,000,000	$ 159,061,094	$ 309,061,094	$ 150,000,000

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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2004	$ 2,745,000	$ 1,011,625	$ 3,756,625	$ 2,745,000
2005	2,995,000	754,400	3,749,400	2,995,000
2006	3,115,000	634,600	3,749,600	3,115,000
2007	3,240,000	510,000	3,750,000	3,240,000
2008	3,395,000	348,000	3,743,000	3,395,000
2009	3,565,000	178,250	3,743,250	3,565,000
Total	$ 19,055,000	$ 3,436,875	$ 22,491,875	$ 19,055,000

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, $70,481,426 in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2003.

On March 12, 2003, the CTA issued Capital Grant Receipts Revenue Bonds, Douglas Branch Project, in the amount of $207,200,000, along with a premium of $9,857,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to finance a portion of the costs of the extensive rehabilitation of eight rail stations and five miles of track as well as the installation of signal and communications equipment, the traction power system and various infrastructure improvements that together constitute the Douglas Branch Reconstruction Project.

The Series 2003 bonds outstanding as of December 31, 2003 totaling $207,200,000 bear interest ranging from 3.8% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2005 through June 1, 2008. The premium on the bonds and the bond issuance costs are being amortized over the life of the bonds using the straight-line method.

The bond debt service requirements to maturity are as follows (in thousands of dollars):

Year Ending December 31	Principal	Interest	Total
2004	$ -	$ 8,994	$ 8,994
2005	38,490	8,237	46,727
2006	52,475	6,430	58,905
2007	58,700	3,913	62,613
2008	57,535	1,223	58,758
Total	$207,200	$28,797	$235,997

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 are required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and nonunion employees and Chicago Transit Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. The Supplemental Retirement Plan, which includes 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 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. This concept is described as the "system-generated revenues recovery ratio."

For 2003, 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	Revenues	(In thousands) Expenditures
CTA*	$469,529	$ 903,579
Metra**	252,729	434,041
Pace***	65,694	141,972
RTA****	17,512	21,527
Total	$805,464	$1,501,119

The region-wide system-generated revenues recovery ratio for 2003 equals 53.65%.

* The system-generated revenues recovery ratio for the CTA included leasehold revenues of $4,489 and excluded CTA expenditures for security costs of $15,174. It also included in-kind services of $22,000, both as revenues and expenditures.

** With respect to Metra, $9,056 of capital farebox financing was included in revenues. Metra's $5,000 security costs, $13,420 costs for lease of transportation facilities and $2,751 for funded depreciation to carriers were deducted from expenditures.

*** Pace included in-kind services of $3,044 both as revenues and expenditures.

**** The RTA added back $6,709 unrealized loss on swap valuation to its revenues.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

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 33)	$ 368,986	$ 1,496,630	$ 945,864	$ 221,762
Federal operating grants				10,155
Sales tax agency fund	596,633			
Pension trust fund	16,385			
In-kind services		22,000		3,044
Unrealized loss on swap valuation	6,709			
Region-wide revenues (page 34)	988,713	1,518,630	945,864	234,961
Government-wide expenditures (page 33)	702,103	1,505,895	621,091	176,788
Sales tax agency fund	596,633			
Pension trust fund	4,149			
In-kind services		22,000		3,044
Security costs		(15,174)	(5,000)	
Lease of transportation facilities			(13,420)	
Depreciation	(303)		(2,751)	
Region-wide expenditures (page 34)	1,302,582	1,512,721	599,920	179,832
Net revenues (expenditures)	$ (313,869)	$ 5,909	$ 345,944	$ 55,129

13. SUBSEQUENT EVENTS

On March 18, 2004, the RTA entered a floating-to-fixed swaption having a notional value of $260 million and an expiration of December 2004. This is a hedge against rising interest rates anticipated when $260 million of SCIP (Strategic Capital Improvement Program) bonds are issued (circa) December 2004.

On March 30, 2004, the RTA sold a fixed-to-floating swaption having a notional value of $52 million and an expiration of March 2005. The RTA received a fee of $1.3 million.

On May 2004, RTA entered three Debt Service Deposit Agreements relative to all Agency bonds outstanding. The RTA received approximately $47 million. Under these agreements the RTA instructs the trustee to transfer all debt service deposits to counterparties in exchange for securities having a value adequate to satisfy bondholder payments plus a one-time cash payment.

* * * * * *

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENDITURES
YEAR ENDED DECEMBER 31, 2003
(In thousands)
(Unaudited)

	RTA Government-Wide Funds	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 404,878	$243,673	$ 50,071	$ 1,100	$ -	$ 697,522
RTA financial assistance		453,486	233,632	82,747	769,865		
Other public funding		38,161	222,886	13,697			274,744
Capital grants		477,179	218,451	71,326	354,084		412,872
Sales taxes	98,248					556,739	654,987
Interest on sales taxes	41						41
Public Transportation Fund	164,738						164,738
State assistance	85,226						85,226
Investment income	17,166						17,166
Program revenues and other	3,567						3,567
Leasehold revenue		4,489		2,424			6,913
Interest revenue from leasing transactions		118,437	18,167	1,497			138,101
Capital farebox financing			9,056				9,056
Total revenues	368,986	1,496,630	945,865	221,762	1,125,049	556,739	2,464,933
EXPENDITURES:							
Operating		1,022,295	455,212	138,928		1,015	1,615,420
Depreciation		367,536	147,712	36,363			551,611
Financial Assistance to Service Boards	213,127					213,127	
Capital grants—discretionary	34,830					34,830	
Capital grants—bonds	319,253					319,253	
Insurance (JSIF)	3,082						3,082
Administrative expenses	6,666						6,666
Regional expenses	13,378					85	13,293
Technology program	1,786						1,786
Bond-related expenses	109,981						109,981
Interest expense from leasing transactions		116,064	18,167	1,497			135,728
Total expenditures	702,103	1,505,895	621,091	176,788	-	568,310	2,437,567
NET REVENUES (EXPENDITURES)	$(333,117)	$ (9,265)	$324,774	$ 44,974	$1,125,049	$1,125,049	$ 27,366

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 page 33 and 34, respectively, is reconciled on Note 12.

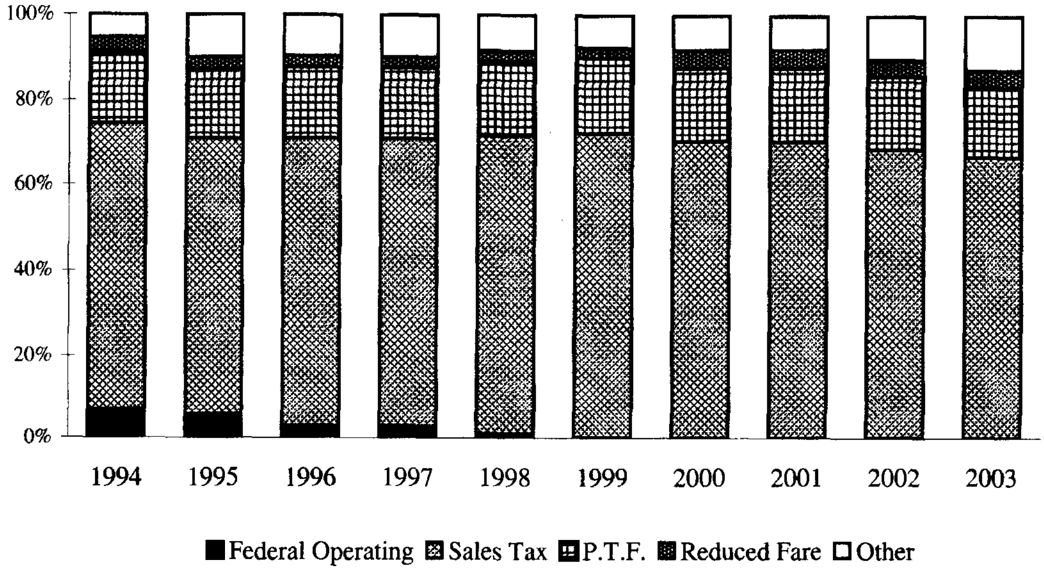
REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2003
(In thousands)
(Unaudited)

