

In the opinion of Holland & Knight LLP, Bond Counsel, assuming compliance with certain arbitrage rebate and other tax requirements referred to herein, under existing law, interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax on individuals and corporations. Interest on the Series 2017A Bonds will, however, be taken into account in computing an adjustment made in determining a corporate Bondholder's alternative minimum tax based on such Bondholder's adjusted current earnings, and holders of Series 2017A Bonds could be subject to the consequences of other provisions of the Internal Revenue Code of 1986, as amended, as further described herein. In the opinion of Bond Counsel, interest on the Series 2017A Bonds is exempt from present State of Georgia income taxation. See "TAX EXEMPTION" herein.

\$100,815,000

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY (Georgia)
Sales Tax Revenue Bonds
(Third Indenture Series)
Series 2017A



Dated: Date of Delivery

Due: July 1, as shown on inside front cover

This cover page contains information regarding the Series 2017A Bonds for quick reference only. It is not a summary of the Series 2017A Bonds or the security therefor. Investors should read this entire Official Statement to obtain information necessary to the making of an informed investment decision.

The Series 2017A Bonds will be dated as of their date of delivery, and interest will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2017, by check or draft of U.S. Bank National Association, as trustee and paying agent.

The Series 2017A Bonds will be fully registered, in the denominations of \$5,000 or any integral multiple thereof, and, when issued, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as the initial securities depository for the Series 2017A Bonds. Purchases of the beneficial ownership interests in the Series 2017A Bonds will be made in book-entry only form, without certificates. See "DESCRIPTION OF THE SERIES 2017A BONDS—Book-Entry Only Bonds" herein.

The Series 2017A Bonds are limited obligations of the Authority payable solely from and secured solely by a pledge of and third priority lien on receipts of a retail sales and use tax collected in Fulton and DeKalb Counties, Georgia and a pledge of and first priority lien on receipts of a retail sales and use tax collected in Clayton County, Georgia and a portion of certain ad valorem taxes on motor vehicles collected in Clayton, Fulton and DeKalb Counties, Georgia and deposited with the Trustee pursuant to a Trust Indenture and certain contracts with Fulton and DeKalb Counties and Clayton County, respectively, described herein. The Series 2017A Bonds do not constitute a debt of the State of Georgia or of any city or county thereof. The Authority has no taxing power.

The Series 2017A Bonds are subject to optional redemption prior to maturity as set forth herein.

The Series 2017A Bonds are offered when, as and if issued and accepted by the original purchasers, subject to the approval of legality by Holland & Knight LLP, Bond Counsel, Atlanta, Georgia. Certain legal matters will be passed upon for the Authority by its counsel, Kutak Rock LLP, Atlanta, Georgia. It is expected that the Series 2017A Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about April 27, 2017.

Dated: April 13, 2017

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**Series 2017A Bonds**

<u>Year (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield¹</u>	<u>CUSIP Number¹</u>
2027	\$ 235,000	3.000%	2.44%	591745Y99
2028	360,000	3.000	2.66 ¹	591745Z23
2029	395,000	3.000	2.81 ¹	591745Z31
2030	5,625,000	3.000	2.91 ¹	591745Z49
2031	5,665,000	3.000	3.05	591745Z56
2032	5,845,000	3.000	3.13	591745Z64
2033	6,020,000	3.000	3.19	591745Z72
2034	6,195,000	3.125	3.25	591745Z80
2035	6,395,000	3.250	3.30	591745Z98
2036	6,610,000	3.250	3.34	591745Z A1
2037	6,825,000	3.250	3.40	591745Z B9
2038	985,000	3.375	3.45	591745Z C7
2039	1,015,000	3.375	3.46	591745Z D5
2040	1,050,000	3.375	3.49	591745Z E3
2041	6,095,000	3.375	3.50	591745Z F0
2042	6,305,000	3.500	3.54	591745Z G8
2043	6,525,000	3.500	3.55	591745Z H6
2044	6,750,000	4.000	3.53 ¹	591745Z J2
2045	7,020,000	4.000	3.54 ¹	591745Z K9
2046	7,305,000	4.000	3.55 ¹	591745Z L7
2047	7,595,000	4.000	3.56 ¹	591745Z M5

¹ Priced to first optional redemption date of July 1, 2027.

² CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2017A Bonds. Neither the Issuer nor the Underwriters are responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Series 2017A Bonds or as indicated above. CUSIP numbers are subject to being changed after the issuance of the Series 2017A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Series 2017A Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2017A Bonds.

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No person has been authorized to give information or to make any representation other than those contained in this Official Statement; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2017A Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Any information, estimates and/or expressions of opinion herein are subject to change without notice. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement is not to be construed as a contract with the purchaser(s) of the Series 2017A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth herein has been obtained from the Authority and other sources that are believed to be reliable, but the accuracy or completeness of the information is not guaranteed by the Authority.

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OFFICIAL STATEMENT

\$100,815,000
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY (Georgia)
Sales Tax Revenue Bonds
(Third Indenture Series)
Series 2017A

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page and the appendices hereto, is to set forth information in connection with the issuance by the Metropolitan Atlanta Rapid Transit Authority (the “Authority”) of its \$100,815,000 Sales Tax Revenue Bonds (Third Indenture Series), Series 2017A (the “Series 2017A Bonds”). The Series 2017A Bonds are being issued pursuant to a Trust Indenture dated as of October 1, 2003 (the “Original Indenture”), as supplemented and amended from time to time, including by a Sixteenth Supplemental Trust Indenture dated as of March 1, 2016 (the Original Indenture as supplemented and amended, the “Indenture”), each by and between the Authority and U.S. Bank National Association (as successor to SunTrust Bank), as trustee (the “Trustee”), and a resolution adopted by the Authority on November 3, 2003, as supplemented from time to time including by a resolution adopted by the Authority on April 13, 2017 (the “Bond Resolution”).

U.S. Bank National Association is Bond Registrar (the “Registrar”), Paying Agent (the “Paying Agent”) and Authenticating Agent (the “Authenticating Agent”) with respect to the Series 2017A Bonds, and has a corporate trust office located in Atlanta, Georgia. Certain capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in Appendix C attached hereto.

The Authority and the System

The Authority is a public body corporate and joint public instrumentality of the City of Atlanta (“Atlanta”), Fulton County (“Fulton”), DeKalb County (“DeKalb”), Cobb County (“Cobb”), Clayton County (“Clayton”) and Gwinnett County (“Gwinnett”), Georgia, created and existing under the laws of the State of Georgia (the “State”) including the Metropolitan Atlanta Rapid Transit Authority Act of 1965 (Ga. Laws 1965, p. 2243), as amended (the “Act”), and a 1964 Amendment to the Georgia Constitution (Ga. Laws 1964, p. 1008). The Authority was created for the purposes of planning, constructing, financing and operating a rapid transit system (the “System”).

Pursuant to the Act, the Authority, Atlanta, Fulton, DeKalb, Clayton and Gwinnett entered into a Rapid Transit Contract and Assistance Agreement dated as of September 1, 1971 (as amended, the “Contract”). Fulton and DeKalb, which include all of Atlanta within their boundaries, approved the Contract pursuant to 1971 referenda. Under the terms of the Contract, Fulton and DeKalb are obligated to levy a retail sales and use tax for rapid transit purposes (the “Fulton and DeKalb Sales Tax”) in consideration of the Authority’s undertaking to acquire, construct, improve, operate and maintain the System. Atlanta agreed to assist in the development of the System through the dedication of public rights of way, the exercise of the power of eminent domain and other acts of assistance but has not pledged any tax. Clayton and Gwinnett, pursuant to 1971 referenda, did not approve the Contract, and Gwinnett has not pledged any tax or other revenues to the Authority. The Contract did not become binding and is not

binding on Gwinnett. The Contract became binding upon Clayton in connection with a 2014 referendum and the approval by the Authority and Clayton of the hereinafter described Clayton Contract.

Pursuant to Section 32-9-13, Official Code of Georgia Annotated (the “Atlanta Sales Tax Act”), Atlanta is authorized to levy a sales and use tax for rapid transit purposes (the “Atlanta Sales Tax”) which tax is in addition to the Fulton and DeKalb Sales Tax collected within Atlanta. On November 8, 2016, a majority of the voters (i.e., approximately 71%) in Atlanta approved the levy of the Atlanta Sales Tax. The Authority expects to amend the Contract, pursuant to a Fifteenth Amendment to Rapid Transit Contract and Assistance Agreement (the “Fifteenth Amendment to the Contract”), for the purpose of obligating Atlanta to levy the Atlanta Sales Tax in consideration of the Authority’s undertaking to expand and enhance its transit services in Atlanta; *however*, as of the date of this Official Statement, the Fifteenth Amendment to the Contract has not been approved by a majority of Atlanta, Fulton, DeKalb and Clayton. Notwithstanding the fact that the Fifteenth Amendment to Contract has not been executed and delivered yet, Atlanta began levying and collecting the Atlanta Sales Tax on March 1, 2017. After the approval of the Fifteenth Amendment to the Contract by a majority of Atlanta, Fulton, DeKalb and Clayton, the Authority expects to institute validation proceedings in the Superior Court of Fulton County to confirm and validate a pledge of the Atlanta Sales Tax as additional security for the hereinafter defined Bonds.

Pursuant to the Act, the Authority and Clayton entered into a Rapid Transit Contract dated as of July 5, 2014 (the “Clayton Contract”). On November 4, 2014, a majority of the voters in Clayton approved the levy of a sales and use tax for rapid transit purposes (the “Clayton Sales Tax” and together with the Fulton and DeKalb Sales Tax, the “Sales Tax”). Under the terms of the Clayton Contract, Clayton is obligated to levy the Clayton Sales Tax, which levy began in March 2015, in consideration of the Authority’s undertaking to acquire, construct, improve, operate and maintain the System, including the extension of transit services into Clayton. In addition, the Contract is incorporated by reference into the Clayton Contract.

With respect to additional information relating to the Authority, see “THE AUTHORITY AND THE SYSTEM” herein.

The System and its development are based upon a plan developed by the Authority in 1971, as amended from time to time. The System has as its major components a fixed rail transit system and a bus system providing local bus service. The Authority presently has approximately 565 buses and 211 Mobility paratransit vans with which it renders extensive bus service throughout Fulton and DeKalb and limited service into Clayton, Gwinnett and Cobb. Fixed rail passenger service, which was inaugurated in June 1979, is presently operated over 47.6 miles of East-West and North-South Lines with 38 stations in Fulton and DeKalb. As presently contemplated under the Authority’s development plan, the fixed rail portion of the System will ultimately consist of 60 miles of double track with 45 stations. See “THE AUTHORITY AND THE SYSTEM-The Rapid Transit System” herein.

Continuing Disclosure Undertaking

As described herein under “CONTINUING DISCLOSURE UNDERTAKING,” the Authority has agreed to certain covenants designed to assist the original purchasers of the Series 2017A Bonds (the “Original Purchasers”) in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

Miscellaneous

This Official Statement contains information only as of its date, and the information contained herein is subject to change. This Official Statement contains brief descriptions of the System, the Sales

Tax, the Series 2017A Bonds, the Indenture, the Contract and the Clayton Contract. All references and summaries of all documents referred to herein do not purport to be comprehensive or definitive and are qualified by reference to all such documents for full and complete statements of the terms thereof. Copies of the Indenture, the Contract and the Clayton Contract may be obtained from the Trustee at the following address: U.S. Bank National Association, 1349 W. Peachtree Street, N.W., Two Midtown Plaza, Suite 1050, Atlanta, Georgia 30309, Attention: Corporate Trust.

This Official Statement contains forecasts, projects and estimates that are based upon current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions of any forward-looking statement contained in this Official Statement to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

This introduction is subject in all respects to more complete information contained in this Official Statement. This introduction is only a brief description and a full review should be made of this entire Official Statement, as well as of the documents summarized or described herein.

DESCRIPTION OF THE SERIES 2017A BONDS

General

The Series 2017A Bonds will bear interest at the rates per annum and mature on the dates and in the principal amounts set forth on the inside front cover page of this Official Statement. The Series 2017A Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Series 2017A Bonds will be dated as of their date of delivery. Interest on the Series 2017A Bonds will be payable semiannually on each January 1 and July 1 (each, an “Interest Payment Date”), commencing on July 1, 2017. To the extent that the Series 2017A Bonds are no longer in the book-entry only system, interest will be paid to the owner of each Series 2017A Bond as shown on the registration books kept by the Registrar as of the Regular Record Date (*i.e.*, the June 15 or December 15 next preceding the applicable Interest Payment Date) by check or draft mailed to such registered owner at such owner’s address as it appears on the registration books of the Registrar or at such other address as is furnished in writing to the Registrar; provided, however, that at the option of any owner of at least \$1,000,000 of Series 2017A Bonds, payment will be made by wire transfer. Principal of on the Series 2017A Bonds are payable when due, upon surrender of the Series 2017A Bonds at the principal office of the Paying Agent, in lawful money of the United States of America. See “–Book-Entry Only Bonds” herein.

The Registrar maintains books for the registration and transfer of Series 2017A Bonds. The Trustee and the Authority may deem and treat the person in whose name a Series 2017A Bond is registered on the registration books maintained by the Registrar as the absolute owner thereof for all purposes. To the extent that the Series 2017A Bonds are no longer in the book-entry only system, the Series 2017A Bonds are transferable by the owner thereof in person or by such person’s duly appointed attorney, upon surrender for transfer at the principal office of the Registrar, as Authenticating Agent. Series 2017A Bonds may be exchanged at the principal office of the Registrar for a like aggregate

principal amount of Series 2017A Bonds of like maturity and interest rate. See “–Book-Entry Only Bonds” herein.

No charge will be made for exchange or transfer of the Series 2017A Bonds, except the Authority or the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Registrar will not be required to transfer or exchange any Series 2017A Bond during a period of 15 days next preceding any Interest Payment Date for such Series 2017A Bonds.

Optional Redemption

The Series 2017A Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part at any time, on or after July 1, 2027 and in integral multiples of \$5,000 from any moneys available therefor, at a redemption price of 100% of the principal amount of Series 2017A Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption and Method of Selection

Notice of redemption will be given by first-class mail not less than 30 nor more than 60 days prior to the redemption date to each registered owner of the Series 2017A Bonds called for redemption at the address shown on the registration books maintained by the Registrar. Each such notice of redemption will specify the redemption date and whether such redemption is conditioned upon any event or condition precedent. If notice of redemption has been given as described above and if payment of the redemption price has been duly provided for and any other condition precedent satisfied on the redemption date, then interest on such Series 2017A Bonds will cease to accrue, and the owners of such Series 2017A Bonds will have no rights with respect to such Series 2017A Bonds, and the owners of such Series 2017A Bonds shall have no rights under the Indenture except to receive payment of the redemption price and unpaid interest accrued to the redemption date.

If less than all of a maturity of the Series 2017A Bonds is to be redeemed, the particular Series 2017A Bonds or portion of Series 2017A Bonds will be redeemed in order of maturity selected by the Authority and by lot within a maturity.

Book-Entry Only Bonds

The information concerning The Depository Trust Company (“DTC”), New York, New York, and the book-entry only system set forth below and in Appendix E attached hereto has been obtained from DTC. The Authority makes no representation or warranty regarding the accuracy or completeness of such information.

The Series 2017A Bonds initially will be delivered in the form of fully registered, book-entry only bonds. Upon initial delivery, the ownership of the Series 2017A Bonds will be registered in the registry books kept by the Registrar in the name of Cede & Co., as nominee of DTC, which will act as the initial securities depository for the Series 2017A Bonds (the “Bond Depository”) with respect to the Series 2017A Bonds, under a book-entry only system. Purchasers of the Series 2017A Bonds (the “Beneficial Owners”) will not receive certificates representing their interest in the Series 2017A Bonds. Purchases of beneficial interests in the Series 2017A Bonds will be made in book-entry only form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC. Principal of and interest on the Series 2017A Bonds will be payable by the Paying Agent directly to DTC as the registered owner thereof. Disbursement of such payments to the DTC Participants (as defined hereinafter) is the responsibility of DTC and disbursements of such payments to the Beneficial

Owners is the responsibility of DTC Participants and Indirect Participants (as defined hereinafter), as more fully described herein. Any purchaser of beneficial interests in the Series 2017A Bonds must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Series 2017A Bonds. For a description of the book-entry only system, DTC and the payment of principal of and interest on the Series 2017A Bonds in the book-entry only system, see Appendix E, “DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM” attached hereto.

Authorization for and Validation of the Series 2017A Bonds

The Series 2017A Bonds are being issued under and pursuant to the Act, the Contract, the Clayton Contract, the Indenture and the Bond Resolution. The Act requires that the Authority’s revenue bonds be confirmed and validated in accordance with the Georgia Revenue Bond Law. Proceedings were instituted in the Superior Court of Fulton County, Georgia, and such Court entered orders on February 16, 2004, January 3, 2007, December 8, 2008, October 8, 2013 and November 3, 2015, respectively, confirming and validating the hereinafter defined Bonds, including the Series 2017A Bonds, and the security therefor. Georgia law provides that the judgment of the Superior Court of Fulton County, Georgia, validating the issuance of the Bonds and the security therefor, shall be forever conclusive as to the validity of the Bonds and the security therefor against the Authority and any municipality, county, authority, subdivision, instrumentality or department of the State which is contracting with the Authority and which is a party to the validation proceedings.

After the approval of the Fifteenth Amendment to the Contract by a majority of Atlanta, Fulton, DeKalb and Clayton, the Authority expects to institute validation proceedings in the Superior Court of Fulton County to confirm and validate a pledge of the Atlanta Sales Tax as additional security for the Bonds.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2017A BONDS

The following table presents the estimated sources and uses of funds of the Series 2017A Bonds:

Sources:

Par Amount of Series 2017A Bonds	\$100,815,000.00
Net Original Issue Premium	<u>266,358.50</u>
<i>Total Sources</i>	<u><u>\$101,081,358.50</u></u>

Uses:

Project Fund	\$100,004,885.08
Costs of Issuance ¹	<u>1,076,473.42</u>
<i>Total Uses</i>	<u><u>\$101,081,358.50</u></u>

¹ Includes legal fees, financial advisory fees, original purchaser’s discount, and printing costs.

PLAN OF FINANCE

The Authority will use a portion of the proceeds of the Series 2017A Bonds for the purpose of (1) financing various capital projects to enhance life safety and maintain the System in a state of good repair and (2) paying the costs of issuing the Series 2017A Bonds. The capital projects to be financed with the proceeds of the Series 2017A Bonds may include, but are not limited to, the following: roofing

rehabilitation projects; a CNG fuel facility; auxiliary power switch gear improvements; fire protection systems upgrade; train control systems upgrade; traction power substation system; phase 1 of a Mobility paratransit facility; facilities upgrade program; enhancement to fare collection system; tunnel ventilation fans upgrade; and track and structure renovation and rehabilitation.

SECURITY FOR THE SERIES 2017A BONDS

Limited Obligations

The Series 2017A Bonds are limited obligations of the Authority payable solely from and secured by (i) a pledge of and third priority lien on receipts from Fulton and DeKalb under the Contract (the “Fulton and DeKalb Sales Tax Receipts”) and a pledge of and first priority lien on receipts from Clayton under the Clayton Contract (the “Clayton Sales Tax Receipts” and together with the Fulton and DeKalb Sales Tax Receipts, the “Sales Tax Receipts”) and (ii) a pledge of and first priority lien on a portion of certain title ad valorem taxes on motor vehicles (“TAVT Receipts”) to be paid by Clayton, Fulton and DeKalb to the Authority pursuant to Section 48-5C-1 et seq., Official Code of Georgia Annotated (the “TAVT Act”), which are deposited with the Trustee. The Series 2017A Bonds do not constitute a debt of the State of Georgia or any city or county thereof. The Authority has no taxing power. The Authority has not pledged any revenue which it may derive from its operations or from any source other than the Sales Tax Receipts and TAVT Receipts to the payment of the hereinafter described First Indenture Bonds, Second Indenture Bonds or the Bonds, including the Series 2017A Bonds; *provided that* the Clayton Sales Tax Receipts and the TAVT Receipts are not pledged to the payment of the First Indenture Bonds or the Second Indenture Bonds. The Authority has made no pledge of, nor granted any security interest in, any property of the System for the benefit of the holders or owners of the First Indenture Bonds, the Second Indenture Bonds or the Bonds. The Series 2017A Bonds are subordinate in lien and right of payment to the First Indenture Bonds and Second Indenture Bonds with respect to the Fulton and DeKalb Sales Tax Receipts.

Pledge of Indenture

Under the Indenture, the Authority has pledged to the Trustee for the benefit of the owners of the Series 2017A Bonds and Bonds issued on a parity therewith, (i) receipts from Atlanta, Fulton and DeKalb under the Contract, which consist primarily of the Fulton and DeKalb Sales Tax Receipts, after application of the Fulton and DeKalb Sales Tax Receipts in accordance with (A) the First Indenture for the benefit of the holders and owners of the First Indenture Bonds and (B) the Second Indenture for the benefit of the holders and owners of the Second Indenture Bonds, (ii) receipts from Clayton under the Clayton Contract, which consist primarily of the Clayton Sales Tax Receipts, and (iii) the TAVT Receipts from Clayton, Fulton and DeKalb. See “SECURITY FOR THE SERIES 2017A BONDS—Outstanding Bonds” herein.

The Contract and the Clayton Contract

Pursuant to the Contract and the Act, Fulton and DeKalb are obligated to levy the Fulton and DeKalb Sales Tax at the maximum rate permitted under the Act, which is currently the rate of 1% until June 30, 2047. The Act permits the collection of the Fulton and DeKalb Sales Tax at the rate of 1% until June 30, 2057; *however*, the Contract obligates Fulton and DeKalb to levy the Fulton and DeKalb Sales Tax until June 30, 2047. The Authority expects to amend the Contract, pursuant to a Fifteenth Amendment to Contract, for the purpose of obligating Fulton and DeKalb to levy the Fulton and DeKalb Sales Tax at the rate of 1% from July 1, 2047 until June 30, 2057; *however*, as of the date of this Official Statement, the Fifteenth Amendment to the Contract has not been approved by a majority of Atlanta, Fulton, DeKalb and Clayton. See “THE SALES TAX” herein. The obligations of Atlanta, Fulton and

DeKalb under the Contract to make payments to the Authority from the levy of the Fulton and DeKalb Sales Tax are absolute and unconditional, and such payments are not to abate or be reduced for any reason, including damage or destruction to the System or interruption or stoppage of service. Atlanta, Fulton and DeKalb are not entitled under the Contract to exercise any right of setoff or any similar right with respect to such payments or to withhold any such payments because of any claimed breach of the Contract by the Authority or any other party thereto.

Pursuant to the Clayton Contract and the Act, Clayton is obligated to levy the Clayton Sales Tax at the maximum rate permitted under the Act, which is currently the rate of 1% until June 30, 2057. See “THE SALES TAX” herein. The Clayton Contract currently expires on July 1, 2057. The obligations of Clayton under the Clayton Contract to make payments to the Authority from the levy of the Clayton Sales Tax are absolute and unconditional, and such payments are not to abate or be reduced for any reason, including damage or destruction to the System or interruption or stoppage of service. Clayton is not entitled under the Clayton Contract to exercise any right of setoff or any similar right with respect to such payments or to withhold any such payments because of any claimed breach of the Clayton Contract by the Authority or any other party thereto.

Outstanding Bonds

The Authority has previously issued its sales tax revenue bonds, in series designated alphabetically from “A” to “P” (the “First Indenture Bonds”). As of March 1, 2017, \$38,345,000 in aggregate principal amount of the First Indenture Bonds were outstanding.

The First Indenture Bonds were issued pursuant to a Trust Indenture dated as of January 1, 1976 (as amended and supplemented, the “First Indenture”). The trustee for the First Indenture Bonds is currently U.S. Bank National Association (the “First Indenture Trustee”). The First Indenture Bonds are secured by a first priority lien on and pledge of all amounts due from Fulton and DeKalb under the Contract, *i.e.*, the proceeds derived from the levy of the Sales Tax. The Authority has relinquished its right to issue additional sales tax revenue bonds under the First Indenture.

The Authority has previously issued its sales tax revenue bonds, in series designated as the Series 1993A Bonds, the Series 1994A Bonds, the Series 1996A Bonds, the Series 1998A Bonds, the Series 1998B Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2001 Bonds, the Series 2002 Bonds and the Series 2003A Bonds (collectively, the “Second Indenture Bonds”). As of March 1, 2017, \$184,500,000 in aggregate principal amount of the Second Indenture Bonds were outstanding.

The Second Indenture Bonds were issued pursuant to a Trust Indenture dated as of March 1, 1993 (as amended and supplemented, the “Second Indenture”) by and between the Authority and U.S. Bank National Association (as successor to SunTrust Bank), as trustee (the “Second Indenture Trustee”). The Second Indenture Bonds are secured by a second priority lien on and pledge of all amounts due from Fulton and DeKalb under the Contract. The Authority has relinquished its right to issue additional sales tax revenue bonds under the Second Indenture.

The Authority previously issued (i) Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004A in an aggregate principal amount not to exceed \$200,000,000 (the “Series 2004A Notes”) and Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004B in an aggregate principal amount not to exceed \$200,000,000 (the “Series 2004B Notes” and together with the Series 2004A Notes, the “Series 2004 Notes”), (ii) \$190,490,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2005A (the “Series 2005A Bonds”), (iii) \$162,375,000

aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2006A (the “Series 2006A Bonds”), (iv) \$145,725,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2007A (the “Series 2007A Bonds”), (v) the Series 2007B Bonds, (vi) \$101,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007C-1 (the “Series 2007C-1 Notes”), (vii) \$99,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007C-2 (the “Series 2007C-2 Notes”), (viii) \$124,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007D-1 (the “Series 2007D-1 Notes”) (ix) \$250,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Series 2009A (the “Series 2009A Bonds”), (x) \$311,075,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2012A (the “Series 2012A Bonds”), (xi) \$17,930,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2012B (the “Series 2012B Bonds”), (xii) \$50,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2012C-1 (the “Series 2012C-1 Notes”), (xiii) \$50,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2012C-2 (the “Series 2012C-2 Notes”), (xiv) \$50,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2012D-1 (the “Series 2012D-1 Notes”), (xv) \$50,000,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2012D-2 (the “Series 2012D-2 Notes”), (xvi) \$22,980,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2013A (the “Series 2013A Bonds”), (xvii) \$286,700,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding and New Money Series 2014A (the “Series 2014A Bonds”), (xviii) \$87,015,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Series 2015A (the “Series 2015A Bonds”), (xix) \$88,485,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Series 2015B (the “Series 2015B Bonds”), (xx) \$93,085,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2015C (the “Series 2015C Bonds”), (xxi) \$90,260,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2016A (the “Series 2016A Bonds”) and (xxii) \$242,985,000 aggregate principal amount of Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series) Refunding Series 2016B (the “Series 2016B Bonds”). The bonds and notes described in the immediately preceding sentence were issued pursuant to the Indenture. The Series 2004 Notes were refunded with the proceeds from the Series 2007B Bonds. The Series 2007C-1 Notes, the Series 2007C-2 Notes and the Series 2007D-1 Notes were refunded with a portion of the proceeds from the Series 2012A Bonds. The Series 2012C-1 Notes, the Series 2012C-2 Notes, the Series 2012D-1 Notes and the Series 2012D-2 Notes were refunded with a portion of the proceeds from the Series 2014A Bonds. The Series 2006A Bonds were refunded with a portion of the proceeds of the Series 2016A Bonds. The Series 2007B Bonds were refunded with a portion of the proceeds of the Series 2016B Bonds. As of March 1, 2017, \$103,680,000 in aggregate principal amount of the Series 2005A Bonds, \$145,725,000 in aggregate principal amount of the Series 2007A Bonds, \$250,000,000 in aggregate principal amount of the Series 2009A Bonds, \$311,075,000 in aggregate principal amount of the Series 2012A Bonds, \$15,730,000 in aggregate principal amount of the Series 2012B Bonds, \$14,980,000 in aggregate principal amount of the Series 2013A Bonds, \$286,700,000 in aggregate principal amount of the Series 2014A Bonds,

\$87,015,000 in aggregate principal amount of the Series 2015A Bonds, \$88,485,000 in aggregate principal amount of the Series 2015B Bonds, \$93,085,000 in aggregate principal amount of the Series 2015C Bonds, \$90,260,000 in aggregate principal amount of the Series 2016A Bonds and \$242,985,000 in aggregate principal amount of the Series 2016B Bonds were Outstanding.

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<u>Outstanding Bonds</u>	<u>Outstanding Principal Amount (As of March 1, 2017)</u>
First Indenture Bonds	\$ 38,345,000
Second Indenture Bonds	<u>184,500,000</u>
	<u>\$222,845,000</u>
Third Indenture Bonds ⁽¹⁾	
Series 2005A Bonds	\$ 103,680,000
Series 2007A Bonds	145,725,000
Series 2009A Bonds	250,000,000
Series 2012A Bonds	311,075,000
Series 2012B Bonds	15,730,000
Series 2013A Bonds	19,980,000
Series 2014A Bonds	286,700,000
Series 2015A Bonds	87,015,000
Series 2015B Bonds	88,485,000
Series 2015C Bonds	93,085,000
Series 2016A Bonds	90,260,000
Series 2016B Bonds	<u>242,985,000</u>
	<u>\$1,734,720,000</u>

1 Does not include the Series 2017A Bonds.

Currently, Standard & Poor's Ratings Group, Moody's Investors Service Inc. and Fitch Ratings have assigned their municipal bond ratings of "AA+," "Aa2" and "AA-," respectively, to the Series 2005A Bonds, the Series 2007A Bonds, the Series 2009A Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2013A Bonds, the Series 2014A Bonds, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016A Bonds and the Series 2016B Bonds. The Authority may issue Additional Bonds under the Indenture as described herein under "SECURITY FOR THE SERIES 2017A BONDS--Additional Indebtedness." The Series 2017A Bonds are issued and secured on a parity basis with the Series 2005A Bonds, the Series 2007A Bonds, the Series 2009A Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2013A Bonds, the Series 2014A Bonds, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016A Bonds, the Series 2016B Bonds and any Additional Bonds which may be issued under the Indenture in the future (collectively, with the Series 2017A Bonds, the "Bonds" or the "Third Indenture Bonds").

Additional Indebtedness

The Authority may issue Additional Bonds on a parity with the lien of all Bonds currently outstanding under the Indenture, including the Series 2017A Bonds, upon satisfaction of certain terms and conditions described herein (see Appendix C, "THE INDENTURE--Additional Parity Bonds" attached hereto). These terms and conditions include delivery of a certificate of an Authority Representative that the estimated amounts to be received under the Contract (*i.e.*, Fulton and DeKalb Sales Tax Receipts) by the First Indenture Trustee, the Second Indenture Trustee and the Trustee in each Bond Year and under the Clayton Contract (*i.e.*, Clayton Sales Tax Receipts) and the TAVT Receipts from Clayton, Fulton and

DeKalb by the Trustee in each Bond Year are at least equal to two times the aggregate amount of Total Debt Service which will become due during each corresponding Bond Year on the Bonds, the First Indenture Bonds and the Second Indenture Bonds. Such certificate must cover a period of at least 15 Bond Years and must be based on an opinion of a Consultant as to the estimated amounts to be received by the Authority under the Contract and the Clayton Contract and pursuant to the TAVT Act. The Authority may, without meeting this requirement, issue Bonds to refund any Bonds, First Indenture Bonds or Second Indenture Bonds so long as following the refunding, Debt Service on the Bonds, the First Indenture Bonds or the Second Indenture Bonds, if applicable, is not increased in any Bond Year or if all outstanding Bonds, First Indenture Bonds or Second Indenture Bonds, as the case may be, are being refunded. In addition, without meeting the tests prescribed under the Indenture for the issuance of parity obligations, the Authority may issue additional obligations junior to the lien created by the Indenture as described in Appendix C under “THE INDENTURE—Other Obligations; Subordinate Indebtedness.”

The Authority has an ongoing capital program which necessitates the issuance of revenue bonds by the Authority. The Authority has no plans to issue additional revenue bonds, other than refunding revenue bonds, for its capital program or otherwise prior to the end of the fiscal year ending June 30, 2018 other than the Series 2017A Bonds.

Flow of Funds

Under the Contract and the Clayton Contract, Atlanta, Fulton, DeKalb and Clayton have agreed to cause the total Sales Tax Receipts to be paid to the Authority. The Sales Tax Receipts are collected by the Fiscal Division. See “THE SALES TAX—Collection of Sales Tax” herein. Pursuant to the terms of the Contract and the Clayton Contract, Atlanta, Fulton, DeKalb and Clayton have assigned their respective rights to receive the Sales Tax Receipts to the Authority and directed the State Treasurer, who acts through the Fiscal Division, to make such payments directly to the Authority. Pursuant to the TAVT Act, Clayton, Fulton and DeKalb are required to pay the TAVT Receipts to the Authority on a monthly basis.

Pursuant to the terms of the Indenture, the Authority has covenanted and agreed with the Owners of the Bonds that, so long as any Bonds issued thereunder remain Outstanding and unpaid, it will cause all revenues, amounts and sums to be paid to it under the Contract to be paid (i) directly by the Fiscal Division to the First Indenture Trustee for the account of the Authority, so long as there are First Indenture Bonds Outstanding under the First Indenture, to be used by the First Indenture Trustee for the payment of all principal of, premium, if any, and interest on the First Indenture Bonds under the First Indenture and such other amounts as are required to be paid under the First Indenture, (ii) directly by the First Indenture Trustee to the Second Indenture Trustee for the account of the Authority, so long as there are Second Indenture Bonds Outstanding under the Second Indenture, for deposit into the Revenue Fund established under the Second Indenture, for the payment of all principal of, premium, if any and interest on the Second Indenture Bonds and for the payment of such other amounts as are required to be paid under the Second Indenture and (iii) directly by the Second Indenture Trustee to the Trustee for the account of the Authority, so long as there are Bonds Outstanding under the Indenture, for deposit into the Revenue Fund, for the payment of all principal of, premium, if any and interest on the Bonds and for the payment of such other amounts as are required to be paid thereunder.

Pursuant to the terms of the Indenture, the Authority has covenanted and agreed with the Owners of the Bonds that, so long as any Bonds issued thereunder remain Outstanding and unpaid, it will cause all revenues, amounts and sums to be paid to it under the Clayton Contract to be paid directly by the Fiscal Division to the Trustee for the account of the Authority and all TAVT Receipts to be paid directly by Clayton, Fulton and DeKalb to the Trustee for the account of the Authority, so long as there are Bonds Outstanding under the Indenture, for deposit into the Revenue Fund, for the payment of all principal of,

premium, if any and interest on the Bonds and for the payment of such other amounts as are required to be paid thereunder

If there are no longer any First Indenture Bonds outstanding under the First Indenture, the Authority has covenanted to enter into an agreement with the Fiscal Division directing the Fiscal Division to make payments due the Authority under the Contract directly to the Second Indenture Trustee for the account of the Authority at the Principal Office of the Second Indenture Trustee. If there are no longer any Second Indenture Bonds outstanding under the Second Indenture, but First Indenture Bonds remain outstanding under the First Indenture, the Authority covenants to direct the First Indenture Trustee that such amounts will be paid directly by the First Indenture Trustee to the Trustee for the account of the Authority into the Revenue Fund for the payment of all principal of, premium, if any and interest on the Bonds and for the payment of such other amounts as are required to be paid under the Indenture. If there are no longer First Indenture Bonds outstanding under the First Indenture, nor Second Indenture Bonds outstanding under the Second Indenture, the Authority has covenanted to enter into an agreement with the Fiscal Division directing the Fiscal Division to make payments due the Authority under the Contract directly to the Trustee for the account of the Authority at the Principal Office of the Trustee. The Trustee will deposit all Contract payments it receives from the Fiscal Division, the First Indenture Trustee or the Second Indenture Trustee in the Revenue Fund.

The Trustee is required to deposit all Contract payments (*i.e.*, Fulton and DeKalb Sales Tax Receipts) it receives from the First Indenture Trustee, the Second Indenture Trustee or the Fiscal Division, all Clayton Contract payments (*i.e.*, Clayton Sales Tax Receipts) it receives from the Fiscal Division and all TAVT Receipts it receives from Clayton, Fulton and DeKalb in the Revenue Fund established under the Indenture. Amounts on deposit in the Revenue Fund will be applied by the Trustee for the following purposes in the following order of priority:

- (i) to the respective accounts in the Bond Fund for the payment of the principal of, premium, if any, and interest due on the Bonds or to reimburse any Credit Provider for amounts paid under a Credit Facility for payment of the principal of, premium, if any, and interest due on the Bonds or to pay certain fees and expenses of the Trustee and the Paying Agent;
- (ii) to the respective accounts in the Reserve Fund, to make up any deficiency in the Reserve Fund Requirement therein and to pay any amounts owed a Reserve Fund Credit Provider;
- (iii) to the respective accounts in the Rebate Fund, the amounts required to be deposited therein under any Tax Agreement;
- (iv) to such other fund, account or purpose as may be specified by the Authority in a Series Resolution or Supplemental Indenture or in a Certified Resolution; and
- (v) to the General Fund of the Authority to be used for any purpose permitted by law.

To the extent there are insufficient amounts paid to the Trustee for deposit in the accounts created in the Bond Fund or the Reserve Fund, such amounts will be applied pro rata among all outstanding Series of Bonds according to the respective amounts of Debt Service on each such Series of Bonds accrued through the end of the current month, first, into the respective accounts in the Bond Fund and second, into the Reserve Fund to the extent available. **Amounts on deposit in the Reserve Fund do not secure the payment of the principal of or interest on the Series 2017A Bonds.**

THE SALES TAX AND TAVT RECEIPTS

General

The Act authorizes Atlanta, Fulton, DeKalb and Clayton to levy the Sales Tax upon the retail purchase, retail sale, rental, storage, use or consumption of tangible personal property and certain services rendered within the geographic boundaries of those counties and city, subject to certain exceptions. The Sales Tax is to correspond as nearly as practicable, except as to rate, with the State sales and use tax (the “State Sales Tax”) levied pursuant to Article 1 of Chapter 8 of Title 48 of the Official Code of Georgia Annotated, as amended, and as it may from time to time be amended. As a result, the sales, uses and services subject to the Sales Tax are identical to those subject to the State Sales Tax, except that sales of tangible personal property ordered by and delivered to a purchaser outside the geographical area of Atlanta, Fulton, DeKalb or Clayton are not subject to the Sales Tax regardless of the point at which title passes. A reciprocal credit is also allowed against the Sales Tax for any amounts paid pursuant to any local sales and use tax on tangible personal property purchased outside of Atlanta, Fulton, DeKalb or Clayton. *The State may modify the State Sales Tax at any time, which modifications may include the creation of additional exemptions from the State Sales Tax and, effectively, the Sales Tax.* Such modifications may have an adverse effect on Sales Tax Receipts.

Pursuant to legislation adopted by the Georgia General Assembly in 2012, the State exempted the sale or purchase of any motor vehicle titled in the State on or after March 1, 2013 from the State’s sales and use taxes. Also in 2012, the Georgia General Assembly adopted the TAVT Act which imposes an ad valorem tax on motor vehicles payable upon the application for or transfer of title for a new or used motor vehicle. Pursuant to the TAVT Act (as amended in June 2015) and to the extent that such motor vehicle title ad valorem tax collections are sufficient therefor, Clayton, Fulton and DeKalb are obligated to pay to the Authority on a monthly basis an amount of TAVT Receipts equal to the monthly average of the portion of the Fulton and DeKalb Sales Taxes attributable to motor vehicles collected in 2012 and the monthly average of the portion of the Clayton Sales Tax attributable to motor vehicles that would have been collected in 2012 had the Clayton Sales Tax been levied in 2012. The monthly average of TAVT Receipts received by the Authority during the 2016 calendar was approximately \$2,500,000, including less than \$250,000 per month of TAVT Receipts paid by Clayton.

During the first three months of calendar year 2017, Clayton has withheld its TAVT Receipts payable to the Authority in an aggregate amount equal to less than \$750,000. Clayton has notified the Authority that Clayton is seeking verification from the Georgia Department of Revenue that the current methodology for calculating the amount of TAVT Receipts payable by Clayton to the Authority pursuant to the TAVT Act is accurate. Pending such verification, the Authority expects that Clayton will continue to withhold the payment of such TAVT Receipts to the Authority. At this time, the Authority is not able to predict when Clayton will resume the monthly payment of TAVT Receipts to the Authority as required by the TAVT Act and pay the unpaid TAVT Receipts owed to the Authority.

Rate of Tax Levy

Under the Contract and the Clayton Contract, Atlanta, Fulton, DeKalb and Clayton have agreed, during the term thereof, to levy the Sales Tax at the maximum rate permitted by the Act and to cause the Sales Tax Receipts to be paid to the Authority. Pursuant to the Act and the Contract, the Fulton and DeKalb Sales Tax is currently to be levied at the rate of 1% until June 30, 2047, and pursuant to the Act, at a rate of ½ of 1% thereafter. Pursuant to the Clayton Contract and the Act, Clayton is obligated to levy the Clayton Sales Tax at the maximum rate permitted under the Act, which is currently the rate of 1% until June 30, 2057.

The Act permits the collection of the Fulton and DeKalb Sales Tax and the Clayton Sales Tax at the rate of 1% until June 30, 2057; *however*, the Contract obligates Fulton and DeKalb to levy the Fulton and DeKalb Sales Tax at the rate of 1% until June 30, 2047. The Authority expects to amend the Contract, pursuant to a Fifteenth Amendment to Contract, for the purpose of obligating Fulton and DeKalb to levy the Fulton and DeKalb Sales Tax at the rate of 1% from July 1, 2047 until June 30, 2057; *however*, as of the date of this Official Statement, the Fifteenth Amendment to the Contract has not been approved by a majority of Atlanta, Fulton, DeKalb and Clayton.