	RTA	Service Boards			Combining Adjustments			Total
	Government-Wide and Fiduciary Funds	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Debit	Credit	Total Combined	Region-Wide Budget
REVENUES:								
RTA financial assistance	$ -	$ 453,486	$233,632	$ 82,747	$ 769,865	$ -	$ -	$ -
Other public funding			222,885	13,697			236,582	
Capital grants		477,179	218,451	71,326	354,084		412,872	
Interest revenue from leasing transactions		118,437	18,167	1,497			138,101	
Sales taxes	654,988						654,988	673,129
Federal operating assistance							-	
Public Transportation Fund	164,739						164,739	168,282
State assistance	85,226						85,226	75,910
State reduced fare reimbursement	39,662				39,662			
Pension contribution	3,511				3,511			
Investment income	22,844						22,844	
Interest on sales taxes to Service Boards	231				231			
Subtotal	971,201	1,049,102	693,135	169,267	1,167,353	-	1,715,352	917,321
Investment income	7,195						7,195	6,956
Other revenues	3,567			10,155			13,722	7,581
Interest on sales taxes	41						41	240
Service Boards revenues		443,039	243,673	50,071	1,100		735,683	767,820
Add:								
In-kind services		22,000		3,044			25,044	23,320
Leasehold revenue		4,489		2,424			6,913	4,262
Capital farebox financing			9,056				9,056	9,421
Unrealized loss on swap valuation	6,709						6,709	-
Subtotal	17,512	469,528	252,729	65,694	1,100	-	804,363	819,600
Total revenues	988,713	1,518,630	945,864	234,961	1,168,453	-	2,519,715	1,736,921
EXPENDITURES:								
Pension and other empoyee benefits		125,542					125,542	
Depreciation		367,536	147,712	36,363			551,611	
Interest expenses from leasing transactions		116,064	18,167	1,497			135,728	
Operating grants to Service Boards	769,867					769,867		
Capital grants—discretionary	34,830					34,830		
Capital grants—bonds	319,253					319,253		
State reduced fare reimbursement	39,662					39,662		
Regional expenses	7,232					85	7,147	
Bond-related expenses	109,981						109,981	
Interest on sales taxes to Service Boards	231					231		
Subtotal	1,281,056	609,142	165,879	37,860	-	1,163,928	930,009	-
Operating expenses		896,753	455,212	138,928		1,015	1,489,878	1,520,528
Administrative expenses	6,666					331	6,335	5,757
Regional expenses	13,377						13,377	18,017
Technology program	1,786						1,786	4,804
Add (Subtract):								
In-kind services		22,000		3,044			25,044	23,320
Security costs		(15,174)	(5,000)				(20,174)	(15,072)
Lease of transportation facilities			(13,420)				(13,420)	(14,659)
Depreciation	(303)		(2,751)				(3,054)	(2,893)
Subtotal	21,526	903,579	434,041	141,972	-	1,346	1,499,772	1,539,802
Total expenditures	1,302,582	1,512,721	599,920	179,832	-	1,165,274	2,429,781	1,539,802
NET REVENUES (EXPENDITURES)	$ (313,869)	$ 5,909	$345,944	$ 55,129	$1,168,453	$1,165,274	$ 89,934	$ 197,119

RTA REVENUE BY SOURCE

1994-2003

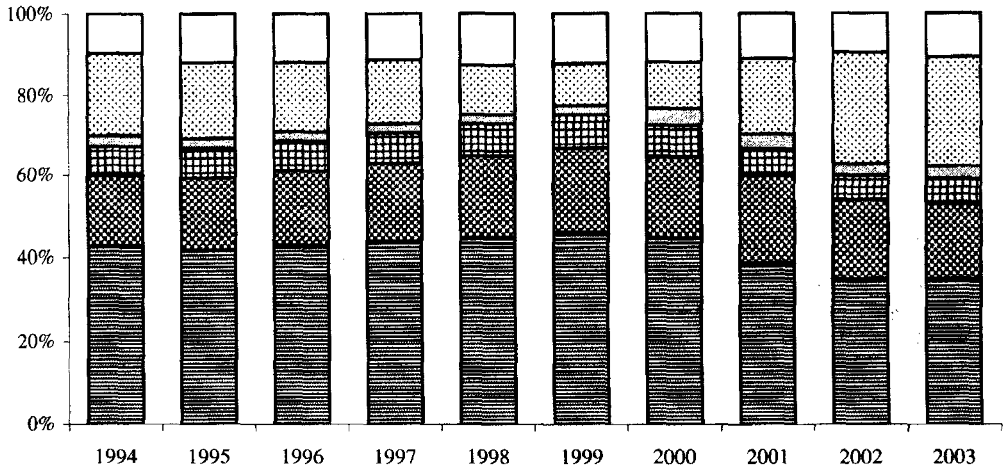


Last Ten Years *(In Thousands)*

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/94	$49,475	$497,698	$124,002	$24,861	$38,997	$735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,632	849,875
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	0	653,522	164,987	39,531	71,741	929,781
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%
12 Months Ended 12/31/02	0	647,685	165,665	36,260	95,166	944,776
Percentage of Total	0.00%	68.55%	17.53%	3.84%	10.07%	100%
12 Months Ended 12/31/03	0	654,988	164,739	39,662	122,517	981,906
Percentage of Total	0.00%	66.70%	16.78%	4.04%	12.48%	100%

DISTRIBUTION OF EXPENDITURES

1994-2003

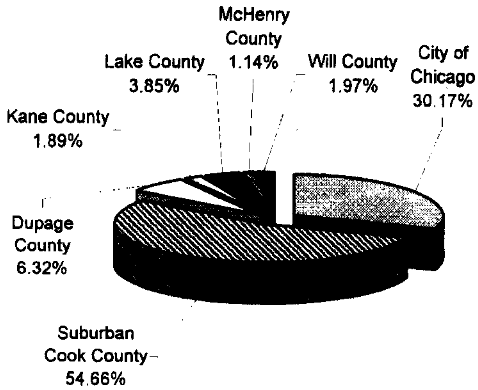


Last Ten Years *(In Thousands)*

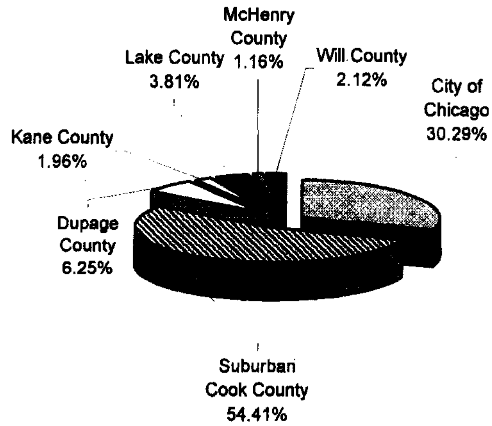
	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/94	$365,200	$148,638	$62,129	$575,967	$24,861	$174,128	$82,658	$857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,443	842,818
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	419,005	230,343	75,002	724,350	39,531	201,548	120,351	1,085,780
Percentage of Total	38.59%	21.21%	6.91%	66.71%	3.64%	18.56%	11.07%	100%
12 Months Ended 12/31/02	441,632	238,955	79,052	759,639	36,260	351,041	121,439	1,268,379
Percentage of Total	34.82%	18.84%	6.23%	59.89%	2.86%	27.68%	9.57%	100%
12 Months Ended 12/31/03	453,488	233,632	82,747	769,867	39,662	354,083	139,273	1,302,885
Percentage of Total	34.81%	17.93%	6.35%	59.09%	3.04%	27.18%	10.69%	100.00%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2002