Collection of Sales Tax

The Sales Tax is administered and collected by the Revenue Commissioner of the State (the “Revenue Commissioner”) in the same manner as the State Sales Tax. The Sales Tax proceeds generally are required to be paid by retailers to the Revenue Commissioner on or before the 20th day of each month for the preceding month. Retailers are allowed, as a collection fee, a percentage of the amount of Sales Tax proceeds due to the Revenue Commissioner in the form of a deduction in paying the amount due if said proceeds are not delinquent at the time of payment. The rate of the deduction is the same as the rate from time to time authorized for deductions by retailers from the State Sales Tax. At the current time, with respect to each certificate of registration number on a retailer’s sales tax return, this rate of deduction is 3% of the first \$3,000 of the combined total amount of all sales and use taxes reported due on the return for each location and ½ of 1% of the portion exceeding \$3,000. An exception is made for sales and use taxes on motor fuel, where the rate of deduction is 3% of the combined total amount due of all such sales and use taxes.

The Revenue Commissioner is required pursuant to the Act to pay the Sales Tax Receipts to the State Treasurer (whose functions have been transferred to the Fiscal Division) for the credit of a special fund designated “Collection of Metropolitan Atlanta Rapid Transit Authority Taxes,” and upon their receipt the Sales Taxes of Atlanta, Fulton, DeKalb and Clayton are to be credited to their respective separate accounts within such special fund.

The Act requires the Fiscal Division, as soon as practicable after such monthly deposit into the State Treasury, to pay to Atlanta, Fulton, DeKalb and Clayton the amount of their respective Sales Tax less 1% as a collection and administration fee. Atlanta, Fulton and DeKalb, under the Contract, have assigned all rights to the Fulton and DeKalb Sales Tax Receipts to the Authority and the Contract authorizes and directs the Fiscal Division to make such payments directly to the Authority. Clayton, under the Clayton Contract, has assigned all rights to the Clayton Sales Tax Receipts to the Authority and the Clayton Contract authorizes and directs the Fiscal Division to make such payments directly to the Authority. The Clayton Sales Tax Receipts are not pledged to secure the payment of debt service on the First Indenture Bonds or the Second Indenture Bonds. See “SECURITY FOR THE SERIES 2017A BONDS-Flow of Funds” herein for a description of the flow of Sales Tax Receipts to the First Indenture Trustee, the Second Indenture Trustee and the Trustee.

Historical and Projected Sales Tax Revenues

The collection of the Sales Tax in Atlanta, Fulton, DeKalb and Clayton is dependent, among other things, on the general economic condition of those counties and city. The Authority has retained the Economic Forecasting Center, Georgia State University (the “Economic Forecasting Center”), to periodically submit to the Authority a report setting forth its projections of the Sales Tax Receipts to be received by the Authority from Fulton, DeKalb and Clayton through the fiscal year ending June 30, 2048. Currently, the Contract obligates Fulton and DeKalb to collect the Fulton and DeKalb Sales Tax until June 30, 2047 – not June 30, 2048. The most recent report submitted to the Authority is dated March 2, 2017 (the “Report”). THE REPORT IS SET FORTH IN APPENDIX A AND SHOULD BE READ IN ITS ENTIRETY.

In preparing the Report, the Economic Forecasting Center based its projections on certain assumptions which are set forth in the Report. There can be no assurance that the assumptions with regard to future events will occur. If such assumptions are incorrect, actual Sales Tax Receipts may differ significantly from the projections contained in the Report. The Authority has included such projections in reliance upon the Economic Forecasting Center as experts, and the Authority does not warrant the accuracy or correctness of such projections.

The following table is derived from the Report and, for fiscal years prior to 2016 prior reports prepared by the Economic Forecasting Center and sets forth the actual Sales Tax Receipts received by the Authority for the fiscal years ended June 30, 1973 through June 30, 2016 and the estimated Sales Tax Receipts to be received by the Authority in the fiscal years ending June 30, 2017 through June 30, 2048, and such report assumes that Fulton and DeKalb will collect the Fulton and DeKalb Sales Tax during the fiscal year ended June 30, 2048.

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Actual and Estimated Receipts from Sales Tax
Fiscal Years Ended 1973-2017 and Ending 2017-2048
(Dollars in Thousands)

Actual ⁽²⁾			Estimated		
Fiscal Year Ended June 30	Receipts	Percentage Change	Fiscal Year Ending June 30	Receipts	Percentage Change
1973	\$ 43,820	--	2017	\$ 420,620	2.6
1974	50,501	15.2	2018	430,952	2.5
1975	50,946	0.9	2019	450,074	4.4
1976	52,819	3.7	2020	468,129	4.0
1977	57,933	9.7	2021	484,439	3.5
1978	66,120	14.1	2022	500,800	3.4
1979	75,472	14.1	2023	515,285	2.9
1980	88,342	17.1	2024	532,817	3.4
1981	99,836	13.0	2025	553,570	3.9
1982	104,685	4.9	2026	577,889	4.4
1983	112,008	7.0	2027	604,400	4.6
1984	123,406	10.2	2028	629,710	4.2
1985	134,901	9.3	2029	655,000	4.0
1986	147,149 ⁽¹⁾	9.1	2030	682,291	4.2
1987	148,582	1.0	2031	709,095	3.9
1988	158,549	6.7	2032	732,924	3.4
1989	162,543	2.5	2033	755,434	3.1
1990	165,722	2.0	2034	787,593	4.3
1991	168,085	1.4	2035	823,928	4.6
1992	167,016	(0.6)	2036	860,499	4.4
1993	181,345	8.6	2037	897,987	4.4
1994	198,490	9.5	2038	932,637	3.9
1995	222,475	12.1	2039	963,025	3.3
1996	251,668	13.1	2040	993,407	3.2
1997	256,171	1.8	2041	1,033,942	4.1
1998	242,924	(5.2)	2042	1,081,396	4.6
1999	272,793	12.3	2043	1,132,800	4.8
2000	295,796	8.4	2044	1,184,283	4.5
2001	304,388	2.9	2045	1,240,703	4.8
2002	286,435	(5.9)	2046	1,290,660	4.0
2003	272,578	(4.8)	2047	1,338,207	3.7
2004	280,663	3.0	2048	1,386,172	3.6
2005	296,351	5.6			
2006	331,213	11.8			
2007	349,215	5.4			
2008	351,596	0.7			
2009	327,425	(6.9)			
2010	317,775	(2.9)			
2011	319,229	0.5			
2012	339,156	6.2			
2013	340,490	0.4			
2014	345,825	1.6			
2015	372,383 ⁽³⁾	7.7			
2016	409,846 ⁽⁴⁾	10.1			

1 Figure reflects first full year of exemption of prescription drugs from the Sales Tax.

2 Only Fulton and DeKalb Sales Tax Receipts through March 2015. The Authority began receiving Clayton Sales Receipts in April 2015.

3 Includes approximately \$11,660,000 of Clayton Sales Tax Receipts paid to Authority in April through June 2015.

4 First projected full fiscal year of collection of Clayton Sales Tax Receipts.

SOURCES: Actual — Georgia Department of Revenue; Estimated — The Report prepared by the Economic Forecasting Center, attached as Appendix A.

DEBT STRUCTURE; DEBT SERVICE REQUIREMENTS

The table which follows sets forth in column (1) the Sales Tax Receipts, as estimated by the Economic Forecasting Center. Column (2) sets forth the debt service requirements on the outstanding First Indenture Bonds and the Second Indenture Bonds. Column (3) shows the debt service coverage on the First Indenture Bonds and the Second Indenture Bonds. Column (4) sets forth the debt service requirements on the outstanding Series 2005A Bonds, Series 2006A Bonds, Series 2007A Bonds, Series 2007B Bonds, Series 2009A Bonds, Series 2012A Bonds, Series 2012B Bonds, Series 2013A Bonds, Series 2014A Bonds, Series 2015A Bonds, Series 2015B Bonds and Series 2015C Bonds. Columns (5), (6) and (7) set forth, respectively, the principal, interest and total debt service of the Series 2017A Bonds. Columns (8) and (9) show, respectively, the combined debt service and estimated debt service coverage on the First Indenture Bonds, the Second Indenture Bonds and the Bonds. Reference is made to the Report, attached hereto as Appendix A, for a more detailed treatment of projections and the basis therefor.

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ESTIMATED SALES TAX RECEIPTS, DEBT SERVICE REQUIREMENTS AND ESTIMATED DEBT SERVICE COVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bond Year Ending July 1	Estimated Sales Tax Receipts ⁽²⁾	Total Debt Service First Indenture Bonds and Second Indenture Bonds ⁽¹⁾	Debt Service Coverage First Indenture Bonds and Second Indenture Bonds	Total Debt Service Bonds (Excluding Series 2017A Bonds)	Series 2017A Bonds			Aggregate Debt Service All First Indenture Bonds, Second Indenture Bonds and Bonds ⁽²⁾	Estimated Aggregate Debt Service Coverage
					Principal	Interest	Total Debt Service		
2017	\$ 420,620,000	\$26,525,213	15.86	\$ 117,933,855		\$ 616,340	\$ 616,340	\$145,075,408	2.90
2018	430,952,000	26,719,985	16.13	117,342,855		3,466,913	3,466,913	147,529,753	2.92
2019	450,074,000	18,144,435	24.81	125,736,405		3,466,913	3,466,913	147,347,753	3.05
2020	468,129,000	18,295,545	25.59	125,508,905		3,466,913	3,466,913	147,271,363	3.18
2021	484,439,000	37,009,770	13.09	102,937,155		3,466,913	3,466,913	143,413,838	3.38
2022	500,800,000	37,458,770	13.37	102,218,710		3,466,913	3,466,913	143,144,393	3.50
2023	515,285,000	37,836,880	13.62	101,490,213		3,466,913	3,466,913	142,794,005	3.61
2024	532,817,000	38,444,100	13.86	100,320,835		3,466,913	3,466,913	142,231,848	3.75
2025	553,570,000	39,167,920	14.13	86,983,188		3,466,913	3,466,913	129,618,020	4.27
2026	577,889,000	---	---	124,371,575		3,466,913	3,466,913	127,838,488	4.52
2027	604,400,000	---	---	124,132,788	\$ 235,000	3,466,913	3,701,913	127,834,700	4.73
2028	629,710,000	---	---	124,016,450	360,000	3,459,863	3,819,863	127,836,313	4.93
2029	655,000,000	---	---	123,993,675	395,000	3,449,063	3,844,063	127,837,738	5.12
2030	682,291,000	---	---	118,722,125	5,625,000	3,437,213	9,062,213	127,834,338	5.34
2031	709,095,000	---	---	118,903,700	5,665,000	3,268,463	8,933,463	127,837,163	5.55
2032	732,924,000	---	---	118,889,838	5,845,000	3,098,513	8,943,513	127,833,350	5.73
2033	755,434,000	---	---	118,889,913	6,020,000	2,923,163	8,943,163	127,833,075	5.91
2034	787,593,000	---	---	118,896,725	6,195,000	2,742,563	8,937,563	127,834,288	6.16
2035	823,928,000	---	---	118,890,400	6,395,000	2,548,969	8,943,969	127,834,369	6.45
2036	860,499,000	---	---	118,885,150	6,610,000	2,341,131	8,951,131	127,836,281	6.73
2037	897,987,000	---	---	118,885,350	6,825,000	2,126,306	8,951,306	127,836,656	7.02
2038	932,637,000	---	---	124,947,050	985,000	1,904,494	2,889,494	127,836,544	7.30
2039	963,025,000	---	---	124,946,750	1,015,000	1,871,250	2,886,250	127,833,000	7.53
2040	993,407,000	---	---	124,947,550	1,050,000	1,836,994	2,886,994	127,834,544	7.77
2041	1,033,942,000	---	---	52,864,150	6,095,000	1,801,556	7,896,556	60,760,706	17.02
2042	1,081,396,000	---	---	52,900,100	6,305,000	1,595,850	7,900,850	60,800,950	17.79
2043	1,132,800,000	---	---	50,362,220	6,525,000	1,375,175	7,900,175	58,262,725	19.44
2044	1,184,283,000	---	---	47,690,750	6,750,000	1,146,800	7,896,800	55,587,550	21.31
2045	1,240,703,000	---	---	48,158,250	7,020,000	876,800	7,896,800	56,055,050	22.13
2046	1,290,660,000	---	---	---	7,305,000	596,000	7,901,000	7,901,000	163.35
2047	1,338,207,000	---	---	---	7,595,000	303,800	7,898,800	7,898,800	169.42
2048	1,386,172,000	---	---	---	---	---	---	---	--
Total		\$279,602,618		\$3,054,816,958	\$100,815,000	\$77,989,428	\$178,804,428	\$3,513,224,003	

¹ Assumes an interest rate of 4.17% per annum on the Series 2000A Bonds and the Series 2000B Bonds based upon the 25-Bond Revenue index as published in The Bond Buyer on March 16, 2017. The actual interest rate on the Series 2000A Bonds and the Series 2000B Bonds on March 1, 2017 was less than 1.0% per annum.

² Does not include TAVT Receipts.

THE AUTHORITY AND THE SYSTEM

The Authority was organized under the terms of the Act and a 1964 Amendment to the Georgia Constitution, as a public body corporate and joint public instrumentality of Fulton, DeKalb, Clayton, Gwinnett, Cobb and Atlanta for the purposes of planning, constructing, financing and operating the System. All such local governments, except Cobb, determined by referenda in 1965 to participate further in the Authority after the Act was passed by the General Assembly of Georgia in 1965. Only Fulton and DeKalb, which include all of Atlanta within their boundaries, subsequently elected by referenda in 1971 to participate in the financing of the System through the levy of the Fulton and DeKalb Sales Tax. Clayton and Gwinnett, pursuant to referenda, determined not to approve the Contract. However, Clayton entered into the Clayton Contract in 2014 and began participating in the financing of the System through the levy of the Clayton Sales Tax in March 2015. Gwinnett has not pledged any tax or other revenues to the Authority. Pursuant to the terms of the Contract, Atlanta agreed to assist in the development of the System through the dedication of public rights of way, the exercise of power of eminent domain and other acts of assistance, but has not pledged any tax or other revenues.

The Authority is granted powers under the Act to accomplish the purposes for which it was created. The Authority has the exclusive right to determine the routes, types of construction, equipment, facilities, scope and standards of service to be operated by the Authority, scheduled services to be made available to the public and amounts to be charged therefor, subject only to the terms of the Contract. The Authority has no taxing power and has no power of eminent domain. Under the terms of the Contract, the acquisition of required property or rights or interests therein by eminent domain is to be accomplished by Atlanta, Fulton or DeKalb.

Organization and Management

Board of Directors. The government of the Authority is vested in a Board of Directors (the “Board”). Pursuant to legislation adopted by the Georgia General Assembly in 2015 which became effective on May 5, 2015, beginning January 1, 2017, the Board was reconstituted and is composed of 13 voting members and two non-voting members. Of the voting members of the Board, (i) three members must be residents of Atlanta; (ii) four members must be residents of DeKalb; (iii) three members must be residents of Fulton; (iv) one member must be a resident of DeKalb, Fulton or Clayton appointed by the Governor and (v) two members must be residents of Clayton. The two non-voting members of the Board are the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority.

The names of the current directors and the senior management of the Authority are listed below. Members of the Board whose terms have expired will continue to serve until reappointment or the appointment of a successor.

Robert L. Ashe III, Chairman. Atlanta; member since January 1, 2011; current term expired December 31, 2016; Attorney, Bondurant, Mixon & Elmore, LLP.

Freda Hardage, Vice Chair. Fulton; member since November 20, 2013; current term expires December 31, 2021; Director, Foundation Services and Alpharetta Medical Campus.

Roberta Abdul-Salaam, Secretary. Clayton; member since January 20, 2015; current term expires December 31, 2019; community activist and retired Georgia legislator.

Frederick L. Daniels, Jr., Treasurer. DeKalb; member since January 1, 2011; current term expired December 31, 2016; Executive Vice President and Chief Credit Officer, Citizens Trust Bank.

Juanita Jones Abernathy. Atlanta; member since January 1, 2002; current term expired December 31, 2016; semi-retired businesswoman.

Robert F. Dallas. DeKalb; member since March 24, 2015; current term expires December 31, 2018; Attorney, Gilson Athans, P.C.

Jim Durrett. DeKalb; member since January 1, 2011; current term expired December 31, 2016; Executive Director, Buckhead Community Improvement District.

Roderick E. Edmond, MD, JD. Atlanta; member since January 1, 2011; current term expired December 31, 2016; Managing Partner, Edmond & Lindsay, LLP.

William F. “Bill” Floyd. DeKalb; member since January 1, 2017; current term expires December 31, 2021; Businessman and consultant.

Jerry Griffin. Clayton; member since January 20, 2015; current term expires December 31, 2021; former Executive Director, Association County Commissioners of Georgia (ACCG).

Alicia M. Ivey. Fulton; member since January 1, 2017; current term expires December 31, 2021; President, Goldbergs Concessions; Chairman, Phoenix Drilling Corporation.

Russell R. McMurry, P.E.. State of Georgia; *ex officio non-voting* member since January 20, 2015; Commissioner, Georgia Department of Transportation.

J. Al Pond, P.E.. Fulton; member since January 1, 2017; current term expires December 31, 2019; Professional Engineer and Businessman.

Chris Tomlinson. State of Georgia; *ex officio non-voting* member since January 20, 2015; Executive Director, Georgia Regional Transportation Authority and the State Road and Tollway Authority. Mr. Tomlinson was an *ex officio* voting member from January 20, 2015 through December 31, 2016.

W. Thomas Worthy. Governor Appointee; member since January 1, 2017; current term expires December 31, 2021; Vice President of Government and External Affairs, Piedmont Healthcare.

Senior Management

Keith T. Parker, AICP, General Manager/CEO. Mr. Parker began serving as General Manager/CEO on December 10, 2012. Prior to accepting the position of General Manager/CEO, Mr. Parker was the President and Chief Executive Officer of VIA Metropolitan Transit Authority in San Antonio, Texas where he served since July 2009. Previously, Mr. Parker has served as Chief Executive Officer and Director of Public Transit for Charlotte Area Transit System in Charlotte, North Carolina (late 2007 to June 2009), Assistant City Manager for the City of Charlotte, North Carolina (December 2004 to December 2007), Chief Operating Officer and Deputy Director for Charlotte Area Transit System (June 2000 to December 2004), Chief Executive Officer and Executive Director for Clark County Transit Authority in Vancouver, Washington (April 1998 to June 2000) and Assistant General Manager for Greater Richmond Transit Company in Richmond, Virginia (July 1993 to April 1998). Mr. Parker holds a Bachelor of Arts degree in Political Science and a Master of Urban and Regional Planning degree from Virginia Commonwealth University and a Master of Business Administration degree from University of Richmond.

Rich Krisak, Chief Operating Officer. Mr. Krisak became the Authority's Chief Operating Officer in April 2013. Mr. Krisak is a rail transit professional with a career spanning 30 years including six public transit authorities. He has specialized in the planning, design, construction and operations of rail systems. He has experience in streetcar, light rail, heavy rail, commuter rail and freight. Mr. Krisak most recently came to the Authority from Austin, Texas, where he was managing both the Austin North Western short line railroad freight operation as well as the new Diesel Multiple Unit light rail system. Mr. Krisak worked on the development and operation of nearly every modern rail project in Texas including the highly successful Dallas and Houston projects. He was responsible for planning efforts associated with the Trinity River Express commuter rail system and start up, activation and operations of both the DART and Houston light rail. Due to his extensive experience, Mr. Krisak was selected by the U.S. Secretary of Transportation in June 2010 to serve as a member of the Transit Rail Advisory Committee for Safety, an advisory committee that will assist the Federal Transit Administration with developing national safety standards for rail transit. He started his career as an intern with the Greater Cleveland Regional Transit Authority while attending college at Cleveland State University, where he received his Bachelor's degree in Urban Planning. Immediately upon graduation, he moved to New Jersey where he was employed by the Port Authority of Pennsylvania/New Jersey in hands on transportation functions such as Train Operator, Supervisor, Yard Master and Controller. Next, he served in the private sector as a consultant to the Buffalo, New York light rail project where he was responsible for operations planning and start-up.

Gordon L. Hutchinson, Chief Financial Officer. Mr. Hutchinson became the Authority's Chief Financial Officer in April 2013. In his capacity as the Authority's Chief Financial Officer, Mr. Hutchinson is responsible for overseeing the Authority's revenue collection, cash management, debt service, capital financing, financial reporting, the development of Operating and Capital Budgets, Contracts and Procurement, and Capital Program Management. In addition, he is responsible for the strategic direction and daily management of the Department of Finance. Prior to joining the Authority, Mr. Hutchinson served as the Acting Chief Financial Officer and Controller for the National Railroad Passenger Corporation (AMTRAK). Prior to his position with AMTRAK, Mr. Hutchinson had extensive experience in both the private sector and public accounting, including Atlas Air, Lafarge Corporation, Agrium, Inc. and PricewaterhouseCoopers. Mr. Hutchinson received his Bachelor's Degree in Commerce – Accounting & Information Systems from University of British Columbia in Vancouver, Canada. He is a Certified Public Accountant and a Chartered Accountant.

Kevin L. Hurley, Senior Director of Treasury and Capital Programs and Treasurer. Mr. Hurley is responsible for providing the Authority support in the areas of business and financial analysis, ensuring the maximum yield for investments, developing the capital budget, cash management functions. Mr. Hurley joined the Authority in 1999 as a Financial Analyst. Since joining the Authority, Mr. Hurley has held various positions with managerial responsibilities for the Authority's capital, debt, and grant programs. Prior to joining the Authority, Mr. Hurley held a senior analyst position with The Boeing Company and was a Finance Officer and Comptroller in the United States Air Force. Mr. Hurley holds a BBA degree in Finance from the University of Georgia and an MBA from University of Phoenix.

Authority Employees

As of July 1, 2016, the Authority had approximately 4,694 full and part-time positions, 2,662 of which, including operators, certain maintenance, service and janitorial personnel and a portion of the clerical staff, are represented by Local Division 732 of the Amalgamated Transit Union, AFL CIO (the "Union"), for collective bargaining purposes as permitted by the Act. The current contract between the Authority and the Union became effective on January 1, 2014 and will expire on December 31, 2017, subject to an automatic annual extension thereafter until either party notifies the other party, not less than

sixty days prior to the then current expiration date, of its desire to terminate or negotiate changes, modifications or additions to the contract.

Regulation and Supervision

The Metropolitan Atlanta Rapid Transit Overview Committee of the General Assembly of the State of Georgia ("MARTOC") was created in March 1973 for the purpose of periodically inquiring into and reviewing the operations, contracts, safety, financing, organization and structure of the Authority, as well as periodically reviewing and evaluating the success with which the Authority is fulfilling its responsibilities under the Act. To effect these purposes, MARTOC holds periodic meetings which frequently include presentations by Authority officers and staff members. MARTOC is required to submit an annual report to the General Assembly of its findings and recommendations based upon its review of the Authority's operations.

The membership of MARTOC includes the Chairman of the State Planning and Community Affairs Committee of the House of Representatives; the Chairman of the County and Urban Affairs Committee of the Senate; the Chairman of the Ways and Means Committee of the House; a member of the Senate Banking, Finance and Insurance Committee to be selected by the President of the Senate; two members of the House to be appointed by the Speaker thereof, at least one of whom must be from the area served by the Authority; two members of the Senate, to be appointed by the President thereof, at least one of whom must be from the area served by the Authority; and three members of the House and three members of the Senate to be appointed by the Governor, at least two of whom must be from the area served by the Authority. MARTOC is not authorized to veto actions of the Authority or otherwise adopt regulations governing the operations of the Authority.

Pursuant to the Act, the Authority is exempt from regulation by the Georgia Public Service Commission, except that when any proposed action of the Authority, or any local government on behalf of the Authority, would place a railroad, public utility or public service corporation in violation of a Commission requirement, the Authority is required to obtain the Commission's approval of the proposed action.

Roles of Fulton, DeKalb, Atlanta and Clayton

Pursuant to the terms of the Contract, Fulton, DeKalb and Atlanta have covenanted and agreed, upon written request from the Authority setting forth the need, in accordance with the engineering report dated September of 1971, as amended, prepared by the Authority's engineering consultants (the "Engineering Report"), to exercise as expeditiously as possible their power of eminent domain to acquire the property or rights or interests described in such request and, upon the acquisition of title thereto, to convey the property immediately to the Authority at cost, including costs relating to such acquisition; provided only that the exercise of such power by any party must be in accordance with both substantive and procedural requirements of the laws governing such party. Fulton, DeKalb and Atlanta also covenanted and agreed to convey, without cost to the Authority, any and all easements in, across, through and above public property as may be necessary or desirable to facilitate the acquisition, construction, improvement and efficient operation of the System, so long as the public use of such property for rapid transit purposes is superior to the existing or proposed public use of said property by the owner thereof. In addition, Fulton, DeKalb and Atlanta agreed, subject to certain restrictions, to close and modify streets, reroute traffic and to revoke and modify licenses and permits to third parties (all costs and damages in connection therewith to be paid by the Authority) and to issue, without cost, construction permits, licenses and other privileges to the Authority to the extent necessary in order to facilitate the acquisition, construction, improvement and efficient operation of the System.

Pursuant to the terms of the Clayton Contract, Clayton has covenanted and agreed, upon written request from the Authority setting forth the need, in accordance with the Clayton Extension Report dated July 2014, as amended, prepared by the Authority, to exercise as expeditiously as possible its power of eminent domain to acquire the property or rights or interests described in such request and, upon the acquisition of title thereto, to convey the property immediately to the Authority at cost, including costs relating to such acquisition; provided only that the exercise of such power by Clayton must be in accordance with both substantive and procedural requirements of the laws governing Clayton and the Authority. Clayton also covenanted and agreed to convey, without cost to the Authority, any and all easements in, across, through and above public property as may be necessary or desirable to facilitate the acquisition, construction, improvement and efficient operation of the portion of the System located in Clayton, so long as the public use of such property for rapid transit purposes is superior to the existing or proposed public use of said property by the owner thereof. In addition, Clayton agreed, subject to certain restrictions, to close and modify streets, reroute traffic and to revoke and modify licenses and permits to third parties (all costs and damages in connection therewith to be paid by the Authority) and to issue, without cost, construction permits, licenses and other privileges to the Authority to the extent necessary in order to facilitate the acquisition, construction, improvement and efficient operation of the portion of the System located in Clayton.

Roles of Other Counties

Under the terms of the Contract and the Act, Gwinnett may participate in the Authority with all rights and responsibilities of Fulton, DeKalb and Clayton, provided that, among other things, the voters of Gwinnett approve a rapid transit contract with the Authority, the Authority determines that no financial advantage over Fulton, DeKalb, Atlanta or Clayton has accrued or will accrue to Gwinnett, and any extensions of the System into Gwinnett are approved in advance by Fulton, DeKalb, Atlanta and Clayton in the manner set forth in the Contract.

The Act provides that Cobb may participate in the Authority if it submits to its qualified voters the question of approval of a rapid transit contract between Cobb and the Authority. If a majority of those voting in the referendum vote to approve such rapid transit contract, such rapid transit contract will be deemed to be valid and binding. Cobb would then become a participant in the Authority, and its rights and responsibilities would, insofar as possible, be the same as if it had participated in the Authority from the Authority's beginning and the local governing body of Cobb may then appoint two residents of Cobb to the Board of Directors of the Authority. Any extensions of the System into Cobb must be approved in advance by Fulton, DeKalb, Atlanta and Clayton in the manner set forth in the Contract.

On November 6, 1990, the voters of Gwinnett voted not to approve a rapid transit contract between the Authority and Gwinnett. The Authority has not entered into a rapid transit contract with Cobb.

The Rapid Transit System

The Metropolitan Rapid Transit Plan (the "Plan"), adopted by the Board on August 9, 1971, structured the development of the System. The Authority and its participating local governments have approved eleven amendments to the Plan. The major components of the System as presently described in the Plan are a fixed rail system and a bus system providing both local and express bus service. The Authority operates and maintains eight major facilities. The Authority conducts most of its administrative services at the headquarters building in Atlanta. Transportation services and related support functions (including bus, rail car and paratransit maintenance, bus and paratransit vehicle dispatch, railway maintenance and building and ground maintenance) are performed at the remaining seven major facilities located throughout the Authority's service area.

Improvement of Bus System. The Atlanta Transit System, Inc., a privately owned bus company, was acquired in February 1972 by the Authority to provide extensive bus transportation services to the public in Fulton, DeKalb and a small portion of Cobb and Clayton Counties. Since that time, the Authority has continuously expanded and made significant improvements to its bus and paratransit fleets, bus maintenance facilities, and the entire fixed route system. These improvements included: a bus fleet of 565 air conditioned, low floor and/or lift equipped vehicles, 216 Americans with Disabilities Act compliant demand response paratransit vehicles and small buses, construction of a heavy maintenance facility and three operating garages, opening of several park and ride lots, expanding the service to over 101 different bus routes, adding an extensive system of patron bus shelters, and continually improving the system's bus schedule and information services.

Rail System. The Authority's rail system consists of 47.6 miles of operational double track and 38 fully functioning stations. The two newest stations, Sandy Springs and North Springs, were placed into revenue service in December 2000 and added 2.3 miles to the North Line. Three other stations, Buckhead, Medical Center and Dunwoody, were placed into service in June 1996. Ultimately, the Plan calls for a total of 60 miles of double track and 45 stations. A 1988 amendment to the Plan, which was passed by the participating local governments, added nine miles of track and five stations to the North Line. The Plan now calls for 12 aerial stations, 21 at-grade stations, 12 underground stations, 12 miles of aerial structure, 38 miles of at-grade structure and 10 miles of subway structure. The fixed rail system, which consists of steel-wheel trains, operates at speeds up to 70 m.p.h. on steel rails using an electrified "third rail" as the power source. The rail transit vehicle fleet consists of 338 air-conditioned vehicles operating as two vehicle trains, or any combinations of up to a maximum of eight vehicle trains. The rail system consists of three main trunk lines running east/west, north/south and northeast/south and a feeder line into the east/west line. The north/south and northeast/south trunk lines branch north of the Lindbergh Center Station into two lines with alternating trains going to Doraville on the northeast line and to North Springs on the north line. All main trunk lines intersect at the Five Points station located in Atlanta's downtown business district. Service on the main trunk lines will be supplemented with branch lines and planned busways.

The design and construction of the fixed rail system are divided into phases. Phase A consisted of the initial design and construction of the rail system and is a fully operational system. The purpose of the completed Phases B, C, D and E and each subsequent phase has been and will be to extend the operational capabilities of Phase A up to the full 60 miles presently contemplated under the Plan. See the map of the System on the inside back cover.

Phase A. Phase A is complete and is in full revenue service. Phase A consists of 13.7 miles of double track and 17 stations. Phase A included substantially all of the 10 miles of subway structure, which is the most costly portion of the fixed rail system, the central storage, repair and communications facilities located adjacent to the Avondale Station, and 100 rail transit vehicles.

Phase B. Phase B is complete and is in full revenue service. Phase B consists of 9.7 miles of double track and seven stations. Phase B also included the purchase of 86 rail transit vehicles.

Phase C. Phase C is complete and is in full revenue service. Phase C extended the Northeast Line 6.2 miles from Lenox to Doraville, adding the Brookhaven and Chamblee Stations, and extended the South Line 4.5 miles from Lakewood to the Airport, adding the East Point, College Park and Airport Stations. Phase C also included the purchase of 54 additional rail transit vehicles, the construction of the South Yard and Shops, and the Chamblee Vehicle Storage and Maintenance Facility.

Phase D. Phase D is complete and is in full revenue service. Phase D of the System added the 1.1 mile Proctor Creek Line and Bankhead Station, and extended the East Line 3.1 miles to the Indian Creek Station and includes Kensington Station; Phase D also extended the North Line 5.7 miles and

added two additional Stations (Buckhead and Medical Center). Phase D also included the construction of two additional facilities on the east line of the System. These facilities included an intermodal facility located at the Decatur Station and a facility located at the Edgewood/Candler Park station which houses police, radio repair and backup computer systems.

Phase E. Phase E is complete and in full revenue service. Phase E added three stations and extended the rail system an additional 3.3 miles. The Dunwoody segment within Phase E was placed into service June 1996 and added 1.0 mile to the north line. Two additional stations, Sandy Springs and North Springs, were placed into revenue service in December 2000 and added an additional 2.3 miles to the north line. Phase E also added 56 vehicles to the fleet that is required for the operation of the North Line to North Springs. In connection with this expansion, the Authority procured 100 rail cars (56 rail cars as part of Phase E plus an additional 44 rail cars) which increased the number of rail cars in the Authority's fleet to 338 vehicles.

Rail Vehicle Fleet. At the inauguration of rail service on June 30, 1979, the rail fleet consisted of 20 cars. The Authority had 338 rail cars as of July 1, 2016. To house and service the expanded fleet, the Authority constructed a major rail car maintenance, rehabilitation and storage facility which opened in 2006. The Armour Rail Yard facility is centrally located within the operating system just north of the Atlanta central business district on the Authority's North Line.

On-Time Performance. During the 12-month period ended June 30, 2016, rail on-time performance was 96.58% which exceeded the Authority's on-time performance target of 95%. Rail on-time performance is measured as a percentage of scheduled rail trips that originated and ended on-time, i.e., departed time points of origin and/or arrived at time points of destination no later than 5 minutes after the scheduled time. For the 12-month period ended June 30, 2016, bus on time performance was 78.77%, meeting the target of 78.5%. Bus on-time performance is measured as a percentage of on-time departures from defined time points on a given route. Departure is considered on-time, if made between 0 and 5 minutes after the scheduled departure time. For the 12-month period ended June 30, 2016, Mobility paratransit on-time performance was 82.07%, falling short of the target of 85%. Mobility paratransit on-time performance is measured as a percentage of the Mobility paratransit customer pickups made within 30 minutes from the scheduled pickup time.

Ridership. Rail and bus ridership for the past five fiscal years was as follows:

Passengers (in millions)			
<u>Year</u>	<u>Rail</u>	<u>Bus</u>	<u>Total (Unlinked)</u>
2012	72.7	62.2	134.9
2013	69.6	60.3	129.9
2014	68.7	60.4	129.1
2015	72.5	63.5	136.0
2016	71.9	61.4	133.3

Financing of the System

The Authority's present estimates of the final costs and payment completion dates of the various phases of the System and the amounts and timing of receipt of funds to pay the costs of the System are subject to change for various reasons, including changes in actual construction costs, changes in the scope of the System or its various phases, general economic conditions, and other reasons, which may be beyond the control of the Authority.

The Authority plans to finance the cost of future expansion of the fixed rail System primarily from federal grants, the proceeds of Third Indenture Bonds, investment income, amounts generated from the Sales Tax available for capital construction after meeting debt service and other requirements of the First Indenture, the Second Indenture, the Indenture and the Act.

In order to provide a method for preventing cost overruns for all the phases of the System, the Authority's internal management procedures provide for automated reporting on a monthly basis of potential cost variances. A variance occurs when the costs incurred, plus the then-projected costs to complete, exceed the budgeted costs. Projected costs to complete are estimated by the Authority's engineering staff and are based on, among other things, the latest status of the construction in progress (taking into consideration the effect on costs of change orders, unexpected delays, or difficulties in construction). Unless appropriate corrective action is taken, the actual costs could exceed the most likely final cost by the amount of any such variance.

The Authority has established a capital rehabilitation reserve with an available balance of \$63.2 million as of July 1, 2016. The Authority established this reserve over the course of several years from capital funds set aside. This reserve is currently available to fund capital needs.

Maturation of the System. Following the opening of the North Springs station, the Authority shifted its priorities from expansion of the System to maintenance of the System in a state of good repair. This shift has resulted in the increased focus of capital resources on rehabilitation and replacement programs. Major efforts included in the capital plan include the following: roofing rehabilitation projects; a CNG fuel facility; auxiliary power switch gear improvements; fire protection systems upgrade; train control systems upgrade; traction power substation system; phase 1 of a Mobility paratransit facility; facilities upgrade program; enhancement to fare collection system; tunnel ventilation fans upgrade; track and structure renovation and rehabilitation; and other rehabilitation and replacement programs necessary to keep the System in a state of good repair.

Sources of Payment of Operating Costs

Sales Tax Receipts not otherwise required for the payment of debt service on the First Indenture Bonds, the Second Indenture Bonds, the Third Indenture Bonds and other costs specified in the First Indenture, the Second Indenture and the Indenture are available to the Authority for various purposes, including operating costs of the System. The Act previously provided that no more than 50% of the Sales Tax Receipts could be used to subsidize operating costs of the System, exclusive of depreciation and amortization. House Bill 213, which became effective on May 5, 2015, amended the Act to remove the above-described limitation regarding the use of Sales Tax Receipts; provided that such 50% limitation would become effective again in the future if the Authority failed to file an independent management audit with the Governor, the State Auditor and the chairperson of the MARTOC every four years as provided in House Bill 213. For the fiscal year ended June 30, 2015, the Authority budgeted approximately 50% of the Sales Tax Receipts expected to be received during such fiscal year as projected by the Report to subsidize the operating costs of the System. In addition, pursuant to the provisions of the Act, the Authority is required to adjust fares so that transit operating revenues received during a fiscal year equal or exceed 35% of the operating costs of the System, exclusive of depreciation and amortization, for the immediately preceding fiscal year.

If the results of any fiscal year's operations reflect that the Sales Tax Receipts were used to subsidize operations to an extent greater than permitted under the Act, the Authority is required to adjust fares, reduce service or take other appropriate action in order to recover the overage in operation's subsidy during a period of not to exceed three succeeding fiscal years. If the results of any fiscal year's operations reflect that transit operating revenues were less than 35% of the operating costs (exclusive of depreciation and amortization) for the immediately preceding fiscal year, as required by the Act, the

Authority must establish fares and charges sufficient to make up the deficit in the immediately succeeding fiscal year. The Authority is required by the Act to operate within a balanced budget.

On July 1, 1995, the cash fare increased from \$1.25 to \$1.50. On January 1, 2001, the cash fare increased from \$1.50 to \$1.75. In October 2006, the Authority instituted a new fare media, the Breeze card system. This system is a “smart card” system that allows single fares, weekly and monthly passes as well as stored value capabilities. Discounted Breeze cards for students and half-fare cards for the elderly and the disabled will continue to be provided. On October 1, 2009, single fares increased from \$1.75 to \$2.00. On October 2, 2011, single fares increased from \$2.00 to \$2.50.

Federal Grants

The Authority has been the recipient and beneficiary of many federal grants, the proceeds of which have been used to fund costs of the System. The grants have been made to the Authority by the Federal Transit Administration (FTA), one of the operating agencies of the U.S. Department of Transportation.

Award of past, existing and future FTA grants for payments of portions of the costs of the System has been, is and will be contingent upon continued appropriation of funds for FTA by the Congress of the United States, continued compliance by the Authority with established FTA procedures for performing alternative analysis and environmental studies on the benefits and impact of rail transportation service, and compliance with federal contracting procedures and directives as are promulgated by FTA on a periodic basis.

Phase A. FTA reviewed and approved Phase A, and provided approximately \$807.5 million in grants to the Authority for payment of a portion of the estimated \$1.144 billion cost of Phase A. Payment of all other costs of Phase A was provided from the proceeds of First Indenture Bonds, available Sales Tax Receipts and investment income.

Phase B. The Authority funded the \$583.5 million cost of Phase B from FTA funds in the amount of \$424.8 million, proceeds of First Indenture Bonds, available Sales Tax Receipts and investment income.

Phase C. The Authority received two approved FTA Section 3 grants with a combined federal share of \$133.6 million and two FTA Section 9 grants with a combined federal share of \$19.3 million for Phase C of the System. The Authority, in order to maintain the momentum of the rail development program, started construction of the North-South Line from Brookhaven to Chamblee, and from Lakewood-Ft. McPherson to the Airport prior to receiving authorization from FTA to incur costs in advance of appropriations. In doing so, the Authority was not eligible to receive federal financial participation on portions of Phase C. The Authority began revenue service from Chamblee to the Airport in June 1988, and revenue service on the remaining segment, Doraville, began in December 1992.

The total cost of Phase C was approximately \$669 million. The source of funds for these costs included proceeds of First Indenture Bonds, accumulated Sales Tax Receipts and investment income and 1985, 1986, 1987 and 1989 FTA grant funds.

Phase D. The Authority received an FTA Section 3 grant of \$133.3 million to complete the East Line extension to Indian Creek. The Bankhead segment and the two North Line segments were 100% locally funded. The Authority began revenue service from Ashby to Bankhead in December 1992 and from Avondale to Indian Creek in June 1993. Full revenue service for Phase D was achieved in June 1996 with the opening of the North Line to the Medical Center Station.

The total cost of Phase D was approximately \$471.1 million. The source of funds for these costs included grant funds, bonds and available Sales Tax Receipts and investment income.

Phase E. The Final Environmental Impact Statement for the North Line Extension Project from Medical Center through North Springs was approved by FTA in August of 1991. The Authority received an FTA Section 3 grant in the amount of \$92.2 million for engineering, design, right-of-way acquisition and construction of the \$118.1 million Dunwoody segment. The Dunwoody segment was placed in revenue service in June 1996. The final cost of the Dunwoody segment is approximately \$105.3 million.

In December 1994, the FTA entered into a Full Funding Grant Agreement (FFGA) with the Authority for the development of the North Line Extension from north of Dunwoody Station through North Springs Station. The scope of the FFGA as amended includes all activities necessary to achieve revenue service to Sandy Springs and North Springs stations, including detailed design and engineering, land acquisition, line and station construction and the acquisition of 56 additional heavy rail passenger vehicles. The total estimated cost of the Sandy Springs and North Springs segments, including the procurement of 56 additional rail cars, is \$463.2 million. The FFGA commits the FTA to provide a maximum Federal contribution of \$370.5 million to the project over a multi-year period. The Congress has appropriated and the Authority has received \$370.5 million for this project.

The Sandy Springs and North Springs segments began revenue service in December 2000. The entire Phase E North Line Extension Project cost approximately \$568.5 million. Approximately 80% of the total cost of the North Line extension was federally funded through FTA Section 5309 Discretionary Capital grants.

Completion of System

The ability of the Authority to construct the remainder of the System as described in the Plan and the timing of such construction is dependent upon the future availability of significant additional federal grant funds or other monies. Therefore, the final cost and final completion date for the entire System cannot be accurately projected at this time.

Future Federal Financial Assistance

The receipt from FTA of additional grants for the rail system is conditioned on, among other things, continued Congressional authorization and appropriation, the approval by FTA and the United States Department of Labor of the Authority's grant applications and any additional conditions which may exist from time to time. The Authority intends to compete vigorously for continued federal funds.

With the passage of the Fixing America's Surface Transportation Act (the "FAST Act") on December 4, 2015, Congress passed the first federal law in over a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment. The FAST Act will continue the implementation of new transit programs and the consolidation of others programs begun with MAP-21 (Moving Ahead for Progress in the 21st Century Act). FTA Section 5309 capital grants funds are appropriated annually and allocated within the appropriations bill for rail new-start projects throughout the United States. The Section 5337 State of Good Repair funds are allocated for fixed guideway modernization and bus fixed guideway related projects. Funds for fixed guideway modernization are distributed by formula, to rail and bus systems that have been in operation for seven or more years. For federal fiscal year 2016, the Authority received a distribution of \$46.1 million from the Section 5337 Congressional appropriation. Funds for bus related projects are distributed by formula under the Section 5339 Bus and Bus Facilities program. For federal fiscal year 2016, the Authority received a distribution of \$2.9 million from the Section 5339 Congressional appropriation for bus/bus

facilities. The Authority received \$4.2 million in federal fiscal year 2016 for the FTA Autonomous Track Inspection System research program and has applied to receive additional fiscal year 2016 federal funds under the Safety, Research and Demonstration program grant opportunity. The United States Department of Transportation has not announced awards at this time. The Authority plans to apply for additional federal funding under the FTA Low or No Emission Vehicle program grant opportunity in federal fiscal year 2017. The Authority also plans to apply to receive flexed FHWA funds for capital projects under a solicitation to be put forth by the Metropolitan Planning Organization, Atlanta Regional Commission in federal fiscal year 2017. The Authority will continue to submit applications for federal funding support as opportunities are announced.

Financial Procedures

Pursuant to the Act, the Authority must adopt an annual operating budget and an annual capital improvements budget that conforms to generally accepted budgetary standards of public bodies. The Authority must fund and maintain an operating budget reserve of ten percent (10%) of the Authority's operating budget revenues for the prior fiscal year. Not later than December 31, 2016 and every four years thereafter, the Authority must cause to be performed an independent management audit on the condition of the condition of the management of the Authority which audit will be supervised and approved by MARTOC and delivered to the Board, the Governor of the State, the State Auditor and MARTOC.

The Authority may not authorize any contract for the purchase or construction of any capital improvement project, except to meet a public emergency certified as such by the Board, unless such it is included in the annual capital improvements budget, as amended.

Pension Plans

The Authority has pension and retirement plans covering substantially all full-time regular employees. All employees are included in one of four plans – (i) three single-employer defined benefit pension plans, one for Union employees, one for non-Union employees and one for police officers and (ii) beginning in January 2005, a defined contribution pension plan for non-Union employees. The plans are funded by a combination of employee contributions and Authority contributions as follows:

	Employee Contribution (% of employee's income)	Authority Contribution (% of employee's income)
Defined Benefit Plans		
Represented Plan	4.41%	8.09%
Non-Represented Plan	6.00	42.3
Police Plan	7.50	42.3
Defined Contribution Plan		
Non-Represented Plan	6.00	6.00

The plans are qualified with the Internal Revenue Service. Annual expenses were approximately \$28.7 million for the defined benefit plans and approximately \$2.4 million for the defined contribution plan as of January 1, 2016. As of January 1, 2016, the total pension liabilities for the represented plan total \$520.1 million with the market value of such plan's assets being \$503.1 million or 96.7% funded. As of January 1, 2016, the total pension liabilities for the non-represented plan was \$480.8 million dollars with the market value of the assets being \$357.1 million, an under-funded position of approximately \$123.7 million or funded at 74.3%. As of June 30, 2016, the Authority reported a net pension liability of \$16.9 million based upon an actuarial valuation as of January 1, 2016. The Authority's management team

has developed and implemented certain measures, including contribution increases from the Authority and employees, coupled with improvements in the economy, to ensure that all plans meet or exceed actuarially computed present value vested benefits as soon as possible. For more detailed information about the Authority's pension plans and other employee benefits, see Notes 11 and 12 to the Authority's financial statements attached to this Official Statement as Appendix B.

Cash Management Program

As of June 30, 2016, the Authority managed approximately \$309.1 million in general and reserve funds. The Authority's Investment Policy requires that all cash be invested in U.S. Treasury, U.S. Agency, or any instrumentality of the U.S., or State instruments, in certificates of deposit collateralized by such securities or insured by FDIC insurance or in repurchase agreements with selected financial institutions.

Risk Management

The Authority is insured for public liability, automobile liability, occupational and non-occupational disability claims under a program which maintains various levels of self-insured retentions. Blanket replacement cost insurance is maintained for Authority property. Claims are paid with both operating and capital funds.

The Authority maintains a self-insured retention of \$5 million and purchases excess insurance above that which provides for catastrophic coverage. The Authority maintains a Consolidated (Wrap-Up) Insurance Program for its contractors and subcontractors involved in its major construction projects. In addition, various other coverages are purchased to protect the Authority's assets against internal loss.

LITIGATION

The Authority is a party to a number of arbitration and litigation matters relating to disputes with the Union, alleged breaches of contract, condemnation of real property, personal injuries allegedly arising out of the operation of the System, and alleged damages for injury to persons and property arising out of System construction. The outcome of these matters is not presently determinable; however, it is the opinion of the several counsel representing the Authority in the matters described in this paragraph, that the ultimate result of these matters will not affect the validity of the Series 2017A Bonds or the security therefor. In the opinion of the several counsel representing the Authority in the matters described in this paragraph, the ultimate resolution of these matters will not materially adversely affect the financial position of the Authority.

CONTINUING DISCLOSURE UNDERTAKING

The Authority has covenanted that not later than each January 31st immediately following the end of each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2017, the Authority will provide or cause to be provided certain Annual Financial Information (as described below) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB (which, as of the date hereof, is the Electronic Municipal Market Access ("EMMA") system of the MSRB). Such "Annual Financial Information" includes (1) the financial information and operating data with respect to the Authority of the type contained in this Official Statement under the captions "THE SALES TAX" and "DEBT STRUCTURE; DEBT SERVICE REQUIREMENTS" and (2) annual financial statements, prepared in accordance with generally accepted accounting principles, audited by a firm of independent certified public accountants, if available. If audited financial statements are not available, the Authority will supply unaudited financial statements by the due date set forth below, and provide

audited financial statements as soon as practicable thereafter. Such information may be provided by cross-reference to documents previously provided to the MSRB.

In addition, the Authority has covenanted to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Series 2017A Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, material notices or determinations with respect to the tax status of the Series 2017A Bonds or other material events affecting the tax status of the Series 2017A Bonds;
- (7) Modifications to rights of Series 2017A Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Series 2017A Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority;
- (13) The consummation of a merger, consolidation or acquisition of the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or change of name of trustee, if material.

The Authority has also covenanted to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure of the Authority to timely provide the Annual Financial Information.

The continuing disclosure undertakings described above are for the benefit of the beneficial owners of the Series 2017A Bonds (the “Bondholders”) and are being made in order to assist the Original Purchasers in complying with SEC Rule 15c2-12. Unless otherwise required by law, no Bondholder or beneficial owner is entitled to damages resulting from the Authority’s noncompliance with its continuing disclosure undertakings; however, Bondholders and beneficial owners may take action to require performance of such obligation by any judicial proceeding available. Breach of the continuing disclosure undertakings does not constitute an event of default under the Indenture and any rights and remedies provided in the Indenture in the event of default thereunder are not applicable to a breach of the continuing disclosure undertakings.

The continuing disclosure undertakings described herein with respect to the Authority will be in effect from and after the issuance and delivery of the Series 2017A Bonds and will extend to the earlier of (i) the date all principal, premium, if any, and interest on the Series 2017A Bonds shall have been paid or deemed paid pursuant to the terms of the Indenture, or (ii) the date on which those portions of Rule 15c2-12 which required the written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2017A Bonds.

The Authority's continuing disclosure undertakings may be amended from time to time without the consent of the owners of the Series 2017A Bonds if such amendment would not, in and of itself, cause the undertakings (or action of the Original Purchasers in reliance on the undertakings herein) to violate Rule 15c2-12, as amended or officially interpreted from time to time by the SEC. The Authority will provide notice of such amendment to each Repository with its Annual Financial Information.

Pursuant to the continuing disclosure agreements previously executed by the Authority pursuant to Rule 15c2-12 and the continuing disclosure agreement to be executed by the Authority on the date of issuance of the Series 2017A Bonds, the Authority has agreed and will agree to file its financial statements and certain operating data not later than each January 31st immediately following the end of each fiscal year. The Authority has complied in all material respects with all of its continuing disclosure agreements during the past five years.

TAX EXEMPTION

Federal Tax Exemption

Opinion of Bond Counsel. In the opinion of Bond Counsel, under existing law, interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2017A Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Examples include: the requirement that, unless an exception applies, the Authority rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2017A Bonds to the United States Treasury Department; restrictions on the investment of such proceeds and other amounts; and certain restrictions on the ownership and use of the facilities refinanced with the proceeds of the Series 2017A Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied subsequent to the issuance of the Series 2017A Bonds to maintain the exclusion of interest on the Series 2017A Bonds from gross income for federal income tax purposes. Failure to comply with such requirements may cause the inclusion of interest on the Series 2017A Bonds in the gross income of the holders thereof for federal income tax purposes, retroactive to the date of issuance of the Series 2017A Bonds. The Authority has covenanted to comply with each such requirement of the Code that must be satisfied subsequent to the issuance of the Series 2017A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel is subject to the condition that the Authority comply with all such requirements. Bond Counsel has not been retained to monitor compliance with the described post-issuance tax requirements subsequent to the issuance of the Series 2017A Bonds.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2017A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Series 2017A Bondholders from realizing the full current benefit of the tax status of the interest on the Series 2017A Bonds. During recent years, legislative proposals have been introduced in Congress, and in some cases have been enacted, that have altered or could alter certain federal tax consequences of owning obligations similar to the Series 2017A Bonds. In some cases, these proposals have contained provisions that were to be applied on a retroactive basis. It is possible that legislation could be introduced in the near term that, if enacted, could change the federal tax consequences of owning the Series 2017A Bonds and, whether or not enacted, could adversely affect their market value. Prospective purchasers of the Series 2017A Bonds are

encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

As to certain questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Authority and certificates of appropriate officers and public officials (including certifications as to the use of proceeds of the Series 2017A Bonds and of the property financed or refinanced thereby).

Alternative Minimum Tax. An alternative minimum tax is imposed by the Code on both corporations (as defined for federal income tax purposes) and on taxpayers other than corporations. Interest on the Series 2017A Bonds will not be treated as an item of tax preference for purposes of the alternative minimum tax. Interest on the Series 2017A Bonds will therefore not be included in the alternative minimum taxable income of corporations or of taxpayers other than corporations. Interest on the Series 2017A Bonds received by a corporate Bondholder will, however, be included in such Bondholder's adjusted current earnings. A corporation's alternative minimum taxable income will be increased by seventy-five percent (75%) of the corporation's adjusted current earnings not otherwise included in its alternative minimum taxable income. The rate of the alternative minimum tax imposed on corporations is twenty percent (20%).

Original Issue Premium. The Series 2017A Bonds maturing on July 1 in the years 2027 through 2030 and 2044 through 2047 (the "Series 2017A Premium Bonds") have been sold to the public at an original issue premium. Section 171(a) of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Series 2017A Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Series 2017A Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(a)(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Series 2017A Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Series 2017A Premium Bond and not as interest.

The federal income tax treatment of original issue premium under the Code, including the determination of the amount of amortizable bond premium that is allocable to each year, is complicated and holders of Series 2017A Premium Bonds should consult their own tax advisors in order to determine the federal income tax consequences to them of purchasing, holding, selling or surrendering Series 2017A Premium Bonds at their maturity.

Original Issue Discount. The Series 2017A Bonds maturing on July 1 in the years 2031 through 2043 (the "Discount Bonds") have been sold to the public at an original issue discount. Generally, the original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain. Original issue discount will not be treated as an item of tax preference for purposes of the alternative minimum tax; however, such amounts are includable in the adjusted current earnings of corporate Bondholders for purposes of computing the alternative minimum tax, even though such amounts have not been received by such Bondholders.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to an owner of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the owner's adjusted basis (as increased by the amount of original issue discount that has accrued and has been treated as tax-exempt interest in such owner's hands), will be treated as a gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Owners of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

Other Tax Consequences. Prospective purchasers of the Series 2017A Bonds should be aware that ownership of the Series 2017A Bonds may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2017A Bonds and individuals entitled to receive the earned income tax credit. Prospective purchasers of the Series 2017A Bonds should also be aware that ownership of the Series 2017A Bonds may result in adverse tax consequences under the laws of various states. Bond Counsel has not expressed an opinion regarding the collateral federal income tax consequences that may arise with respect to the Series 2017A Bonds. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors as to the consequences of them owning the Series 2017A Bonds, including the effect of such ownership under applicable state and local laws and any collateral federal income tax and state tax consequences.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds, such as the Series 2017A Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2017A Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2017A Bonds, under certain circumstances, to "backup withholding" at the fourth lowest rate applicable to unmarried individuals with respect to payments on the Series 2017A Bonds and proceeds from the sale of Series 2017A Bonds. Any amounts so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2017A Bonds. This withholding generally applies if the owner of Series 2017A Bonds (i) fails to furnish the paying agent (or other person who would otherwise be required to withhold tax from such payments) such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the paying agent an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the paying agent or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series

2017A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding and the procedures for obtaining exemptions.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2017A BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE SERIES 2017A BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE SERIES 2017A BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

State Tax Exemption

In the opinion of Bond Counsel, interest on the Series 2017A Bonds is exempt from present State of Georgia income taxation. Interest on the Series 2017A Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Each purchaser of the Series 2017A Bonds should consult his or her own tax adviser regarding the tax-exempt status of the interest on the Series 2017A Bonds in a particular state or local jurisdiction other than Georgia.

Reference is made to the proposed form of the opinion of Bond Counsel attached hereto as Appendix D for the complete text thereof.

RATINGS

Standard & Poor's Ratings Group and Moody's Investors Service, Inc. have assigned their municipal bond ratings of "AA+" "Aa2," respectively, to the Series 2017A Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing such rating. Generally, rating agencies base their ratings on the information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that any such ratings will remain in effect for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the respective ratings, circumstances so warrant. Any such change in or withdrawal of such ratings could have a material adverse effect on the market price of the Series 2017A Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Certain matters incidental to the authorization and issuance of the Series 2017A Bonds are subject to the approving opinion of Holland & Knight LLP, Bond Counsel. The form of opinion Bond Counsel propose to render is attached hereto as Appendix D. Such opinion of Bond Counsel will be printed on or attached to the Series 2017A Bonds. Certain legal matters will be passed upon for the Authority by counsel to the Authority, Kutak Rock LLP, Atlanta, Georgia.

PROFESSIONAL CONSULTANTS

The Report of the Economic Forecasting Center, attached hereto as Appendix A, and the information from such Report contained herein, have been included in reliance upon the authority of such firm as experts.

FirstSouthwest, a division of Hilltop Securities, First Tryon Advisors and TKG & Associates LLC serve as Co-Financial Advisors to the Authority in respect to the issuance of the Series 2017A Bonds.

INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the year ended June 30, 2016, attached hereto as Appendix B, have been audited by Cherry, Bekaert & Holland, L.L.P., Atlanta, Georgia, independent accountants, as indicated in its report dated October 28, 2016, with respect thereto. Cherry, Bekaert & Holland, L.L.P. has not examined, compiled or otherwise applied procedures to the Report prepared by the Economic Forecasting Center attached hereto as Appendix A and, accordingly, does not express an opinion or any other form of assurance on it. Cherry, Bekaert & Holland, L.L.P. has not examined, compiled or otherwise applied procedures to any financial statements of the Authority for any period after June 30, 2016. **The Authority has not requested or obtained the consent of Cherry, Bekaert & Holland, L.L.P. to the inclusion of its audit report dated October 28, 2016 in this Official Statement.**

INTEREST OF NAMED EXPERTS AND COUNSEL

The payment of the fees and expenses of FirstSouthwest, a division of Hilltop Securities, First Tryon Advisors and TKG & Associates LLC, co-financial advisors to the Authority, Holland & Knight LLP, Bond Counsel, Townsend & Lockett, LLC, special counsel to the Authority, and Kutak Rock LLP, special counsel to the Authority, is contingent on the issuance and sale of the Series 2017A Bonds.

UNDERWRITING

Pursuant to a competitive sale, Bank of America Merrill Lynch agreed to purchase the Series 2017A Bonds from the Authority at an aggregate price of \$100,444,885.08 (par amount of the Series 2017A Bonds plus a net original issue premium of \$266,358.50 and less an original purchaser's discount of \$636,473.42).

MISCELLANEOUS

The Authority has furnished all of the information in this Official Statement relating to the Authority.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The distribution of this Official Statement has been duly authorized by the Authority.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

By /s/ Robert L. Ashe III

Robert L. Ashe III
Chairman, Board of Directors

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APPENDIX A

**MARCH 2, 2017 REPORT OF ECONOMIC
FORECASTING CENTER, GEORGIA STATE UNIVERSITY,
ECONOMIC CONSULTANTS**

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ECONOMIC FORECASTING CENTER

P.O. Box 3988
Atlanta Georgia 30302-3988
Office: 404-413-7260
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March 2, 2017

Gordon Hutchinson
Chief Financial Officer
MARTA
2424 Piedmont Road, NE
Atlanta, GA 30324

Re: Sales Tax Projections for FY2017-FY2048

Dear Mr. Hutchinson,

Enclosed is our analysis of MARTA's sales and use tax revenues with quarterly projections for 2017q1 to 2026q3, and annual projections through FY2048.

Since our last report in September, a lot has changed. We have a new President, Donald Trump, at the helm of our great economy, who has at a minimum, energized the animal spirits since his election. It started with his victory speech in the early morning of Wednesday November 9th, which had all the soothing elements of the language the markets supposedly wanted to hear. The markets, which were going sideways for most of the year due to election rhetoric, were up sharply and since then have been on a bull-run, gaining 10.2% by the end of February. Additionally, by the end of January, the Dow had finally pushed past the 20,000 mark. The transportation sector also rallied as the Russell 2000 index was up 16.3%, although in recent weeks it has started to moderate. Even crude oil prices staged a recovery in the months since the election, posting a 20% jump. Meanwhile, the KBW bank index rose the most, gaining over 28% likely due to the President's election promises of deregulation. These promises of deregulation have released the boardroom angst that was building prior to the election. The CEO confidence index has jumped sharply in the months since President Trump was elected. In the third quarter, the large business confidence index was 49.7 and jumped to 64.0 in the fourth quarter. Additionally, business fixed investment, which was anemic in the previous four consecutive quarters, improved in the fourth quarter and grew by 4.2%. With confidence trending upwards, this renewed vigor is expected to bring about more investment over the coming years.

Overall the economy grew by 1.9% in the fourth quarter, resulting in a gain of only 1.6% in all of 2016. This is less than the 2.4% growth rate of 2014 and the 2.6% growth seen in 2015. The culprit was mainly, as discussed previously, business fixed investment that grew by only 0.7% for the year. The strong dollar also ate into growth due to weakened exports, which grew by only 0.4% in 2016. However, consumption remained buoyant. After an increase of 3.2% in 2015, consumer spending grew by a solid 2.7% in 2016. Consumers continued to spend on vehicles, but we've also seen a resurgence in retail spending growth.

Overall for 2016, vehicles sales averaged 17.5 million units, a continuation of the strong trend in 2015 of 17.4 million sales. Vehicles continued to sell at a strong pace in the beginning of this year with 17.6 million sales in February. But, earlier in 2016, consumers were being somewhat fickle. They were spending money on cars and trucks and the new home, but didn't buy a new TV or a new pair of shoes. With income growth being less than stellar through much of the year (3.1%), consumers spent their money on vehicles instead. However, income growth has picked up to 4.1% in the last six months of 2016. Thus, we've seen a recent surge in retail sales. After growing a decent 3.8% in the third quarter, retail sales grew sharply by 6.8% in the fourth quarter. Additionally, core sales – sales that exclude those made at gasoline stations – grew by a strong 5.6% in the fourth quarter, after growing a solid 4.1% in the third quarter. Sales in furniture and home improvement stores grew by a strong 7.7% and 4.7% respectively, in the fourth quarter.

Consumer confidence has soared in recent months and especially after the November election. Consumer confidence remained above 100 through much of the year and reached 109.4 in November 2016. Since then it has grown stronger, and has reached 114.8 in February 2017. This not only reflects the surge in the stock market, but also from Mr. Trump's election promises of rolling back regulations that will promote small business growth and income tax cuts. Thus, future prospects of retail spending are good.

However, the Trump administration has been vocal about U.S. trade deficits with our trade partners. Since inauguration in January, Mr. Trump has continued his strong rhetoric towards Mexico and China, but he has also accused Germany of effectively being currency manipulators. Thus, we see inevitable trade skirmishes on the horizon. However, we believe they will be short lived. Mr. Trump has the ability as President to implement quotas and/or tariffs of up to 15% for up to 150 days according to the Trade Act of 1974. If this is short lived (Congress, has to give approval of any longer-term measure), then China will likely not retaliate and be able to absorb most, but not all, of the hit by deflating the yuan. The rest will be made up from increased prices on Chinese made goods. Thus, the consumer will feel the burn from that increase. This is when we see the promises of income tax cuts coming into play. After the consumer is fed the pain of price inflation, they will get relief in the form of a tax cut early next year. Thus, economic growth will decelerate in the second half of the year due to trade skirmishes, but rise above the 2.5% trend in early 2018 due to the increase spending by consumers from the bump they receive in the form of tax cuts.

Meanwhile, the Fed, expecting these trade skirmishes will get a hike out of the way in March, then sit and wait until these skirmishes subside and see the growth momentum rise in early 2018. The 10-year bond yield will continue to advance however, as financial markets are jolted from some type of border-tax adjustment that is needed to do a corporate tax cut (a facet from trade skirmishes that reduce demand of our treasury bonds by foreigners). The Fed will begin a more steady approach to rate hikes in 2018 as growth numbers support this.

Turning closer to home, Atlanta has also experienced resurgence in recent months. Using home building as a proxy for investment, housing permits surged this year. After growing 13.6% in 2015, total housing permits in metro Atlanta posted a better growth rate of 18.2% in 2016. Metro counties issued 22,325 single-family permits in 2016, a gain of 14.4% from 2015 levels. Multi-family permitted surged, growing 25.4%, from 10,347 in 2015 to 12,970 in 2016. The majority of this multifamily building occurred in Fulton County. The county issued 1,996 permits in the final quarter of 2016 to push the year's total up to

8,130 units, a gain of 21.5% over the previous year's tally. Overall, total permits in Fulton and DeKalb grew by 14.8% from 11,868 in 2015 to 13,620 in 2016.

The labor market in Atlanta also remains strong but did experience moderation in 2016. In calendar year 2016, the Metro region gained 69,600 new jobs, representing a growth rate of 2.9%, but a slight moderation from the 75,200 job additions in 2015. The corporate sector drove much of this growth. After growing by 15,200 new jobs in 2015, corporate employment grew by a solid 22,200 job additions in 2016, no wonder why cranes in Midtown, Downtown and Buckhead were busy last year! Additionally, the financial activities sector grew by 5,500 jobs, better than the 3,500 additions in 2015. We also saw decent growth in other domestically driven sectors, albeit a moderation from the previous year. Employment in retail trade grew by 8,300 new jobs in 2016, just less than the 10,500 jobs gains in 2015, while hospitality employment grew by 9,100 new positions in 2016, a moderation from the 10,100 additions in 2015.

Delta, one of Atlanta's corporate headquarters, likely contributed to this job growth. The airline posted good profits in 2016, but upon more analysis was mostly attributable to low oil prices. Going forward, however, we see that oil prices will likely remain low, but gain steadily through the year. Overall, we expect prices to average 52.8 per barrel for the year. Because the airline is internationally connected we do expect that the Trump administration's trade skirmishes will affect not only them, but also the industry as a whole. Already, Delta has reported that they will reduce capacity on some international lines.

We expect these trade skirmishes to affect internationally connected corporations, like the transportation sector, particularly the ports, as well as trade and manufacturing sectors. This will trickle down and dampen growth in other sectors such as construction and hospitality. However, the Trump administration's other initiatives such as deregulation and tax cuts will buoy small business growth and thus lifting overall employment growth numbers.

We expect that housing permits will moderate going forward, particularly in multifamily housing in the core (read Fulton and DeKalb) counties as trade skirmishes will impact globally headquartered firms but also rising interest rates will reduce the demand for housing. Additionally, no new large developments are on the horizon. The two stadiums (one in Fulton County) are expected to be completed this year. There are a few large projects on the longer-term horizon such as the airport's new concourse and runway, but those will likely not begin until 2020, possibly even later.

This has implications on sales tax collections. Marta's sales tax collections have slowed from an increase of 13.0% in calendar year 2015 (January to December) to just 2.8% in calendar year 2016. It should be noted however, that the 2015 value is inflated due to the addition of Clayton tax revenues that began in March of that year. Marta sales tax revenues have moderated from the 4.7% increase in 2014. However, we have witnessed an upswing. In the last half of calendar 2016, sales tax collections improved and grew by 1.4% that improved in the first two months of the current year (January and February 2017) with a growth rate of 3.6% compared to the same period last year. This is mirrored in the state of Georgia's sales tax collections. In the first two months of 2017, state sales tax collections grew by 3.3%, better than the last half of 2016 when sales tax collections grew by 2.3%, and a further improvement from the 1.0% growth in the first half of the year. Thus, we have experienced slight acceleration from the weak growth witnessed in late 2015-early 2016.

However, state individual income tax collections show a somewhat different story. In 2015 individual income tax receipts grew by 7.5% compared to the year before, a reflection of the strong job growth of 3.0%. Our Triangle of Money concept confirms this slowdown in income growth with the job growth figure. Additionally, as job growth moderated to 2.7% in 2016, state individual income tax collections slowed down and grew by 5.7%. Thus, if income tax revenues are on a declining trend, we could see sales tax collections begin to moderate. Furthermore, with no new major project on the construction horizon (like a new stadium), this could also dampen this recent resurgence of sales tax revenue growth.

Overall, on the employment front, we expect a continuation of the overall trends in the data. Job growth in Metro Atlanta decelerated from a gain of 3.3% in 2015 to 2.9% in 2016. We expect employment moderation to continue in 2017, resulting in the addition of 52,200 new jobs, representing growth of 2.5%. Going forward, small business growth will remain buoyed in the wake of some of Mr. Trump's administrative initiatives. This will trickle down and buoy employment growth in construction, financial activities, and wholesale and retail trade, into hospitality. Mr. Trump's new "Buy American; Hire American" slogan will not reach full potential until later in the forecast period. We expect further deceleration in 2018 to a growth rate of 1.8%, or 49,300 new jobs, as the effect of Mr. Trump's trade skirmishes bite into Atlanta's transportation, trade, manufacturing, and hospitality sectors. Atlanta's large corporations that are headquarters here and tied internationally will also feel the heat, but expect our small businesses to continue to do fairly well as consumers continue to demand their goods and services. In 2019 we expect employment to grow by 43,600 new jobs, an increase of 1.7%.

Other assumptions behind the sales tax projections are

- After rising in December 2016, the federal fund rate will again increase in March 2017 and will rise steadily in 2018 and 2019 to be 2.0%.
- Expect the price of oil to average \$52.8 a barrel in 2017, \$60.2 in 2018, and \$63.8 in 2019.
- CPI Inflation will be 2.4% in 2017, 2.0% in 2018 and 2.4% in 2019.
- Expect national housing starts to reach 1.192 million in 2017, followed by 1.222 in 2018 and a better 1.267 in 2019.

Sales Tax Model

We have developed a new model for our 30-year sales tax revenue report. Our previous model, developed in 2005, was re-estimated and adjusted to include the addition of Clayton County to the system. The model also continues to account for leakages to ad valorem tax revenues. Our new model is below and has found to give a good representation of linkages between job growth and tax collections:

$$\begin{aligned} \text{Price adjusted collections (000)} = & 12,400.8 + 41.8 * \text{Lagged Metro Employment (000)} \\ & (0.76) \quad (6.20) \\ & - 944.9 * \text{Season2} - 1,165.8 * \text{Season3} - 2,243.3 * \text{Season4} - 275.4 * \text{Time} \\ & (0.74) \quad (0.93) \quad (1.75) \quad (7.23) \end{aligned}$$

Our forecasting equation models price-adjusted collections as a function of lagged metro area employment, a constant, and a time trend, while controlling for the seasonal fluctuations of

collections. Thus, our model was estimated using data from 2004 to the third quarter of 2014. We were somewhat limited with data points compared to our 2005 estimation exercise, since actual data on Clayton county sales tax collections begins only in 2004. The t-statistics of the estimated parameter values are in parentheses in the above equation. The coefficient on the lagged employment variable is highly significant with a t-statistic of 6.20. We used lagged employment values, as there is a lag in the sales tax collection and reporting procedure. Therefore, lagging the independent variable reconciles the timing issue. Simple logic indicates that salary payments today are for work completed yesterday, which then determines current consumption and therefore sales tax collections. The coefficient on our time variable is highly significant with a t-statistic of 7.23. Thus, compared to our 2005 model, the coefficients have either maintained their predictive power or improved. The R-squared statistic is high at 0.715, as well as the adjusted R-squared at 0.675. As a sensitivity check, we estimated the model without Clayton – in other words using just Fulton and DeKalb sales and use tax collections – and found similar coefficients for the 2004-2014Q3 time-period.

In our long-term forecast, we added near recessions at approximately seven-year intervals to reflect the cyclical characteristics of the economy. This approach may lead to errors in a single year in the event of a recession, but the moderation followed by a return to trend growth should provide reasonable estimates of economic activity over time.

Quarterly Projections

QUARTERLY SALES TAX REVENUE			
PERFORMANCE AND PROJECTIONS: 2017-2026 CALENDAR YEAR			
<u>Quarter</u>	<u>Revenue</u> (000s)	<u>Quarter</u>	<u>Revenue</u> (000s)
2017:01	107,653	2022:01	127,326
2017:02	106,451	2022:02	126,673
2017:03	106,870	2022:03	128,003
2017:04	105,433	2022:04	126,320
2018:01	109,384	2023:01	130,829
2018:02	109,264	2023:02	130,133
2018:03	111,014	2023:03	131,820
2018:04	110,016	2023:04	130,486
2019:01	114,622	2024:01	135,490
2019:02	114,422	2024:02	135,021
2019:03	115,925	2024:03	136,847
2019:04	114,582	2024:04	135,536
2020:01	118,977	2025:01	140,807
2020:02	118,645	2025:02	140,380
2020:03	120,093	2025:03	142,510
2020:04	118,655	2025:04	141,487
2021:01	123,112	2026:01	147,161
2021:02	122,578	2026:02	146,732
2021:03	124,103	2026:03	148,970
2021:04	122,699	2026:04	147,954

**Source: Historical data provided by MARTA. Projections for 2017q1-2026q4 were based on the model explained earlier with an inflation rate superimposed on projections of real activity.*

Modeling Tax Collections

Ideally, sales taxes would be related to changes in retail sales and to any tax base or tax rate changes that develop. Although further erosion of the base is possible if food exemptions are again legislated in the future, we have assumed no base erosion. We expect no rate changes in current projections.

One accepted approach would be the use of standard economic relationships to estimate per capita sales after adjustment for inflation, application of population estimates to convert those projections into retail sales, and then a derivation of sales tax receipts via ratio to sales. Unfortunately, some of the variables that would be necessary to derive real per capita sales, such as wealth, are not easily available at the county level. Inflation-adjusted incomes for the county depend upon earnings, transfer payments, and property incomes. Income estimates are available historically by county. However, a model would be needed to project personal incomes before we could derive sales. Furthermore, population changes would be related to employment opportunities as well as residential selection within the metro area. Finally, taxable sales are not available by county and are no longer produced for the metro area.

In short, any model would need employment estimates to derive income and population estimates. These estimates then would be used to derive retail sales. Sales tax receipts then would be developed from retail sales projections. When all the steps are consolidated, employment becomes the basic determinant of net sales tax receipts. Therefore, we preferred a consolidated model that directly derives net sales tax receipts from employment to the development of a set of relationships, all of which depend upon employment projections.

Historically, employment for individual counties is available with a lag along with employment for the Atlanta MSA. However, a relatively consistent decay in employment shares for MARTA counties has developed in recent years. Therefore, a variable that incorporates this shifting share of Atlanta employment should be used in any projection model. Moreover, the Economic Forecasting Center at Georgia State University has been forecasting Atlanta employment since 1975 with some considerable degree of success. To exploit this metropolitan forecasting competence and capture the shifting shares of employment in Fulton and DeKalb counties, our forecasting model used Atlanta employment projections and a share-shifting time variable.

Once forecasts are derived for Atlanta employment, the model estimates real net sales tax receipts. An inflation factor must be included to gross these sales to actual values. Our estimates of use taxes then are added to the sales tax receipts to determine total MARTA receipts.

Sales tax estimates are sensitive to inflation projections we used forecasted values from Georgia State University's Forecast of the Nation to determine inflation through 2019, and based the rest of the years on a special forecast prepared for the project. Finally, our forecasts of sales and use tax receipts correspond with June 30 fiscal years used by MARTA. Of course, economic conditions reflect calendar years.

Assumptions

The assumptions about employment growth for 2017 to 2048 are contained in Table 2.

- Inflation is expected to remain relatively modest. The assumptions about inflation for 2017 to 2048 are contained in Table 3.

- No further changes in boundaries, government structure, or state involvement in local government were assumed.
- No further changes in tax rates or base changes were assumed.
- Alternative tax changes in non-MARTA counties were not assumed to alter the metropolitan area shopping patterns.
- No government or resource-induced limits to growth were assumed in the projections.
- The counties included in the report are Fulton, DeKalb, and Clayton, all of which provide revenues to MARTA during the forecast period.

Table 2

EMPLOYMENT HISTORY & PROJECTIONS FOR ATLANTA 2000-2048			
YEAR	LEVEL	ANNUAL JOBS ADDED (5-YEAR AVG)	5-YEAR GROWTH RATE
2000	2,299.9	81.8	4.0
2005	2,345.5	9.1	0.4
2010	2,276.4	-13.8	-0.6
2015	2,585.1	61.7	2.6
2020	2,865.8	55.1	2.0
2025	2,860.8	45.8	1.6
2030	3,089.7	82.6	2.5
2035	3,502.5	62.3	1.7
2040	3,814.1	63.8	1.6
2045	4,133.1	93.2	2.2
2048	4,599.1	79.4	1.7

Table 3

INFLATION HISTORY & PROJECTIONS 1980-2048		
YEAR	LEVEL	5-YEAR GROWTH RATE
1980	56.40	7.70
1985	72.66	5.20
1990	86.48	3.54
1995	97.92	2.51
2000	106.61	1.71
2005	118.31	2.11
2010	130.36	1.96
2015	140.46	1.50
2020	155.14	2.01
2025	173.82	2.30
2030	192.86	2.10
2035	213.97	2.10
2040	237.40	2.10
2045	263.40	2.10
2048	280.35	2.10

Long-Term Forecast

Based on the assumptions discussed above, the long-term performance and projections for **MARTA** sales tax revenues are as follows. History is available from 1973 for Fulton and DeKalb collections but only from March 2015 for Clayton.

VALUES FOR MARTA SALES AND USE TAX RECEIPTS				
	FY	Total Sales & Use Tax Receipts		Additions
		(000's)	%chg	(000's)
History ↑	2004	280,663	3.0	8,085
	2005	296,351	5.6	15,688
	2006	331,213	11.8	34,862
	2007	349,215	5.4	18,002
	2008	351,596	0.7	2,381
	2009	327,425	-6.9	(24,171)
	2010	317,775	-2.9	(9,650)
	2011	319,229	0.5	1,454
	2012	339,157	6.2	19,928
	2013	340,491	0.4	1,334
	2014	345,825	1.6	5,334
	2015	372,383	7.7	26,558
	2016	409,846	10.1	37,463
Forecast ↓	2017	420,620	2.6	10,774
	2018	430,952	2.5	10,332
	2019	450,074	4.4	19,122
	2020	468,129	4.0	18,055
	2021	484,439	3.5	16,310
	2022	500,800	3.4	16,362
	2023	515,285	2.9	14,484
	2024	532,817	3.4	17,532
	2025	553,570	3.9	20,753
	2026	577,889	4.4	24,318
	2027	604,400	4.6	26,511
	2028	629,710	4.2	25,311
	2029	655,000	4.0	25,289
	2030	682,291	4.2	27,292
	2031	709,095	3.9	26,804
	2032	732,924	3.4	23,829
	2033	755,434	3.1	22,510
	2034	787,593	4.3	32,158
	2035	823,928	4.6	36,336
	2036	860,499	4.4	36,571
	2037	897,987	4.4	37,487
	2038	932,637	3.9	34,650
	2039	963,025	3.3	30,388
	2040	993,407	3.2	30,382
	2041	1,033,942	4.1	40,535
	2042	1,081,396	4.6	47,454
	2043	1,132,800	4.8	51,404
	2044	1,184,283	4.5	51,483
	2045	1,240,703	4.8	56,420
	2046	1,290,660	4.0	49,957
	2047	1,338,207	3.7	47,547
	2048	1,386,172	3.6	47,965

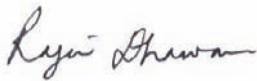
**Source: Historical data supplied by MARTA and the Georgia Department of Revenue. Projections were based on the model explained earlier with an inflation rate superimposed upon projections of real activity.*

Total receipts collected in fiscal year 2017 are projected to increase by 2.6%. In FY2018 we expect an increase of 2.5% in sales tax collections, while in FY2019 it will pick up to a gain of 4.4% as the full impact of the tax cuts become evident.

CONCLUSION

By using a forecasting model of sales tax receipts and making assumptions about the future performance of the volatile and shrinking use tax, we have derived estimates of **MARTA** sales and use tax receipts between now and 2048. Of course, any projections depend on the underlying assumptions used to drive the analysis. We believe the assumptions are reasonable, based upon previous historical relationships and the normal behavior related to the development of cities. Of course, reality can deviate substantially from these assumptions, and the resulting tax receipt estimates could change materially.

Sincerely,



Prof. Rajeev Dhawan
Director
Economic Forecasting Center
J. Mack Robinson College of Business
Georgia State University

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APPENDIX B

**FINANCIAL STATEMENTS OF THE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

June 30, 2016 and 2015

And Report of Independent Auditor

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

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Report of Independent Auditor

To the Board of Directors
Metropolitan Atlanta Rapid Transit Authority

We have audited the accompanying statements of net position of the Metropolitan Atlanta Rapid Transit Authority ("MARTA") as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MARTA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MARTA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of MARTA, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the required supplementary information schedules on pages 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on MARTA's basic financial statements. The supplemental schedule of revenues and expenses – budget versus actual (budget basis) on pages 61 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule of revenues and expenses – budget versus actual (budget basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of MARTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MARTA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Atlanta, Georgia
October 28, 2016

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

As management of the Metropolitan Atlanta Rapid Transit Authority ("MARTA" or the "Authority"), we offer readers of MARTA's basic financial statements this narrative overview and analysis of the financial activities of MARTA for the fiscal years ended June 30, 2016 and 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

MARTA was formed as a joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton, and Gwinnett by action of the General Assembly of the State of Georgia (the "MARTA Act") to design and implement a rapid transit system for the Atlanta metropolitan area. MARTA operates a bus and rapid rail transportation system and continues to develop and construct further improvements to its integrated bus/rail transportation system.

Overview of Financial Statements

MARTA's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). MARTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when they are received. Expenses are recognized when they are incurred, not when they are paid. Capital assets are capitalized and (except land) are depreciated over their useful lives. Many cash amounts are restricted for debt service and by state and federal regulations. See the notes to the financial statements for a summary of MARTA's significant accounting policies.

Included in MARTA's financial statements are the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, the Statements of Cash Flows, and the related notes.

The Statements of Net Position present information on all of MARTA's assets, liabilities, deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of MARTA is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how MARTA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected sales taxes and earned but unused vacation leave).

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The Statements of Cash Flows allow financial statement users to assess MARTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Position Summary

Net position may serve over time as a useful indicator of MARTA's financial position. MARTA's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$1.3 billion at June 30, 2016, a \$45 million decrease from June 30, 2015, when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.4 billion.