2003



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

Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/94	$157,802	$273,398	$30,568	$8,006	$15,819	$4,541	$7,564	$497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.66%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
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%

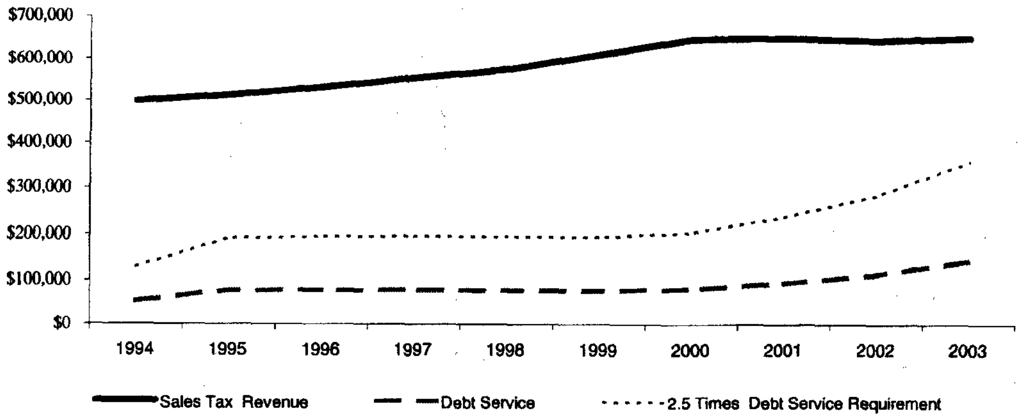
LEGAL DEBT CAPACITY

2003

Legal Debt Margin:	Balance Outstanding at December 31, 2003	Maximum Issued	
Debt Limitation per Act for General Obligations			$2,340,000,000
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	8,565,000		
1994B General Obligation Bonds	8,735,000		
1994D General Obligation Bonds	42,300,000		
1996 General Obligation Refunding Bonds	147,430,000		
1997 General Obligation Refunding Bonds	88,025,000		
2002B General Obligation Bonds	191,280,000		
2003B General Obligation Bonds	150,000,000	$ 150,000,000	
2003C General Obligation Refunding Bonds	19,055,000	19,055,000	
Total Non-SCIP Bonds Applicable to Limitation	771,930,000		(771,930,000)
SCIP Bonds:			
1992A General Obligation Bonds	53,635,000	188,000,000	
1993A General Obligation Bonds	0	55,000,000	
1994A General Obligation Bonds	25,630,000	195,000,000	
1994C General Obligation Bonds	34,535,000	62,000,000	
1999 General Obligation Refunding Bonds	291,955,000		
2000 General Obligation Bonds	252,545,000	260,000,000	
2001A General Obligation Bonds	97,135,000	100,000,000	
2001B General Obligation Refunding Bonds	37,220,000		
2002A General Obligation Bonds	157,760,000	160,000,000	
2003A General Obligation Bonds	260,000,000	260,000,000	
Total SCIP Bonds Applicable to Limitation		$1,280,000,000	(1,280,000,000)
Total SCIP Bonds Outstanding	1,210,415,000		
Total Bonds Outstanding	$1,982,345,000		
Debt Margin for General Obligations			288,070,000
Debt Limitation per Act for Working Cash Notes			100,000,000
Total Legal Debt Margin			$388,070,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1994 - 2003
(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 employs a more stringent benchmark than the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales Tax Revenue	$ 497,698	$ 513,301	$ 532,304	$ 555,496	$ 576,704	$ 613,514	$ 650,284	$ 653,522	$ 647,685	$ 654,985
Debt Service Requirement	51,978	76,550	77,639	78,359	77,883	77,866	81,676	95,187	113,526	143,979
2.5 Times Debt Service Requirement	$129,945	$191,375	$194,098	$195,898	$194,708	$194,665	$204,190	$237,968	$283,815	$359,948

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: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Total Expenditures	Ratio of Debt Service to Total Expenditures
1994	$ 7,350	$ 44,628	$ 51,978	$ 857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	64,526	77,639	870,254	8.92%
1997	13,898	64,461	78,359	864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,818	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,085,780	8.77%
2002	27,262	86,264	113,526	1,268,379	8.95%
2003	37,940	102,667	140,607	1,302,885	10.79%

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
1994	$237.20	$141.92	$77.33	$17.95
1995	228.97	127.83	82.80	18.34
1996	233.97	131.92	84.48	17.57
1997	228.42	127.56	80.28	20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
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
Total	$3,067.20	$1,678.62	$1,150.98	$237.60

Table 8

SERVICE BOARDS OPERATING CHARACTERISTICS

2003

Chicago Transit Authority

Rapid Transit

- 7 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 12.5 million riders per month

Motor Bus

- 148 bus routes
- 2,026 buses
- 24.3 million riders per month

Paratransit

- 162 thousand riders per month

Metra Commuter Rail Division

- 546 route miles
- 1,189 miles of track
- 241 stations
- 140 locomotives
- 806 passenger cars
- 243 electric cars
- 705 weekly trains operated
- 97.1% on-time performance
- 6.2 million riders per month (excluding 79% South Shore)

Pace Suburban Bus Division

Fixed Route

- 159 regular routes
- 62 feeder routes
- 5 subscription routes
- 15 shuttle routes
- 606 vehicles in use during peak periods
- 2.6 million riders per month

Paratransit

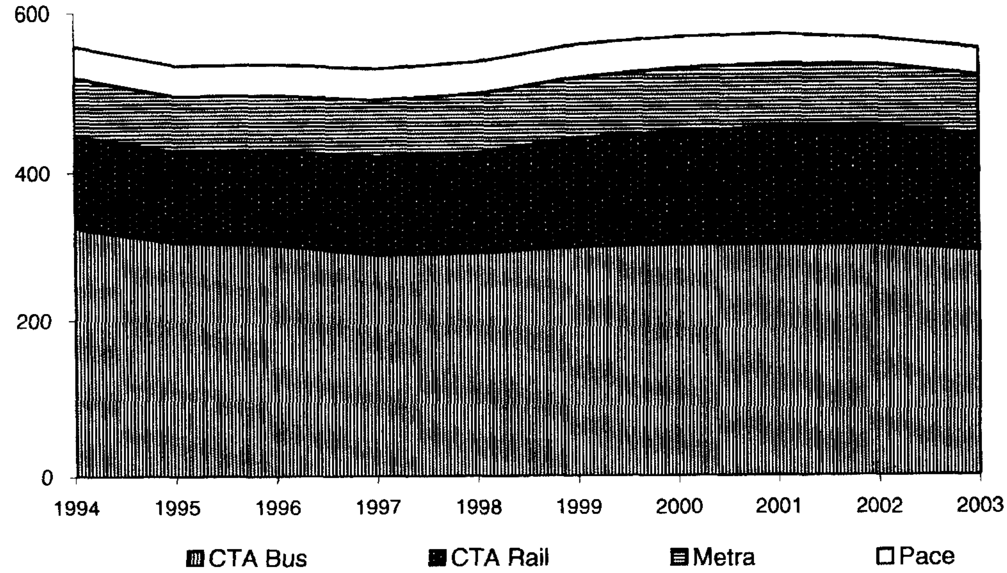
- 56 local services
- 353 Pace owned lift-equipped buses in service
- 210 communities served
- 126 thousand riders per month

Other

- 493 vanpools in operation
- 110 thousand riders per month

1994-2003
(In Millions)

SYSTEM RIDERSHIP
UNLINKED PASSENGER TRIPS



Last Ten Years *(In Millions)*

Service Consumed:	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CTA - Bus	327.3	307.3	303.3	288.8	291.7	300.2	303.3	303.1	304.8	293.7
CTA - Rail	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7	152.4	150.3
Total CTA	448.2	426.6	427.3	418.8	424.1	441.9	450.5	454.8	457.2	444.0
Metra	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2	76.8	74.8
Pace	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0	34.8	33.7
System Total	558.8	534.2	535.4	529.0	537.9	558.7	567.9	571.0	568.8	552.5
Percent Change	0.7%	(4.4%)	0.2%	(1.2%)	1.7%	3.9%	1.6%	0.5%	(0.4%)	(2.9%)

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 2003.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
CTA					
Art's Transportation Co.	$ 259	$ 6,295	$ (6,036)	$ 6,036	$ -
Cook-DuPage Transportation Co.	757	18,430	(17,673)	17,673	-
SCR Transportation	424	10,324	(9,900)	9,900	-
Taxi Access Program	594	5,268	(4,674)	4,674	-
Total CTA	$ 2,034	$ 40,317	$ (38,283)	$ 38,283	$ -
Metra					
Union Pacific	$ 60,160	$ 132,259	$ (72,099)	$ 72,099	$ -
Burlington Northern/Santa Fe	36,480	52,160	(15,680)	15,680	-
Northern Indiana Commuter Transportation District (NICTD)	3,310	7,018	(3,708)	3,708	-
Total Metra	$ 99,950	$ 191,437	$ (91,487)	$ 91,487	$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	$ 1,449	$ 2,830	$ (1,381)	$ 1,381	$ -
Fixed Route - Private Contract Carriers	3,059	8,044	(4,607)	4,607	-
Total Fixed Route Service	4,508	10,874	(5,988)	5,988	-
Private Contract Carriers					
DAR Services	415	5,289	(4,874)	3,223	1,651
DAR and Stable Services	1,280	10,978	(9,698)	9,698	-
Total Private Contract Carriers	1,695	16,267	(14,572)	12,921	1,651
Paratransit - Municipal Carriers	619	5,928	(5,309)	1,207	4,102
Total Pace	$ 6,822	$ 33,069	$ (25,869)	$ 20,116	$ 5,753

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services					
Fixed Route - Public Funded Carriers					
City of Highland Park	$ 371	$ 995	$ (624)	$ 624	$ -
Village of Niles	470	1,174	(704)	704	-
Village of Downers Grove	575	624	(49)	49	-
Northwestern University	33	37	(4)	4	
Total	$ 1,449	$ 2,830	$ (1,381)	$ 1,381	$ -
Private Contract Carriers - Fixed Route					
Academy Coach Lines	$ 192	$ 570	$ (378)	$ 378	$ -
Colonial Coach Lines	122	489	(367)	367	-
Keeshin Transportation	541	1,778	(1,237)	1,237	-
Laidlaw Transit	1,550	4,188	(2,638)	2,638	-
Mid America Coach Lines	95	388	(293)	293	-
Village of Schaumburg	125	197	(72)	72	-
Cook County School Bus	434	434	-	-	-
Total	$ 3,059	$ 8,044	$ (4,607)	$ 4,607	$ -
Private Contract Carriers - Dial-a-Ride Services					
Addison	$ 3	$ 53	$ (50)	$ 11	$ 38
Barrington	1	63	(62)	34	28
Bloomingdale Township	31	402	(371)	249	122
Central Lake	10	135	(125)	91	35
Central Will	62	624	(562)	373	190
Downers Grove	(1)	146	(147)	99	47
Dupage County Non-ADA	16	116	(100)	100	-
Dupage Township	10	165	(155)	108	47
Elk Grove	23	258	(235)	63	172
Freemont Township	1	7	(6)	-	6
Hampshire Township	1	9	(8)	6	2
Hanover Township	1	18	(17)	2	15
Hometown	1	18	(17)	4	14
Leyden Township	27	253	(226)	42	185
McHenry Township	135	1,688	(1,553)	1,113	440
Milton Township	11	196	(185)	117	68
Naperville/Lisle	26	356	(330)	185	145
Northeast Lake-Warren	19	291	(272)	241	31
Northeast Lake-Zion	1	17	(16)	11	6
Northwest Lake	17	280	(263)	263	-
N. Suburban Cook Non-ADA	3	16	(13)	14	-
Robbins	(0)	10	(10)	(1)	9
South Cook	3	17	(14)	14	-

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Private Contract Carries - Dial - a- Ride Services, continued					
Southwest Lake-Cuba	1	4	(3)	2	2
Southwest Lake-Wauconda	6	28	(22)	12	10
Southwest Will	1	23	(22)	14	8
Village of Bloomingdale	1	16	(15)	1	15
Wayne Township	5	80	(75)	59	16
Total	$ 415	$ 5,289	$ (4,874)	$ 3,223	$ 1,651
Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	$ 50	$ 514	$ (464)	$ 464	$ -
Kane County	64	609	(545)	545	-
North Suburban	302	2,984	(2,682)	2,682	-
Northeastern/Central Lake	104	1,108	(1,004)	1,004	-
South Cook	560	4,211	(3,651)	3,651	-
Southwest/Central Will	24	345	(321)	321	-
West Cook	176	1,207	(1,031)	1,031	-
Total	$ 1,280	$ 10,978	$ (9,698)	$ 9,698	$ -
Paratransit - Municipal Carriers					
Aurora	$ 29	$ 400	$ (371)	$ 70	$ 301
Batavia	4	48	(44)	11	33
Bensenville	25	254	(229)	45	184
Berwyn/Cicero	17	188	(171)	27	144
Bloom	23	282	(259)	62	197
Crestwood	7	77	(70)	18	52
Dundee	7	84	(77)	18	59
Ela	42	182	(140)	51	89
Elgin	17	87	(70)	49	21
Forest Park	11	147	(136)	29	107
Fox Lake	3	9	(6)	3	3
Frankfort	12	131	(119)	23	96
Harvard	11	108	(97)	31	66
Lemont	4	58	(54)	12	42
Lyons	14	202	(188)	38	150
Norridge	17	72	(55)	29	26
Oak Park	24	279	(255)	57	198

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Paratransit - Municipal Carriers, continued					
Orland Park	26	302	(276)	52	224
Palatine	11	143	(132)	25	107
Palos Hills	16	77	(61)	26	35
Park Forest	32	207	(175)	56	119
Peotone	23	234	(211)	53	158
Rich Township	75	546	(471)	47	424
Schaumburg	56	789	(733)	144	589
St. Charles	18	139	(121)	21	100
Stickney	19	229	(210)	50	160
Tinley Park	8	73	(65)	19	46
Vernon	5	97	(92)	14	78
Woodstock	54	341	(287)	101	186
Worth Township	9	143	(134)	26	108
Total	$ 619	$ 5,928	$ (5,309)	$ 1,207	$ 4,102

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APPENDIX D

SERVICE BOARDS' HISTORICAL FINANCIAL RESULTS AND 2004 BUDGETS AND 2005-06 FINANCIAL PLANS

The following tables, D-I through D-VI, are referred to earlier in this Official Statement. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—HISTORICAL FINANCIAL RESULTS" and "2004 BUDGET AND 2005-06 FINANCIAL PLAN."