The largest portion of MARTA's net position in fiscal year 2016 was its restricted assets representing 64%. These resources are subject to external restrictions on how they can be used under bond resolutions, lease agreements, and State and Federal regulations. The second largest portion of net position representing 37% was its investment in capital assets (e.g., land, rail system, buildings, and transportation equipment) less any related outstanding debt used to acquire those assets. MARTA uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although MARTA's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In fiscal year 2015, MARTA's largest category of its net position was restricted assets representing 67% while the next largest was its investment in capital assets (e.g., land, rail system, buildings, and transportation equipment), less any related outstanding debt used to acquire those assets representing 34%.

At the end of the current fiscal year and in two prior fiscal years, MARTA was able to report positive balances in all categories of net position with the exception of the category of unrestricted for land held for resale.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The following table presents a condensed summary of net position:

	2016	2015	2014
ASSETS:			
Current and Other Assets	\$1,085,704	\$1,161,026	\$1,033,027
Capital Assets	2,966,140	3,049,286	3,056,307
Net Pension Assets	-	53,077	-
Other	-	1,844	-
Total Assets	<u>4,051,844</u>	<u>4,265,233</u>	<u>4,089,334</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources from Hedging	364	2,135	-
Deferred Outflows of Resources - Pension	127,939	41,269	-
Deferred Outflows of Resources - Debt Refunding	24,717	9,873	12,033
Total Deferred Outflows of Resources	<u>153,020</u>	<u>53,277</u>	<u>12,033</u>
Total Assets and Deferred Outflows of Resources	<u>4,204,864</u>	<u>4,318,510</u>	<u>4,101,367</u>
LIABILITIES:			
Long-term Debt	2,176,583	2,131,498	1,791,781
Current and Other Liabilities	536,315	693,154	884,045
Derivative Liability	364	2,135	-
Net Pension Liability	140,666	96,185	-
Net OPEB Liability	809	819	-
Total Liabilities	<u>2,854,737</u>	<u>2,923,791</u>	<u>2,675,826</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources	-	-	248
Deferred Inflows of Resources - Pension	2,567	1,756	-
Total Liabilities and Deferred Inflows of Resources	<u>2,857,304</u>	<u>2,925,547</u>	<u>2,676,074</u>
NET POSITION:			
Net Investment in Capital Assets	502,641	475,594	646,555
Restricted	856,454	929,071	789,317
Unrestricted	(11,535)	(11,702)	(10,579)
TOTAL NET POSITION	<u>\$1,347,560</u>	<u>\$1,392,963</u>	<u>\$1,425,293</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

Financial Operations Highlights

MARTA is a single enterprise fund providing public transportation. MARTA provides direct benefits to its users as well as substantial indirect benefits to the public at large (e.g., decreased traffic congestion, decreased need for road construction and maintenance, decreased need for parking, decreased air pollution levels, increased availability of transportation for low-income citizens). Therefore, the user charges are intended to finance only a portion of the cost of providing these services with additional proceeds obtained from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton, DeKalb, and Clayton and Federal Subsidies. The sales tax is levied at a rate of 1% until June 30, 2057, and 0.5% thereafter. See Note 4 of the notes to the financial statements.

The MARTA Act places certain requirements on the rates that MARTA can charge for transportation services provided. The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding or prior fiscal year.

Under provisions of amendments to the MARTA Act, revenues, except the sales and use tax, are included in transit related revenues for purposes of this calculation. Transit related revenues were 76.2% and 66.2% of operating costs of the previous fiscal year as defined under the MARTA Act for the years ended June 30, 2016 and 2015, respectively.

The following table presents the summary of changes in net position:

	2016	2015	2014
Operating Revenues	\$ 152,412	\$ 157,194	\$ 152,653
Operating Expenses	675,635	625,239	622,501
Operating Loss	(523,223)	(468,045)	(469,848)
Nonoperating Revenues (Expenses) - net	445,389	368,765	365,027
Capital Grants	32,431	82,498	71,178
Decrease in Net Position	<u>\$ (45,403)</u>	<u>\$ (16,782)</u>	<u>\$ (33,643)</u>

In fiscal year 2016, operating revenues decreased by \$4.8 million and operating expenses increased by \$50.4 million; the majority of this increase is related to depreciation, salary, and benefits costs. The increase in expenses resulted in an overall increase in the operating loss of \$55.1 million from the previous year. In fiscal year 2015, operating revenues increased by \$4.5 million and operating expenses increased by \$2.7 million, which resulted in an overall decrease in operating loss of \$1.8 million from 2014.

In 2016, MARTA placed high emphasis on customer service, employee morale, and fiscal relief. This included a 3% lump sum payment for non-represented and represented employees, no fare increases, and the execution of the MARTA Transformation Initiative, which provides comprehensive cost saving and efficiency-improvement measures.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

The following table presents a summarized breakout of MARTA's revenues, expenses, and changes in net position:

	2016	2015	2014
Summary of Revenues			
Operating			
Fare Revenues	\$ 141,360	\$ 146,417	\$ 140,318
Other Revenues	11,052	10,777	12,335
Total Operating Revenues	<u>152,412</u>	<u>157,194</u>	<u>152,653</u>
Nonoperating			
Sales and Use Tax	409,718	377,743	347,289
Federal Revenues	76,289	82,643	102,847
Investment Income	1,568	604	688
Capital Leases Revenues	32,057	5,128	6,607
Other Revenues	42,396	27,687	32,089
Gain (loss) on Sale of Property and Equipment	182	194	(11)
Total Nonoperating Revenues	<u>562,210</u>	<u>493,999</u>	<u>489,509</u>
Total Revenues	<u>714,622</u>	<u>651,193</u>	<u>642,162</u>
Summary of Expenses			
Operating			
Transportation	206,252	186,527	181,860
Maintenance and Garage Operations	143,576	131,276	141,584
General and Administrative	83,271	82,354	89,298
Depreciation	242,536	225,082	209,759
Total Operating Expenses	<u>675,635</u>	<u>625,239</u>	<u>622,501</u>
Nonoperating			
Interest Expense	83,356	85,663	75,751
Interest Expense Capitalized	(179)	(818)	(1,233)
Amortization of Financing Related Charges and Income from Derivative Activity	(5,318)	(2,699)	(4,404)
(Gain) Loss on Investment Derivatives	390	(607)	(7,905)
Other Nonoperating Expenses	38,572	43,695	62,273
Total Nonoperating Expenses	<u>116,821</u>	<u>125,234</u>	<u>124,482</u>
Total Expenses	<u>792,456</u>	<u>750,473</u>	<u>746,983</u>
Loss Before Capital Contributions	(77,834)	(99,280)	(104,821)
Capital Grants	32,431	82,498	71,178
Decrease in Net Position	(45,403)	(16,782)	(33,643)
Net Position, July 1	1,392,963	1,425,293	
Cumulative effect of change in accounting principle	-	(15,548)	-
Net Position, July 1 As Restated	<u>1,392,963</u>	<u>1,409,745</u>	<u>1,458,936</u>
Net Position, June 30	<u>\$ 1,347,560</u>	<u>\$ 1,392,963</u>	<u>\$ 1,425,293</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

Net position decreased by \$45.4 million in 2016, after decreasing by \$16.8 million in 2015, which is exclusive of the cumulative effect of the change in accounting principle reported in the prior year.

MARTA's other operating revenues, which include advertising, Transit Oriented Development lease (TOD), and alternative fuel tax revenues, increased by \$275 thousand or 2.6% in 2016 and decreased by \$1.6 million or 12.6% in 2015.

In 2016, MARTA's largest component of nonoperating revenues, sales and use tax, increased by \$32 million or 8.5% from 2015, which increased from 2014 by \$30.5 million or 8.8%. In 2015, the largest revenue growth was \$30.5 million in other nonoperating revenues, which includes ad valorem tax revenue. Non-capital grants, which includes preventive maintenance reimbursements, decreased in 2016 by \$6.4 million. Overall, nonoperating revenues increased by \$68 million or 13.8% in 2016 and \$4.5 million or 0.9% in 2015.

Operating expenses increased by \$50.4 million in 2016 from 2015 and increased by \$ 2.7 million in 2015. The 2016 nonoperating expenses decreased by \$8.4 million from 2015. This decrease is directly related to interest expense and offset by a decrease in other nonoperating expenses.

The 2015 nonoperating expenses decreased by \$752 thousand from 2014. This large decrease is directly related to general and administrative expenses.

Capital Acquisitions and Construction Activities

In 2016, MARTA expended \$157,726 on capital activities. The expenditures were primarily for the replacement, rehabilitation, and enhancement of facilities and equipment required to support transit operations, regulatory requirements, and system safety. The net increase (decrease) in capital assets, including changes in accumulated depreciation and retirements, was (\$83,147), (\$7,021), and \$28,087, during the years ended June 30, 2016, 2015, and 2014, respectively. Additional information on MARTA's debt and capital asset activity and commitments can be found in Notes 6 and 7 to the financial statements.

The following table summarizes MARTA's net investment in capital assets:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital Assets			
Property and Equipment - Net	\$2,966,140	\$3,049,286	\$3,056,307
Capital Debt			
Current Maturities of Bonds and Notes	(62,705)	(59,425)	(255,255)
Noncurrent Maturities of Bonds	(2,113,878)	(2,072,073)	(1,736,526)
Deferred Outflows of Resources	24,717	9,873	12,033
Capital Lease Obligations	(311,633)	(452,067)	(430,004)
Total Capital Debt	<u>(2,463,499)</u>	<u>(2,573,692)</u>	<u>(2,409,752)</u>
Net Investment in Capital Assets	<u>\$ 502,641</u>	<u>\$ 475,594</u>	<u>\$ 646,555</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Management's Discussion and Analysis
(Unaudited)
(Dollars in Thousands)

Long-Term Debt Administration

MARTA issues Sales and Use Tax Revenue Bonds, Commercial Paper, and Variable Rate Bonds in a Floating Rate Note Mode to raise capital funds for construction, expansion, and rehabilitation of the transit system. The bonds and notes are payable from and secured by a first, second, and third lien on sales and use tax receipts.

The Fixed and Variable rate Bonds carry debt ratings of Aa3 by Moody's Investors Service, AA+ by Standard and Poor's and AA- from Fitch Rating Service. MARTA's total bond debt outstanding was \$2,176,583, \$2,131,498, and \$1,991,781 as of June 30, 2016, 2015, and 2014, respectively.

Economic Condition and Outlook

The U. S. GDP has recently experienced subpar growth. The dollar continues to strengthen as more investors move their investments towards the safe U. S. dollar as fear of the Brexit impact intensifies. Corporate investment has been negative; however, corporate investment is expected to grow after the presidential elections. Georgia's performance was similar to the U. S. economy. The Georgia labor market continues to be strong; however, it is expected to slow in 2017 and 2018. It is anticipated that Georgia will add 98,000 jobs in 2016, 75,100 jobs in 2017, and 69,800 jobs in 2018. Most of these jobs will be generated in the city of Atlanta.

Nominal personal income in Georgia is expected to grow 4.9% in 2016, improve to 5.4% in 2017, and rise to 5.5% in 2018. Georgia's unemployment growth will average around 5.4% and remain close to those levels through 2018.

For fiscal year 2016, total tax revenues increased by 9.4% as a result of higher income and motor vehicle-related tax receipts. Georgia's Total Tax Collections rose 7% in the fourth quarter of fiscal year 2016.

Atlanta's employment grew by 34,600 new jobs in the first half of 2016 benefiting from growth in construction and wholesale and retail trade. In 2017, the forecast calls for growth of 2.2% followed by an increase of 2.0% in 2018. Atlanta's unemployment rate is expected to decline from 5.6% in 2015 to 5.1% through 2018.

Request for Information

This financial report is designed to provide a general overview of MARTA's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Accounting, Metropolitan Atlanta Rapid Transit Authority, 2424 Piedmont Road NE, Atlanta, GA 30324-3330.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Statements of Net Position
June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 57,691	\$ 61,530
Investments	142,395	78,610
Material and Supplies Inventories	28,252	26,999
Sales Tax Receivables, Prepayments, and Other	116,492	148,172
Total Unrestricted Current Assets	<u>344,830</u>	<u>315,311</u>
Restricted Investments	312,783	310,341
Current Portion, Investment held to pay Capital Lease	4,169	4,257
Total Restricted Current Assets	<u>316,952</u>	<u>314,598</u>
Total Current Assets	<u>661,782</u>	<u>629,909</u>
Noncurrent Assets:		
Investment held to pay Capital Lease Obligations	413,786	522,074
Investment Derivatives	(2,218)	(1,828)
Total Restricted Noncurrent Assets	<u>411,568</u>	<u>520,246</u>
Capital Assets		
Land, non-depreciable	560,419	560,466
Rail System and Buildings	3,599,414	3,466,979
Transportation Equipment	1,336,657	1,324,787
Other	1,226,071	1,242,253
	<u>6,722,561</u>	<u>6,594,485</u>
Less Accumulated Depreciation	<u>(4,063,703)</u>	<u>(3,892,094)</u>
	2,658,858	2,702,391
Construction in Progress, non-depreciable	<u>307,282</u>	<u>346,895</u>
Capital Assets - Net	2,966,140	3,049,286
Other Noncurrent Investments	10,000	10,000
Other Bond Related Costs	510	871
Net Pension Asset	-	53,077
Other	1,844	1,844
Total Noncurrent Assets	<u>3,390,062</u>	<u>3,635,324</u>
Total Assets	<u>4,051,844</u>	<u>4,265,233</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources from Hedging	364	2,135
Deferred Outflow of Resources - Pension	127,939	41,269
Deferred Outflow of Resources - Debt Refunding	24,717	9,873
Total Deferred Outflows of Resources	<u>153,020</u>	<u>53,277</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,204,864</u>	<u>\$ 4,318,510</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Statements of Net Position
June 30, 2016 and 2015
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities:		
Total Current Liabilities Payable from Unrestricted Assets:		
Accounts and Contracts Payable	\$ 80,119	\$ 73,747
Salaries and Employee Benefits	18,721	25,389
Self-Insurance Accruals	17,619	17,156
Other Current Liabilities	5,381	3,303
Unearned Revenue	1,576	1,488
Total Current Liabilities Payable from Unrestricted Assets	<u>123,416</u>	<u>121,083</u>
Payable from Restricted Assets:		
Current Maturities of Sales Tax Revenue Bonds	62,705	59,425
Accrued Interest	42,228	42,933
Due to Federal Transportation Administration	-	116
Current Maturities of Obligations Under Capital Leases	4,036	4,117
Total Current Liabilities Payable from Restricted Assets	<u>108,969</u>	<u>106,591</u>
Total Current Liabilities	<u>232,385</u>	<u>227,674</u>
Noncurrent Liabilities:		
Sales Tax Revenue Bonds, Less Current Maturities,		
Unamortized Premium and Discount	2,113,878	2,072,073
Noncurrent Self Insurance Accruals	30,132	35,940
Other Long-term Liabilities	822	834
Unearned Revenue	28,084	40,181
Obligations Under Capital Leases	307,597	447,950
Derivative Liability - Commodity Swap	364	2,135
Net Pension Liability	140,666	96,185
Net OPEB Liability	809	819
Total Noncurrent Liabilities	<u>2,622,352</u>	<u>2,696,117</u>
Total Liabilities	<u>2,854,737</u>	<u>2,923,791</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources Pension	2,567	1,756
Total Liabilities and Deferred Inflows of Resources	<u>2,857,304</u>	<u>2,925,547</u>
NET POSITION		
Net Investment in Capital Assets	502,641	475,594
Restricted for Debt service	145,154	142,733
Restricted for Other Projects	34,589	34,863
Restricted for Capital Projects	130,817	130,797
Restricted for Capital Leases	417,955	526,332
Restricted for Pension	127,939	94,346
Unrestricted	(11,535)	(11,702)
Total Net Position	<u>\$ 1,347,560</u>	<u>\$ 1,392,963</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Statements of Revenues, Expenses,
And Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Fare Revenues	\$ 141,360	\$ 146,417
Other Revenues	11,052	10,777
Total Operating Revenues	<u>152,412</u>	<u>157,194</u>
Operating Expenses:		
Transportation	206,252	186,527
Maintenance and Garage Operations	143,576	131,276
General and Administrative	83,271	82,354
Depreciation	242,536	225,082
Total Operating Expenses	<u>675,635</u>	<u>625,239</u>
Operating Loss	<u>(523,223)</u>	<u>(468,045)</u>
Nonoperating Revenues (Expenses):		
Sales and Use Tax	409,718	377,743
Federal Revenues	76,289	82,643
Investment Income	1,568	604
Net Capital Lease Transaction Activity	32,057	5,128
Other Revenues	42,396	27,687
Loss on Sale of Property and Equipment	182	194
Interest Expense	(83,356)	(85,663)
Interest Expense Capitalized	179	818
Amortization of Financing Related Charges		
and Income from Derivative Activity	5,318	2,699
Other Nonoperating Expenses	(38,572)	(43,695)
Gain (Loss) on Investment Derivatives	(390)	607
	<u>445,389</u>	<u>368,765</u>
Loss Before Capital Contributions	(77,834)	(99,280)
Capital Grants	<u>32,431</u>	<u>82,498</u>
Net Position:		
Decrease in Net Position	(45,403)	(16,782)
Net Position, July 1	1,392,963	1,409,745
Net Position, June 30	<u>\$ 1,347,560</u>	<u>\$ 1,392,963</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ 174,196	\$ 170,638
Cash Paid to Suppliers	(213,088)	(214,102)
Cash Paid to Employees	(255,905)	(232,962)
Net Cash Used by Operating Activities	(294,797)	(276,426)
Cash Flows From Noncapital Financing Activities:		
Sales and Use Tax Collections	409,846	373,848
Federal Operating Subsidy	108,826	59,823
Net Cash Provided by Noncapital Financing Activities	518,672	433,671
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Bond and Debt Related Derivative Receipts	97,087	198,429
Repayment of Bond Payable	(59,425)	(55,255)
Capital Contributions	32,431	73,106
Interest Paid on Revenue Bonds	(84,061)	(80,364)
Acquisition and Construction of Capital Assets	(150,071)	(217,035)
Net Cash Used by Capital and Related Financing Activities	(164,039)	(81,119)
Cash Flows from Investing Activities:		
Purchases of Investments	(2,778,561)	(1,999,454)
Proceeds from Sales and Maturities of Investments	2,713,318	1,930,420
Interest Received on Investments	1,568	604
Net Cash Used by Investing Activities	(63,675)	(68,430)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,839)	7,696
Cash and Cash Equivalents, Beginning of Year	61,530	53,834
Cash and Cash Equivalents, End of Year	\$ 57,691	\$ 61,530
Reconciliation of Operating Income to Net Cash Used by Operating Activities:		
Operating Loss	\$ (523,223)	\$ (468,045)
Other Expenses (Revenues)	3,824	(16,007)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	242,536	225,082
Changes in Assets and Liabilities:		
Materials and Supplies Inventories	(1,253)	(1,124)
Prepayments and Other	(984)	1,922
Current Liabilities and Due Federal Transportation Administration	(3,588)	(13,500)
Deferred Revenue	(12,109)	(4,754)
Net Cash Used by Operating Activities	\$ (294,797)	\$ (276,426)
Noncash Investing, Capital and Financing Activities:		
Amortization of Financing Related Charges and Income from Derivative Activity	\$ (5,318)	\$ 2,699
Increase (Decrease) in Fair Value of Investments	46,165	18,018
Net Noncash Investing, Capital and Financing Activities	\$ 40,847	\$ 20,717

The accompanying Notes to Financial Statements are an integral part of these statements.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2016 and 2015
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Metropolitan Atlanta Rapid Transit Authority ("MARTA" or the "Authority") was formed as a joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton, and Gwinnett by action of the General Assembly of the State of Georgia (the "MARTA Act") to design and implement a rapid transit system for the Atlanta metropolitan area. MARTA operates a bus and rapid rail transportation system and continues to develop and construct further improvements to its integrated bus/rail transportation system.

In order to measure the costs of providing mass transportation services, the revenues from those services and required subsidies, MARTA has adopted the accounting principles and methods appropriate for a governmental enterprise fund. This complies with the MARTA Act and Sales Tax Bond Trust Indenture legal requirements that all accounting systems and records, auditing procedures and standards, and financial reporting shall conform to generally accepted principles of governmental accounting. The following is a summary of the more significant accounting policies of the Authority:

Reporting Entity - MARTA is a municipal corporation governed by a fourteen-member board of directors. As defined by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity is comprised of the primary government and its component units. The primary government includes all departments and operations of MARTA, which are not legally separate organizations. Component units are legally separate organizations, which are fiscally dependent on MARTA or for which MARTA is financially accountable, or which raises and holds economic resources for the direct benefit of MARTA. An organization is fiscally dependent if it must receive MARTA's approval for its budget, levying of taxes, or issuance of debt. MARTA is financially accountable for an organization if it appoints a majority of the organization's board, and either a) has the ability to impose its will on the organization or b) there is the potential for the organization to provide a financial benefit to or impose a financial burden on MARTA. The reporting entity of MARTA consists solely of the primary government. MARTA has no component units.

MARTA is a jointly governed organization. Of its fourteen-member board, three members are appointed by Fulton County, four members by DeKalb County, two members by Clayton County, and three members by the City of Atlanta. In addition, the Commissioner of the State Department of Transportation and the Executive Director of the Georgia Regional Transportation Authority serve as *ex-officio* members of the Board. None of the participating governments appoint a majority of MARTA's Board and none have an ongoing financial interest or responsibility. None of the participating governments had any significant financial transactions with MARTA during fiscal years ended June 30, 2016 or 2015.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - The accompanying basic financial statements are reported using the *economic resources measurement focus* on the *accrual basis of accounting*, under which revenues are recognized when earned and measurable and expenses are recognized when they are incurred, if measurable.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 significantly from those estimates.

Cash and Cash Equivalents - MARTA considers all highly liquid debt securities with an original maturity of no more than three months at date of purchase to be cash equivalents except repurchase agreements and restricted investments, which are classified as investments.

Investments - MARTA's investments are reported at fair value based on quoted market prices. Guaranteed investment contracts, which are considered non-participating, are reported at amortized cost. U.S. Treasury and Agency obligations are reported at amortized cost if MARTA acquires them within one year of maturity. Investments in the State of Georgia Fund 1, a local government investment pool managed by the state of Georgia, Office of the State Treasurer, represent ownership of a portion of a large pool of investments. The pooled investments are not registered with the Securities and Exchange Commission ("SEC"), but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, MARTA's investment in the Georgia Fund 1 has been determined based on the pool's share price as adjusted to market.

Investments Held to Pay Capital Lease Obligations - To fund certain future obligations under capital leases resulting from various Lease-in/Lease-out ("LILLO") transactions, MARTA has invested funds in government agency bonds and notes, and guaranteed investment contracts. The maturities of these investments have been tied to the payment dates identified in the underlying LILLO agreements.

Derivative Financial Instruments - Derivative financial instruments are reported at fair value. A hedging derivative instrument significantly reduces financial risk by substantially offsetting the changes in cash flows or fair values of the item the derivative is associated with. The annual changes in the fair value of a hedging derivative instrument are reported as deferred inflows and deferred outflows on the Statements of Net Position if meeting the requirements of an effective hedge. Derivative instruments not designated as an accounting hedge are classified as an investment derivative. Changes in fair values of investment derivative instruments, including hedging derivative instruments that are determined to be ineffective, are reported as nonoperating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position. See Note 8 for further information on these instruments.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2016 and 2015
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories - Materials (principally maintenance parts) and supplies inventories are stated at average cost and accounted for on the consumption method.

Capital Assets - Capital assets are carried at cost and depreciated using the straight-line method based on the estimated useful lives of the related assets, as follows:

Rail system and buildings	5-50 years
Transportation equipment	5-20 years
Other property and equipment	3-20 years

MARTA uses a three hundred dollar capitalization threshold for its capital assets. Donated properties are stated at their fair value on the date donated. When assets are sold or retired, the cost of the asset and related accumulated depreciation is removed from the accounts and the resulting gain or loss, if any, is charged to nonoperating revenue or expense.

Ordinary maintenance and repairs are charged to expense as incurred, while property additions and betterments are capitalized. MARTA capitalizes, as a cost of its constructed assets, the interest expense based upon the weighted average cost of borrowings of MARTA.

Unearned Revenues - Included in Unearned Revenues is the remaining unamortized balance of the unearned amounts from the lease/leaseback arrangements of certain rail cars and rail lines in 2001, 2002, 2003, and 2005. The unearned gains are being amortized over the remaining lives of the respective leases on a straight-line basis. It also includes the upfront cash received from the remediation net benefit in 2009, which is being amortized over the life of the related agreements. See Note 15 for further information.

Bond Proceeds, Discount, Issue Costs, and Losses on Refundings - Proceeds from the issuance of Sales Tax Revenue Bonds are initially deposited with the Bond Trustee in a Construction Fund as required by the Trust Indenture between MARTA and the Trustee. MARTA requisitions the funds as needed for construction of the transit system.

Bond discount is amortized using the bond outstanding method, over the term of the related debt. Losses on debt refunding are included in deferred outflows of resources and amortized over the shorter of the life of the refunded debt or the new debt, principally using the bond outstanding method. Debt issuance costs are fully expensed at issuance except for bond insurance costs which are amortized on a straight-line basis over the life of the related bond.

Fare Revenues - Passenger fares are recorded as revenue at the time of sales with the exception of stored cash value, which is recorded at the time services are performed.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidies and Grants - MARTA receives grant funds from the Federal Transportation Administration ("FTA") for a substantial portion of its capital acquisitions. Assets acquired in connection with capital grant funds are included in capital assets. These grants generally require a local funding match by MARTA at a stipulated percentage of total project costs. Capital grant agreements with FTA provide for FTA holding a continuing interest in properties acquired and restricting the use of such properties to providing mass transportation services.

Grants for capital asset acquisition, facility development, and rehabilitation are reported in the Statements of Revenues, Expenses, and Changes in Net Position, after nonoperating revenues and expenses as capital grants.

Net Position - Net position presents the difference between assets, liabilities, and deferred outflows/inflows of resources in the Statements of Net Position. Net position pertaining to investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position components are reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors or grantors. Unrestricted net position may be designated for specific purposes at the option of the MARTA Board of Directors. If restricted and unrestricted net positions are available for the same purpose, then the restricted position will be used before the unrestricted position.

Budgetary Controls - An annual operating and capital budget is developed by MARTA's Management. After a public hearing the proposed budget is revised, if necessary, finalized and adopted by MARTA's Board of Directors.

The budget is prepared on the same basis of accounting as the financial statements except that depreciation, interest expense, gains (losses) on sale of property, unrealized gains (losses) on investments and other nonoperating expenses are not budgeted. Management control for the operating budget is maintained at the expenditure category levels. Management has flexibility of reprogramming funds in respective cost centers with approval of budget staff as long as the total budget authorization is not exceeded. Capital expenditures are controlled at the budget line item.

Cost Allocation - MARTA allocates certain general and administrative expenses to transit operations and also capitalizes certain of these expenses in construction in progress based on its cost allocation plan prepared in accordance with FTA guidelines. General and administrative expenses not allocable to either transit operations or construction in progress under FTA guidelines are reflected as nonoperating general and administrative expense in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

Operating Revenues and Expenses - Fare and parking revenue from transporting passengers, concessions, and advertising are reported as operating revenues.

Transactions that are capital, financing, or investing related, or which cannot be attributed to MARTA's transportation focus, are reported as nonoperating revenues. All expenses related to operating the bus and rail system are reported as operating expenses. Interest expenses, financing costs, and planning costs are reported as nonoperating expenses.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2016 and 2015
(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences - MARTA employees are granted annual paid time off and vacation in varying amounts. A liability is recognized for amounts of accrued annual paid time off and vacation leave and related benefits attributable to services already rendered and for which it is probable that compensation will be paid. A liability for accumulated unused sick leave is not recognized since it is not paid upon termination or retirement. Upon retirement, unused accumulated sick leave may be counted as credited service for pension benefit calculation purposes.

Adoption of New Accounting Pronouncements

During the year ended June 30, 2016, MARTA adopted GASB Statement No. 72 *Fair Value Measurement and Application*. This Statement amends the GASB definitions of fair value to be consistent with the definition and principles provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction would occur in the principal (or most advantageous) market for the asset or liability. Fair value is determined using one of three valuation approaches: market, cost, or income. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Effects and applications of this Statement are discussed in detail in Note 8 of the Notes to the Financial Statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"), reduces the categories of authoritative GAAP in the GAAP hierarchy for state and local governments from four to two categories. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this standard had no effect on the Net Position of MARTA.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), established accounting and financial reporting requirements for state and local government employers and non-employer contributing entities (NCEs) that sponsor pensions that are not administered through trusts that meet the GASB's criteria. While the Statement includes clarifying amendments to Statements 67 and 68 that apply to all employers and NCEs, its primary focus is to establish accounting and financial reporting requirements for state and local government employers and NCEs that sponsor defined benefit or defined contribution pensions that are "not within the scope of Statement 68." This statement is not applicable to the Authority.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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(Dollars in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements Effective in Future Periods or Not Applicable

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74") proposes new accounting and reporting standards for state and local other postemployment benefit (OPEB) plans. It replaces Statement No. 43, and requires more extensive note disclosures and requires supplementary information for defined benefit OPEB plans. This statement is effective for MARTA's fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") applies to state and local government employers (and certain nonemployers) that sponsor OPEB. It replaces Statement no. 45, and requires governments to report a liability on the face of their financial statements for the OPEB provided. In Statement No. 75, the OPEB liability recognized in the employer's financial statements should be the employer's unfunded OPEB obligation. The net OPEB liability (NOL) is calculated as the employer's total OPEB liability (TOL) minus the plan fiduciary net position (PFNP). The PFNP is essentially the fair market value of the plan assets held in trust to pay OPEB benefits. The TOL and PFNP are measured as of the measurement date and the resulting value of the NOL is recognized as a liability in the employer's basic financial statements for the fiscal year. This statement is effective for MARTA's fiscal year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement. This statement is not applicable to the Authority.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. This statement is not applicable to the Authority.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* ("GASB 79") establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This statement is effective for MARTA's fiscal year ending June 30, 2017.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73 ("GASB 82") addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for MARTA's fiscal year ending June 30, 2017.

2. CASH AND INVESTMENTS

Cash - At June 30, 2016 and 2015, the carrying amounts of MARTA's total cash on hand were \$1,080 and \$1,185, respectively.

At June 30, 2016 and 2015, the carrying amounts of MARTA's total cash on deposit, including restricted assets, were \$56,611 and \$60,345, respectively.

The bank balances were \$55,731 and \$59,933, respectively. Of the bank balances at June 30, 2016 and 2015, \$503 and \$506, respectively, were covered by federal depository insurance and \$55,228 and \$59,427, respectively, were collateralized by government securities held by the pledging financial institution's trust department or agent in MARTA's name.

Investments - Georgia statutes authorize MARTA to invest in U.S. Government obligations, U.S. Government agency obligations, obligations of any instrumentality of the U.S. Government, or in repurchase agreements collateralized by any of the aforesaid securities, or in state of Georgia obligations, or in the state of Georgia sponsored investment pool or in other obligations or instruments as allowed by Georgia Law.

Under the terms of MARTA's Sales Tax Revenue Bond Trust Indenture, the Authority may not invest in securities with a remaining term to maturity greater than five years from the purchase date. In addition, MARTA requires that repurchase agreement collateral must have a market value ranging from 101% to 106% of the cost of the repurchase agreement, depending upon the maturity date and type of security. MARTA's policy states that collateral pledged for repurchase agreements and not delivered to MARTA's safekeeping agent must be held by the pledging bank's trust department in MARTA's name. Investments held and managed by an independent trustee are not subject to these restrictions.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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2. CASH AND INVESTMENTS (continued)

As of June 30, 2016, MARTA had the following investments and maturities:

Investment Type	Measurement Method	Book Value	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Repurchase Agreements	Cost	\$ 121,922	121,922	\$ -	\$ -
U.S. Treasuries	Fair Value - Level 1	96,760	88,973	4,856	-
U.S. Agencies	Fair Value - Level 1	544,264	201,987	62,149	9,294
FDIC Public Funds	Cost	34,950	34,950	-	-
Certificate of Deposit	Cost	11,408	11,408	-	-
Guaranteed Inv Contracts	Amortized Cost	73,829	-	50,743	-
Investment Derivative	Fair Value - Level 2	(2,218)	-	-	-
Total		<u>\$ 880,915</u>	<u>\$ 459,240</u>	<u>\$ 117,748</u>	<u>\$ 9,294</u>

As of June 30, 2015, MARTA had the following investments and maturities:

Investment Type	Measurement Method	Book Value	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Repurchase Agreements	Cost	\$ 104,923	\$ 104,923	\$ -	\$ -
U.S. Treasuries	Fair Value - Level 1	97,869	85,688	5,208	4,553
U.S. Agencies	Fair Value - Level 1	457,841	161,820	62,649	6,285
FDIC Public Funds	Cost	24,097	24,097	-	-
Certificate of Deposit	Cost	16,538	13,562	2,976	-
Guaranteed Inv Contracts	Amortized Cost	224,014	-	141,964	-
Investment Derivative	Fair Value - Level 2	(1,828)	-	-	-
Total		<u>\$ 923,454</u>	<u>\$ 390,090</u>	<u>\$ 212,797</u>	<u>\$ 10,838</u>

Interest Rate Risk - is the risk that changes in interest rates will adversely affect the fair value of financial instruments or cash flows. As a means of limiting its exposure to this, MARTA's investment policy prohibits investments in U.S. Treasuries and Agencies and State Obligations with maturities greater than five years and six months at the date of purchase. The policy also limits Repurchase Agreements to three months from the date of purchase. Investments held and managed by an independent trustee are not subject to these restrictions.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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(Dollars in Thousands)

2. CASH AND INVESTMENTS (continued)

Credit Quality Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The exposure of MARTA's debt securities to credit quality risk as of June 30, 2016, is as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Repurchase Agreements	\$ 121,922	A1/P-1	Moody's/S&P
U.S. Treasuries	96,760	AAA+/AA+	Moody's/S&P
U.S. Agencies	544,264	AAA/AA+	Moody's/S&P
FDIC Public Funds	34,950	AAA/AA+/FDIC	Moody's/S&P
Certificate of Deposit	11,408	AAA/AA+/FDIC	Moody's/S&P
Guaranteed Inv Contracts	73,829	A-2/P-2/A-/Baa1/Ba1	Moody's/S&P
Investment Derivative	(2,218)		
	<u>\$ 880,915</u>		

Concentration of Credit Risk - is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. MARTA does not hold more than 5% in any single issuer, other than investments related to the U.S. Government.

Custodial Credit Risk - for an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MARTA will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of MARTA's investments at June 30, 2016 and 2015, of \$880,915 and \$923,454, respectively, \$10,307 and \$10,225, respectively, are securities held by a trustee, not in the name of MARTA. These investments are the only securities not held in MARTA's name as per the terms of a trust agreement between MARTA and a railroad company.

Foreign Currency Risk - is the risk that changes in exchange rates will adversely impact the fair value of an investment. MARTA is not exposed to this risk and its investment policy does not provide for investments in foreign currency denominated securities.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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3. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Restricted Cash and Investments:		
Sinking Fund	\$ 145,154	\$ 142,733
Railroad Trust Fund Agreement	10,000	10,000
Capital Asset Purposes	63,204	63,204
Proceeds from Real Estate Sales	55,554	55,554
Investment Held to Pay Capital Lease Obligation	417,955	526,331
Investment Derivatives	(2,218)	(1,828)
Other	38,871	38,850
	<u>728,520</u>	<u>834,844</u>
Total Restricted Cash and Investments		
Due to FTA	-	116
	<u>\$ 728,520</u>	<u>\$ 834,728</u>
Total Restricted, Net of Related Debt		

The amounts held in Sinking Funds are restricted for the payment of bond principal and interest as they become due and to the maintenance of the required reserve amounts (see Note 7).

Under the terms of the railroad trust fund agreement between MARTA and a railroad company (the "Railroad"), MARTA has agreed to pay certain costs of purchasing insurance to protect the Railroad against the risk of liability from injury or damage to MARTA's passengers, employees, and property which may result from the Railroad's operations. At June 30, 2016 and 2015, MARTA had placed certain investments in a special trust fund to guarantee its performance under this agreement. Interest earned on these funds is unrestricted.

Included in restricted cash and investments are certain investments which, under the MARTA Act and certain grant agreements, are held for repairing, rebuilding, or replacing capital assets and for a Georgia Department of Transportation project. Proceeds from sales of certain real estate and the interest earned thereon through June 30, 1988, have been restricted. For the period from July 1, 1988 to June 30, 2016, interest earned on these funds is unrestricted.

Investments held to pay capital lease obligations represent investments held by trustees to be used for capital lease payments under the Authority's LILLO arrangements.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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4. SALES AND USE TAX

MARTA receives proceeds from the collections of sales and use tax under the Rapid Transit Contract and Assistance Agreement with the City of Atlanta and the Counties of Fulton, DeKalb, and Clayton. The tax is levied at a rate of 1% until June 30, 2057 and 0.5% thereafter.

Under the law authorizing the levy of the sales and use tax, as amended May 5, 2015, MARTA is not restricted as to its use of the tax proceeds for operating purposes.

During the years ended June 30, 2016 and 2015, MARTA used 39% and 41%, respectively, of the sales and use tax proceeds to subsidize the net operating costs. MARTA apportions 48% of sales and use tax proceeds to operating costs. A summary of cumulative sales tax proceeds under-utilization activity for the years ended June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Cumulative under-utilization, beginning of year	\$ 58,239	\$ 23,282
Under-utilization during year	<u>37,012</u>	<u>34,957</u>
Cumulative-under utilization, end of year	<u>\$ 95,251</u>	<u>\$ 58,239</u>

5. FARE REVENUE

The MARTA Act places certain requirements on the rates that MARTA is to charge for transportation services provided.

The rates charged to the public for transportation services must be such that the total transit related revenues are no less than 35% of the operating costs, exclusive of depreciation and amortization, and other costs and charges as provided in the Act, of the preceding fiscal year.

Under provisions of amendments to the MARTA Act, all revenues, except the sales and use taxes, are included in transit related revenues for purposes of this calculation.

Transit related revenues for the years ended June 30, 2016 and 2015 were 76.2% and 66.2%, respectively, of operating costs of the previous fiscal year as defined under the MARTA Act.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Decreases	Balance June 30, 2016
Capital Assets, not being depreciated:				
Land	\$ 560,466	\$ -	\$ (48)	\$ 560,418
Construction in progress	346,895	157,638	(197,250)	307,283
Total capital assets not being depreciated	907,361	157,638	(197,298)	867,701
Capital Assets being depreciated:				
Rail systems & buildings	3,466,979	144,745	(12,310)	3,599,414
Transportation equipment	1,324,787	30,477	(18,607)	1,336,657
Other	1,242,253	22,056	(38,238)	1,226,071
Total capital assets being depreciated	6,034,019	197,278	(69,155)	6,162,142
Less accumulated depreciation for:				
Rail systems & buildings	(2,037,929)	(99,239)	9,426	(2,127,742)
Transportation equipment	(874,490)	(75,993)	16,875	(933,608)
Other	(979,675)	(60,064)	37,386	(1,002,353)
Total accumulated depreciation	(3,892,094)	(235,296)	63,687	(4,063,703)
Total capital assets being depreciated, net	2,141,925	(38,018)	(5,468)	2,098,439
Capital Assets, net	\$ 3,049,286	\$ 119,620	\$ (202,766)	\$ 2,966,140

During the year ended June 30, 2016, there was an increase in assets being depreciated due to the addition of the new Brady facility, the Fire Protection System upgrade and the purchase of new Mobility vehicles. This increase was offset by the retirement of the old Brady facility and the write-off of abandoned projects.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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6. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Decreases	Balance June 30, 2015
Capital Assets, not being depreciated:				
Land	\$ 559,418	\$ 1,061	\$ (13)	\$ 560,466
Construction in progress	373,975	219,581	(246,661)	346,895
Total capital assets not being depreciated	933,393	220,642	(246,674)	907,361
Capital Assets being depreciated:				
Rail systems & buildings	3,373,998	93,592	(611)	3,466,979
Transportation equipment	1,280,656	92,456	(48,325)	1,324,787
Other	1,193,193	59,565	(10,505)	1,242,253
Total capital assets being depreciated	5,847,847	245,613	(59,441)	6,034,019
Less accumulated depreciation for:				
Rail systems & buildings	(1,946,638)	(91,901)	610	(2,037,929)
Transportation equipment	(849,871)	(71,496)	46,877	(874,490)
Other	(928,424)	(61,692)	10,441	(979,675)
Total accumulated depreciation	(3,724,933)	(225,089)	57,928	(3,892,094)
Total capital assets being depreciated, net	2,122,914	20,524	(1,513)	2,141,925
Capital Assets, net	\$ 3,056,307	\$ 241,166	\$ (248,187)	\$ 3,049,286

During the year ended June 30, 2015, new land parcels were listed as assets but are not being depreciated. The land additions cause the decrease in construction in progress to be greater than the increase in capital assets.