TABLE D-I
CTA
1999-2003 FINANCIAL RESULTS
(Dollars in Thousands)

	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL
REVENUES:					
Passenger Revenue	$365,952	$368,884	$373,809	$383,859	$367,906
Reduced Fare Reimbursement	16,840	32,111	32,463	30,197	33,161
Other Revenue	37,757	52,492	58,635	42,065	42.200
TOTAL REVENUES	$420,549	$453,487	$464,907	$456,121	$443,267
EXPENSES:					
Labor	$583,052	$ 616,306	$629,588	$636,414	$667,860
Material	73,424	68,813	64,879	67,931	59,188
Fuel	12,481	23,305	23,326	20,098	24,477
Power	16,570	21,022	21,835	21,062	21,058
Insurance & Claims	31,000	30,000	44,000	44,000	17,568
Other	88,428	91,901	100,284	108,014	106,602
TOTAL OPERATING EXPENSES	$804,955	$851,347	$883,912	$897,519	$896,753
OPERATING DEFICIT	$384,406	$397,860	$419,005	$441,398	$453,486

Source: Prepared by the RTA from budgetary basis statements included as supplementary information in audited financial statements. The budgetary basis is non-GAAP presentation.

TABLE D-II
CTA 2004 BUDGET AND 2005-2006 FINANCIAL PLAN
(Dollars in Thousands)

	2004 BUDGET	2005 PLAN	2006 PLAN
REVENUES:			
Passenger Revenue	$393,562	$420,081	$437,808
Reduced Fare Reimbursement	32,300	32,300	32,300
Other Revenue	67,935	61,042	69,283
TOTAL REVENUES	$493,797	$513,423	$539,391
EXPENSES:			
Labor	$685,028	$699,381	$716,247
Material	66,000	67,500	65,000
Fuel	23,000	24,840	24,840
Power	22,000	23,000	23,000
Insurance & Claims	22,000	19,000	27,000
Other	117,401	121,334	124,936
TOTAL EXPENSES	$935,429	$955,055	$981,023
OPERATING DEFICIT	$441,632	$441,632	$441,632
Recovery Ratio % [1]	54.7%	55.7%	56.8%

[1] The recovery ratios for 2004, 2005, and 2006 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
1999-2003 FINANCIAL RESULTS
(Dollars in Thousands)

	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL
REVENUES:					
Passenger Revenue	$177,320	$182,821	$183,294	$181,315	$182,075
Reduced Fare Reimbursement	1,534	2,775	2,929	3,000	2,961
Other Revenue	45,237	51,457	53,764	56,035	58,637
TOTAL REVENUES	$224,091	$237,053	$239,987	$240,350	$243,673
EXPENSES:					
Operations	$142,550	$147,865	$160,192	$163,106	$169,798
Fuel/Power	19,391	27,671	27,398	26,280	27,434
Maintenance	166,810	169,552	179,768	193,924	196,250
Administration	33,816	37,896	34,268	35,579	35,343
Insurance & Claims/Other	34,765	33,388	28,943	26,279	26,386
TOTAL EXPENSES	$397,332	$416,372	$430,569	$445,168	$455,211
OPERATING DEFICIT	$173,241	$179,319	$190,582	$204,818	$211,538

Source: Prepared by the RTA from budgetary basis statements included as supplementary information in audited financial statements. The budgetary basis is non-GAAP presentation.

Table D-IV

METRA 2004 BUDGET AND 2005-2006 FINANCIAL PLAN

(Dollars in Thousands)

	2004 BUDGET	2005 PLAN	2006 PLAN
REVENUES:			
Passenger Revenue	$181,948	$185,587	$189,299
Reduced Fare Reimbursement	3,040	3,040	3,040
Other Revenue	61,151	64,635	68,207
TOTAL REVENUES	$246,139	$253,262	$260,546
EXPENSES:			
Operations	$174,721	$179,918	$185,113
Fuel/Power	201,011	206,985	212,992
Maintenance	35,711	36,746	37,844
Administration	27,146	27,726	28,319
Insurance & Claims/Other	30,336	30,913	31,687
TOTAL EXPENSES	$468,925	$482,288	$495,955
OPERATING DEFICIT	$222,786	$229,026	$235,409
Recovery Ratio % (1)	55.0%	55.0%	55.0%

(1) The recovery ratios for 2004, 2005, and 2006 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
1999-2003 FINANCIAL RESULTS
(Dollars in Thousands)

	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL
REVENUES:					
Passenger Revenue	$36,421	$37,416	$43,232	$39,341	$42,236
Reduced Fare Reimbursement	1,646	3,709	3,657	3,274	3,408
Other Revenue	4,069	7,617	5,614	8,169	17,625
TOTAL REVENUES	$42,136	$48,742	$52,503	$50,784	$63,269
Expenses					
Operations	$70,750	$74,688	$79,732	$80,424	$86,212
Fuel	3,097	4,939	5,209	4,421	5,480
Maintenance	17,276	18,637	18,226	18,813	19,671
Administration	18,681	19,254	18,877	21,353	20,360
Insurance/Other	3,765	4,217	5,862	5,908	10,249
TOTAL EXPENSES	$113,569	$121,735	$127,906	$130,919	$141,972
OPERATING DEFICIT	$71,433	$72,993	$75,403	$80,135	$78,703

Source: Prepared by the RTA from budgetary basis statements included as supplementary information in audited financial statements. The budgetary basis is non-GAAP presentation.

TABLE D-VI
PACE 2004 BUDGET AND 2005-2006 FINANCIAL PLAN
(Dollars in Thousands)

	2004 BUDGET	2005 PLAN	2006 PLAN
REVENUES:			
Passenger Revenue	$40,609	$40,927	$41,629
Reduced Fare Reimbursement	3,510	3,510	3,510
Other Revenue	14,721	15,432	15,700
TOTAL REVENUES	$58,840	$59,869	$60,839
EXPENSES:			
Operations	$91,409	$83,085	$81,649
Maintenance	20,970	21,817	22,824
Administration	22,249	23,186	24,253
Fuel	4,987	4,987	4,987
Insurance/Other	7,406	7,583	7,773
TOTAL EXPENSES	$147,020	$140,659	$141,486
OPERATING DEFICIT	$88,180	$80,790	$80,647
Recovery Ratio % [1]	40.0%	40.0%	40.0%

(1) The recovery ratios for 2004, 2005, and 2006 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.

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Appendix E

Summary of Certain Provisions of the General Ordinance and the 2004A Series Ordinance

The following is a summary of certain provisions of the General Ordinance and the 2004A Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the 2004A Series Ordinance and accordingly is qualified by reference to the General Ordinance and the 2004A Series Ordinance and is subject to the full text of the General Ordinance and the 2004A Series Ordinance. Capitalized terms not defined in this summary or in the Official Statement have the respective meanings set forth in the General Ordinance or the 2004A Series Ordinance.

General Definitions

The following are definitions of certain terms used in the General Ordinance and the 2004A Series Ordinance.

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

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

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

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

"Annual Debt Service Requirements" shall mean, for any twelve-month period ending on an April 30 and with respect to any Series of Authority Obligations, the amount required during that period to be deposited in the account of the Debt Service Fund in respect of principal and interest for that Series of Authority Obligations. With respect to Authority Obligations which bear interest at variable rates, the deposits shall be calculated in respect of interest as if the Authority Obligations would bear interest at the maximum rate which those Obligations may bear pursuant to law or the applicable authorizing Series Ordinance, or if there is no such maximum rate at a rate equal to 20% per year. With respect to Authority Obligations for which there is a purchase, unscheduled mandatory redemption or similar unscheduled requirement which is provided to be paid by use of a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or pursuant

to Sinking Fund Installments) and not pursuant to the purchase, redemption or similar unscheduled requirements provided so to be paid through the Credit Support Instrument.

"Authority Obligations" shall mean the Bonds and Notes.

"Authorized Officer," in respect of any act or duty, shall mean the Chairman, the 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. See "**THE SERIES 2004A BONDS**–CAPITAL ASSETS FUND" in this Official Statement.

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

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

"Costs of Issuance" shall mean all fees and costs incurred by the Authority relating to the issuance of Authority Obligations including, without limitation, printing costs, administrative costs, Trustee's initial fees and charges, paying agent's initial fees, legal fees, rating costs, accounting fees and financial advisory fees, the cost of any bond insurance premium to insure any Authority Obligations and any amounts to be paid to obtain a Credit Support Instrument or Reserve Fund Credit Instrument.

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

"Debt Service Fund" shall mean the Debt Service Fund established in the General Ordinance. See "**SECURITY FOR THE SERIES 2004A BONDS**–DEBT SERVICE FUND" in this Official Statement.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the General Ordinance. See "**SECURITY FOR THE SERIES 2004A BONDS**–DEBT SERVICE RESERVE FUND" in this Official Statement.

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

"Insurance Policy" shall mean the municipal bond insurance policy issued by the Insurer guaranteeing payment of the principal of and interest on the Insured Bonds when due.

"Insured Bonds" shall mean the Series 2004A Bonds maturing on and after June 1, 2009.

"Insurer" or *"Financial Security"* shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto.

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

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

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

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

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

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

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

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

(h) investment agreements with Qualified Financial Institutions;

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

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

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

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

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

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

"Operating Expenses" shall mean day to day operating expenses of the Authority or of a Service Board consisting of wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rentals, furniture, fixtures and equipment, insurance premiums, claims for self-insured amounts under insurance policies, public utility obligations for telephone, light, heat and similar items, travel expenses, office supplies, postage, dues, subscriptions, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies (as defined in the Act).

"Outstanding" shall mean, when used with reference to Authority Obligations, all such obligations which have been issued, including the Series 1990A Bonds, Series 1991A Bonds, Series 1992A&B Bonds, Series 1994A&B Bonds, Series 1994C&D Bonds, Series 1996 Bonds, Series 1997 Bonds, Series 1999 Bonds, Series 2000A Bonds, Series 2001A Bonds, Series 2001B Bonds, Series 2002A Bonds, Series 2002B Bonds, Series 2003A Bonds Series 2003B Bonds, the Series 2003C Bonds and the Series 2004A 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 SERIES 2004A BONDS**—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

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

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

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

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

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

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

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

"Reserve Policy" shall mean the surety bond issued by Financial Security for deposit in the Series 2004A Bonds Reserve Account.

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

"Revenues" shall have the meaning set forth under "**SECURITY FOR THE SERIES 2004A BONDS**—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

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

"Sales Tax Revenues" shall have the meaning set forth under "**SECURITY FOR THE SERIES 2004A BONDS**—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

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

"Separate Ordinance Obligations" shall mean any bonds or notes of the Authority, whether or not issued under Section 4.04 of the Act, as amended from time to time, the authorizing ordinance for which bonds or notes states that they are not issued pursuant to the General Ordinance, and which bonds or notes

are secured by a pledge or assignment of Secured Government Payments or *ad valorem* property tax receipts.

"Series 1990A Bonds," "Series 1991A Bonds," "Series 1992A Bonds," "Series 1992B Bonds" (the Series 1992A Bonds and the Series 1992B Bonds being collectively referred to as the *"Series 1992A&B Bonds"),* "Series 1994A Bonds," *"Series 1994B Bonds"* (the Series 1994A Bonds and the Series 1994B Bonds being collectively referred to as the *"Series 1994A&B Bonds"*), *"Series 1994C Bonds," "Series 1994D Bonds"* (the Series 1994C Bonds and the Series 1994D Bonds being collectively referred to as the *"Series 1994C&D Bonds"*), *"Series 1996 Bonds," "Series 1997 Bonds," "Series 1999 Bonds," "Series 2000A Bonds," "Series 2001A Bonds," "Series 2001B Bonds," "Series 2002A Bonds," "Series 2002B Bonds," "Series 2003A Bonds," "Series 2003B Bonds," "Series 2003C Bonds"* and the *"Series 2004A 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 2004A Bonds" shall mean the $260,000,000 General Obligation Bonds, Series 2004A, dated September 15, 2004, of the Authority.

"Series 2004A Bonds Reserve Account" shall mean the account created in the Debt Service Reserve Fund with respect to the Series 2004A Bonds.

"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.

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

The 2004A Series Ordinance establishes a monthly deposit requirement for the Series 2004A Bonds in the Series 2004A Bonds Account of the Debt Service Fund. For each month prior to June 1, 2005, the monthly deposit requirement for interest is the product of the interest coming due on June 1, 2005 (minus the amount of accrued interest deposited in the Series 2004A Bonds Account in the Debt Service Fund upon the issuance and delivery of the Series 2004A Bonds), and a fraction, the numerator of which is one and the denominator of which is the number of full calendar months less one from the date of delivery of the Series 2004A Bonds to the June 1, 2005 interest payment date, until the full amount of the interest payment is on hand. Thereafter, the monthly deposit requirement for interest is equal to one-fifth of the interest coming due on the next interest payment date until the amount of that interest payment requirement is on hand. For each month prior to the first principal payment date on the Series 2004A Bonds, the Authority shall deposit into the Series 2004A Bonds Account of the Debt Service Fund an amount equal to the amount of principal coming due on the first principal payment date for the Series 2004A Bonds multiplied by a fraction, the numerator of which shall be one and the denominator of which shall equal the number of full calendar months between the date of delivery of the Series 2004A Bonds and the first principal payment date for the Series 2004A Bonds, minus one, until the full amount of the principal payment for the Series 2004A Bonds is on hand. For each month beginning twelve months preceding any principal payment (other than the first principal payment) or mandatory redemption date on the Series 2004A Bonds, the Authority shall deposit into the Series 2004A Bonds Account of the Debt Service Fund an amount equal to one-eleventh of the principal coming due on the next principal payment or mandatory redemption date until the full amount of the principal payment or mandatory redemption amount is on hand.