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7. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2016 was as follows:

Series	Year Issued	Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2015	Outstanding Additions	Principal Retirements	Balance June 30, 2016
Sales Tax Revenue Bonds:								
N*	1992	\$ 122,245	2019	4.60% - 6.25%	\$ 29,595	\$ -	\$ (6,710)	\$ 22,885
P*	1992	296,755	2021	3.30% - 6.25%	57,235	-	(16,750)	40,485
2000A	2000	100,000	2026	Variable	95,600	-	(1,600)	94,000
2000B	2000	100,000	2026	Variable	95,700	-	(1,700)	94,000
2003A*	2003	103,075	2021	3.00% - 5.00%	-	-	-	-
2005A*	2005	190,490	2021	5.00%	140,895	-	(18,155)	122,740
2006A*	2006	163,890	2021	5.00%	115,470	-	(12,410)	103,060
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	(389,830)	-
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	(1,100)	16,830
2013A*	2013	22,980	2021	3.00% - 5.00%	21,980	-	(1,000)	20,980
2014A	2015		2044	3.00% - 5.00%	286,700	-	-	286,700
2015A	2015		2045	5.00%	87,015	-	-	87,015
2015B	2015	88,485	2045	2.00% - 5.00%	-	88,485	-	88,485
2015C	2015	93,085	2029	5.00%	-	93,085	-	93,085
2016B	2016	242,985	2029	5.00%	-	242,985	-	242,985
Subtotal					2,044,750	424,555	(449,255)	2,020,050
Less portion due within one year					(59,425)	(3,280)	-	(62,705)
Plus unamortized premium (discount)					86,748	88,511	(18,726)	156,533
Sales Tax Revenue Bonds total long-term portion					<u>\$ 2,072,073</u>	<u>\$ 509,786</u>	<u>\$ (467,981)</u>	<u>\$ 2,113,878</u>

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7. LONG-TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2015 was as follows:

Series	Year Issued	Original Principal Issued	Year of Maturity	Interest Rates	Balance June 30, 2014	Outstanding Additions	Principal Retirements	Balance June 30, 2015
Sales Tax Revenue Bonds:								
N*	1992	\$ 122,245	2019	4.60% - 6.25%	\$ 35,905	\$ -	\$ (6,310)	\$ 29,595
P*	1992	296,755	2021	3.30% - 6.25%	72,930	-	(15,695)	57,235
2000A	2000	100,000	2026	Variable	97,200	-	(1,600)	95,600
2000B	2000	100,000	2026	Variable	97,200	-	(1,500)	95,700
2003A*	2003	103,075	2021	3.00% - 5.00%	-	-	-	-
2005A*	2005	190,490	2021	5.00%	158,195	-	(17,300)	140,895
2006A*	2006	163,890	2021	5.00%	127,320	-	(11,850)	115,470
2007A*	2007	145,725	2033	5.25%	145,725	-	-	145,725
2007B*	2008	389,830	2038	5.00%	389,830	-	-	389,830
2009A	2009	250,000	2040	4.25% - 5.25%	250,000	-	-	250,000
2012A*	2012	311,075	2041	3.00% - 5.00%	311,075	-	-	311,075
2012B*	2012	17,930	2021	4.00% - 5.00%	17,930	-	-	17,930
2013A*	2013	22,980	2021	3.00% - 5.00%	22,980	-	(1,000)	21,980
2014A			2044	3.00% - 5.00%	-	286,700	-	286,700
2015A			2045	5.00%	-	87,015	-	87,015
Subtotal					1,726,290	373,715	(55,255)	2,044,750
Less portion due within one year					(55,255)	(4,170)	-	(59,425)
Plus unamortized premium (discount)					65,491	28,487	(7,230)	86,748
Sales Tax Revenue Bonds total long-term portion					<u>\$ 1,736,526</u>	<u>\$ 398,032</u>	<u>\$ (62,485)</u>	<u>\$ 2,072,073</u>

*Refunding bonds

Sales Tax Revenue Bonds - Principal on all the Sales Tax Revenue Bonds (the "Bonds") is payable in an annual installment on July 1; interest is payable semi-annually on January 1 and July 1 on all Bonds except the Series 2000A and 2000B Bonds, which interest is payable on the first day of each month for the previous month. Series N and P Bonds are payable from and secured by a first lien on sales and use tax receipts. Series 2000A, 2000B, and 2003A Bonds are payable from and secured by a second lien on sales and use tax receipts. Series 2005A, 2006A, 2007A, 2009A, 2012A, 2012B, 2013A, 2015A, 2015B, 2015C, 2016A, and 2016B are payable from and secured by a third lien on sales and use tax receipts (Note 4).

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7. LONG-TERM DEBT (continued)

The Series 2000A and 2000B Bonds are variable-rate sales tax revenue bonds. Each series was issued in the aggregate principal amount of \$100,000 each and was initially issued in the weekly mode. Interest in the weekly mode is payable on the first business day of each month for the previous month. In the fall of 2012, the Series 2000A Bonds were converted to a term rate utilizing a floating rate note structure. The interest rate on these bonds is based on a defined spread to the Securities Industry Financial Markets Association (SIFMA) index on a weekly basis and interest will be paid monthly for the previous month. The interest rates at June 30, 2015 on the Series 2000A and 2000B Bonds utilizing the weekly mode were 0.07% and 0.07%, respectively. Likewise, the interest rates at June 30, 2016 on the Series 2000A and 2000B Bonds were 0.04% and 0.04%, respectively. There are a variety of operational and financial covenants associated with the Bonds. Management believes that MARTA is in compliance with all such covenants.

Approximately half of the currently outstanding Bonds, except the Series 2000A and 2000B Bonds, are redeemable at the discretion of MARTA within 10 years from their issue date at redemption prices above par. The Series 2000A and 2000B Bonds are redeemable at par starting in January 2016. The Series 2000A and 2000B Bonds are redeemable at par upon 30 days' notice.

Annual debt service requirements on the Bonds outstanding at June 30, 2016 were as follows:

Year Ending June 30	Principal	Interest*	Total
2017	\$ 62,705	\$ 86,009	\$ 148,714
2018	65,885	85,250	151,135
2019	69,115	81,863	150,978
2020	72,690	78,359	151,049
2021	76,485	74,706	151,191
2022 to 2026	266,640	344,905	611,545
2027 to 2031	317,345	290,338	607,683
2032 to 2036	376,740	209,006	585,746
2037 to 2041	492,045	109,339	601,384
2042 to 2046	220,400	26,412	246,812
	<u>\$ 2,020,050</u>	<u>\$ 1,386,187</u>	<u>\$ 3,406,237</u>

* Variable rate bond interest requirement computed at year-end rates.

In September 2013, MARTA's bonding authority was revalidated by the Superior Court of Fulton County to increase its bonding capacity. Under the revalidated terms of this Third Trust Indenture, MARTA is limited to issue an additional \$1,009,810 of Sales Tax Revenue Bonds. MARTA's Board established a debt limit for the Sales Tax Revenue Bonds. The total annual debt service on such bonds is limited to no more than 45% of projected sales tax receipts for each year.

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7. LONG-TERM DEBT (continued)

MARTA received Board approval to pledge the new Clayton County Sales Tax to support the bond issues of the Authority. The indenture amendment, legal documentation, and proceedings for the bond validation were completed on November 3, 2015.

MARTA has pledged future sales tax revenues to repay \$2,176,583 in sales tax revenue bonds issued in 1992, 2000, 2003, 2005, 2006, 2007, 2008, 2009, 2012, 2013, 2015A, 2015B, 2015C, 2016A, and 2016B, of which \$2,113,878 is considered long-term debt. Proceeds from the bonds were used for the rehabilitation or expansion of MARTA's rail and bus systems. Principal and interest on the bonds are payable through 2046, solely from the sales tax revenues. Annual principal and interest on the bonds are expected to require no more than 45% of such net revenues. Principal and interest paid for in the years ended June 30, 2016 and 2015 were \$145,443 and \$134,072, respectively.

MARTA issued the Series 2015B bonds in the amount of \$88,485 to support the execution of the fiscal year 2016 Capital Budget. This transaction was priced on November 5, 2015 and closed on December 10, 2015.

Sales and use tax revenues are initially deposited into a Sinking Fund held by the bond trustee as required by the Bond Trust Indentures. At June 30, 2016 and 2015, the amounts held in the Sinking Funds exceeded the amounts required to be held pursuant to the Bond Trust Indentures. All such amounts are classified as restricted cash and investments in the Statements of Net Position.

Following is a summary of the activity in the Sinking Funds for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 142,733	\$ 133,089
Sales and Use Tax Proceeds	150,834	146,184
Investment Income	151	99
Principal and Interest Payments on Bonds	(145,443)	(134,072)
Debt refunding	(389,830)	-
Excess Sales Tax Withheld (Refunded)	386,611	(3,313)
Trustee Fees	98	746
Balance, End of Year	<u>\$ 145,154</u>	<u>\$ 142,733</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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8. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2016, and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2016, were as follows:

		Changes in Fair Value					
		Fiscal Year Classification	Change Amount	Year End Amount	Fair Value Notional		
Hedging Derivatives:							
Natural Gas Commodity Swaps	Deferred Inflows of Resources	\$	171	\$	89	\$	360
Diesel Commodity Swaps	Deferred Outflows of Resources		1,600		(453)		2,856
		\$	1,771	\$	(364)		
Investment Derivatives:							
Forward delivery arrangements	Gain/Loss on Investment Derivatives	\$	(390)	\$	(2,218)	\$	300,000
		\$	(390)	\$	(2,218)		

The fair value balances and notional amounts of hedging and investment derivative instruments outstanding at June 30, 2015, and the corresponding changes in fair value of such derivative instruments for the year ended June 30, 2015, were as follows:

		Changes in Fair Value		
Fiscal Year Classification		Change Amount	Year End Amount	Fair Value Notional
Hedging Derivatives:				
Natural Gas Commodity Swaps	Deferred Inflows of Resources	\$ (323)	\$ (82)	\$ 30
Diesel Commodity Swaps	Deferred Outflows of Resources	(2,059)	(2,053)	1,848
		<u>\$ (2,382)</u>	<u>\$ (2,135)</u>	
Investment Derivatives:				
Forward delivery arrangements	Gain/Loss on Investment Derivatives	\$ 607	\$ (1,828)	\$ 300,000
		\$ 607	\$ (1,828)	

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Hedging derivative instruments must meet annual effectiveness tests. MARTA assessed whether the hedging derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items.

A derivative is effective if changes in a hedgeable item divided by changes in derivative is within a range of 80% to 125% in absolute terms. The test is also met if changes in derivative divided by changes in hedgeable item falls within range of 80 to 125. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported as deferred inflows and outflows in the Statements of Net Position. The gain or loss of the ineffective portion is recognized immediately in the Statements of Revenues, Expenses, and Changes in Net Position.

This risk could require MARTA to make a termination payment. MARTA mitigated the credit risk associated with its swaps by having entered into transactions with highly-rated counterparties. MARTA also mitigated its concentration of credit risk by having diversified its swap transactions across two different counterparties.

Commodity Swap Agreements - In order to help plan its diesel and natural gas costs for the fiscal year and to protect itself against price volatility in the market prices of the commodities, MARTA has entered into commodity swap agreements to hedge low sulfur diesel and natural gas costs. This would reduce the value of the contract and MARTA could sell the contract at a loss, or likewise if the index prices are higher, the value of the contracts would increase and MARTA could sell the contracts at a profit. It is possible that the index prices may be lower than the price at which MARTA committed to in the contracts. If MARTA continues to hold the contract until maturity, MARTA may make or receive termination payments to or from the counterparty to settle the obligation under the contract.

MARTA mitigated the credit risk associated with its swaps by having entered into transactions with highly-rated counterparties. MARTA also mitigated its concentration of credit risk by having diversified its swap transactions across two different counterparties.

Hedging derivative instruments must meet annual effectiveness tests. A derivative is effective if changes in a hedgeable item divided by changes in derivative is within a range of 80% to 125% in absolute terms. The test is also met if changes in derivative divided by changes in hedgeable item falls within range of 80 to 125. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported as deferred inflows and outflows in the Statements of Net Position. The gain or loss of the ineffective portion is recognized immediately in the Statements of Revenues, Expenses, and Changes in Net Position.

MARTA has assessed whether the hedging derivatives were highly effective in offsetting changes in fair value or cash flows of hedged items. Based on the annual assessment, the commodity swap agreements met the effectiveness conditions of the dollar-offset method.

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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Two contracts were terminated on June 30, 2016. A summary of agreements is as follows:

<u>Date of Execution</u>	<u>Effective Dates</u>	<u>Termination Dates</u>	<u>Fixed Price</u>	<u>Counterparty</u>	<u>Net Settlement In FY 2016</u>
Natural Gas:					
3/30/2016	7/1/2017	6/30/2018	2.865 MMBTU	JP Morgan Ventures	
12/9/2014	1/2/2015	12/31/2015	3.585 MMBTU	Canadian Imperial Bank of Commerce	\$ (128)
Diesel:					
6/24/2016	7/1/2017	6/30/2018	1.566 per gallon	JP Morgan Ventures	
6/24/2016	7/17/2016	6/30/2017	1.495 per gallon	Citi Energy, Inc.	
2/20/2015	7/1/2016	6/30/2017	2.01 per gallon	Canadian Imperial Bank of Commerce	
9/10/2014	9/10/2014	6/30/2016	2.7325 per gallon	JP Morgan Ventures	\$ (1,452)
6/5/2014	7/1/2014	6/30/2016	2.8015 per gallon	JP Morgan Ventures	\$ (1,521)

MARTA is exposed to the failure of the counterparty to fulfill the fuel contracts. The terms of the contracts include provisions for recovering the cost in excess of the guaranteed price from the counterparty should MARTA have to procure low sulfur diesel and natural gas on the open market.

MARTA assesses the effectiveness of the commodity swaps transactions and whether these derivatives were highly effective in offsetting fluctuations in fair value of cash flows of hedged commodities. Based on the annual assessment, the commodity swap agreements met the effectiveness conditions of the dollar-offset method.

Forward Delivery Agreements - MARTA has entered into these forward delivery arrangements for speculative purposes to obtain a higher long-term yield and not for the purpose of hedging any financial risk. Therefore, the fair value of these forward delivery arrangements will be classified as derivative investments in the Statements of Net Position and the gains or losses are reported as non-operating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position. MARTA is required to make monthly deposits into debt service sinking funds for the principal and interest payments due semi-annually on its bonds. MARTA, via the trustee, currently invests these deposits in money market funds or short-term permitted investments that mature on or before the debt service payment dates.

On August 15, 2006, MARTA and its bond trustee, US Bank, entered into a debt service forward delivery agreement with the issuer, Bank of America, NA, with respect to the debt service fund related to Series N Bonds, issued in the original aggregate principal amount of \$122,245, Series P Bonds, issued in the original aggregate principal amount of \$296,755, and Series 2005A Bonds, issued in the original aggregate principal amount of \$190,490.

When MARTA entered into these agreements, an upfront cash payment of \$11,350 was received by MARTA which represented the present value of the future interest cash flows. The cash received was recorded as deferred revenue and is being amortized over the life of the agreements. The outstanding unamortized amount as of June 30, 2016 and 2015 is \$2,064 and \$2,780, respectively, and is included in unearned revenues on the Statements of Net Position.

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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair Value - The forward delivery arrangements are classified as investment derivatives and are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Fair value is determined using one of the following three valuation approaches:

- 1) **Market approach** - uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities. Using quoted market prices is a technique that is consistent with the market approach.
- 2) **Income approach** - converts future amounts (for example, cash flows or earnings) to a single current amount (such as would be determined by using the discounted present value technique). When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. Acceptable valuation techniques include: present value techniques; option-pricing models, such as the Black-Scholes-Merton formula, and the multi-period excess earnings method, which is used to measure the fair value of certain intangible assets.
- 3) **Cost approach** - reflects the amount that would be required to replace the service capacity of an asset (often referred to as current replacement cost). From the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence can be physical, functional (technical), or economic (external).

The fair market values of MARTA's forward delivery arrangements are not exchange-traded instruments that have a directly quotable price, and therefore are required to be valued using Level 2 inputs. Level 2 inputs, as described by GASB 72, are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Furthermore, if an asset or liability has specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability. Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d) Inputs that are derived principally from corroborated by observable market data by correlation or other means (market-corroborated inputs).

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8. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

MARTA used Hilltop Securities' internally developed models that use readily observable market parameters as the inputs. The Hilltop valuation models use input parameters that are actively quoted and can be validated using external sources, including industry data services.

Regarding forward delivery agreements, Hilltop uses pricing models that incorporate the contractual terms of the swap, including: the deposit schedule, eligible securities, implied on-market rate on the trade date, and any upfront payments made. Level 2 market-based inputs used by Hilltop's forward delivery pricing models include: the term structure of interest rates as implied by the U.S. Treasury curve and by various swap curves; spreads for taxable and tax-exempt swap rates (risk premiums); spreads for credit risk(s); and discount factors derived from the London Interbank Offering Rate (LIBOR) swap curve. In order to calculate the fair market value of forward delivery agreements, Hilltop's valuation models calculate the present values of the residual cash flows of the remaining deposits as of the valuation date. The residual cash flows are based on the difference of the current on-market forward rate and the implied on-market rate as of the trade date of the transaction. The remaining residual cash flows are discounted using discount factors derived from the appropriate interest rate curve, the sum of these discounted cash flows result in a present value amount equal to the fair market value.

9. BOND REFUNDINGS

MARTA executed two bond refundings in fiscal year 2016; and one advanced forward delivery refunding to close on July 1, 2016, reported in Note 18 as a subsequent event.

MARTA issued the Series 2015C Bonds in the par amount of \$93,085 to partially refund the Series 2007B Bonds to reduce future debt service payments for the Authority. This transaction was priced November 5, 2015 and closed on December 10, 2015.

MARTA issued the Series 2016B Bonds in the par amount of \$242,985 to refund the remainder of the Series 2007B Bonds to reduce future debt payments for the Authority. This transaction was priced on February 4, 2016 and closed on March 1, 2016.

In prior years, MARTA has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from MARTA's financial statements.

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10. CAPITAL LEASE OBLIGATIONS

The Authority has entered into various LILO arrangements related to the leasing and subleasing of the Authority's rail cars, rail lines, and a rail maintenance facility. These agreements provide for the lease of certain Authority's rail capital assets to a financial party lessee and the sublease of such capital assets back to the Authority for a specified term.

The net present value of the future sublease payments has been recorded as capital lease obligations. The funds invested in U.S. Agency Bonds and Notes and Guaranteed Investment Contracts to fund these future capital lease obligations as they come due have been recorded as Investments Held to Pay Capital Obligations. Unrealized and realized gains and losses on these investments are recorded as nonoperating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

Due to recent interest of MARTA counterparties to terminate additional LILO transactions, MARTA was able to successfully negotiate the termination of nine transactions during the year ended June 30, 2016 and removed 176 rail cars from lease encumbrance. As a result, the Investments Held to Pay Capital Lease Obligation declined by \$108,376 and the corresponding Capital Lease Obligations declined by \$140,434 during the year ended June 30, 2016. Additionally, the unamortized deferred gain of \$9,110 which was recorded at the inception of the arrangement was fully recognized as non-operating revenues in the Statement of Revenues, Expenses, and Changes in Net Position in the year ended June 30, 2016. See Note 15 for additional information on the unearned revenue associated with the terminations.

The following table summarizes MARTA's capital lease/leaseback transactions as of the respective transaction dates:

Lease Date	Property	Fair Market Value At Closing Date	Prepayment Received on Head Lease from the Equity	Amount Invested to Satisfy Sublease Obligation	Cash Benefit Net of Fees	Repurchase Option Date	Sublease Termination Date
3/22/2001	6 Hitachi CQ 310 Rail Cars	\$ 13,800	\$ 3,933	\$ 2,932	\$1,001	1/15/2019	10/15/2020
3/22/2001	46 Franco Belge CQ 310 Rail Cars	82,800	19,853	15,764	4,089	1/15/2018	12/15/2018
3/22/2001	16 Hitachi CQ 310 Rail Cars	36,800	7,595	5,862	1,733	1/15/2020	12/15/2020
3/22/2001	28 Breda CQ 310 Rail Cars	78,400	19,168	13,286	5,882	10/15/2026	9/15/2027
3/22/2001	24 Hitachi CQ 310 Rail Cars	55,200	11,083	8,250	2,833	1/15/2020	12/15/2020
3/22/2001	46 Franco Belge CQ 310 Rail Cars	92,000	26,168	20,732	5,436	10/05/2017	9/15/2018
6/21/2001	14 Franco Belge CQ 310 Rail Cars	28,000	5,827	4,182	1,645	1/05/2019	12/15/2019
6/22/2001	10 Franco Belge CQ 310 Rail Cars	20,000	6,027	4,465	1,562	11/05/2017	10/15/2018
12/27/2001	8 Hitachi CQ 311 Rail Cars	20,000	4,166	2,244	1,922	1/05/2026	12/15/2026
12/27/2001	26 Hitachi CQ 311 Rail Cars	65,000	13,320	7,191	6,129	1/05/2026	12/15/2026
12/27/2001	14 Hitachi CQ 311 Rail Cars	35,000	7,296	3,930	3,366	1/05/2026	12/15/2026
9/27/2002	20 Breda CQ 312 Rail Cars	57,000	12,622	9,150	3,472	1/05/2026	12/15/2026
9/29/2005	30 Breda CQ 312 Rail Cars	93,300	16,274	11,376	3,839	1/02/2034	12/15/2034
9/29/2005	10 Breda CQ 312 Rail Cars	31,500	5,488	3,793	1,333	1/02/2034	12/15/2034
9/29/2003	Marta South Line	782,072	102,230	67,457	27,312	1/02/2032	12/15/2032

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10. CAPITAL LEASE OBLIGATIONS (continued)

The following table shows the net book value of the rail cars and the south line under the lease/leaseback transactions as of June 30:

Lease Date	Property	Net Book Value 6/30/2016	Net Book Value 6/30/2015
3/22/2001	16 Hitachi CQ 310 Rail Cars	\$ 4,397	\$ 19,740
3/22/2001	28 Breda CQ310 Rail Cars	-	33,186
3/22/2001	46 Franco Belge CQ 310 Rail Cars	30,086	67,289
6/22/2001	24 Franco Belge CQ 310 Rail Cars	-	2,355
12/27/2001	48 Hitachi CQ 311 Rail Cars	-	28,887
9/27/2002	20 Breda CQ 312 Rail Cars	24,657	24,961
9/29/2005	40 Breda CQ 312 Rail Cars	42,185	50,884
9/29/2003	MARTA South Line	307,622	305,728

Due to the termination of LILO agreements, trust numbers 2001-1, 2001-4, and 2001-5 to 2001-11 were removed from the table above. Thirty rail cars were removed from the Hitachi CQ310's and 46 were removed from the Franco Belge CQ310 Rail cars. The 28 Breda, 24 Franco Belge, and the 48 Hitachi's were completely removed from the table above.

American Insurance Group ("AIG") and Ambac were participants in a majority of these structured lease transactions. The downgrade of AIG and Ambac ratings triggered, at the option of the counterparties, replacement of the Payment Undertaking Agreements and the surety bonds for 18 of the 19 transactions. Of the 18 transactions that fell below the threshold, replacement was requested for 16. None of MARTA's counterparties in these transactions declared a default. The statuses of these transactions are as follows:

- Included in the lease arrangements are various buyout option dates. Beginning in October of 2017 and ending in January of 2034, MARTA has to execute its intent to buy out the head lease to terminate the LILO agreements. Management has created a schedule of the various buyout option dates and has coordination activities in place to monitor the execution of these options.
- A collateral replacement of approximately \$14.0 million supporting the remediated transactions related to the 2001-2, 2001-3, and 2002-1 LILO arrangements will need to be in place on January 2, 2018, and can take the form of securities or a Letter of Credit. The replacement of collateral determination method and actual final collateral replacement amounts is not determinable at June 30, 2016.

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10. CAPITAL LEASE OBLIGATIONS (continued)

The following is a schedule by year of the future minimum lease payments under these LILO arrangements as of June 30, 2016:

<u>Fiscal Year(s)</u>	
2017	\$ 4,036
2018	67,769
2019	18,218
2020	8,809
2021-2025	15,986
2026-2030	23,297
2031-2035	173,518
Present value of net minimum lease payments	311,633
Less: current principal maturities	(4,036)
Obligations under capital lease - long term	<u>\$ 307,597</u>

The liability of these leases changed in 2016 and 2015 as follows:

Outstanding - June 30, 2015	\$ 452,066
Net change in obligation	<u>(140,433)</u>
Outstanding - June 30, 2016	<u>\$ 311,633</u>

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11. PENSION PLANS

Plan Description - MARTA maintains two single-employer defined benefit pension plans, the MARTA/ATU Local 732 Employees Retirement Plan, previously known as the Union Employees Retirement Plan (the "Union Plan") and Non-Represented Pension Plan (the "Non-Rep Plan"). The Union Plan provides pension for all members of Division No. 732 of the Amalgamated Transit Union and nonmembers who are represented by the Union for bargaining purposes. Union employees are eligible to participate in the Union Plan upon the completion of 60 days of full-time employment. The Non-Rep Plan originally provides pension for all full-time employees who were not active participants in the Union Plan. The Non-Rep Plan was closed on January 1, 2005 to all employees hired after that date, other than Union Plan transfers hired before January 1, 2005, and all Transit Police. The Non-Rep Plan has been subsequently closed to all Transit Police hired after December 31, 2014.

Prior to January 1, 2005, covered employees were eligible to participate in the Non-Rep Plan on the first date of employment; however, effective January 1, 2005, or January 1, 2015, for Transit Police, covered employees are eligible to participate in the MARTA Non-represented Defined Contribution Plan and Trust on the first date of employment.

The funding methods and determination of benefits for the defined benefit plans were established by the MARTA Act creating such plans and in general, provide that pension funds are to be accumulated from employee contributions, MARTA contributions, and income from the investment of accumulated funds.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of the pension plans have been determined on the same basis as they are reported by the plans. The financial statements of the plans were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contribution are recognized when due and payable in accordance with the statutes governing the plans. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade-date basis. The fiduciary net position of each of the Union and Non-Rep plans are reflected in the measurement of the plans' net pension liability, net pension assets, deferred outflows and inflows of resources related to pension, and pension expense.

Each plan is administered by a pension retirement committee. Each plan issues a publicly available financial report that includes financial information for that plan. Those reports may be obtained by writing the plan.

Non-Represented Pension Plan
2424 Piedmont Road NE
Atlanta, GA 30324
(404) 848-4143

MARTA/ATU Local 732
Employees Retirement Plan
Administered by:
Zenith American Solutions
100 Crescent Centre Parkway
Tucker, GA 30084
(678) 221-5012

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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11. PENSION PLANS (continued)

Benefits Provided - The MARTA plans provide the retirement, disability, and death/survivor benefits. The retirement benefits are calculated under a step-rate benefit formula based on final average compensation (as defined), and multiplied by factors related to length of continuous service. All modifications to the pension plans must be supported by actuarial analysis and receive the approval of the MARTA Board of Directors and pension retirement committees.

Normal retirement under the Union Plan occurs when a participant reaches age 65 with 10 years of credit service. For the Non-Rep Plan, the participant must complete five years of credited service and attain age 62. The minimum pension benefit upon retirement with fewer than 25 years of credited service under the Union Plan is \$650 per month reduced by 10% for each full year or fraction thereof for less than 10 years of service. Also, the minimum monthly benefit is \$85 per month per year of credited service with 25 years or more of credited service. Under the Non-Rep Plan, the minimum monthly benefit is \$32.50 times credited service up to 30 years. Disability retirement benefits are determined in the same manner as retirement benefits. The continuation of retirement benefits to the participant's designated beneficiary is also provided by the plan. An employee who leaves MARTA may withdraw his or her contributions, plus any accumulated interest.

Plan Membership - The following schedule (derived from the most recent actuarial valuation report and reported in whole numbers) reflects membership for the plans as of January 1, 2016, for the Union Plan and Non-Rep Plan:

	<u>Union</u>	<u>Non-Rep</u>
Active Employees	2,553	713
Retirees and Members:		
Receiving Benefits	2,137	1,283
Inactive Vesteers	311	119
Total	<u>5,001</u>	<u>2,115</u>

Contributions - MARTA's funding policy is to contribute a percentage of each plan's covered payroll as developed in the actuarial valuation for the individual plan. MARTA's contribution percentage is the actuarially determined amount necessary to fund plan benefits after consideration of employee contributions.

MARTA is required to contribute an actuarially determined amount annually to the pension plans. The required contributions amount is determined by an actuary using actuarial methods and assumptions approved by the pension/retirement committee and an additional amount to fund the unfunded accrued liability.

The contribution rates are a percentage of pensionable earnings that were at 8.09% for MARTA and 4.41% for employees with the Union Plan. The contribution rates, a percent of pensionable earnings, were at 42.31% for MARTA, 6% for plan employees, and 7.5% for Transit Police with the Non-Rep Plan (Closed Plan). For the year ended December 31, 2015, MARTA contributed \$20,114 for the Non-Rep Plan and \$8,630 for the Union Plan.

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11. PENSION PLANS (continued)

Actuarial Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As results are compared to past expectations and new estimates are made about the future, actuarial determinations better reflect current and future conditions. Actuarial calculations consider a long-term perspective. Calculations reflect the substantive plan in effect as of January 1, 2016, and the current sharing pattern of costs between employer and employee.

	<u>Union</u>	<u>Non-Rep</u>
Pension Expense	\$19,984	\$22,213
Actuarial Valuation Date	01/01/16	01/01/16
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
	Cost Method	Cost Method
Amortization Method	Level Percentage	Fixed Dollar (closed)
	of Pay (closed)	
Remaining Amortization Period	21 years, Open	8 years, Closed
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions		
Investment Rate of Return	7.50%	6.90%
Inflation	2.80%	2.50%
Projected Salary Increases:		
Inflation and Productivity		
Plan Members	4.50%	3.00%
Transit Police		3.50%
Cost of Living Adjustments (COLA)	3.00%	1.00%
Merit or Seniority	1.00%	1.00%
	per year	per year
Post Retirement Benefit Increases	none	none
Mortality Assumption		
Healthy	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014.	RP-2000 Combined Health Mortality Table separated by Sex, Projection Scale BB to valuation date.
Disabled	RP-2014 Blue Collar Mortality Table using 1/2 of Scale MP-2014.	

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11. PENSION PLANS (continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plans, calculated using the discount rate of 7.5% for the Union Plan and 6.9% for the Non-Rep Plan, as well as what the individual plans' net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease in Discount Rate</u>		<u>Discount Rate</u>		<u>1% Increase in Discount Rate</u>
Union Plan Discount Rate	6.50%		7.50%		8.50%
Plan Net Pension Liability	\$ 70,523	\$	16,949	\$	(28,579)
Non-Rep Plan Discount Rate	5.90%		6.90%		7.90%
Plan Net Pension Liability	\$ 168,683	\$	123,717	\$	85,759

Long-Term Expected Rate of Return - The long-term expected rate of returns on the Union and Non-Rep Plan investments were determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocation are:

<u>Asset Class</u>	<u>Union</u>	<u>Non-Rep</u>
Domestic Large Cap Equity	5.20%	0.00%
Domestic Mid Cap Equity	5.50	
Domestic Small Cap Equity	5.80	
International Equity	5.50	4.75
Opportunistic Equity	5.60	
Domestic Fixed income	0.90	0.50
US Broad Equity		4.85
Global Ex-US Equity		5.05
Alternatives/Convertibles	5.70	3.20

Pension Liability, Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pension - At June 30, 2016, MARTA reported a net pension liability of \$140,666.

The net pension liability was measured as of December 31, 2015 based on an actuarial valuation as of January 1, 2016.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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11. PENSION PLANS (continued)

<u>Union Plan</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Change in Net Pension Liability			
Balance at 12/31/2014	\$ 482,759	\$ 535,836	\$ (53,077)
Changes for the year:			
Service Cost	11,476	-	11,476
Interest	35,684	-	35,684
Net investment income (loss)	-	(7,547)	7,547
Changes in Benefit Terms	323	-	323
Difference between expected & actual experience	(1,763)	-	(1,763)
Changes in Assumptions	29,188	-	29,188
Contributions - Employer	-	8,630	(8,630)
Contributions - Employee	-	4,719	(4,719)
Benefit payments	(36,727)	(36,727)	-
Administrative expenses	(851)	(851)	-
Other changes	-	(920)	920
Net Changes	37,330	(32,696)	70,026
Balance 12/31/2015	\$ 520,089	\$ 503,140	\$ 16,949

<u>Non-Rep Plan</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Change in Net Pension Liability			
Balance at 12/31/2014	\$ 468,375	\$ 372,190	\$ 96,185
Changes for the year:			
Service Cost	6,052	-	6,052
Interest	31,569	-	31,569
Net investment income (loss)	-	(2,994)	2,994
Difference between expected & actual experience	9,181	-	9,181
Contributions - Employer	-	20,114	(20,114)
Contributions - Employee	-	2,818	(2,818)
Member Buybacks	-	82	(82)
Benefit payments	(34,383)	(34,383)	-
Administrative expenses	-	(245)	245
Other changes	-	(505)	505
Net Changes	12,419	(15,113)	27,532
Balance 12/31/2015	\$ 480,794	\$ 357,077	\$ 123,717

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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11. PENSION PLANS (continued)

<u>Union Plan</u>	Increase (Decrease)		
	Total Pension Asset	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
Change in Net Pension Asset			
Balance at 12/31/2013	\$ 474,549	\$ 526,203	\$ (51,654)
Changes for the year:			
Service Cost	11,099	-	11,099
Interest	35,109	-	35,109
Net investment income	-	31,954	(31,954)
Difference between expected & actual experience	(2,287)	-	(2,287)
Contributions - Employer	-	8,077	(8,077)
Contributions - Employee	-	4,392	(4,392)
Benefit payments	(35,123)	(35,123)	-
Administrative expenses	(588)	(588)	-
Other changes	-	920	(920)
Net Changes	8,210	9,633	(1,423)
Balance 12/31/2014	\$ 482,759	\$ 535,836	\$ (53,077)
 Non-Rep Plan	 Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Change in Net Pension Liability			
Balance at 12/31/2013	\$ 445,249	\$ 362,573	\$ 82,676
Changes for the year:			
Service Cost	5,602	-	5,602
Interest	31,475	-	31,475
Net investment income	-	19,929	(19,929)
Difference between expected & actual experience	4,158	-	4,158
Changes in Assumptions	15,914	-	15,914
Contributions - Employer	-	20,623	(20,623)
Contributions - Employee	-	2,902	(2,902)
Member Buybacks	-	44	(44)
Benefit payments	(34,023)	(34,023)	-
Administrative expenses	-	(384)	384
Other changes	-	525	(525)
Net Changes	23,126	9,617	13,509
Balance 12/31/2014	\$ 468,375	\$ 372,190	\$ 96,185

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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11. PENSION PLANS (continued)

For the year ended June 30, 2016, MARTA recognized pension expense of \$42,197.

At June 30, 2016, MARTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Net difference between projected and actual		
earnings on investments	\$ 65,258	\$ -
Change in benefit terms	246	-
Difference between expected and actual experience	10,769	(2,567)
Changes of assumptions	34,165	-
Employer contribution subsequent to the measurement date	17,501	-
Total	<u>\$ 127,939</u>	<u>\$ (2,567)</u>

For the year ended June 30, 2015, MARTA recognized pension expense of \$16,253.

At June 30, 2015, MARTA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Net difference between projected and actual		
earnings on investments	\$ 9,826	\$ -
Changes in benefits terms	-	-
Difference between expected and actual experience	3,638	(1,756)
Changes of assumptions	13,925	-
Employer contribution subsequent to the measurement date	13,880	-
Total	<u>\$ 41,269</u>	<u>\$ (1,756)</u>

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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11. PENSION PLANS (continued)

\$17,501 and \$13,880 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the years ended June 30, 2016 and June 30, 2015, respectively. Other amounts reported as collective deferred outflows and deferred inflows of resources to be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 27,052
2018	27,052
2019	27,421
2020	19,798
2021	4,039
2022	2,509

Defined Contribution Pension Plan

Plan Description - MARTA maintains one single-employer defined contribution plan, the MARTA Non-represented Defined Contribution Plan and Trust (the "D.C. Plan"). The D.C. Plan provides pension for all full-time non-represented employees of MARTA who were hired on or after January 1, 2005, Transit Police hired on or after January 1, 2015, and to those members of the Non-Rep Plan who elected to transfer to this plan. Covered employees were eligible to participate on the first date of employment. The plan provisions and contributions requirements are established and may be amended by the pension retirement committee after approval by resolution of the MARTA Board of Directors. The plan is administered by a pension retirement committee and MassMutual is the trustee.

Benefits Provided - The MARTA D.C. Plan was established to provide retirement, disability, and death/survivor benefits. Normal retirement under the D.C. Plan occurs when a participant reaches the age of 65. If the participant terminated on or after his normal retirement date, he will receive 100% of the account. If the participant terminated before his normal retirement date, he shall be entitled to receive the vested percentage of the account based on years of service. Notwithstanding the retirement rules above, the participant's employer contribution account shall become 100% vested and not subject to forfeiture upon the occurrence of any of the following events: when an employee reaches normal retirement age, death, or becomes disabled.

Contributions - The contribution rates as a percent of earnings were at 6% for MARTA and 6% for employees with the D.C. Plan. Employer contributions to the D.C. Plan for the years ended June 30, 2016 and 2015 were \$2,423 and \$1,149, respectively. Employee contributions to the D.C. Plan for the years ended June 30, 2016 and 2015 were \$2,670 and \$2,339, respectively.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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12. EMPLOYEE BENEFITS

Deferred Compensation Plan - MARTA has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code (the "457 Plan").

The 457 Plan allows any employee to voluntarily defer receipt of up to 25% of gross compensation, not to exceed \$18 per year or if age 50 and over, not to exceed \$24 per year. All administration costs of the 457 Plan are deducted from the participant's account. The deferred amounts may be distributed to the employee upon retirement or other termination of employment, disability, death, or financial hardship (as defined). The 457 Plan's assets are held and administered by insurance providers. The Authority has no fiduciary relationship with the trust. Accordingly, the 457 Plan assets are not included in MARTA's Statements of Net Position.

Other Postemployment Benefits - In addition to providing pension benefits, MARTA provides certain health care benefits, life insurance, and transit passes for all retired employees and temporary disability payments for non-represented employees.

Non-represented employees, including police officers hired before July 1, 2004, and all represented employees who retire with a regular, disability, or early pension under one of the defined benefit pension plans from active service with MARTA are eligible until age 65 (maximum of 15 years) for health coverage. Life insurance and transit pass benefits continue for life. Participants can choose from several plan options and pay a portion of the cost of benefits. The cost for represented coverage varies by plan but is available at no cost to the retiree for the first 10 years after retirement and 50% of the cost for an additional five years, not to exceed 15 years.

These postemployment benefits are not offered to any non-represented employee, excluding police officers hired on or after July 1, 2004. The healthcare plan is a single-employer defined benefit plan.

MARTA's annual other postemployment benefit ("OPEB") cost is calculated based on the Annual Required Contribution of the Employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) with increasing payments over a period not to exceed 30 years. For the years ended June 30, 2016 and 2015, respectively, MARTA contributed \$21,973 and \$21,219 to its OPEB Plan (the "Plan").

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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12. EMPLOYEE BENEFITS (continued)

The following schedule (derived from the most recent actuarial valuation report) shows the components of MARTA's Annual OPEB costs for 2016 and 2015, the amounts actually contributed to the Plan, and changes in MARTA's Net OPEB (Obligation) Asset:

	<u>2016</u>	<u>2015</u>
Per Actuarial Valuation		
Annual Required Contribution	\$ 21,978	\$ 22,047
Interest on Net OPEB Obligation	(15)	(9)
Adjustment to OPEB Obligation	-	-
Annual OPEB Cost	21,963	22,038
Actual Employer Contributions	21,973	21,219
Increase in Net OPEB Obligation (Liability)	10	(819)
Beginning of Year	(819)	-
End of Year	<u>\$ (809)</u>	<u>\$ (819)</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For the July 1, 2014 actuarial valuation, the Individual Entry Age Normal Actuarial Cost Method was used. Under the Entry Age Normal Actuarial Cost Method, the Normal Cost is computed as the dollar amount which, if paid from the earliest time each participant would have been eligible to join the Plan if it then existed (entry age) until their retirement, termination, or death, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to pay all benefits under the Plan. The total Normal Cost for the Plan is determined by adding the Normal Costs for each individual participant.

The Actuarial Accrued Liability under this cost method is the excess of: (a) the Present Value of Future Benefits determined in accordance with the provisions of the Plan over (b) the Present Value of Future Normal Costs. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. Under this cost method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions decrease or increase the Unfunded Actuarial Accrued Liability.

The amortization method used is a 30-year closed level percent of pay formula; no payroll growth was assumed for amortization purposes. There are currently 22 years remaining in the amortization period. For the purposes of the fiscal years 2016 and 2015 actuarial valuations, a discount rate of 7.0% was used for both years. The Plan changed the long-term discount rate assumption from 4.7% used in the initial valuation to 7.5% in connection with the establishment of an exclusive trust.

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12. EMPLOYEE BENEFITS (continued)

This trust was established in the 2008-2009 Plan year and, currently, no audited GAAP basis report is available for the Plan. The Authority has no fiduciary relationship with the referenced trust. Accordingly, the OPEB Plan assets are not included in MARTA's Statements of Net Position.

The actuarial assumptions do not employ an explicit general inflation assumption. Rather, general expense inflation is taken into consideration in setting each of several assumptions including a long-term investment return (discount rate) assumption, a medical expense inflation assumption, a salary increase assumption, and an administrative expense assumption.

The healthcare trend rate used for determining the cost of future benefits for the Plan was 8.5% for 2016 and 2015.

MARTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Asset (Liability)
2014	\$ 20,625	100%	\$ -
2015	22,038	100	(819)
2016	21,963	100	(809)

The funded status of the Plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 209,945
Actuarial Value of Plan Assets	50,337
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 159,608</u>
Funded Ratio	24.0%
Covered Payroll	\$ 188,840
UAAL as a Percentage of Covered Payroll	84.5%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
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12. EMPLOYEE BENEFITS (continued)

The schedule of funding progress of the Plan for the last three years was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Individual Entry Age (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$33,684	\$197,230	17.1%	\$163,546	\$195,989	83.4%
6/30/2014	44,166	206,701	21.4	162,535	181,842	89.4
6/30/2015	50,337	209,945	24.0	159,608	188,840	84.5

The Plan covers both Union and Non-Represented employees. The chart below details this dissection of fully eligible and not yet fully eligible active participants (all numbers presented as whole numbers).