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

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

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

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

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

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

From the amounts deposited in or credited to the Accounts in the Debt Service Fund, the Trustee shall pay first out of the Account (other than the Rebate Account) and then out of the Rebate Account, in each case pertaining to each Series of Authority Obligations to the Paying Agents for that Series of Authority Obligations, on the business day preceding each interest payment date or principal payment date (whether at maturity or pursuant to Sinking Fund Installments) or mandatory redemption date or date of required purchase, not being made by a Credit Support Instrument, an amount equal to the principal, Redemption Price, Purchase Price and interest on the Series of Authority Obligations coming due on the following business day. In lieu of making such payments to a Paying Agent on the business day prior to the day that a payment with respect to Authority Obligations is due, the Trustee at the direction of the Treasurer or other Authorized Officer, and with the approval of the Paying Agent, may on that prior business day deposit Investment Obligations maturing on the day of payment sufficient for that payment.

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

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

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

DEBT SERVICE RESERVE FUND

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

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

Reserve Requirement for such Account, the Authority is required immediately to deposit with the Trustee any and all other money which it has on hand or available to it to make up the deficiency which lawfully may be so used.

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

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

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

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

Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Debt Service Reserve Fund Account all or part of its Coverage then the reduction shall be only by that amount as the Trustee shall not have the right and duty so to draw.

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

PROVISIONS RELATING TO RESERVE FUND POLICY

As long as the Reserve Fund Policy is in effect, the following provisions shall be considered part of the 2004A Series Ordinance.

(a) The Authority shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by Financial Security. Interest shall accrue and be payable on such draws and expenses from the date of payment by Financial Security at the Late Payment Rate. *"Late Payment Rate"* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (*"Prime Rate"*) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2004A Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Financial Security shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, *"Policy Costs"*) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Financial Security shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Financial Security on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Series 2004A Bonds Reserve Account shall be transferred to the Series 2004A Bonds Account before any drawing may be made on the Reserve Policy or any other credit facility credited to the Series 2004A Bonds Reserve Account in lieu of cash (*"Credit Facility"*). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Series 2004A Bonds Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2004A Bonds Reserve Account.

(b) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, Financial Security shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the General Ordinance other than (i) acceleration of any maturity or (ii) remedies which would adversely affect owners of the Authority Obligations.

(c) The General Ordinance shall not be discharged until all Policy Costs owing to Financial Security shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Series 2004A Bonds.

(d) In addition to the provisions of the General Ordinance regarding the issuance of Additional Authority Obligations, the Authority shall be considered to have met the "Revenues test" only if, in addition to the conditions described in the General Ordinance, the Sales Tax Revenues shall equal or exceed 1.0 times the amount of the Authority's obligations with respect to the repayment of Policy Costs then due and owing.

(e) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and provide notice to Financial Security in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Series 2004A Bonds. Where deposits are required to be made by the Authority with the Trustee to the Series 2004A Bonds Account more often than semi-annually, the Trustee shall give notice to Financial Security of any failure of the Authority to make timely payment in full of such deposits within two business days of the date due.

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

The General Ordinance provides that all moneys held under the General Ordinance by the Trustee shall be continuously and fully secured for the benefit of the Authority and the Holders of the Authority

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

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

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

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

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

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

NO INCONSISTENT SECURITY INTERESTS

The Authority covenants that it will not secure any obligation other than Authority Obligations with a pledge of, nor shall it create or suffer to exist a lien on or security interest in, nor shall it assign, any

Trusteed Money, any Revenues or any other of its funds on hand from which Authority Obligations are payable in such a way that the claims for those other obligations on the Trusteed Money or such other Revenues or funds will be senior to or on a parity with the claims of the Holders of the Authority Obligations, but only in such a manner as would cause such claims for such other obligations to be junior and subordinate to the claims of the Holders of Authority Obligations to such amounts.

ADDITIONAL AUTHORITY OBLIGATIONS

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

1. Any Additional Authority Obligations must be issued under Section 4.04 of the Act, as it may be amended from time to time, or a successor to that Section.

2. The Authority may issue at any time Additional Authority Obligations for any lawful purpose allowed by the Act if there is no default in payment of Authority Obligations or in making all required deposits to the Debt Service Fund, if upon the issuance of the Additional Authority Obligations which are Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account and if the "Revenues test" is met.

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues shall equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed 1.0 times the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Policies deposited into the respective Debt Service Reserve Fund Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001B Bonds, the Series 2001A Bonds, the Series 2002A Bonds, the Series 2002B Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2003C Bonds and the Series 2004A 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.

PROVISIONS RELATING TO INSURANCE POLICY

As long as the Insurance Policy is in effect, the following provisions shall be considered part of the 2004A Series Ordinance.

(a) The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the General Ordinance pertaining to defaults and remedies and pertaining to the duties and obligations of the Trustee.

(b) The Insurer shall be a third party beneficiary of the General Ordinance.

(c) No modification or amendment to the General Ordinance or any other transaction document (each a *"Related Document"*) may become effective except upon obtaining the prior written consent of the Insurer. Copies of any modification or amendment to the General Ordinance or any other Related Document shall be sent to Standard & Poor's Credit Market Services and Moody's Investors Service, Inc. at least 10 days prior to the effective date thereof.

(d) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default amounts on deposit in the 2004A Capital Assets Account shall not be disbursed but shall instead be applied to the payment of debt service or redemption price of the Series 2004A Bonds.

(e) The rights granted to the Insurer under the General Ordinance or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Series 2004A Bondholders nor does such action evidence any position of the Insurer, positive or negative, as to whether Series 2004A Bondholder consent is required in addition to consent of the Insurer.

(f) Only (1) cash, (2) non-callable direct obligations of the United States of America (*"Treasuries"*), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-funded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively or (5) securities eligible for "AAA" defeasance under then existing criteria of S&P, or any combination thereof, shall be authorized to be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance the Authority shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer verifying the sufficiency of the escrow established to pay the Series 2004A Bonds in full on the maturity or redemption date (*"Verification"*), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Series 2004A Bonds are no longer "Outstanding" under the General Ordinance and (iv) if there is a Trustee for the Series 2004A Bonds a certificate of discharge of the Trustee with respect to the Series 2004A Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Authority, the Trustee and the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Series 2004A Bonds shall be deemed "Outstanding" under the General Ordinance unless and until they are in fact paid and retired or the above criteria are met.

(g) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the General Ordinance and shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the General Ordinance. The General Ordinance shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(h) Each of the Authority and the Trustee hereby covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Revenues under applicable law.

(i) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third business day prior to the related scheduled interest payment date or principal payment date (*"Payment Date"*) there is not on deposit with the Trustee, after making all transfers and deposits required under the General Ordinance, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the *"Insurer's Fiscal Agent"*) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such business day. If, on the second business day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second business day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Insured Bondholders who surrender their Insured Bonds a new Insured Bond or Insured Bonds in an aggregate principal amount equal to the unredeemed portion of the Insured Bonds surrendered. The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Insured Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); *provided* that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any Insured Bonds or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy the Trustee shall establish a separate special purpose trust account for the benefit of the Insured Bondholders referred to herein as the *"Policy Payment Account"* and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of the Insured Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Insured Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2004A Bonds under the sections hereof regarding payment of Series 2004A Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the General Ordinance, and to the extent permitted by law, in the event amounts paid under the Insurance Policy are applied to claims for payment of principal of or interest on the Insured Bonds (a *"Policy Advance"*), interest on such Policy Advance shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Insured Bonds *provided* that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Series 2004A Bond payment date shall promptly be remitted to the Insurer.

(j) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. The obligations to the Insurer shall survive discharge or termination of the Related Documents.

(k) The Authority shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the General Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the General Ordinance or any other Related Document whether or not executed or completed, (iv) the violation by the Authority of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the General Ordinance or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the General Ordinance or any other Related Document.

(l) The Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the General Ordinance, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(m) The notice address of the Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director-Surveillance, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention to the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(n) The Insurer shall be provided with the following information:

(i) Annual audited financial statements within 200 days after the end of the Authority's fiscal year and the Authority's annual budget within 30 days after the approval thereof;

(ii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Series 2004A Bonds;

(iii) Notice of any default known to the Trustee within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2004A Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority commenced under the United State Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an *"Insolvency Proceeding"*);

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2004A Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents; and

(ix) All reports, notices and correspondence to be delivered to Series 2004A Bondholders under the terms of the Related Documents.

(o) Notwithstanding satisfaction of other conditions to the issuance of Additional Authority Obligations contained in the General Ordnance, no such issuance may occur (1) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of

Default) have occurred and be continuing unless such default shall be cured upon such issuance and (2) unless the Debt Service Reserve Fund is fully funded at its requirement (including the new issue) upon the issuance of such Additional Authority Obligations, in either case unless otherwise permitted by the Insurer.

(p) In determining whether any amendment, consent or other action to be taken, or any failure to act, under the General Ordinance would adversely affect the security for the Series 2004A Bonds or the rights of the Series 2004A Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Insurance Policy.

APPENDIX F

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Series 2004A Bonds. The Series 2004A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2004A Bond certificate will be issued for each maturity of the Series 2004A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Series 2004A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004A Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2004A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2004A Bonds, except in the event that use of the book-entry system for the Series 2004A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to DTC. If less than all of a series of the Series 2004A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to either series of the Series 2004A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the RTA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004A Bonds of such series are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2004A Bonds will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the RTA or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the RTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the RTA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2004A Bonds at any time by giving reasonable notice to the RTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2004A Bond certificates are required to be printed and delivered.

The RTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004A Bond certificates will be printed and delivered.

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APPENDIX G
FORM OF OPINION OF BOND COUNSEL
FOR THE SERIES 2004A BONDS

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]
[TO BE DATED CLOSING DATE]

We hereby certify that we have examined certified copy of the proceedings of the Board of Directors (the *"Board"*) of the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the *"Authority"*), in connection with the issuance by the Authority of its fully registered General Obligation Bonds, Series 2004A (the *"Series 2004A Bonds"*), in the aggregate principal amount of $260,000,000 (the *"Bonds"*), dated September 15, 2004, in denominations of $5,000 each and any integral multiple thereof, due on June 1 of the years, in the amounts and bearing interest at the rates per annum as follows:

Year of Maturity	Principal Amount	Rate of Interest
2005	$ 1,010,000	5.00%
2006	3,985,000	5.00
2007	4,190,000	5.00
2008	4,405,000	5.00
2009	4,635,000	5.00
2010	4,870,000	5.00
2011	5,120,000	5.00
2012	5,385,000	5.00
2013	5,660,000	5.00
2014	5,950,000	5.00
2015	6,255,000	5.75
2016	6,575,000	5.75
2017	6,920,000	5.75
2018	7,295,000	5.75
2019	7,685,000	5.50
2020	8,100,000	5.50
2021	8,540,000	5.50
2022	9,000,000	5.50
2023	9,485,000	5.25
2024	9,995,000	5.25
2025	10,535,000	5.25
2026	11,100,000	5.50
2027	11,700,000	5.50
2029	25,325,000	5.75
2034	76,280,000	5.75

The Series 2004A Bonds are issued pursuant to a Bond and Note General Ordinance, adopted by the Board on August 8, 1985, as supplemented and amended (the *"General Ordinance"*), and a Series Ordinance providing specifically for the issuance of the Series 2004A Bonds, adopted by the Board on August 5, 2004 (the *"2004A Series Ordinance"*). The Series 2004A Bonds are subject to mandatory redemption prior to maturity as provided in the 2004A Series Ordinance. The Series 2004A Bonds are not subject to optional redemption prior to maturity.

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

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

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

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.

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

This Continuing Disclosure Undertaking (the *"Agreement"*) is executed and delivered by the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the *"Issuer"*), in connection with the issuance of $260,000,000 General Obligation Bonds, Series 2004A (the *"Bonds"*) by the Issuer. The Bonds are being issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the Issuer (the *"Board"*) on August 8, 1985, as supplemented and amended (the *"General Ordinance"*), and the Series Ordinance adopted by the Board on August 5, 2004 (the *"2004A Series Ordinance"*). In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer covenants and agrees as follows.

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

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

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

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

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

Commission means the Securities and Exchange Commission.

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

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

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

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. The names and addresses of the current NRMSIRs are presently set forth on the following website: www.sec.gov/info/municipal/nrmsir.htm. The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement. *Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

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

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

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

3. CUSIP NUMBERS/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in *Exhibit III* hereto. The Final Official Statement relating to the Bonds is dated September 29, 2004 (the *"Final Official Statement"*).

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

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

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

5. MATERIAL EVENTS DISCLOSURE. The Issuer hereby covenants that it will provide in a timely manner Material Events Disclosure to each NRMSIR or the MSRB and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the General Ordinance or the 2004A Series Ordinance.

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

7. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due hereunder.

In the event of a failure of the Issuer to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the General Ordinance or a default under the 2004A Series Ordinance, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

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

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

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

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

Trustee or nationally recognized bond counsel), or by an approving vote of Bondholders pursuant to the terms of the General Ordinance at the time of the amendment.

9. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder with respect to such series of the Bonds if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of such series of the Bonds under the General Ordinance or the 2004A Series Ordinance. The Issuer shall give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this Section is applicable.

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

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

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

13. ASSIGNMENT. The Issuer shall not transfer its obligations under the General Ordinance or the 2004A Series Ordinance unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

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

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

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

Date: October 13, 2004

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

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

Yearly Ridership Unlinked Passenger Trips
RTA Statements of Revenues and Expenditures
(Including Funding for the Service Boards) 1999-2003 Financial Information
2004 Budget and 2005-2006 Financial Plan
Annual Debt Service
Estimated Debt Service Coverage

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, so that such entities receive the information within 210 days after the end of each fiscal year of the Issuer. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

II. Audited Financial Statements.

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

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

EXHIBIT II

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

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

Exhibit III
Cusip numbers

Series 2004A Bonds

Year of Maturity	CUSIP Number
2005	759911YV6
2006	759911YW4
2007	759911YX2
2008	759911YY0
2009	759911YZ7
2010	759911ZA1
2011	759911ZB9
2012	759911ZC7
2013	759911ZD5
2014	759911ZE3
2015	759911ZF0
2016	759911ZG8
2017	759911ZH6
2018	759911ZJ2
2019	759911ZK9
2020	759911ZL7
2021	759911ZM5
2022	759911ZN3
2023	759911ZP8
2024	759911ZQ6
2025	759911ZR4
2026	759911ZS2
2027	759911ZT0
2029	759911ZU7
2034	759911ZV5

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ____________________ By ____________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
350 Park Avenue, New York, N.Y. 10022-6022

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