Active Participants	Union	Non-Rep	Total
Fully Eligible	235	312	547
Not Yet Fully Eligible	2,197	286	2,483
Total Number of Lives	2,432	598	3,030

13. RISK MANAGEMENT

MARTA is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. MARTA is self-insured for workers' compensation risks and public liability and property damage claims up to \$5,000 per occurrence. MARTA carries liability insurance for amounts exceeding the self-insured limits. For property and casualty insurance, the coverage over the self-insured retention is \$5,000 to \$150,000.

There have been no significant reductions in insurance coverage during the years ended June 30, 2016 and 2015, and the amount of claims settlements did not exceed insurance coverage in any of the past three years.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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13. RISK MANAGEMENT (continued)

The changes in the liabilities for self-insurance for the years ended June 30, 2016 and 2015 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Health and Dental
Balance, June 30, 2014	\$ 27,059	\$ 18,635	\$ -
Incurred claims, net of any changes	18,991	5,943	-
Payments	<u>(9,397)</u>	<u>(8,135)</u>	<u>-</u>
Balance, June 30, 2015	36,653	16,443	-
Incurred claims, net of any changes	8,101	2,653	-
Payments	<u>(9,709)</u>	<u>(6,390)</u>	<u>-</u>
Balance, June 30, 2016	<u>\$ 35,045</u>	<u>\$ 12,706</u>	<u>\$ -</u>
Due within one year	<u>\$ 12,260</u>	<u>\$ 5,359</u>	<u>\$ -</u>

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported and incremental claims adjustment expenses.

Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors.

MARTA also provides employee health insurance which includes medical, vision, pharmacy drugs, dental, critical illness, and life insurance. All the medical plans have both specific and aggregate stop loss insurance coverage.

14. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net assets by MARTA that is applicable to a future period and has a positive effect on net position similar to assets.

Deferred inflows of resources are an acquisition of net assets by MARTA that is applicable to a future period and has a negative effect on net position similar to liabilities.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2016 and 2015
(Dollars in Thousands)

15. UNEARNED REVENUE

From the years ended June 30, 2001 to 2007, MARTA entered into several agreements to lease a number of its rail cars; the Avondale Rail Maintenance Facility, the East Rail Line (from Five Points station to Indian Creek station), and the South Rail Line (from Five Points station to Airport station). MARTA then leased these same assets back from the third-party investors as a capital sublease. The effect of the transaction was to transfer the tax benefits of ownership to the investors; in exchange, MARTA received cash consideration equal to the difference between the lease and sublease payments. The total consideration net of expenses as of June 30, 2007 was \$105,300. Since that time, a number of these arrangements have been terminated. MARTA is required to maintain the cars and the stations at an operating level over the life of the sublease as specified in the terms of the lease agreements. Because of the ongoing maintenance and renovation expenditures required to meet this operating level, the net proceeds were recorded as unearned and are being amortized over the life of the respective leases (approximately 18.5 years to 32 years) on a straight-line basis.

During the years ended June 30, 2016 and 2015, the unamortized portion of unearned revenue for the South Line agreement was \$19,437 and \$20,700, respectively, and \$1,000 and \$10,942, respectively, for the Rail Cars agreements.

16. COMMITMENTS AND CONTINGENCIES

Commitments - MARTA's long-range plan provides for the planning, construction, financing, and operation of a rapid transit system in multiple phases, consisting of approximately 60 miles of double track and 45 stations, of which 47.6 miles and 38 stations were in service June 30, 2016. At June 30, 2016, MARTA was committed to future capital expenditures for various other projects.

The FTA has provided the majority of the funds required to construct phase A (13.7 miles) and phase B (9.7 miles) of the system with four grants totaling approximately \$1,232,400 in federal funds. Additionally, FTA has provided \$290,318 in federal funds for phase C (10.6 miles), \$133,400 for phase D (10.3 miles), and \$370,189 for phase E (3.0 miles). The remaining costs of the system have been financed through sales and use tax revenues, Sales Tax Revenue Bonds, and investment income.

FTA has also authorized other grant funds for the construction of a bus rapid transit (BRT) system, bus transit facilities, railcars, buses, replacement and rehabilitation of transit operating equipment, development work for construction support techniques, upgrading the fire protection system, and other purposes not directly related to the rail construction program.

MARTA plans to fund its committed projects through the unencumbered capital portion of its sales tax, future new bond proceeds, issuance of short-term variable rate debt, and federal and state capital grants. MARTA also has lease and interest revenue and capital reserves available to supplement its needs.

On November 5, 2015, MARTA entered into contract with MV Transportation, Inc. for the operations and maintenance of mobility (paratransit) services. This is a three-year contract with two option years in the amount of \$116,867. The cost of services is based on a fixed price Authority's discretion.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
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16. COMMITMENTS AND CONTINGENCIES (continued)

MV Transportation, Inc. provides operations and maintenance of MARTA mobility services, which include all primary functions except certification/eligibility, reservations and customer service responses. MV Transportation, Inc. operates paratransit services out of MARTA's Brady Garage facility using MARTA's existing fleet of Mobility vehicles/L-vans. MARTA supplies all fuel for revenue operations and collects all passenger revenue. MV Transportation, Inc. began revenue services May 21, 2016.

During the year ended June 30, 2001, MARTA began a Transit Oriented Development Program whereby MARTA ground leases office, retail, and residential space. The AT&T Towers and related parking and retail space were completed in October 2002. Ground lease agreements for these initial TOD projects provide for various payments to be made to MARTA over a number of years. In 2013 MARTA began pursuing new opportunities in joint development. As of October 2015, MARTA has identified development partners at five rail stations: King Memorial, Edgewood/Candler Park, Avondale, Brookhaven/Oglethorpe, and Chamblee. Development partners for the proposed Oakland City and Arts Center Station TODs should be identified by December 31, 2015.

MARTA leases air rights and ground over and adjacent to its stations to third parties for the construction of mixed-use developments.

Future lease payments scheduled to be received under non-cancelable operating leases are as follows at June 30, 2016.

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 7,163
2018	7,841
2019	8,658
2020	8,821
2021	8,820
	<u>\$ 41,303</u>

Contingencies - MARTA is a defendant in several lawsuits relating to alleged personal injuries, and alleged damages to property and business as a result of its operations. Claims have also been filed with MARTA which, for the most part, relate to alleged changes and/or conditions imposed on various contractors by MARTA beyond those provided for in the original contracts.

In addition, FTA periodically audits costs relating to the federal grants. Any costs that are ultimately determined to be non-allowable under the provisions of a federal capital grant will require funding from local funds. The outcome of the above matters is not presently determinable; however, management believes the ultimate resolution of these matters will not materially affect the financial statements of MARTA.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Financial Statements
June 30, 2016 and 2015
(Dollars in Thousands)

17. POLLUTION REMEDIATION OBLIGATION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, details the circumstances under which the estimated liability for remediation of the detrimental effects of existing pollution should be recorded in the financial statements.

MARTA has three active bus facilities and a closed maintenance facility at which underground fuel storage tanks have released fuel at various times in prior years. MARTA has for a number of years, and continues to use various methods to remediate the effects of these releases.

In prior years, MARTA was named as a potentially responsible party (PRP) for the cleanup of the Crimes Landfill located in Gwinnett County, Georgia. However, during fiscal year 2013, MARTA paid \$240.3 to the Crimes Landfill Trust in return for release of any and all liabilities in regard to the site.

MARTA estimates that \$6,611 and \$7,707 is its obligation to remediate the sites at the bus and maintenance facilities at June 30, 2016 and 2015, respectively, which is included in current liabilities on the Statements of Net Position.

18. SUBSEQUENT EVENT

While MARTA is fully hedged for the fiscal year 2017 budget period, MARTA may execute additional fuel hedge contracts to facilitate hedging for the fiscal years 2018 and 2019. Fuel Swap transactions will be determined through a bid process conducted at points in fiscal years 2017 and 2018 as dictated by market conditions. MARTA may also choose to use an established brokerage account to procure individual futures contracts to hedge against budget volatility. The purchases and settlements will be executed and settled by the Cash Management Branch. These contracts will be executed to hedge fiscal years 2018 and 2019 at levels not to exceed 75% of the forecast usage for any year.

MARTA entered into a private placement, advanced forward delivery refunding of the 2006A Bonds resulting in the issuance of the 2016A Bonds in a par amount of \$90,260. As a result, future debt payments for the Authority were reduced. The transaction was priced on March 5, 2015 and closed on July 1, 2016.

Advanced refunding for Series 2016A Bonds scheduled to close on July 1, 2016 was priced and agreed upon on March 5, 2015. Once in place, the new Series 2016A Bonds will reduce MARTA's debt service by an additional \$5.76 million.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2016
(Dollars in Thousands)

<u>Plan Year Ending</u>	<u>UNION</u>				
	2015	2014	2013	2012	2011
Total Pension Liability:					
Service Cost	\$ 11,476	\$ 11,099	\$ 11,004	\$ 9,870	\$ 10,114
Interest	35,684	35,109	34,672	34,932	34,847
Change of Benefit Terms	323	-	-	-	-
Difference between Expected and Actual Experience	(1,763)	(2,287)	(5,092)	(17,095)	2,283
Change in Assumptions	29,188	-	-	-	(16,182)
Benefit Payments, including member contributions refunds	(36,727)	(35,123)	(33,491)	(30,075)	(28,207)
Administrative Expense	(851)	(588)	(553)	(549)	(583)
Net Change in Total Pension Liability	37,330	8,210	6,540	(2,917)	2,272
Total Pension Liability					
Beginning of the Year	482,759	474,549	468,009	470,926	468,654
Net Increase (Decrease)	37,330	8,210	6,540	(2,917)	2,272
Total Pension Liability End of the Year	\$ 520,089	\$ 482,759	\$ 474,549	\$ 468,009	\$ 470,926
Plan Fiduciary Net Position:					
Employee Contributions	\$ 4,719	\$ 4,392	\$ 4,812	\$ 4,521	\$ 3,671
Employer Contributions	8,630	8,077	8,839	6,218	6,941
Members Buybacks (portability, reemployment, transfers)	-	-	-	-	-
Net Investment Income (Loss)	(7,547)	31,954	84,100	47,576	456
Benefits Payments, including member contributions refunds	(36,727)	(35,123)	(33,491)	(30,075)	(28,207)
Administrative Expense	(851)	(588)	(553)	(549)	(583)
Other	(920)	920	-	-	-
Net Change in Plan Fiduciary Net Position	(32,696)	9,632	63,707	27,691	(17,722)
Total Fiduciary Net Position					
Beginning of the Year	535,836	526,203	462,497	434,806	452,528
Net Increase (Decrease)	(32,696)	9,633	63,707	27,691	(17,722)
Total Plan Fiduciary Net Position End of the Year	\$ 503,140	\$ 535,836	\$ 526,204	\$ 462,497	\$ 434,806
Plan's Net Position Liability (NPL)	\$ 16,949	\$ (53,077)	\$ (51,655)	\$ 5,512	\$ 36,120
Plan Fiduciary Net Position as % of TPL	96.7%	111.0%	110.9%	98.8%	92.3%
Covered Payroll	106,678	99,587	109,119	102,525	105,030
Plan's NPL as % of Covered Payroll	15.9%	-53.3%	-47.3%	5.4%	34.4%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2016
(Dollars in Thousands)

<u>Plan Year Ending</u>	<u>UNION</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Pension Liability:					
Service Cost	\$ 12,239	\$ 12,129	\$ 11,612	\$ 11,221	\$ 11,046
Interest	34,119	33,061	31,776	30,331	29,095
Change of Benefit Terms	-	-	-	664	652
Difference between Expected and Actual Experience	(5,486)	(2,862)	(954)	1,632	(2,696)
Change in Assumptions	-	-	-	-	3,594
Benefit Payments, including member contributions refunds	(28,739)	(26,885)	(23,771)	(25,166)	(24,569)
Administrative Expense	(541)	(518)	(510)	(485)	(549)
Net Change in Total Pension Liability	<u>11,592</u>	<u>14,925</u>	<u>18,153</u>	<u>18,197</u>	<u>16,573</u>
Total Pension Liability					
Beginning of the Year	457,062	442,137	423,984	405,787	389,212
Net Increase (Decrease)	<u>11,592</u>	<u>14,925</u>	<u>18,153</u>	<u>18,198</u>	<u>16,574</u>
Total Pension Liability End of the Year	<u>\$ 468,654</u>	<u>\$ 457,062</u>	<u>\$ 442,137</u>	<u>\$ 423,985</u>	<u>\$ 405,786</u>
Plan Fiduciary Net Position:					
Employee Contributions	\$ 2,669	\$ 2,847	\$ 2,843	\$ 2,667	\$ 2,583
Employer Contributions	11,360	5,392	5,429	4,903	4,757
Members Buybacks (portability, reemployment, transfers)	-	-	(126)	-	-
Net Investment Income (Loss)	55,248	72,988	(107,540)	36,183	41,434
Benefits Payments, including member contributions refunds	(28,739)	(26,885)	(23,771)	(25,166)	(24,569)
Administrative Expense	(541)	(518)	(510)	(485)	(549)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>39,997</u>	<u>53,824</u>	<u>(123,675)</u>	<u>18,102</u>	<u>23,656</u>
Total Fiduciary Net Position					
Beginning of the Year	412,531	358,707	482,383	464,280	440,624
Net Increase (Decrease)	<u>39,996</u>	<u>53,824</u>	<u>(123,675)</u>	<u>18,103</u>	<u>23,656</u>
Total Plan Fiduciary Net Position End of the Year	<u>\$ 452,527</u>	<u>\$ 412,531</u>	<u>\$ 358,708</u>	<u>\$ 482,383</u>	<u>\$ 464,280</u>
Plan's Net Position Liability (NPL)	<u>\$ 16,127</u>	<u>\$ 44,531</u>	<u>\$ 83,429</u>	<u>\$ (58,398)</u>	<u>\$ (58,494)</u>
Plan Fiduciary Net Position as % of TPL	<u>96.6%</u>	<u>90.3%</u>	<u>81.1%</u>	<u>113.8%</u>	<u>114.4%</u>
Covered Payroll	108,930	116,744	108,031	105,031	95,036
Plan's NPL as % of Covered Payroll	14.8%	38.1%	77.2%	-55.6%	-61.5%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2016
(Dollars in Thousands)

<u>Plan Year Ending</u>	<u>NON-REP</u>				
	2015	2014	2013	2012	2011
Total Pension Liability:					
Service Cost	\$ 6,052	\$ 5,602	\$ 5,994	\$ 7,358	\$ 7,124
Interest	31,569	31,475	30,517	31,878	30,054
Change of Benefit Terms	-	-	-	(26,143)	-
Difference between Expected and Actual Experience	9,181	4,158	(1,032)	2,452	9,121
Change in Assumptions	-	15,914	10,648	11,228	5,540
Benefit Payments, including member contributions refunds	(34,383)	(34,023)	(31,084)	(27,986)	(27,527)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	12,419	23,126	15,043	(1,213)	24,312
Total Pension Liability					
Beginning of the Year	468,375	445,249	430,206	431,419	407,108
Net Increase (Decrease)	12,419	23,126	15,043	(1,213)	24,312
Total Pension Liability End of the Year	<u>\$ 480,794</u>	<u>\$ 468,375</u>	<u>\$ 445,249</u>	<u>\$ 430,206</u>	<u>\$ 431,420</u>
Plan Fiduciary Net Position:					
Employee Contributions	\$ 2,818	\$ 2,902	\$ 3,389	\$ 3,416	\$ 3,366
Employer Contributions	20,114	20,623	21,619	24,036	21,825
Members Buybacks (portability, reemployment, transfers)	82	44	90	31	21
Net Investment Income (Loss)	(2,994)	19,772	66,798	33,194	3,999
Benefits Payments, including member contributions refunds	(34,383)	(34,023)	(31,084)	(27,986)	(27,527)
Administrative Expense	(245)	(227)	(351)	(1,315)	(1,192)
Other	(505)	525	341	415	242
Net Change in Plan Fiduciary Net Position	(15,113)	9,616	60,802	31,791	734
Total Fiduciary Net Position					
Beginning of the Year	372,190	362,573	301,771	269,981	269,246
Net Increase (Decrease)	(15,113)	9,617	60,801	31,790	735
Total Plan Fiduciary Net Position End of the Year	<u>\$ 357,077</u>	<u>\$ 372,190</u>	<u>\$ 362,572</u>	<u>\$ 301,771</u>	<u>\$ 269,981</u>
Plan's Net Position Liability (NPL)	<u>\$ 123,717</u>	<u>\$ 96,185</u>	<u>\$ 82,677</u>	<u>\$ 128,435</u>	<u>\$ 161,439</u>
Plan Fiduciary Net Position as % of TPL	<u>74.3%</u>	<u>79.5%</u>	<u>81.4%</u>	<u>70.1%</u>	<u>62.6%</u>
Covered Payroll	42,301	45,099	45,668	49,338	58,225
Plan's NPL as % of Covered Payroll	292.5%	213.3%	181.0%	260.3%	277.3%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2016
(Dollars in Thousands)

<u>NON-REP</u>					
<u>Plan Year Ending</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Pension Liability:					
Service Cost	\$ 7,043	\$ 7,978	\$ 7,680	\$ 6,519	\$ 6,122
Interest	28,593	28,402	27,326	23,796	21,738
Change of Benefit Terms	-	-	-	22,387	-
Difference between Expected and Actual Experience	10,086	(9,539)	287	14,455	10,154
Change in Assumptions	-	-	-	-	9,933
Benefit Payments, including member contributions refunds	(25,174)	(21,618)	(20,879)	(21,600)	(20,233)
Administrative Expense	-	-	-	-	-
Net Change in Total Pension Liability	20,548	5,223	14,414	45,557	27,714
Total Pension Liability					
Beginning of the Year	386,559	381,335	366,921	321,364	293,650
Net Increase (Decrease)	20,548	5,225	14,414	45,557	27,714
Total Pension Liability End of the Year	\$ 407,107	\$ 386,560	\$ 381,335	\$ 366,921	\$ 321,364
Plan Fiduciary Net Position:					
Employee Contributions	\$ 20,543	\$ 17,324	\$ 18,851	\$ 17,610	\$ 55,831
Employer Contributions	3,225	3,411	3,713	3,542	3,392
Members Buybacks (portability, reemployment, transfers)	33	121	175	130	16
Net Investment Income (Loss)	28,564	37,664	(58,648)	18,694	24,182
Benefits Payments, including member contributions refunds	(25,174)	(21,618)	(20,879)	(21,600)	(20,233)
Administrative Expense	(1,086)	(903)	(1,174)	(1,394)	(1,165)
Other	136	172	419	100	46
Net Change in Plan Fiduciary Net Position	26,241	36,171	(57,543)	17,082	62,069
Total Fiduciary Net Position					
Beginning of the Year	243,005	206,834	264,377	247,295	185,227
Net Increase (Decrease)	26,241	36,171	(57,543)	17,082	62,068
Total Plan Fiduciary Net Position End of the Year	\$ 269,246	\$ 243,005	\$ 206,834	\$ 264,377	\$ 247,295
Plan's Net Position Liability (NPL)	<u>\$ 137,861</u>	<u>\$ 143,555</u>	<u>\$ 174,501</u>	<u>\$ 102,544</u>	<u>\$ 74,069</u>
Plan Fiduciary Net Position as % of TPL	<u>66.1%</u>	<u>62.9%</u>	<u>54.2%</u>	<u>72.1%</u>	<u>77.0%</u>
Covered Payroll	58,140	58,614	67,012	66,300	62,163
Plan's NPL as % of Covered Payroll	237.1%	244.9%	260.4%	154.7%	119.2%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Employer Contributions
For the Year Ended June 30, 2016
(Dollars in Thousands)

UNION

<i>Plan Year Ending</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contributions:					
Actuarially Determined Contribution	\$ 8,630	\$ 8,077	\$ 8,828	\$ 6,193	\$ 7,935
Actual Employer Contributions	<u>8,630</u>	<u>8,077</u>	<u>8,839</u>	<u>6,218</u>	<u>6,941</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ (25)</u>	<u>\$ 994</u>
Covered Payroll	\$ 106,678	\$ 99,587	\$ 109,119	\$ 102,525	\$ 105,030
Net Change in Total Pension Liability	8.09%	8.11%	8.10%	6.06%	6.61%

NON-REP

<i>Plan Year Ending</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contributions:					
Actuarially Determined Contribution	\$ 20,338	\$ 16,205	\$ 21,087	\$ 24,806	\$ 21,892
Actual Employer Contributions	<u>20,114</u>	<u>20,623</u>	<u>21,619</u>	<u>24,036</u>	<u>21,825</u>
Contribution Deficiency (Excess)	<u>\$ 224</u>	<u>\$ (4,418)</u>	<u>\$ (532)</u>	<u>\$ 770</u>	<u>\$ 67</u>
Covered Payroll	\$ 42,301	\$ 45,099	\$ 45,668	\$ 49,338	\$ 58,225
Net Change in Total Pension Liability	47.55%	45.73%	47.34%	48.72%	37.48%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Employer Contributions
For the Year Ended June 30, 2016
(Dollars in Thousands)

UNION

<u>Plan Year Ending</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contributions:			
Actuarially Determined Contribution	\$ 9,902	\$ 5,392	\$ 5,429
Actual Employer Contributions	<u>11,360</u>	<u>5,392</u>	<u>5,429</u>
Contribution Deficiency (Excess)	<u>\$ (1,458)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 108,930	\$ 116,744	\$ 108,031
Net Change in Total Pension Liability	10.43%	4.62%	5.03%

NON-REP

<u>Plan Year Ending</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contributions:			
Actuarially Determined Contribution	\$ 19,415	\$ 20,193	\$ 19,124
Actual Employer Contributions	<u>20,543</u>	<u>17,324</u>	<u>18,851</u>
Contribution Deficiency (Excess)	<u>\$ (1,128)</u>	<u>\$ 2,869</u>	<u>\$ 273</u>
Covered Payroll	\$ 58,140	\$ 58,614	\$ 67,012
Net Change in Total Pension Liability	35.33%	29.56%	28.13%

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Supplemental Schedule of Revenues and Expenses –
Budget vs. Actual (Budget Basis)
For the Year Ended June 30, 2016
(Dollars in Thousands)

	Budget	Actual (Budget Basis)	Variance Favorable/ (Unfavorable)
Operating Revenues:			
Fare Revenues	\$ 148,481	\$ 141,360	\$ (7,121)
Other Revenues	5,278	11,052	5,774
Total Operating Revenues	153,759	152,412	(1,347)
Operating Expenses:			
Transportation	190,765	206,252	(15,487)
Maintenance and Garage Operations	157,673	143,576	14,097
General and Administrative	91,147	83,271	7,876
Total Operating Expenses	439,585	433,099	6,486
Operating Loss	(285,826)	(280,687)	5,139
Nonoperating Revenues:			
Sales and Use Tax	434,872	409,718	(25,154)
Federal Operating Revenues	68,500	76,289	7,789
Investment Income	249	1,568	1,319
Other Revenues	27,716	42,396	14,680
	531,337	529,971	(1,366)
Increase in Net Assets - Budget Basis	<u>\$ 27,716</u>	249,284	<u>\$ 14,680</u>
Basis Differences			
Depreciation		(242,536)	
Gain on Sales of Property and Equipment		182	
Interest Expense		(83,356)	
Interest Expense Capitalized		179	
Amortization of Financing Related Charges and Income from Derivative Activity		5,318	
Other - Nonoperating Expense		(38,572)	
Capital Grants		32,431	
Net Capital Lease Transaction Activity		32,057	
Gain on Investment Derivatives		(390)	
Decrease in Net Assets - GAAP Basis		<u>\$ (45,403)</u>	

See notes to the supplemental schedule.

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY
Notes to the Supplemental Schedule
Year Ended June 30, 2016
(Dollars in Thousands)

1. BUDGETARY HIGHLIGHTS

MARTA adopts its Operating and Capital Budget in June of each year. Once adopted, total budgeted revenues and/or expenses cannot change. The fiscal year 2016 net operating expenses were \$433,099 which excludes depreciation. This was \$6,486 (1.5%) less than the fiscal year 2016 budget, which was \$14,443 (3.4%) less than the previous year's budget. MARTA continued a number of cost containment measures in fiscal year 2016 by focusing on increasing productivity and efficiencies while reducing cost. Operating revenue performed unfavorable to the budget, ending the year \$1,347 (0.88%) less than budget, primarily due to reduction in Fare revenues. Nonoperating revenues were \$1,366 (0.26%) less than budget. The largest variance was for Sales and Use Tax ; MARTA received \$25,154 less than budgeted.

APPENDIX C
DOCUMENT SUMMARIES

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DOCUMENT SUMMARIES

Following are summaries of certain provisions of the Indenture and the Issuing and Paying Agent Agreements. Such summaries do not purport to be complete and reference is made to the Indenture and the Issuing and Paying Agent Agreements, copies of which are on file with and available for examination at the office of the Trustee. Definitions of terms previously defined in this Official Statement may not be contained in the following summaries, but will have the meanings set forth previously.

DEFINITIONS

The following is a summary of certain terms defined in the Indenture, including the First Supplemental Trust Indenture, the Second Supplemental Trust Indenture, the Third Supplemental Trust Indenture, the Fourth Supplemental Trust Indenture, the Fifth Supplemental Trust Indenture, the Sixth Supplemental Trust Indenture, the Amended and Restated Sixth Supplemental Trust Indenture, the Seventh Supplemental Trust Indenture, the Eighth Supplemental Trust Indenture, the Ninth Supplemental Trust Indenture, the Tenth Supplemental Trust Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, the Thirteenth Supplemental Indenture, the First Amendment to Indenture, the Fourteenth Supplemental Indenture, the Fifteenth Supplemental Indenture and the Sixteenth Supplemental Indenture and used in this Official Statement. Reference is hereby made to such actual documents for a complete recital of the definitions contained therein.

“Accreted Value” means the amounts set forth in and the amounts computed pursuant to the formula set forth in the Related Supplemental Indenture authorizing the issuance of the Capital Appreciation Bonds, the Accreted Value of which is being determined.

“Act” means the Metropolitan Atlanta Rapid Transit Authority Act of 1965, approved by the General Assembly of the State of Georgia on March 10, 1965 (Ga. Laws 1965, p. 2243), as amended or supplemented.

“Additional Bonds” means any additional Series of Bonds authorized to be issued by the Authority pursuant to the terms and conditions of the Indenture.

“Alternate Credit Facility” means any instrument furnished in accordance with the Indenture to replace the Credit Facility then in effect with respect to the applicable Bonds.

“Authenticating Agent” means the Registrar and, with respect to Bonds of any Series, the entity or entities designated as such in the applicable Series Resolution or Supplemental Indenture.

“Authority” means the public body corporate and joint public instrumentality of the City of Atlanta and the counties of Fulton, DeKalb, Cobb, Clayton and Gwinnett, Georgia, duly created and existing under the laws of the State of Georgia, including the Metropolitan Atlanta Rapid Transit Authority Act of 1965 Ga. Laws 1965, p. 2243), as amended and a 1964 Amendment to the Georgia Constitution (Ga. Laws 1964, p. 1008) and under the name and style of “Metropolitan Atlanta Rapid Transit Authority,” and any body, agency or instrumentality of the State of Georgia or any of its subdivisions which hereafter succeeds to and assumes the liabilities, obligations, duties, rights and powers of the Authority.

“Authority Representative” means the Chairman, the General Manager/Chief Executive Officer, the Assistant General Manager, Finance/Chief Financial Officer of the Authority or any other person so designated for purposes of the Indenture by the Board of Directors of the Authority by filing a Certified Resolution with respect thereto with the Trustee.

“Bank” or “Banks” means the provider or providers of one or more Facilities and any successor.

“Bankruptcy Code” means the United States Bankruptcy Code, 11 U.S.C. 101 *et seq.*, as amended or supplemented from time to time.

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

“Bond” and “Bonds” means any of the Bonds, Bond Anticipation Notes or any other evidences of indebtedness for borrowed money, authorized, authenticated and delivered under the Indenture or a Supplemental Indenture.

“Bond Anticipation Notes” means any of the Bond Anticipation Notes authorized and delivered under the Indenture.

“Bond Counsel” means (i) with respect to the Tax-Exempt Bonds of a Series, the Counsel who renders the opinion as to the exclusion from gross income of interest on such Bonds for federal income tax purposes or such other nationally recognized bond counsel appointed by an Authority Representative of recognized expertise with respect to such matters, or (ii) with respect to the Bonds of a Series which are not Tax-Exempt Bonds, the Counsel who renders the opinion as to the validity and enforceability of such Bonds or such other nationally recognized bond counsel appointed by an Authority Representative.

“Bond Fund” means, with respect to a Series of Bonds, the fund of that name for such Series of Bonds created pursuant to the Indenture, and collectively all funds of that name for all outstanding Series of Bonds created pursuant to the Indenture.

“Bond Purchase Fund” means, with respect to a Series of Bonds, the funds of that name established under the Indenture or with the Tender Agent pursuant to a Tender Agent Agreement and the Indenture.

“Bond Year” means the period commencing on July 2 of each calendar year and ending on July 1 of the following calendar year, or such other calendar year ending on the day that principal of a Series of Bonds is due as designated by the Authority.

“Book-Entry Form” means physical Bonds in fully registered form registered only in the name of a Securities Depository or its nominee as holder, with physical Bonds in the custody of a Securities Depository.

“Book-Entry System” means the system maintained by the Securities Depository under which the ownership of beneficial interests on Bonds may be transferred as described in the Indenture.

“Business Day” means any day other than (i) a Saturday, a Sunday or any other day on which banks located in the cities in which the Principal Offices of the Trustee, the Tender Agent, the Paying Agent, the Registrar, the Authenticating Agent or the Remarketing Agent, if any, are located, or in which the office from which payments are made pursuant to Credit Facility, if any, of the Credit Provider is located, are authorized or required to remain closed or (ii) a day which The New York Stock Exchange is closed.

“Capital Appreciation Bonds” means Bonds that bear interest payable at maturity, upon redemption prior to maturity or prior to maturity at the date or dates set forth in the related Series

Resolution or Supplemental Indenture and in the amounts determined by reference to the Accreted Value of such Capital Appreciation Bonds in accordance with the provisions of the related Series Resolution.

“Certified Resolution” means a copy of a resolution of the Board of Directors of the Authority certified by the Chairman, Vice-Chairman, Secretary or Assistant Secretary thereof as being duly and lawfully adopted, in full force and effect and not having been modified, amended or rescinded.

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

“City” means the City of Atlanta, Georgia.

“Clayton” means Clayton County, Georgia.

“Clayton Contract” means that certain Rapid Transit Contract, dated as of July 5, 2014, between the Authority and Clayton, as amended from time to time in accordance with the terms thereof.

“Cobb” means Cobb County, Georgia.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code is deemed to include the United States Treasury Regulations promulgated thereunder.

“Construction Fund” means, with respect to a Series of Bonds, the fund of that name created for such Series of Bonds pursuant to the Indenture.

“Consultant” means the consultant or consulting firm or corporation retained by the Authority to perform acts and carry out the duties of such consultant in the Indenture. Such consultant or consulting firm must be nationally recognized within its profession for work of the character required and must be acceptable to the Trustee.

“Consulting Engineer” means the particular general engineering consultant employed in connection with the System to perform the services usually performed by a general engineering consultant or consultants in area-wide transportation system construction, including the supervision of construction.

“Contract” means (i) the Existing Contract and (ii) the Clayton Contract.

“Cost of Issuance Account” means, with respect to a Series of Bonds, the account of that name in the Construction Fund created for such Series of Bonds pursuant to the Indenture.

“Counsel” means an attorney at law or a firm of attorneys reasonably acceptable to the Trustee (who may be an employee of or counsel to the Authority, the Trustee or any Tender Agent) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

“Credit Facility” means any irrevocable letter of credit, line or lines of credit, policy of insurance, security agreement, pledge agreement, bond purchase agreement, guaranty, trust deposit receipt, surety bond or other credit or liquidity facility, including any instruments accompanying or relating to such Credit Facility delivered to the Trustee in connection therewith, issued by the Credit Provider with respect to any Bonds in accordance with the provisions of the Indenture, including any extensions thereof. In the event of the delivery of an Alternate Credit Facility (as defined in the Indenture) with respect to the related Bonds, *“Credit Facility”* includes such Alternate Credit Facility.

“Credit Facility - Interest Account” means, with respect to a Series of Bonds secured by a Credit Facility, the account of such name in the Bond Fund created for such Series of Bonds pursuant to the Indenture.

“Credit Facility - Principal Account” means, with respect to a Series of Bonds secured by a Credit Facility, the account of such name in the Bond Fund created for such Series of Bonds pursuant to the Indenture.

“Credit Provider” means, with respect to any Credit Facility provided for any Bonds, the Person having an obligation to pay moneys under such Credit Facility, including obligations contingent upon satisfaction of certain conditions.

“Date of Issue” means, unless otherwise provided in the related Series Resolution or Supplemental Indenture, with respect to Bonds of a Series, the date or dates on which such Bonds are issued and delivered to the Original Purchaser thereof in exchange for the payment of the purchase price thereof.

“Debt Service” means, with respect to any particular Bond Year and any particular Series of Bonds or Prior Bonds, an amount equal to the sum of (a) all interest payable on such Bonds and Prior Bonds during such Bond Year, plus (b) any Principal Installments of such Bonds and Prior Bonds payable during such Bond Year. For purposes of computing “Debt Service,” the rate of interest used to determine the interest requirement shall be a rate per annum equal to (i) with respect to any Series of Bonds or Prior Bonds which bear interest at a Fixed Rate, the rate or rates of interest borne or to be borne by such Bonds or Prior Bonds, and (ii) with respect to any Series of Bonds or Prior Bonds which bear interest at a Variable Rate, (A) the average of the actual variable rates of interest borne by such Bonds or Prior Bonds for the most recent 24-month period immediately preceding the date of calculation for which such information is available plus 100 basis points or, (B) if such information is unavailable for such 24-month period or with respect to any Series of Bonds or Prior Bonds that were not outstanding for the full term of such 24-month period, a rate equal to the 25 Year Revenue Bond Index for revenue bonds as published by The Bond Buyer at the end of the week prior to the week during which the Authority adopts proceedings authorizing the issuance of such Bonds or Prior Bonds (except if such index shall not then be published, then the interest on such Bonds or Prior Bonds shall be calculated at a rate equal to (x) the average annual interest rate on such Bonds and Prior Bonds for the 12-month period immediately preceding the date of calculation for which such information is available or, (y) with respect to any Series of Bonds or Prior Bonds that were not outstanding for the full term of such 12-month period, the average of the actual variable rates of interest borne by such Bonds or Prior Bonds for the period during which such Bonds and Prior Bonds shall have been outstanding, or (z) if such Bonds have not yet been issued, then the interest rate on such Bonds shall be calculated at a rate equal to the initial interest rate established for such Bonds); provided, however, for purposes of this definition with respect to Debt Service on any Bonds or Prior Bonds which are subject to a Hedge Agreement, interest on such Bonds or Prior Bonds during the term of such Hedge Agreement shall be calculated by adding the amount of interest payable by the Authority on such Hedged Bonds and the amount of Hedge Payments payable to the Authority under the related Hedge Agreement; provided, however, that if (aa) the Hedge Provider of any Hedge Agreement is in default thereunder or (bb) the rating on the outstanding long-term debt or claims-paying ability of the Hedge Provider falls below Baa2 from Moody’s or BBB from S&P and the Authority has not replaced such Hedge Agreement with another within ten Business Days, then the amount of interest payable by the Authority on the related Hedged Bonds shall be the interest calculated as provided herein as if such Hedge Agreement had not been in executed. The term “Debt Service” includes payments to a Credit Provider pursuant to a Reimbursement Agreement to reimburse such Credit Provider for Principal Installments or interest on Bonds and Prior Bonds made by such Credit Provider, and to pay credit enhancement or liquidity support fees, with respect to such indebtedness, scheduled to come due within a

specified 12-month period. Notwithstanding the foregoing, under any circumstances where “Debt Service” is used to describe interest payable on any Bonds or Prior Bonds for a period during which the actual interest on the Bonds or Prior Bonds can be calculated, the amount of actual interest on such Bonds and Prior Bonds shall be used.

“*Default*” or “*default*” means, with respect to Bonds of a Series, any event which with the giving of notice, the passage of time, or both, becomes an “Event of Default.”

“*DeKalb*” means DeKalb County, Georgia.

“*Eleventh Supplemental Trust Indenture*” means, that certain Eleventh Supplemental Trust Indenture, dated July 1, 2014, by and between the Authority and the Trustee, which supplements the Indenture.

“*Escrow Agent*” means the bank or trust company acting in such capacity pursuant to the any Escrow Agreement, and any successors thereto, pursuant to any Escrow Agreement.

“*Event of Default*” means, with respect to Bonds of a Series, an occurrence or event specified in the Indenture and described herein under “THE INDENTURE—Events of Defaults; Remedies.”

“*Existing Contract*” means that certain Rapid Transit Contract and Assistance Agreement, dated as of the 1st day of September, 1971, among the City, Fulton, DeKalb, Clayton, Gwinnett and the Authority, which has become final and binding on the City, Fulton, DeKalb, Clayton and the Authority, as amended or supplemented.

“*Facility*” or “*Facilities*” means letters of credit, lines of credit, standby bond purchase agreements, revolving credit agreements or other liquidity or credit support or mechanisms delivered, made, entered into or otherwise obtained for the purpose of securing or providing additional funds for the payment of principal of and/or interest on any Series of Bonds or any substitute Facility, shall include the agreement providing for a Facility authorized pursuant to the Supplemental Indenture.

“*Facility Substitution Date*” shall mean any Business Day on which a substitute Facility will replace an existing Facility in accordance with any Supplemental Indenture.

“*Favorable Opinion of Bond Counsel*” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and the Act, with respect to Tax-Exempt Bonds, the exclusion of the interest on such Tax-Exempt Bonds (or a Series thereof) from the gross income of the recipients thereof for federal income tax purposes.

“*Fifteenth Supplemental Indenture*” means that certain Fifteenth Supplemental Trust Indenture, dated as of July 1, 2016, by and between the Authority and the Trustee, which supplements the Indenture.

“*First Amendment to Indenture*” means the First Amendment to Third Indenture, dated as of its date of execution and delivery, between the Authority and the Trustee, which amends the Indenture.

“*First Indenture*” means the Trust Indenture, dated as of January 1, 1976, between the Authority and the First Indenture Trustee, as amended and supplemented.

“*First Indenture Bonds*” means all the outstanding revenue bonds of the Authority issued under the First Indenture.

“First Indenture Trustee” means U.S. Bank National Association (as successor to SunTrust Bank, the Citizens and Southern National Bank, Atlanta, Georgia, NationsBank of Georgia, National Association and First Union National Bank, Atlanta, Georgia), and its successors and assigns.

“Fiscal Division” means the Office of the Treasury and Fiscal Services of the State of Georgia, formerly known as the Fiscal Division of the Georgia Department of Administrative Services, and, where applicable, will include the Director of the Fiscal Division, successor to the State Treasurer of Georgia, whose functions were transferred to the Fiscal Division pursuant to an Act of the General Assembly of the State of Georgia approved on April 6, 1972 (Ga. Laws 1972, p. 1038).

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, *“Fitch”* will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with the approval of the related Credit Provider and the Remarketing Agent, if any, with notice to the Trustee and the related Tender Agent, if any.

“Fixed Rate” means the rate which the Bonds of a Series bear interest during any Fixed Rate Period.

“Fourteenth Supplemental Trust Indenture” means, that certain Fourteenth Supplemental Trust Indenture, dated as of March 1, 2016, by and between the Authority and the Trustee, which supplements the Indenture.

“Fulton” means Fulton County, Georgia.

“General Fund” means the general operating account established by the Authority.

“Government Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) and (b) issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity by anyone other than the holder, or (c) any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in (a) or (b) which have been stripped by the Department of Treasury.

“Gwinnett” means Gwinnett County, Georgia.

“Hedge Agreement” means an agreement between the Authority and a Hedge Provider (a) which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (b) which provides for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) to exchange cash flows or payments or series of payments; (d) designed to perform the function of interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (e) which the Authority determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any

Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

“Hedge Payments” means amounts payable by the Authority to any Hedge Provider less any amounts payable by such Hedge Provider to the Authority (other than termination payments, fees, expenses and indemnity payments owed by or due to either party) under a Hedge Agreement, as certified in writing to the trustee by an Authority Representative.

“Hedge Provider” means the counterparty with which the Authority enters into a Hedge Agreement; provided that the outstanding long-term debt or claims-paying ability of such counterparty must be rated at least A3 or better by Moody’s and A- or better by S&P at the time such Hedge Agreement is entered into.

“Hedged Bonds” means any Bonds for which the Authority shall have entered into a Hedge Agreement.

“Indenture” means the Trust Indenture, dated as of October 1, 2003, between the Authority and the Trustee, as amended or supplemented.

“Interest Account” means, with respect to a Series of Bonds, the account of that name in the Bond Fund created for such Series of Bonds pursuant to the Indenture.

“Interest Payment Date” means, when used with respect to the Bonds of a Series, those days provided in the related Series Resolution or Supplemental Indenture for the payment of interest thereon, including each Conversion Date and Mandatory Tender Date.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, *“Moody’s”* will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with the approval of the related Credit Provider and Remarketing Agent, if any, with notice to the Trustee and the related Tender Agent, if any.

“Original Indenture” means the Trust Indenture, dated as of October 1, 2003, between the Authority and the Trustee.

“Outstanding” or *“outstanding”* or *“Bonds Outstanding”* when used to modify the Bonds (or a Series thereof) means, as of the time in question, all Bonds (or a Series thereof) authenticated and delivered under the Indenture, except:

- (a) Bonds theretofore cancelled or required to be cancelled because of payment at, or purchase or redemption prior to, maturity;
- (b) Bonds which are deemed to have been paid in accordance with the Indenture;
- (c) Bonds (including Bonds which are deemed to have been purchased pursuant to the Indenture) in substitution for which other Bonds have been authenticated and delivered; and
- (d) Bonds in lieu of which others have been authenticated, unless proof satisfactory to the Trustee and the Authority is presented that any such Bond is held by a bona fide holder in due course.

In determining whether the Owners of a requisite aggregate principal amount of Outstanding Bonds (or a Series thereof) have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or record by the Authority or held by the Trustee for the account of the Authority shall be disregarded and deemed not to be Outstanding under the Indenture for the purpose of any such determination (except that, in determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded) unless all of such Bonds are owned by the Authority and/or held by the Trustee for the account of the Authority, in which case such Bonds shall be considered Outstanding for the purpose of such determination except as will be otherwise provided in the Series Resolution with respect to any such affected Series.

“Owner” means the Person or Persons in whose name or names a Bond is registered on books of the Authority kept by the Registrar for that purpose in accordance with the terms of the Indenture.

“Participating Local Governments” means the City, Fulton and DeKalb and any other local governments and municipalities with respect to which the Contract becomes final and binding, in accordance with the provisions of the Act and the Contract, at any time while any of the Bonds are outstanding.

“Paying Agent” means, with respect to Bonds of a Series, the banks or trust companies named by the Authority in accordance with the Indenture as the places at which the principal and/or Purchase Price of and/or interest and/or premium on such Bonds will be payable, which may include the Trustee and any Tender Agent.

“Permitted Investments” means and includes bonds or notes of the United States or unconditionally guaranteed by the United States or bonds or notes of the State of Georgia or unconditionally guaranteed by the State of Georgia, or bonds, notes or other obligations of any corporation, agency or instrumentality of the United States Government, and any other investments permitted by law.

“Person” means natural persons, firms, partnerships, associations, corporations, trusts and public bodies.

“Principal Account” means, with respect to each Series of Bonds, the account of that name in the Bond Fund created for such Series of Bonds pursuant to the Indenture.

“Principal Installment” means, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Indenture of Sinking Fund Payments payable before such future date, plus (ii) any Sinking Fund Payments due on such certain future date, plus (iii) with respect to any Capital Appreciation Bonds due on such certain future date, the Accreted Value of such Capital Appreciation Bonds.

“Principal Office” means, with respect to the Trustee, the office at the address specified as such in the Indenture, with respect to a Remarketing Agent or Tender Agent, the office at the address specified in the related Series Resolution or Supplemental Indenture, and, in any case, such other office as the Trustee, the Remarketing Agent or the Tender Agent, as the case may be, designates in writing mailed to the Authority and to each of the other of said parties.

“Principal Payment Date” means, when used with respect to the Bonds of a Series, those days provided in the related Series Resolution or Supplemental Indenture for the payment of principal thereon.

“Prior Bonds” means the First Indenture Bonds and the Second Indenture Bonds.

“Purchase Price” means the purchase price of Bonds tendered or required to be tendered for purchase pursuant to the Indenture.

“Rating Category” or *“Rating Categories”* means one or more of the generic rating categories of a nationally recognized securities rating agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

“Rebate Fund” means, with respect to a Series of Bonds, the fund of that name created for such Series of Bonds pursuant to the Indenture.

“Refunding Bonds” means Bonds issued under the Indenture to refund, in whole or in part, (a) Bonds, First Indenture Bonds or Second Indenture Bonds of one or more Series or one or more maturities or portions of such maturities within a Series in accordance with the Indenture or (b) other obligations of the Authority.

“Registrar” means, with respect to Bonds of a Series, either the Paying Agent and/or the Tender Agent and/or the agent appointed by the Authority pursuant to the Indenture.

“Reimbursement Agreement” or *“Reimbursement Agreements”* means each reimbursement agreement, if any, between the Authority and a Credit Provider with respect to any Bonds, pursuant to which a Credit Facility is issued for such Bonds by such Credit Provider, and any and all modifications, alterations, amendments and supplements thereto.

“Remarketing Agent” means, with respect to Bonds of a Series, that Person, if any, designated as such by the Board of Directors of the Authority by duly adopted Series Resolution or any successor remarketing agent appointed in accordance with the Indenture and any permitted successor thereto. In the event that more than one Series of Bonds is issued under the Indenture and separate Remarketing Agents are appointed for each such Series, any reference herein to the *“Remarketing Agent”* without further description will mean the Remarketing Agent for such Series of Bonds.

“Reserve Fund” means, with respect to a Series of Bonds, the fund of that name created for such Series of Bonds pursuant to the Indenture.

“Reserve Fund Credit Facility” means any bond insurance policy, surety bond, letter of credit or similar instrument deposited in a Reserve Fund for any Series of Bonds.

“Reserve Fund Credit Provider” means, with respect to any Reserve Fund Credit Facility provided for any Bonds, the Person having an obligation to pay moneys under such Reserve Fund Credit Facility, including obligations contingent upon satisfaction of certain conditions.

“Reserve Fund Requirement” means, as of any date of calculation with respect to any Series of Bonds, the lesser of (a) the amount specified in the related Series Resolution or Supplemental Indenture, which may be zero, or (b) the least of (i) ten percent of the original aggregate principal amount of the Bonds; (ii) 125% of the average annual principal and interest requirements on the Bonds in any Bond Year; or (iii) the maximum annual principal and interest requirements on the Bonds in any Bond Year. The Reserve Fund Requirement with respect to the Series 2017 Bonds is zero.

“Revenue Bond Law” means Official Code of Georgia Annotated Sections 36-82-60 to 36-82-85, as amended from time to time.

“Revenue Fund” means the fund of that name created pursuant to the Indenture.

“S&P” means Standard & Poor's Corporation, a division of The McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, *“S&P”* will be deemed to refer to any other nationally recognized securities rating agency designated by the Authority with the approval of the related Credit Provider and Remarketing Agent, if any, with notice to the Trustee and the related Tender Agent, if any.

“Second Indenture” means the Trust Indenture dated as of March 1, 1993, between the Authority and the Second Indenture Trustee, as amended or supplemented.

“Second Indenture Bonds” means all the outstanding revenue bonds of the Authority issued under the Second Indenture.

“Second Indenture Trustee” means U.S. Bank National Association (as successor to SunTrust Bank (formerly Trust Company Bank)), and its successors and assigns.

“Securities Depository” means any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interest in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Series” means all of the Bonds delivered on a Date of Issue in a simultaneous transaction and designated as being a part of a particular Series, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter delivered in lieu of or in substitution for (but not to refund) such Bonds.

“Series Resolution” means, with respect to Bonds of a Series, the Certified Resolution of the Board of Directors of the Authority authorizing the issuance of the Bonds of such Series under the Indenture and providing for certain provisions of the Bonds of such Series prior to the delivery of such Bonds.

“Series 2004 Notes” means the Series 2004A Notes and the Series 2004B Notes.

“Series 2004A Notes” means the Bond Anticipation Notes of the Authority designated as “Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004A.

“Series 2004B Notes” means the Bond Anticipation Notes of the Authority designated as “Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004B.

“Series 2005A Reserve Fund Requirement” means an amount equal to one-half of the Total Debt Service due in any Bond Year on the Series 2005A Bonds and any other Bonds outstanding and secured by the Series 2005A Reserve Fund.

“Series 2006A Reserve Fund Requirement” means an amount equal to one-half of the Total Debt Service due in any Bond Year on the Series 2006A Bonds and any other Bonds outstanding and secured by the Series 2006A Reserve Fund.

“Series 2007 Notes” means the Series 2007C Notes and the Series 2007D Notes.

“Series 2007A Reserve Fund Requirement” means an amount equal to one-half of the Total Debt Service due in any Bond Year on the Series 2007A Bond and any other Bonds outstanding and secured by the Series 2007A Reserve Fund.

“Series 2007B Reserve Fund Requirement” means an amount equal to one-half of the Total Debt Service due in any Bond Year on the Series 2007B Bond and any other Bonds outstanding and secured by the Series 2007B Reserve Fund.

“Series 2007C Notes” means the Notes of the Authority designated as “Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007C.”

“Series 2007C-1 Notes” shall mean \$101,000,000 aggregate principal amount of Series 2007C Notes issued by the Authority under the initial Program.

“Series 2007C-2 Notes” shall mean the \$99,000,000 aggregate principal amount of Series 2007C Notes issued by the Authority under a new Program.

“Series 2007D Notes” means the Notes of the Authority designated as “Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007D.”

“Series 2007D-1 Notes” shall mean \$124,000,000 aggregate principal amount of Series 2007D Notes issued by the Authority under the initial Program.

“Series 2007D-2 Notes” shall mean the \$76,000,000 of additional Series 2007D Notes that may be issued by the Authority under a new Program.

“Series 2012C-1 Notes” means \$50,000,000 aggregate principal amount of Series 2012C Notes issued by the Authority under the initial Program, as provided for in the Ninth Supplemental Trust Indenture.

“Series 2012D-1 Notes” means \$50,000,000 aggregate principal amount of Series 2012D Notes issued by the Authority under the initial Program, as provided for in the Ninth Supplemental Trust Indenture.

“Series 2013A Bonds” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Refunding Series 2013A.”

“Series 2014A Bonds” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Refunding and New Money Series 2014A.”

“Series 2015A Bonds” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Series 2015A.”

“Series 2015B Bonds” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Series 2015B.”

“*Series 2015C Bonds*” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Refunding Series 2015C.”

“*Series 2016A Bonds*” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Refunding Series 2016A.”

“*Series 2016B Bonds*” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Refunding Series 2016B.”

“*Series 2017A Bonds*” means the Bonds of the Authority designated as “Sales Tax Revenue Bonds (Third Indenture Series), Series 2017A.”

“*Sinking Fund Payment*” means, as of any particular date of calculation and with respect to the Bonds of a Series, the amount required to be paid by the Authority on a certain future date for the retirement of outstanding Bonds of such Series which mature after said future date, but does not include any amount payable by the Authority by reason of the maturity of a Bond or by call for redemption at the option of the Authority.

“*Sixteenth Supplemental Trust Indenture*” means, that certain Sixteenth Supplemental Trust Indenture, dated as of April 1, 2017, by and between the Authority and the Trustee, which supplements the Indenture.

“*State*” means the State of Georgia.

“*Supplemental Indenture*” means an indenture supplementing or modifying the provisions of the Indenture entered into by and between the Authority and the Trustee in accordance with the provisions of the Indenture.

“*System*” has the meaning set forth in the Act.

“*TAVT*” means the “Title Ad Valorem Tax” codified at O.C.G.A. 48-5C-1 et. seq. “Tax Agreement” means with respect to a Series of Tax-Exempt Bonds, the certificate or agreement relating to compliance with certain arbitrage and other provisions of the Code.

“*Tax-Exempt Bonds*” means Bonds of a Series which were accompanied by an opinion of Bond Counsel on the Date of Issue thereof to the effect that the interest on such Bonds was not includable in the gross income of the Owners thereof for federal income tax purposes (except as set forth therein).

“*Tender Agent*” means, with respect to Bonds of a Series, any tender agent appointed by the Authority in accordance with the Indenture.

“*Tenth Supplemental Trust Indenture*” means, that certain Tenth Supplemental Trust Indenture, dated June 1, 2013, by and between the Authority and the Trustee, which supplements the Indenture.

“*Term Rate*” means, with respect to Bonds of a Series, the interest rate to be determined for the Bonds of such Series for a term of three months or any integral multiple thereof pursuant to the Indenture.

“*Third Indenture*” means the Trust Indenture, dated as of October 1, 2003, between the Authority and the Third Indenture Trustee, as amended and supplemented.

“Third Indenture Bonds” means all the outstanding revenue bonds of the Authority issued under the Third Indenture.

“Third Indenture Trustee” means U.S. Bank National Association (as successor to SunTrust Bank), and its successors and assigns.

“Thirteenth Supplemental Trust Indenture” means, that certain Thirteenth Supplemental Trust Indenture, dated as of December 1, 2015, by and between the Authority and the Trustee, which supplements the Indenture.

“Total Debt Service” means, with respect to any particular Bond Year, Debt Service during such Bond Year on all Bonds and Prior Bonds to be outstanding as of the date immediately after the delivery of the Additional Bonds to be issued. For purposes of computing *“Total Debt Service,”* the calculation of “Debt Service” shall include such Additional Bonds

“Trust Estate” means the property conveyed to the Trustee pursuant to the granting clauses of the Indenture (see “THE INDENTURE--Trust Estate”).

“Trustee” means U.S. Bank National Association, and its successors and assigns.

“Twelfth Supplemental Trust Indenture” means, that certain Twelfth Supplemental Trust Indenture, dated as of April 1, 2015, by and between the Authority and the Trustee, which supplements the Indenture.

“Variable Rate” means as the context requires, the Daily, Weekly, Monthly, Quarterly or Term Rate applicable to Bonds of a Series.

THE ORIGINAL INDENTURE

In addition to summaries of the Original Indenture contained elsewhere in this Official Statement, the following is a summary of certain other provisions of the Original Indenture. Reference is hereby made to the actual Original Indenture for a complete recital of its terms.

Trust Estate

In order to secure the payment of the principal of, premium, if any, purchase price, if any, and interest on all Bonds outstanding under the Original Indenture from time to time, to secure the observance and performance by the Authority of all the covenants expressed or implied therein and in such Bonds, and to secure the payment of the obligations of the Authority to any Credit Providers under any Reimbursement Agreements, whether now or hereafter existing, the Authority has pledged and assigned to the Trustee and its successors in trust and assigns forever:

(a) Subject and subordinate in all respects to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and to the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest of the Authority in, to and under the Contract and any revenues received by the Authority pursuant to the TAVT, as each may from time to time have been or be amended or supplemented, including, but not limited to, the payments to be made to the Authority under each of the Contract and the TAVT and the right, power, authority and privilege to enforce the Contract and each and every provision thereof;

(b) All amounts on deposit in the Revenue Fund and with respect to each Series of Bonds, all amounts on deposit in any fund or account established under the Original Indenture with respect to such Series of Bonds, including the earnings thereon (except amounts on deposit in the Bond Purchase Fund or the Rebate Fund); and

(c) Any and all other property of each kind and nature from time to time hereafter pledged or assigned as and for additional security under the Original Indenture by the Authority in favor of the Trustee.

Limited Obligation

The Bonds and interest and premium, if any, thereon and the Purchase Price, if any, of Bonds and any obligation of the Authority under the Original Indenture are payable solely from the Trust Estate.

Terms of Bonds; Credit Facilities

The Original Indenture contains no restrictions on the structure of Bonds issued thereunder. The Authority may issue Bonds under the Original Indenture bearing interest at daily, weekly, monthly, quarterly, term, flexible or fixed rates. In addition, the Authority may issue Bonds which are subject to optional and mandatory tender for purchase. At the option of the Authority, Bonds may be secured by a Credit Facility or an Alternate Credit Facility. The Authority may grant Credit Providers rights under the Original Indenture which are not granted to the Owners of Bonds, including the right to direct remedies upon an Event of Default or to consent to Supplemental Indentures, each without the consent of the Owners of the Bonds. Owners should read this entire Appendix D for a more complete description of the rights which may be granted to Credit Providers.

Authority Covenants

Existence, Coverage, Assignment and Amendment of Contract. The Authority has covenanted and represented in the Original Indenture that the Contract has been duly entered into between and among the City, Fulton and DeKalb; and that no amendment to the Contract which would in any way, directly or indirectly, reduce the payments to be made thereunder, or impose conditions or restrictions on or delays in the making of such payments, or otherwise adversely affect the rights or interests of the Owners will be made or given effect.

Creation of Other Liens and Conveyances of System. The Authority has covenanted and agreed in the Original Indenture that so long as any of the Bonds remain outstanding and unpaid it will not voluntarily create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or other charge having priority to or on a parity with the lien of the Original Indenture upon any sums received under the terms of the Contract, except as provided in the Original Indenture with respect to Additional Bonds (see “Additional Parity Bonds”). The Authority has further covenanted that it will not transfer, convey or otherwise alienate the System or any part thereof necessary for the proper operation of the System, except that it may sell and convey the System as a whole if simultaneously with such conveyance it makes provisions for the payment of all Bonds then outstanding such that such Bonds are deemed to be paid within the meaning of the Original Indenture (see “Defeasance”). The Authority has also covenanted that it will not mortgage or otherwise voluntarily create, or cause to be created, any encumbrance on the System or the revenues thereof except as expressly permitted by the Original Indenture and the First Indenture and not otherwise prohibited by the Act.

The Authority may, however, from time to time, sell, lease, pledge, encumber or otherwise dispose of individual items of real or personal property composing a part of the System which it determines are not necessary or desirable for the proper operation and maintenance of the System or the pledge or encumbrance of which does not materially interfere with the Authority's obligations under the Original Indenture; provided that any such disposition must be in accordance with the Contract.

Notwithstanding anything in the foregoing to the contrary, the Authority may sell or lease (including a lease with a term which exceeds the remaining economic useful life thereof) and lease back the System or any part thereof so long as such sale or lease is permitted by the Contract.

Insurance. The Authority has covenanted in the Original Indenture that so long as any of the Bonds issued thereunder are outstanding, it will carry, or cause to be carried, to the extent available, with a responsible insurance company or companies authorized to do business in Georgia, comprehensive public liability insurance, actuarially sound self-insurance and/or combinations thereof, including bodily injury insurance, on the System (including wrongful death) in a sum not less than \$100,000,000 single limits per occurrence, occurring on the real property on which the System is located or incident to the operation of the System, including the construction of the System in like amounts.

The Authority has also covenanted that it will maintain such reasonable reserves for occupational and non-occupational disability claims as, together with such applicable insurance coverage as may then be in force and effect, will, in the determination of the Authority, be sufficient in amount for the payment of, discharge of, defense against, and final disposition of, any and all occupational and non-occupational disability claims, actions or judgments resulting from any accident or occurrence arising out of or in connection with the construction, operation or control by the Authority of the System. The Authority will carry or cause to be carried with a responsible insurance company or companies authorized to do business in Georgia, a blanket fidelity bond, in an amount consistent with good business practices and in any event not less than \$500,000, on each Person authorized to sign or countersign checks on or otherwise request withdrawals of any of the funds created pursuant to the Original Indenture.

All insurance policies required by the Original Indenture, or copies thereof, will be held by the Trustee and will be open to inspection by Owners or their representatives at all reasonable times.

Additional Parity Bonds

The Authority may issue Bonds on a parity with all outstanding Bonds to refund all or any portion of any Bonds or Prior Bonds if either (i) the Trustee has received a certificate of an Authority Representative (A) setting forth the aggregate amount of Debt Service on the Bonds and the Prior Bonds for the then current and each future Bond Year to and including the Bond Year next preceding the date of the latest maturity of any Bonds then outstanding (1) with respect to Bonds and the First Indenture Bonds of all Series outstanding immediately prior to the date of authentication and delivery of such refunding Bonds, and (2) with respect to the Bonds and Prior Bonds of all Series to be outstanding immediately thereafter, and (B) demonstrate that the amount set forth for each Bond Year pursuant to (2) above is no greater than the amount set forth for such Bond Year pursuant to (1) above, or (ii) all outstanding Bonds (or Prior Bonds, as the case may be) (including Additional Bonds) are being refunded under arrangements which result in the Refunded Bonds being deemed paid under the Original Indenture, the First Indenture or the Second Indenture.

The Authority may also issue Additional Bonds on a parity with the Bonds, if there is filed with the Trustee, among other things:

(1) A certificate of an Authority Representative stating that, based upon reasonable assumptions, the total of all sums and amounts paid pursuant to the Contract and received by the First Indenture Trustee, as long as there are First Indenture Bonds outstanding under the First Indenture or received by the Second Indenture Trustee if there are no First Indenture Bonds outstanding and as long as there are Second Indenture Bonds outstanding under the Second Indenture, and the Trustee in any period of 12 consecutive calendar months out of the 15 calendar months next preceding the authentication and delivery of such Additional Bonds (A) were at least equal to two times the aggregate amount of Total Debt Service of the Bonds and the Prior Bonds during such period, and (B) are at least equal to two times the maximum aggregate amount of Total Debt Service of the Bonds and the Prior Bonds which will become due in any Bond Year, commencing with the Bond Year in which the date of authentication and delivery of such Additional Bonds shall occur;

(2) An opinion of a Consultant setting forth its estimates of the total of all sums and amounts to be paid pursuant to the Contract and received by the First Indenture Trustee, as long as there are First Indenture Bonds outstanding under the First Indenture or received by the Second Indenture Trustee if there are no First Indenture Bonds outstanding as long as there are Second Indenture Bonds outstanding under the Second Indenture, and the Trustee in each Bond Year commencing with the Bond Year in which the date of authentication and delivery of such Additional Bonds occurs and ending with a Bond Year which may be not later than the Bond Year which includes the fifteenth anniversary of the authentication and delivery of such Additional Bonds, provided that in the event that any of the factors referred to in the next succeeding sentences exist, the period for which such estimates are set forth must include the Bond Year next succeeding the Bond Year or Years in which each such factor takes effect. In estimating such sums and amounts to be paid pursuant to the Contract and received by the First Indenture Trustee, as long as there are First Indenture Bonds outstanding under the First Indenture or received by the Second Indenture Trustee if there are no First Indenture Bonds outstanding and as long as there are Second Indenture Bonds outstanding under the Second Indenture, and the Trustee, the Consultant will take into account and reflect, among other things, the following factors: (A) any increase or decrease required or permitted by law and the Contract to be made in the rate of the sales and use tax or other excise tax which is levied pursuant to the Contract and assigned to the Authority for the benefit of the holders of the Prior Bonds and the Bonds, (B) any increase or decrease required or permitted by law to be made in the properties or services which constitute the base on which said sales and use tax or other excise tax is levied, or (C) any other change in the levy or collection of said sales and use tax or other excise tax or any other factor known to the Consultant which might reasonably be expected in the opinion of the Consultant, to have the effect of materially increasing or reducing the sums and amounts to be paid pursuant to the Contract and received by the First Indenture Trustee, as long as there are First Indenture Bonds outstanding under the First Indenture or received by the Second Indenture Trustee if there are no First Indenture Bonds outstanding and as long as there are Second Indenture Bonds outstanding under the Second Indenture, and the Trustee, from that which would be realized if such change or other factor were not to take place; and

(3) A certificate of an Authority Representative showing that the estimates made by the Consultant for each Bond Year set forth pursuant to (2) above and the estimated sums and amounts to be paid pursuant to the Contract and the TAVT and received by the First Indenture Trustee, as long as there are First Indenture Bonds outstanding under the First Indenture or received by the Second Indenture Trustee if there are no First Indenture Bonds outstanding and as long as there are Second Indenture Bonds outstanding under the Second Indenture, and the Trustee in each Bond Year thereafter (which amounts will be calculated for each such Bond Year as an amount equal to the estimate of such sums and amounts for the last Bond Year set forth in

the opinion of the Consultant pursuant to (2) above) are at least equal to two times the aggregate amount of the Total Debt Service of the Prior Bonds which will become due during each corresponding Bond Year.

For the purpose of the certificates described in subparagraphs (1) and (2) above, in computing the aggregate amount of interest coming due in any Bond Year there will be deducted for any such Bond Year the amount of interest due in such Bond Year which is to be paid from Bond proceeds.

Other Obligations; Subordinate Indebtedness

The Authority has reserved the right to issue additional obligations payable from any or all of the revenues of the Authority on a parity with, or subordinate in lien to, the lien on the Trust Estate pledged under the Original Indenture, and any indenture or resolution securing such additional obligations may provide for their payment from any revenues of the System not required to be paid into the Bond Fund under the Original Indenture or not otherwise obligated under other obligations of the Authority, or, if payable from the amounts required to be deposited into the Revenue Fund, must meet the requirements for parity obligations set forth in the Original Indenture or are subordinate and junior in all respects to any Bonds issued under the Original Indenture. Furthermore, the Authority may purchase equipment trust certificates therefor as provided in Section 11 of the Act and such obligations will be payable as provided in Section 11 but must meet the requirements of the Original Indenture or must be junior and subordinate in all respects to the rights of the Owners of the Bonds with respect to payments made under the Contract and the TAVT.

Revenues and Funds

Funds and Accounts. The Original Indenture establishes the following Funds and Accounts to be held by the Trustee:

- (1) a Revenue Fund;
- (2) a Construction Fund with respect to each Series of Bonds, in which will be created a Cost of Issuance Account;
- (3) a Bond Fund with respect to each Series of Bonds, in which will be created:
 - (i) an Interest Account,
 - (ii) a Credit Facility - Interest Account,
 - (iii) a Principal Account, and
 - (iv) a Credit Facility - Principal Account;
- (4) a Reserve Fund with respect to each Series of Bonds; and
- (5) a Rebate Fund with respect to each Series of Bonds.

The Original Indenture also creates a Bond Purchase Fund with respect to each relevant Series of Bonds bearing interest at a Short-Term Rate or Term Rate to be held by a Tender Agent, and which will be applied as provided in the Original Indenture.

Moneys To Be Held In Trust. All moneys required to be deposited with or paid to the Trustee for deposit into the Bond Fund (or account or accounts therein) or the Reserve Fund (or account or accounts therein) under any provision of the Original Indenture or of a Series Resolution or Supplemental Indenture, and all moneys withdrawn from the Bond Funds (or account or accounts therein) or the Reserve Fund (or account or accounts therein) and held by the Trustee, will be held by the Trustee, in trust, and such moneys (other than moneys held in the Rebate Fund or the Bond Purchase Fund) will, while so held, constitute part of the Trust Estate and be subject to the lien of the Original Indenture and will not be subject to lien or attachment by any creditor of the Authority. Moneys held for the payment of the Purchase Price of Bonds pursuant to the Original Indenture will not constitute part of the Trust Estate.

Revenue Fund. All Existing Contract payments received by the Trustee from the Second Indenture Trustee by the Fiscal Division will be deposited in the Revenue Fund. All Clayton Contract and TAVT payments received by the Trustee will be deposited in the Revenue Fund. Amounts on deposit in the Revenue Fund will be applied by the Trustee at least monthly for the following purposes in the following order of priority:

(i) to the respective accounts in the Bond Fund (A) for the payment of the principal of, premium, if any, and interest due on the Bonds or (B) to reimburse any Credit Provider for amounts paid under a Credit Facility for payment of the principal of, premium, if any, and interest due on Bonds or (C) to pay Hedge Payments or (D) to pay certain fees and expenses of the Trustee and Paying Agent as described in the Original Indenture;

(ii) to the respective accounts in the Reserve Fund, to make up any deficiency in the Reserve Fund Requirement therein and to pay any amounts due and owing to a Reserve Fund Credit Facility provider;

(iii) to the respective accounts in the Rebate Fund, the amounts required to be deposited therein under any Tax Agreement;

(iv) to such other fund, account or purpose as may be specified by the Authority in a Series Resolution or Supplemental Indenture or in a Certified Resolution; and

(v) to the General Fund of the Authority to be used for any purpose permitted by law.

The Authority has reserved the right to make additional deposits into the Revenue Fund (including any account therein) from any lawfully available source, including, but not limited to, the proceeds of Refunding Bonds or of gifts, grants (whether governmental or private) or operating or other revenues.

Amounts to be transferred to the General Fund as described in subparagraph (v) above, and amounts remaining or subsequently deposited in the Revenue Fund after the deposits and transfers described above have been made and after payment of certain fees and expenses will be so transferred to the General Fund at least monthly.

To the extent there are insufficient amounts paid to the Trustee for the purposes described in subparagraphs (i) or (ii) above, such amounts will be applied pro rata among all outstanding Series of Bonds according to the respective amounts of Debt Service on such Series of Bonds accrued through the end of the current month.

Bond Fund. In addition to the amounts described under “*Revenue Fund*” to be deposited into the Bond Fund, there will also be deposited into the Bond Fund from time to time the following:

(i) all accrued interest with respect to Bonds of a Series, if any, and all capitalized interest with respect to Bonds of a Series financed with the proceeds of such Bonds will be deposited into the Interest Account for such Series within the Bond Fund; and

(ii) all other moneys received by the Trustee, including any amounts transferred by the Authority from its general operating account, under and pursuant to any of the provisions of the Original Indenture or Tax Agreements, when accompanied by directions that such moneys are to be paid into the Bond Fund.

Amounts on deposit in the Principal Account in the Bond Fund will be used to pay the principal of and premium, if any, on the Bonds, and amounts on deposit in the Interest Account in the Bond Fund will be used to pay the interest on the Bonds, in each event, subject to the provisions of the Original Indenture and the Tax Agreements.

Amounts on deposit in the Credit Facility - Principal Account will be used to pay the principal of and premium, if any, on the Bonds, and amounts on deposit in the Credit Facility - Interest Account in the Bond Fund will be used to pay interest on the Bonds, in each event subject to the provisions of the Original Indenture and the Tax Agreements.

After application as described above, the Trustee will retain from each monthly payment in a subaccount in the Bond Fund the aggregate of the following amounts:

(i) an amount sufficient to pay the charges and expenses of the Trustee and all fees and charges of the Paying Agent theretofore incurred and which will fall due on or prior to the next succeeding Interest Payment Date, and

(ii) such additional amount or amounts as the Authority may direct by Certified Resolution or by written order signed by an Authorized Authority Representative.

Such moneys retained in the Bond Fund by the Trustee will be used solely for the payment of the fees, charges and expenses of the Paying Agent and the Trustee.

Priority of Sources of Payment of Bonds. Funds for the payments of the principal of, premium, if any, and interest on Bonds of a Series will be derived from the following sources in the order or priority indicated:

(i) if applicable, from amounts on deposit in the Credit Facility Fund with respect to Bonds of a Series which is a direct-pay obligation (*i.e.*, which provides for draws thereunder prior to the payment of other available amounts);

(ii) from moneys paid into the Bond Fund from the Revenue Fund or otherwise as provided in the Original Indenture which will be applied to the payment of interest on the related Series of Bonds;

(iii) from all other amounts on deposit in the Bond Fund;

(iv) from the account in the Construction Fund established with respect to the related Series of Bonds;

(v) from amounts in the Reserve Fund; and

(vi) from amounts realized by the Trustee under any Credit Facility with respect to Bonds of a Series which is not a direct-pay obligation.

Reserve Fund. The Authority may create and establish with the Trustee a Reserve Fund and accounts therein or separate Reserve Funds with respect to any or all Series of Bonds issued under the Original Indenture as provided in the related Series Resolution or Supplemental Indenture including provisions allowing the Authority to meet any funding obligations with respect to such Reserve Fund by substituting a Reserve Fund Credit Facility for all or a part of the amounts required to be maintained in such Reserve Fund.

Rebate Fund; Rebate Requirement. A separate account in the Rebate Fund will be established with respect to each Series of Tax-Exempt Bonds which will be held and applied to satisfy the rebate requirements of Section 148 of the Code.

Moneys Remaining in Funds. Any amounts remaining in any funds and accounts established pursuant to the Original Indenture for a Series of Bonds or established under the Original Indenture after payment of the applicable Series of Bonds and reimbursement of the Credit Provider, if any, for any drawings on or payments under any applicable Credit Facility which were used to pay principal, premium, if any, or interest on such Bonds, the fees and expenses of the Trustee, the Paying Agent, the Authenticating Agent, the Registrar and all other amounts required to be paid under the Original Indenture and after repaying all amounts owed to the Credit Provider, if any, as a result of any draws on any Credit Facility and all other amounts required to be paid under the Original Indenture and under any applicable Reimbursement Agreement will be paid to the Authority; provided, however, such remaining amounts will be applied pro rata to any other Series of Bonds with respect to which amounts described in this paragraph are due and owing before any payment is made to the Authority.

Investments. Any moneys held as part of the Revenue Fund or a Bond Fund (or account therein) or a Reserve Fund will be invested and reinvested by the Trustee at the written direction of the Authority in Permitted Investments in accordance with the provisions of the Tax Agreements; provided, however, that moneys realized from any Credit Facility must be held uninvested or invested in Government Obligations maturing not later than the earlier of 30 days or the date needed for payment. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the fund or account or subaccount for which they were made. Moneys held for the payment of the Purchase Price of Bonds, or the payment of Bonds which have not been presented for payment by the Owners thereof, will be held uninvested or invested in Government Obligations maturing not later than the earlier of 30 days or the date needed for payment.

The Trustee may make any and all investments permitted by the Original Indenture through its own bond department. The Trustee shall not be liable for any decreases or declines in the value of any investments.

Non-Presentation of Bonds

If any Bond is not presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof or in the event any interest or premium payment thereon is unclaimed, if moneys sufficient to pay such Bond or interest or premium have been deposited in the related Bond Fund (or account therein), all liability of the Authority to the Owner thereof for the payment of such Bond or interest will forthwith cease, determine and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bond, who thereafter will be restricted exclusively to such moneys for any claim of whatever nature on his part under the Original Indenture or on, or with respect to, said

Bond. Subject to applicable law, any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds or such interest or premium, if any, within one year after the date on which the same became due will be paid by the Trustee to the Credit Provider, if any, to the extent of any moneys then due and owing to a Credit Provider under a related Reimbursement Agreement, and then to the Authority upon the written direction of an Authority Representative, and thereafter Owners will be entitled to look only to the Authority for payment, and then only to the extent of the amount so repaid to the Credit Provider and the Authority, and the Authority will not be liable for any interest thereon and will not be regarded as a trustee of such moneys and the Trustee will have no further responsibility with respect to such moneys.

Events of Default; Remedies

Defaults; Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Original Indenture:

(a) Failure to make payment of any installment of interest upon any Bond when the same becomes due and payable;

(b) Failure to make due and punctual payment of the principal of and premium, if any, on any Bond at the stated maturity thereof, or upon redemption thereof or upon the maturity thereof by declaration;

(c) The Trustee receives written notice from a Credit Provider that an “Event of Default” has occurred and is continuing under its Reimbursement Agreement with respect to a Series of Bonds and directing the Trustee to declare the principal of all Bonds of the related Series then outstanding and the interest accrued thereon to the date of such declaration immediately due and payable;

(d) At any time while a Credit Facility or Alternate Credit Facility constituting a letter of credit is in effect with respect to the Bonds of such Series, written notice of nonreinstatement of amounts drawn under such Credit Facility to pay interest on such Bonds or the interest portion of the Purchase Price thereof is given by the Credit Provider thereof to the Trustee within the time specified in the Credit Facility or the related Series Resolution or Supplemental Indenture;

(e) The Authority defaults in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds, in the Original Indenture or in the related Series Resolution on its part to be performed, and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied has been given to the Authority by the Trustee (which may give such notice whenever it determines that such a default is subsisting and must give such notice at the written request of the Owners of not less than 25% in principal amount of the Bonds then outstanding);

(f) If the Authority institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code or any other similar applicable federal or state law, or consents to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

(g) Any sum payable to the Authority under the terms of the Contract is attached or taken in custody under any court process;

(h) Any of the Participating Local Governments defaults in the making of the payments under the Contract, whether voluntarily or involuntarily; or any of said governments is enjoined or otherwise prevented from collecting the moneys necessary to make said payments; or the State Revenue Commissioner fails diligently to collect and apply the sales and use tax levied pursuant to the Act or to promptly pay the sales tax moneys collected by him to the Fiscal Division under Section 25(d) of the Act; or the Fiscal Division fails to cause the said moneys to be credited to the special fund established by said Section 25(d); or the Fiscal Division voluntarily or involuntarily, fails to pay to the Authority (at the office of the First Indenture Trustee or the Second Indenture Trustee or the Trustee, as the case may be) the amounts in said fund in accordance with Section 2(c) of the Contract and the Original Indenture; or the Contract is held void or unenforceable in any respect material to the security of the Bonds; or for any other reason the Contract, amended only as in the Original Indenture permitted, is not performed by each and every party thereto strictly in accordance with its terms, insofar as material to the interests of the Owners; or

(i) The occurrence and continuation of an Event of Default under the First Indenture; or

(j) The occurrence and continuation of an Event of Default under the Second Indenture.

Acceleration. Upon the occurrence of an Event of Default described in subparagraphs (c) or (d) above, the Trustee will, with respect to the Bonds of the Series as to which such Event of Default has occurred, and upon the occurrence of any other Event of Default described above, the Trustee may, and upon the written request of the Owners of more than 25% in aggregate principal amount of all Bonds then outstanding or the Credit Provider with respect to any Series of Bonds must, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon to the date of such declaration immediately due and payable, and such principal and interest will thereupon become and be immediately due and payable. Upon any such declaration, the Trustee will declare all indebtedness payable under the Original Indenture to be immediately due and payable and may exercise and enforce such rights as exist under the Original Indenture. The above provisions are subject to waiver, rescission and annulment as provided in the Original Indenture.

Remedies; Rights of Owners. Upon the occurrence and continuation of an Event of Default, the Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the related Bonds then outstanding, and to realize upon any Credit Facility or Alternate Credit Facility then in effect, and to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Original Indenture or for the specific performance of any covenant or agreement contained in the Contract, in written direction to the First Indenture Trustee or the Second Indenture Trustee required by the Original Indenture or in the Act.

If an Event of Default occurs and is continuing and if requested to do so by the Owners of not less than 25% in aggregate principal amount of Bonds then outstanding and indemnified as provided in the Original Indenture, the Trustee is obliged to exercise such one or more of the rights and powers conferred by the Original Indenture as the Trustee being advised by Counsel may deem most expedient in the interests of the Owners.

No remedy by the terms of the Original Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy is

cumulative and is in addition to any other remedy given to the Trustee or to the Owners under the Original Indenture or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right, power or remedy accruing upon any Event of Default will impair any such right, power or remedy or be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default, whether by the Trustee or by the Owners, will extend to or affect any subsequent Event of Default or impair any rights or remedies consequent thereon.

Right of Owners to Direct Proceedings. Anything in the Original Indenture to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Original Indenture, or for the appointment of a receiver or any other proceedings under the Original Indenture; provided, that such direction may not be otherwise than in accordance with the provisions of law and of the Original Indenture and the Trustee must be indemnified to its satisfaction against the costs, expenses and liabilities to be incurred thereby.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Original Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and its Counsel, be deposited in the Revenue Fund and will be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Bonds, without preference or priority of any kind, ratably, according to the amounts due and payable on such Bonds for principal, premium, if any, and interest, respectively, to the persons entitled thereto without any discrimination or privilege, without preference or priority of any kind, ratably, according to the amounts due and payable on such Bonds for principal, premium, if any, and interest, respectively, to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the Original Indenture as described herein, such moneys will be applied at such times, and from time to time, as the Trustee may determine. Whenever the Trustee applies such moneys, it will fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Rights and Remedies of Owners. No Owner of any Bond has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Original Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (i) a default has occurred of which the Trustee is deemed to have notice or has been notified as provided in the Original Indenture, (ii) such default has become an Event of Default and is continuing, (iii) the Owners of more than 25% in aggregate principal amount of the Bonds then outstanding have made written request to the Trustee either to proceed to exercise the powers granted in the Original Indenture or to institute such action, suit or proceeding in its own name, and have offered to the Trustee indemnity as provided in the Original Indenture, and (iv) the Trustee, for 60 days after such notice, request and offer of indemnity, has failed or refused to exercise the powers granted in the Original Indenture, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are in every case at the option of the Trustee conditions precedent to the execution of the powers and trusts of the Original

Indenture, and to any action or cause of action for the enforcement of the Original Indenture, or for the appointment of a receiver or for any other remedy thereunder. No one or more Owners of the Bonds have any right in any manner whatsoever to enforce any right under the Original Indenture except in the manner therein provided, and all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Original Indenture and for the benefit of the Owners of the Bonds then outstanding in accordance with the priorities provided in the Original Indenture. Nothing contained in the Original Indenture, however, will affect or impair the right of any Owner to enforce the payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof.

Supplemental Indentures

Without Owner Consent. The Authority and the Trustee may, without the consent of, or notice to, any of the Owners but with notice to (but not consent of) each Credit Provider, enter into an indenture or indentures supplemental to the Original Indenture for any one or more of the following purposes:

- (a) to add to the covenants and agreements of, and limitations and restrictions upon, the Authority in the Original Indenture, other covenants, agreements, limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Original Indenture as theretofore in effect;
- (b) to grant to or confer or impose upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Original Indenture as theretofore in effect;
- (c) to cure any ambiguity or omission or to cure, correct or supplement any defective provision of the Original Indenture, in each case in such manner as will not adversely affect the Owners or any Credit Provider;
- (d) to evidence the appointment of any agent of the Trustee pursuant to the Original Indenture or a separate Trustee or a co-trustee or to evidence the succession of a new Trustee under the Original Indenture;
- (e) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;
- (f) to subject to the Original Indenture additional revenues, properties or collateral;
- (g) to conform to or permit compliance with the terms and provisions of any Credit Facility or Alternate Credit Facility, including the sources, priorities and retentions of funds as contemplated by the Original Indenture;
- (h) to qualify any series of Bonds for a rating by Moody's, S&P or Fitch in the Rating Category assigned at such time by such rating agency to obligations of political subdivisions or similar issuers supported by any Credit Facility then in effect or to make revisions required by the rating agency then rating the Bonds to maintain an investment grade rating;
- (i) to modify, delete or supplement any provision, term or requirement relating to the Tax-Exempt Bonds to the extent deemed necessary or desirable further to protect or assure the exclusion from federal gross income of interest on such Bonds;

(j) to provide for the issuance of any or each Series of Bonds pursuant to the provisions of the Original Indenture;

(k) to add to the System as defined in the Original Indenture further legally authorized transportation and related facilities as authorized from time to time by the Act and the Contract; or

(l) to modify, alter, amend or supplement the Original Indenture in any other respect which is not materially adverse to the Owners or any Credit Provider and which does not involve a change described in subparagraphs (a), (b), (c), (d) or (e) under “*Consent of Owners and Credit Providers Required*” and which, in the judgment of the Trustee, is not to the prejudice of the Trustee.

(m) to discontinue or provide for changes to or from the Book-Entry System.

Prior to execution of any such supplemental indenture, the Trustee must receive a Favorable Opinion of Bond Counsel.

Consent of Owners and Credit Providers Required. Exclusive of supplemental indentures described under the immediately preceding caption, and subject to the terms and provisions of the Original Indenture, each Credit Provider and the Owners of not less a majority of aggregate principal amount of Bonds then outstanding will have the right, from time to time, anything contained in the Original Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Original Indenture for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein; provided, however, that nothing will permit or be construed to permit, without the consent of each Credit Provider and the Owners of all Bonds outstanding, (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of, or premium, if any, on any Bond or the rate of interest thereon, or (c) an adverse change in the rights of the Owners of the Bonds to demand the purchase thereof pursuant to the Original Indenture, or (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such supplemental indenture; provided, further, however, a Credit Provider and the Owners of the Bonds secured by the related Credit Facility may agree that such Credit Provider may act on behalf of such Owners without the consent of the Owners of such Bonds so long as such Credit Facility is in full force and effect.

If at any time the Authority requests the Trustee to enter into any such supplemental indenture for any of the purposes described in the preceding paragraph, the Trustee will cause notice of the proposed execution of such supplemental indenture to be delivered to each Credit Provider and to be mailed to affected Owners in substantially the manner provided in the Original Indenture with respect to redemption of Bonds, briefly setting forth the nature of the proposed supplemental indenture and stating that copies thereof are on file at the Principal Office of the Trustee for inspection by all affected Owners. If, within 60 days or such longer period of time as may be prescribed by the Authority following the mailing of such notice, each Credit Provider and the Owners of not less than a majority of aggregate principal amount of Bonds then outstanding or the Owners of all Bonds then outstanding, as the case may be, at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Original Indenture, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such

supplemental indenture, the Original Indenture will be and be deemed to be modified and amended in accordance therewith.

The Trustee must receive a Favorable Opinion of Bond Counsel with respect to any such supplemental indenture.

Defeasance

Discharge of Indebtedness. If the Authority (a) pays or causes to be paid, or is otherwise paid or provision for payment is made to or for the Owners of the Bonds of the principal, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and the Purchase Price thereof, (b) keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Original Indenture expressed as to be kept, performed and observed by it or on its part, and (c) pays or causes to be paid to the Trustee and any Credit Provider all sums of money due or to become due according to the provisions of the Original Indenture and any related Reimbursement Agreement, then the Original Indenture and the liens, rights and interests created thereby will cease, determine and become null and void (except as to any surviving rights of payment, registration, transfer or exchange of Bonds provided for in the Original Indenture and except that the rights and obligations of the Trustee under the Tax Agreements will also continue), and thereupon the Trustee will cancel and discharge the Original Indenture, and execute and deliver to the Authority such instruments in writing as may be requisite to discharge the Original Indenture, and release, assign and deliver to the Authority any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee or otherwise subject to the Original Indenture, except any amounts in the Bond Fund required to be paid to the Authority or any Credit Provider and any Tender Agent and except moneys or securities held by the Trustee for the payment of the principal of, premium, if any, and interest on, and Purchase Price of, the Bonds and except any Credit Facility which will be returned to the Credit Provider thereof for cancellation.

Any Bond or Authorized Denomination thereof will be deemed to be paid within the meaning of the Original Indenture when (a) payment of the principal of and premium, if any, on such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust exclusively for such payment on such due date (A) moneys sufficient to make such payment and/or (B) noncallable Government Obligations maturing as to the principal and interest in such amount and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit have been paid or the payment thereof provided for to the satisfaction of the Trustee and (c) with respect to any Bonds secured by a Credit Facility, the Authority shall have given to the Trustee in form satisfactory to the Trustee an opinion of nationally recognized Counsel experienced in bankruptcy matters, which opinion shall be satisfactory to the rating agency then providing the rating for such Bonds (if any), to the effect that the application of such moneys will not constitute a voidable preference in the event of the occurrence of a filing of a petition in bankruptcy by or against the Authority or the commencement of proceedings by or against the Authority under the Bankruptcy Code. At such times as a Bond or Authorized Denomination thereof is deemed to be paid under the Original Indenture, such Bond or Authorized Denomination thereof will no longer be secured by or entitled to the benefits of the Original Indenture. Each deposit described in clause (a)(ii)(B) above must be accompanied by (x) a Favorable Opinion of Bond Counsel and (y) a certificate, letter or report from an independent public accountant (who may be the independent public accountant for the Authority) to the effect that the Government Obligations on deposit will mature as to principal and interest in such amount and at such time as will,

together with any moneys on deposit, insure the availability of sufficient moneys to make the specified payments of principal of, and premium, if any, and interest on the Bonds to which such deposit relates.

Notwithstanding the foregoing paragraph, in the case of a Bond or Authorized Denomination thereof which by its terms may be tendered for purchase, no such due date in connection with a deposit described in clause (a)(ii) of the foregoing paragraph may be after the earliest date upon which such Bond may be tendered for purchase. Notwithstanding the foregoing paragraph, in the case of a Bond or Authorized Denomination thereof which by its term may be redeemed prior to the stated maturity thereof, no deposit as described in clause (a)(ii) of the immediately preceding paragraph will be deemed a payment of such Bond or Authorized Denomination thereof as aforesaid until: (a) proper notice of redemption of such Bond or Authorized Denomination thereof has been given in accordance with the Original Indenture, or in the event said Bond or Authorized Denomination thereof is not to be redeemed within the next succeeding 60 days, until the Authority has given the Trustee irrevocable instructions to notify, as soon as practicable, the Owner of such Bond or Authorized Denomination thereof in accordance with the Original Indenture, that the deposit described in clause (a)(ii) above has been made with the Trustee and that said Bond or Authorized Denomination thereof is deemed to have been paid in accordance with the Original Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable premium, if any, on said Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof, or (b) the maturity of such Bond or Authorized Denomination thereof.

Notwithstanding any provision of any other Article of the Original Indenture which may be contrary to the provisions of the Original Indenture described under this caption, all moneys or noncallable Government Obligations set aside and held in trust pursuant to the provisions of the Original Indenture described herein for the payment of Bonds or authorized denominations thereof (including interest and premium thereon, if any) must be applied to and used solely for the payment of the particular Bonds or authorized denominations thereof (including interest and premium thereon, if any) with respect to which such moneys and Government Obligations have been so set aside in trust.

Payment of Bonds After Discharge. Notwithstanding the discharge of the lien of the Original Indenture as described above, the Trustee nevertheless will retain such rights, powers and duties thereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided therein.

Termination of Authority's Liability. Upon the cancellation and discharge of the Original Indenture as provided therein, or upon the deposit with the Trustee of sufficient moneys or Government Obligations (such sufficiency being determined as provided in the Original Indenture) for the retirement of any particular Bond or Bonds, all liability of the Authority in respect of such Bond or Bonds will cease, determine and be completely discharged and the Owners thereof will thereafter be entitled only to payment out of the money and the proceeds of the Government Obligations deposited with the Trustee as aforesaid for their payment.

Books, Records and Financial Statements. Under the Original Indenture, the Authority shall at all times maintain proper books and records in which all receipts and revenues and disbursements and expenses are recorded in conformity with generally accepted accounting principles and which will comply with Section 16 of the Act. The Authority further covenants that within 180 days after the close of each fiscal year, it shall cause an audit to be completed of its financial statements for the preceding fiscal year by an independent certified public accountant. Such financial statements shall be prepared in conformity with generally accepted accounting principles and with generally accepted auditing standards. Copies of such audited financial statements shall be furnished to the Participating Local Governments upon request by such Persons. The Authority will also furnish to the Trustee a letter from the

independent certified public accountant as to any default by the Authority in the performance or the fulfillment of any financial covenant, agreement or condition contained in the Original Indenture, which default remains uncured at the date of such letter, specifying in such letter such default or defaults and the nature thereof, it being understood that such independent certified public accountant shall not be liable directly or indirectly for failure to obtain knowledge of any such default or defaults.

THE FIRST SUPPLEMENTAL TRUST INDENTURE

The Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004A and the Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Bond Anticipation Notes (Third Indenture Series), Series 2004B were defeased on September 25, 2007, by proceeds of the Series 2007B Bonds. For purposes of the Indenture, no Series 2004 Notes remain outstanding.

THE SECOND SUPPLEMENTAL TRUST INDENTURE

The Series 2006A Bonds

Establishment of Accounts and Subaccounts. Pursuant to the Indenture, the Second Supplemental Trust Indenture establishes within the Funds and Accounts established under the Indenture, the following Accounts:

- (1) In the Construction Fund:
 - (A) Series 2006A Bonds Capital Account.
 - (B) Series 2006A Bonds Cost of Issuance Account.
- (2) In the Bond Fund:
 - (A) Series 2006A Bonds Interest Account.
 - (B) Series 2006A Bonds Principal Account.
- (3) In the Series 2006A Reserve Fund:
 - (A) Series 2006A Reserve Account.

Establishment of the Series 2006A Reserve Fund. Pursuant to the Indenture, the Authority has established a Reserve Fund with respect to the Series 2006A Bonds to be held by the Trustee and applied as provided in the Indenture. There will be deposited into the Series 2006A Reserve Fund an amount equal to the Series 2006A Reserve Fund Requirement and other amounts transferred, if any, to the Series 2006A Reserve Fund pursuant to the Indenture. The Authority may, in accordance with a Series Resolution or Supplemental Indenture, elect to extend the benefits of the Series 2006A Reserve Fund to any other Bonds issued under the Indenture so long as the Reserve Fund Requirement for those Bonds is the same as the Series 2006A Reserve Fund Requirement. Upon the issuance of any other Bonds that the Authority elects to be secured by the Series 2006A Reserve Fund, the Authority will cause amounts to be deposited in the Series 2006A Reserve Fund sufficient to satisfy the Series 2006A Reserve Fund Requirement for such Bonds and the Series 2006A Bonds.

Use of Moneys in the Series 2006A Reserve Fund.

(a) Moneys on deposit in the Series 2006A Reserve Fund will be transferred to the appropriate account in the Bond Fund relating to the Series 2006A Bonds or any other Series of Bonds secured thereby without any direction from the Authority (i) on any Interest Payment Date or Principal Payment Date for such Bonds to the extent amounts on deposit in such Bond Fund or Funds are insufficient to pay the principal of or interest due on such Bonds on such date and, if the related Bonds are secured by a Credit Facility, to reimburse the Credit Provider for amounts paid under the Credit Facility for payment of the principal of or interest due on such Bonds and (ii) used to reimburse each Reserve Fund Credit Provider for amounts drawn under the related Reserve Fund Credit Facility, if any. Moneys on deposit in the Series 2006A Reserve Fund will be transferred to the Bond Fund or Funds relating to the same Bonds at the direction of the Authority for the purpose of paying the last maturing principal of such Bonds on a Principal Payment Date or if the related Supplemental Indenture or Series Resolution regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments) for redemption of such Series of Bonds. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Series 2006A Reserve Fund and it is necessary to use money in the Series 2006A Reserve Fund to satisfy a deficiency in the applicable Bond Fund, the Trustee will first use any moneys or securities on deposit in the Series 2006A Reserve Fund to satisfy such deficiency and second, draw on the Reserve Fund Credit Facility or Reserve Fund Credit Facilities in a timely manner and pursuant to the terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility will be deposited in the applicable Bond Fund and the applicable account or accounts therein. Any moneys or securities transferred to replenish the Series 2006A Reserve Fund following a withdrawal from the Series 2006A Reserve Fund will be used first to reimburse the Reserve Fund Credit Provider for amounts drawn on the related Reserve Fund Credit Facility and second to replenish any moneys or securities withdrawn from the Series 2006A Reserve Fund. If more than one Reserve Fund Credit Facility is on deposit in the Series 2006A Reserve Fund, any draws on such Reserve Fund Credit Facilities will be pro-rata and any reimbursement will be pro-rata, but only to the extent the Reserve Fund Credit Providers honored such draws.

(b) Moneys in the Series 2006A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) will at all times be maintained in an aggregate amount not less than the Series 2006A Reserve Fund Requirement. During any period when the amount on deposit in the Series 2006A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) is less than the Series 2006A Reserve Fund Requirement, all income from the investment of moneys in the Series 2006A Reserve Fund will be retained therein, and the Authority will restore any remaining deficiency from the first available amounts paid under the Contract transferred in the order of priority described in the Indenture.

(c) If at any time the amount on deposit in the Series 2006A Reserve Fund exceeds the Series 2006A Reserve Fund Requirement, the Trustee will, at the direction of the Authority, transfer the amount by which the amount of money on deposit in the Series 2006A Reserve Fund exceeds the Series 2006A Reserve Fund Requirement to the related Bond Fund, if the Authority's direction is accompanied by a Favorable Opinion of Bond Counsel to the effect that such transfer will not adversely affect the excludability from gross income of the Owners of the interest on Tax-Exempt Bonds.

(d) In lieu of making a deposit to the Series 2006A Reserve Fund in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2006A Reserve Fund, the Authority may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Government Obligations or other Reserve Fund Credit Facilities on deposit in the Series 2006A Reserve Fund, equals or exceeds the Series 2006A Reserve Fund Requirement. Prior to the substitution of a Reserve Fund Credit Facility for moneys, Government Obligations or other Reserve Fund Credit

Facilities, the Authority will deliver to the Trustee each of the following: (i) an opinion of Counsel to the effect that the Reserve Fund Credit Facility is a valid and binding obligation of the provider of such Reserve Fund Credit Facility, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (ii) an opinion of Bond Counsel to the effect that the substitution of such Reserve Fund Credit Facility and the application of moneys and Government Obligations then on deposit in the Series 2006A Reserve Fund in and of itself, will not adversely affect the exclusion from gross income of the Owners thereof of interest on the Tax-Exempt Bonds; and (iii) written confirmation from Moody's, if the related Bonds are rated by Moody's, from S&P, if the related Bonds are rated by S&P and from Fitch if the related Bonds are rated by Fitch, that such substitution, in and of itself, will not adversely affect the existing ratings of the related Bonds. At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority will either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (d) or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee will deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee will immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in the Indenture, so that an amount equal to the Series 2006A Reserve Fund Requirement is on deposit in the Reserve Fund at all times. A deficiency will be deemed to exist with respect to the Series 2006A Reserve Fund Requirement so long as there has been a draw on the Reserve Fund Credit Facility and the issuer of the Reserve Fund Credit Facility has not been reimbursed in accordance with the terms of the Reserve Fund Credit Facility.

THE THIRD SUPPLEMENTAL TRUST INDENTURE

The Series 2005A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Third Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2005A Construction Fund:
 - (A) Cost of Issuance Account.
- (2) The Series 2005A Bond Fund:
 - (A) Interest Account.
 - (B) Principal Account.
- (3) The Series 2005A Reserve Fund.

Establishment of the Series 2005A Reserve Fund. Pursuant to the Indenture, the Authority has established a Reserve Fund with respect to the Series 2005A Bonds to be held by the Trustee and applied as provided in the Indenture. There will be deposited into the Series 2005A Reserve Fund an amount equal to the Series 2005A Reserve Fund Requirement and other amounts transferred, if any, to the Series 2005A Reserve Fund pursuant to the Indenture. The Authority may, in accordance with a Series Resolution or Supplemental Indenture, elect to extend the benefits of the Series 2005A Reserve Fund to any other Bonds issued under the Indenture so long as the Reserve Fund Requirement for those Bonds is

the same as the Series 2005A Reserve Fund Requirement. Upon issuance of any other Bonds that the Authority elects to be secured by the Series 2005A Reserve Fund, the Authority will cause amounts to be deposited in the Series 2005A Reserve Fund sufficient to satisfy the Series 2005A Reserve Fund Requirement for such Bonds and the Series 2005A Bonds.

Use of Money in the Series 2005A Reserve Fund.

(a) Moneys on deposit in the Series 2005A Reserve Fund will be transferred to the appropriate account in the Bond Fund relating to the Series 2005A Bonds or any other Series of Bonds secured thereby without any direction from the Authority (i) on any Interest Payment Date or Principal Payment Date for such Bonds to the extent amounts on deposit in such Bond Fund or Funds are insufficient to pay the principal of or interest due on such Bonds on such date and, if the related Bonds are secured by a Credit Facility, to reimburse the Credit Provider for amounts paid under the Credit Facility for payment of the principal of or interest due on such Bonds and (ii) used to reimburse each Reserve Fund Credit Provider for amounts drawn under the related Reserve Fund Credit Facility, if any. Moneys on deposit in the Series 2005A Reserve Fund will be transferred to the Bond Fund or Funds relating to the same Bonds at the direction of the Authority for the purpose of paying the last maturing principal of such Bonds on a Principal Payment Date or if the related Supplemental Indenture or Series Resolution regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments) for redemption of such Series of Bonds. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Series 2005A Reserve Fund and it is necessary to use money in the Series 2005A Reserve Fund to satisfy a deficiency in the applicable Bond Fund, the Trustee will first use any moneys or securities on deposit in the Series 2005A Reserve Fund to satisfy such deficiency and second, draw on the Reserve Fund Credit Facility or Reserve Fund Credit Facilities in a timely manner and pursuant to the terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility will be deposited in the applicable Bond Fund and the applicable account or accounts therein. Any moneys or securities transferred to replenish the Series 2005A Reserve Fund following a withdrawal from the Series 2005A Reserve Fund will be used first to reimburse the Reserve Fund Credit Provider for amounts drawn on the related Reserve Fund Credit Facility and second to replenish any moneys or securities withdrawn from the Series 2005A Reserve Fund. If more than one Reserve Fund Credit Facility is on deposit in the Series 2005A Reserve Fund, any draws on such Reserve Fund Credit Facilities will be pro-rata and any reimbursement will be pro-rata, but only to the extent the Reserve Fund Credit Providers honored such draws.

(b) Moneys in the Series 2005A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) will at all times be maintained in an aggregate amount not less than the Series 2005A Reserve Fund Requirement. During any period when the amount on deposit in the Series 2005A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) is less than the Series 2005A Reserve Fund Requirement, all income from the investment of moneys in the Series 2005A Reserve Fund will be retained therein, and the Authority will restore any remaining deficiency from the first available amounts paid under the Contract transferred in the order of priority described in the Indenture.

(c) If at any time the amount on deposit in the Series 2005A Reserve Fund exceeds the Series 2005A Reserve Fund Requirement, the Trustee shall, at the direction of the Authority, transfer the amount by which the amount of money on deposit in the Series 2005A Reserve Fund exceeds the Series 2005A Reserve Fund Requirement to the related Bond Fund, if the Authority's direction is accompanied by a Favorable Opinion of Bond Counsel to the effect that such transfer will not adversely affect the excludability from gross income of the Owners of the interest on Tax-Exempt Bonds.

(d) In lieu of making a deposit to the Series 2005A Reserve Fund in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2005A Reserve Fund, the Authority may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Government Obligations or other Reserve Fund Credit Facilities on deposit in the Series 2005A Reserve Fund, equals or exceeds the Series 2005A Reserve Fund Requirement. Prior to the substitution of a Reserve Fund Credit Facility for moneys, Government Obligations or other Reserve Fund Credit Facilities, the Authority will deliver to the Trustee each of the following: (i) an opinion of Counsel to the effect that the Reserve Fund Credit Facility is a valid and binding obligation of the provider of such Reserve Fund Credit Facility, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (ii) an opinion of Bond Counsel to the effect that the substitution of such Reserve Fund Credit Facility and the application of moneys and Government Obligations then on deposit in the Series 2005A Reserve Fund in and of itself, will not adversely affect the exclusion from gross income of the Owners thereof of interest on the Tax-Exempt Bonds; and (iii) written confirmation from Moody's, if the related Bonds are rated by Moody's, from S&P, if the related Bonds are rated by S&P and from Fitch if the related Bonds are rated by Fitch, that such substitution, in and of itself, will not adversely affect the existing ratings of the related Bonds. At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority will either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (d) or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee will deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee will immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in Section 7.03 of the Indenture, so that an amount equal to the Series 2005A Reserve Fund Requirement is on deposit in the Reserve Fund at all times. A deficiency will be deemed to exist with respect to the Series 2005A Reserve Fund Requirement so long as there has been a draw on the Reserve Fund Credit Facility and the issuer of the Reserve Fund Credit Facility has not been reimbursed in accordance with the terms of the Reserve Fund Credit Facility.

THE FOURTH SUPPLEMENTAL TRUST INDENTURE

The Series 2007A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Fourth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2007A Construction Fund:
 - (A) Cost of Issuance Account.
- (2) The Series 2007A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.
- (3) The Series 2007A Reserve Fund.

Establishment of the Series 2007A Reserve Fund. Pursuant to the Indenture, the Authority has established a Reserve Fund with respect to the Series 2007A Bonds to be held by the Trustee and applied

as provided in the Indenture. There will be deposited into the Series 2007A Reserve Fund an amount equal to the Series 2007A Reserve Fund Requirement and other amounts transferred, if any, to the Series 2007A Reserve Fund pursuant to the Indenture. The Authority may, in accordance with a Series Resolution or Supplemental Indenture, elect to extend the benefits of the Series 2007A Reserve Fund to any other Bonds issued under the Indenture so long as the Reserve Fund Requirement for those Bonds is the same as the Series 2007A Reserve Fund Requirement. Upon the issuance of any other Bonds that the Authority elects to be secured by the Series 2007A Reserve Fund, the Authority will cause amounts to be deposited in the Series 2007A Reserve Fund sufficient to satisfy the Series 2007A Reserve Fund Requirement for such Bonds and the Series 2007A Bonds.

Use of Moneys in the Series 2007A Reserve Fund.

(a) Moneys on deposit in the Series 2007A Reserve Fund will be transferred to the appropriate account in the Bond Fund relating to the Series 2007A Bonds or any other Series of Bonds secured thereby without any direction from the Authority (i) on any Interest Payment Date or Principal Payment Date for such Bonds to the extent amounts on deposit in such Bond Fund or Funds are insufficient to pay the principal of or interest due on such Bonds on such date and, if the related Bonds are secured by a Credit Facility, to reimburse the Credit Provider for amounts paid under the Credit Facility for payment of the principal of or interest due on such Bonds and (ii) used to reimburse each Reserve Fund Credit Provider for amounts drawn under the related Reserve Fund Credit Facility, if any. Moneys on deposit in the Series 2007A Reserve Fund will be transferred to the Bond Fund or Funds relating to the same Bonds at the direction of the Authority for the purpose of paying the last maturing principal of such Bonds on a Principal Payment Date or if the related Supplemental Indenture or Series Resolution regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments) for redemption of such Series of Bonds. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Series 2007A Reserve Fund and it is necessary to use money in the Series 2007A Reserve Fund to satisfy a deficiency in the applicable Bond Fund, the Trustee will first use any moneys or securities on deposit in the Series 2007A Reserve Fund to satisfy such deficiency and second, draw on the Reserve Fund Credit Facility or Reserve Fund Credit Facilities in a timely manner and pursuant to the terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility will be deposited in the applicable Bond Fund and the applicable account or accounts therein. Any moneys or securities transferred to replenish the Series 2007A Reserve Fund following a withdrawal from the Series 2007A Reserve Fund will be used first to reimburse the Reserve Fund Credit Provider for amounts drawn on the related Reserve Fund Credit Facility and second to replenish any moneys or securities withdrawn from the Series 2007A Reserve Fund. If more than one Reserve Fund Credit Facility is on deposit in the Series 2007A Reserve Fund, any draws on such Reserve Fund Credit Facilities will be pro-rata and any reimbursement will be pro-rata, but only to the extent the Reserve Fund Credit Providers honored such draws.

(b) Moneys in the Series 2007A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) will at all times be maintained in an aggregate amount not less than the Series 2007A Reserve Fund Requirement. During any period when the amount on deposit in the Series 2007A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) is less than the Series 2007A Reserve Fund Requirement, all income from the investment of moneys in the Series 2007A Reserve Fund will be retained therein, and the Authority will restore any remaining deficiency from the first available amounts paid under the Contract transferred in the order of priority described in the Indenture.

(c) If at any time the amount on deposit in the Series 2007A Reserve Fund exceeds the Series 2007A Reserve Fund Requirement, the Trustee will, at the direction of the Authority, transfer the amount by which the amount of money on deposit in the Series 2007A Reserve Fund exceeds the Series 2007A

Reserve Fund Requirement to the related Bond Fund, if the Authority's direction is accompanied by a Favorable Opinion of Bond Counsel to the effect that such transfer will not adversely affect the excludability from gross income of the Owners of the interest on Tax-Exempt Bonds.

(d) In lieu of making a deposit to the Series 2007A Reserve Fund in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2007A Reserve Fund, the Authority may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Government Obligations or other Reserve Fund Credit Facilities on deposit in the Series 2007A Reserve Fund, equals or exceeds the Series 2007A Reserve Fund Requirement. Prior to the substitution of a Reserve Fund Credit Facility for moneys, Government Obligations or other Reserve Fund Credit Facilities, the Authority will deliver to the Trustee each of the following: (i) an opinion of Counsel to the effect that the Reserve Fund Credit Facility is a valid and binding obligation of the provider of such Reserve Fund Credit Facility, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (ii) an opinion of Bond Counsel to the effect that the substitution of such Reserve Fund Credit Facility and the application of moneys and Government Obligations then on deposit in the Series 2007A Reserve Fund in and of itself, will not adversely affect the exclusion from gross income of the Owners thereof of interest on the Tax-Exempt Bonds; and (iii) written confirmation from Moody's, if the related Bonds are rated by Moody's, from S&P, if the related Bonds are rated by S&P and from Fitch if the related Bonds are rated by Fitch, that such substitution, in and of itself, will not adversely affect the existing ratings of the related Bonds. At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority will either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (d) or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee will deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee will immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in the Indenture, so that an amount equal to the Series 2007A Reserve Fund Requirement is on deposit in the Reserve Fund at all times. A deficiency will be deemed to exist with respect to the Series 2007A Reserve Fund Requirement so long as there has been a draw on the Reserve Fund Credit Facility and the issuer of the Reserve Fund Credit Facility has not been reimbursed in accordance with the terms of the Reserve Fund Credit Facility.

Security for the Series 2007A Bonds. The Series 2007A Bonds will be issued pursuant to the Indenture and the Bond Resolution and shall be equally and ratably secured under the Indenture and the Bond Resolution with the outstanding Series 2007A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2007A Bonds, including the earnings thereon are hereby pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2007A Bonds.

THE FIFTH SUPPLEMENTAL TRUST INDENTURE

The Series 2007B Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Fifth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2007B Construction Fund:
 - (A) Capital Account; and
 - (B) Cost of Issuance Account.
- (2) The Series 2007B Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.
- (3) The Series 2007B Reserve Fund.

Establishment of the Series 2007B Reserve Fund. Pursuant to the Indenture, the Authority has established a Reserve Fund with respect to the Series 2007B Bonds to be held by the Trustee and applied as provided in the Indenture. There will be deposited into the Series 2007B Reserve Fund an amount equal to the Series 2007B Reserve Fund Requirement and other amounts transferred, if any, to the Series 2007B Reserve Fund pursuant to the Indenture. The Authority may, in accordance with a Series Resolution or Supplemental Indenture, elect to extend the benefits of the Series 2007B Reserve Fund to any other Bonds issued under the Indenture so long as the Reserve Fund Requirement for those Bonds is the same as the Series 2007B Reserve Fund Requirement. Upon the issuance of any other Bonds that the Authority elects to be secured by the Series 2007B Reserve Fund, the Authority will cause amounts to be deposited in the Series 2007B Reserve Fund sufficient to satisfy the Series 2007B Reserve Fund Requirement for such Bonds and the Series 2007B Bonds.

Use of Moneys in the Series 2007B Reserve Fund.

(a) Moneys on deposit in the Series 2007B Reserve Fund will be transferred to the appropriate account in the Bond Fund relating to the Series 2007B Bonds or any other Series of Bonds secured thereby without any direction from the Authority (i) on any Interest Payment Date or Principal Payment Date for such Bonds to the extent amounts on deposit in such Bond Fund or Funds are insufficient to pay the principal of or interest due on such Bonds on such date and, if the related Bonds are secured by a Credit Facility, to reimburse the Credit Provider for amounts paid under the Credit Facility for payment of the principal of or interest due on such Bonds and (ii) used to reimburse each Reserve Fund Credit Provider for amounts drawn under the related Reserve Fund Credit Facility, if any. Moneys on deposit in the Series 2007B Reserve Fund will be transferred to the Bond Fund or Funds relating to the same Bonds at the direction of the Authority for the purpose of paying the last maturing principal of such Bonds on a Principal Payment Date or if the related Supplemental Indenture or Series Resolution regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments) for redemption of such Series of Bonds. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Series 2007B Reserve Fund and it is necessary to use money in the Series 2007B Reserve Fund to satisfy a deficiency in the applicable Bond Fund, the Trustee will first use any moneys or securities on deposit in the Series 2007B Reserve Fund to satisfy such deficiency and second, draw on the Reserve Fund Credit Facility or Reserve Fund Credit Facilities in a timely manner and pursuant to the

terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility will be deposited in the applicable Bond Fund and the applicable account or accounts therein. Any moneys or securities transferred to replenish the Series 2007B Reserve Fund following a withdrawal from the Series 2007B Reserve Fund will be used first to reimburse the Reserve Fund Credit Provider for amounts drawn on the related Reserve Fund Credit Facility and second to replenish any moneys or securities withdrawn from the Series 2007B Reserve Fund. If more than one Reserve Fund Credit Facility is on deposit in the Series 2007B Reserve Fund, any draws on such Reserve Fund Credit Facilities will be pro-rata and any reimbursement will be pro-rata, but only to the extent the Reserve Fund Credit Providers honored such draws.

(b) Moneys in the Series 2007B Reserve Fund (including the face amount of any Reserve Fund Credit Facility) will at all times be maintained in an aggregate amount not less than the Series 2007B Reserve Fund Requirement. During any period when the amount on deposit in the Series 2007B Reserve Fund (including the face amount of any Reserve Fund Credit Facility) is less than the Series 2007B Reserve Fund Requirement, all income from the investment of moneys in the Series 2007B Reserve Fund will be retained therein, and the Authority will restore any remaining deficiency from the first available amounts paid under the Contract transferred in the order of priority described in the Indenture.

(c) If at any time the amount on deposit in the Series 2007B Reserve Fund exceeds the Series 2007B Reserve Fund Requirement, the Trustee will, at the direction of the Authority, transfer the amount by which the amount of money on deposit in the Series 2007B Reserve Fund exceeds the Series 2007B Reserve Fund Requirement to the related Bond Fund, if the Authority's direction is accompanied by a Favorable Opinion of Bond Counsel to the effect that such transfer will not adversely affect the excludability from gross income of the Owners of the interest on Tax-Exempt Bonds.

(d) In lieu of making a deposit to the Series 2007B Reserve Fund in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2007B Reserve Fund, the Authority may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Government Obligations or other Reserve Fund Credit Facilities on deposit in the Series 2007B Reserve Fund, equals or exceeds the Series 2007B Reserve Fund Requirement. Prior to the substitution of a Reserve Fund Credit Facility for moneys, Government Obligations or other Reserve Fund Credit Facilities, the Authority will deliver to the Trustee each of the following: (i) an opinion of Counsel to the effect that the Reserve Fund Credit Facility is a valid and binding obligation of the provider of such Reserve Fund Credit Facility, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (ii) an opinion of Bond Counsel to the effect that the substitution of such Reserve Fund Credit Facility and the application of moneys and Government Obligations then on deposit in the Series 2007B Reserve Fund in and of itself, will not adversely affect the exclusion from gross income of the Owners thereof of interest on the Tax-Exempt Bonds; and (iii) written confirmation from Moody's, if the related Bonds are rated by Moody's, from S&P, if the related Bonds are rated by S&P and from Fitch if the related Bonds are rated by Fitch, that such substitution, in and of itself, will not adversely affect the existing ratings of the related Bonds. At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority will either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (d) or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee will deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee will immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in the Indenture, so that an amount equal to the Series 2007B Reserve Fund

Requirement is on deposit in the Reserve Fund at all times. A deficiency will be deemed to exist with respect to the Series 2007B Reserve Fund Requirement so long as there has been a draw on the Reserve Fund Credit Facility and the issuer of the Reserve Fund Credit Facility has not been reimbursed in accordance with the terms of the Reserve Fund Credit Facility.

Security for the Series 2007B Bonds. The Series 2007B Bonds will be issued pursuant to the Indenture and the Bond Resolution and shall be equally and ratably secured under the Indenture and the Bond Resolution with the outstanding Series 2007B Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2007B Bonds, including the earnings thereon are hereby pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2007B Bonds.

THE AMENDED AND RESTATED SIXTH SUPPLEMENTAL TRUST INDENTURE

The Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007C and the Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Commercial Paper Notes (Third Indenture Series), Series 2007D were refunded on May 24, 2012, by proceeds of the Series 2012A Bonds. For purposes of the Indenture, no Series 2007C or Series 2007D Notes remain outstanding.

THE SEVENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2009A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Seventh Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2009A Construction Fund:
 - (A) Capital Account; and
 - (B) Cost of Issuance Account.
- (2) The Series 2009A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.
- (3) The Series 2009A Reserve Fund.

Establishment of the Series 2009A Reserve Fund. Pursuant to the Indenture, the Authority has established a Reserve Fund with respect to the Series 2009A Bonds to be held by the Trustee and applied as provided in the Indenture. There will be deposited into the Series 2009A Reserve Fund an amount

equal to the Series 2009A Reserve Fund Requirement and other amounts transferred, if any, to the Series 2009A Reserve Fund pursuant to the Indenture. The Authority may, in accordance with a Series Resolution or Supplemental Indenture, elect to extend the benefits of the Series 2009A Reserve Fund to any other Bonds issued under the Indenture so long as the Reserve Fund Requirement for those Bonds is the same as the Series 2009A Reserve Fund Requirement. Upon the issuance of any other Bonds that the Authority elects to be secured by the Series 2009A Reserve Fund, the Authority will cause amounts to be deposited in the Series 2009A Reserve Fund sufficient to satisfy the Series 2009A Reserve Fund Requirement for such Bonds and the Series 2009A Bonds.

Use of Moneys in the Series 2009A Reserve Fund.

(a) Moneys on deposit in the Series 2009A Reserve Fund will be transferred to the appropriate account in the Bond Fund relating to the Series 2009A Bonds or any other Series of Bonds secured thereby without any direction from the Authority (i) on any Interest Payment Date or Principal Payment Date for such Bonds to the extent amounts on deposit in such Bond Fund or Funds are insufficient to pay the principal of or interest due on such Bonds on such date and (ii) to the extent of any excess, used to reimburse each Reserve Fund Credit Provider for amounts drawn under the related Reserve Fund Credit Facility, if any, and to pay related expenses and interest. Moneys on deposit in the Series 2009A Reserve Fund will be transferred to the Bond Fund or Funds relating to the same Bonds at the direction of the Authority for the purpose of paying the last maturing principal of such Bonds on a Principal Payment Date or if the related Supplemental Indenture or Series Resolution regarding optional or mandatory redemption (other than redemption from Sinking Fund Payments) of such Series of Bonds at maturity. If a Reserve Fund Credit Facility is delivered to the Trustee for deposit in the Series 2009A Reserve Fund and it is necessary to use money in the Series 2009A Reserve Fund to satisfy a deficiency in the applicable Bond Fund, the Trustee will first use any moneys or securities on deposit in the Series 2009A Reserve Fund to satisfy such deficiency and second, draw on the Reserve Fund Credit Facility or Reserve Fund Credit Facilities in a timely manner and pursuant to the terms of such Reserve Fund Credit Facility to the extent necessary to satisfy any remaining deficiency. Amounts drawn under any Reserve Fund Credit Facility will be deposited in the applicable Bond Fund and the applicable account or accounts therein. Any moneys or securities transferred to replenish the Series 2009A Reserve Fund following a withdrawal from the Series 2009A Reserve Fund will be used first to reimburse the Reserve Fund Credit Provider for amounts drawn on the related Reserve Fund Credit Facility and second to replenish any moneys or securities withdrawn from the Series 2009A Reserve Fund. If more than one Reserve Fund Credit Facility is on deposit in the Series 2009A Reserve Fund, any draws on such Reserve Fund Credit Facilities will be pro-rata and any reimbursement will be pro-rata, but only to the extent the Reserve Fund Credit Providers honored such draws.

(b) Moneys in the Series 2009A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) will at all times be maintained in an aggregate amount not less than the Series 2009A Reserve Fund Requirement. During any period when the amount on deposit in the Series 2009A Reserve Fund (including the face amount of any Reserve Fund Credit Facility) is less than the Series 2009A Reserve Fund Requirement, all income from the investment of moneys in the Series 2009A Reserve Fund will be retained therein, and the Authority will restore any remaining deficiency from the first available amounts paid under the Contract transferred in the order of priority described in the Indenture.

(c) If at any time the amount on deposit in the Series 2009A Reserve Fund exceeds the Series 2009A Reserve Fund Requirement, the Trustee will, at the direction of the Authority, transfer the amount by which the amount of money on deposit in the Series 2009A Reserve Fund exceeds the Series 2009A Reserve Fund Requirement to the related Bond Fund, if the Authority's direction is

accompanied by a Favorable Opinion of Bond Counsel to the effect that such transfer will not adversely affect the excludability from gross income of the Owners of the interest on Tax-Exempt Bonds.

(d) In lieu of making a deposit to the Series 2009A Reserve Fund in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2009A Reserve Fund, the Authority may deliver to the Trustee a Reserve Fund Credit Facility in an amount which, together with moneys, Government Obligations or other Reserve Fund Credit Facilities on deposit in the Series 2009A Reserve Fund, equals or exceeds the Series 2009A Reserve Fund Requirement. Prior to the substitution of a Reserve Fund Credit Facility for moneys, Permitted Investments or other Reserve Fund Credit Facilities, the Authority will deliver to the Trustee each of the following: (i) an opinion of Counsel to the effect that the Reserve Fund Credit Facility is a valid and binding obligation of the provider of such Reserve Fund Credit Facility, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); (ii) an opinion of Bond Counsel to the effect that the substitution of such Reserve Fund Credit Facility and the application of moneys and Permitted Investments then on deposit in the Series 2009A Reserve Fund in and of itself, will not adversely affect the exclusion from gross income of the Owners thereof of interest on the Tax-Exempt Bonds; and (iii) written confirmation from Moody's, if the related Bonds are rated by Moody's, from S&P, if the related Bonds are rated by S&P and from Fitch if the related Bonds are rated by Fitch, that such substitution, in and of itself, will not adversely affect the existing ratings of the related Bonds. At least three months prior to the stated expiration of such Reserve Fund Credit Facility, the Authority will either (i) provide for delivery of a replacement Reserve Fund Credit Facility meeting the requirements of this subparagraph (d) or (ii) deliver an extension of the Reserve Fund Credit Facility for at least an additional year. Upon delivery of a replacement Reserve Fund Credit Facility, the Trustee will deliver the then-effective Reserve Fund Credit Facility to or upon the order of the Authority. If the Authority fails to deposit a replacement Reserve Fund Credit Facility or extend the existing Reserve Fund Credit Facility, the Trustee will immediately commence to make monthly deposits from the Revenue Fund in accordance with the priority set forth in the Indenture, so that an amount equal to the Series 2009A Reserve Fund Requirement is on deposit in the Reserve Fund at all times. A deficiency will be deemed to exist with respect to the Series 2009A Reserve Fund Requirement so long as there has been a draw on the Reserve Fund Credit Facility and the issuer of the Reserve Fund Credit Facility has not been reimbursed in accordance with the terms of the Reserve Fund Credit Facility.

Security for the Series 2009A Bonds. The Series 2009A Bonds will be issued pursuant to the Indenture and the Bond Resolution and shall be equally and ratably secured under the Indenture and the Bond Resolution with the outstanding Series 2009A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2009A Bonds, including the earnings thereon are pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2009A Bonds.

THE EIGHTH SUPPLEMENTAL TRUST INDENTURE

The Series 2012A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Eighth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2012A Construction Fund
 - (A) Capital Account
 - (B) Cost of Issuance Account
- (2) The Series 2012A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2012A Bonds. The Series 2012A Bonds were issued pursuant to the Indenture and the Series 2012 Bond Resolution and are equally and ratably secured under the Indenture and the Series 2012 Bond Resolution with the outstanding Series 2012A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2012A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2012A Bonds.

The Series 2012B Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Eighth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2012B Construction Fund.
 - (A) Capital Account
 - (B) Cost of Issuance Account
- (2) The Series 2012B Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2012B Bonds. The Series 2012B Bonds were issued pursuant to the Indenture and the Bond Resolution and shall be equally and ratably secured under the Indenture and the Bond Resolution with the Outstanding Series 2012B Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2012B Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Trust Indenture to the Owners of the Series 2012B Bonds.

THE NINTH SUPPLEMENTAL TRUST INDENTURE

The Series 2012 Notes

Establishment of Accounts and Subaccounts. Pursuant to the Indenture, the Ninth Supplemental Trust Indenture establishes within the funds and accounts established by the Indenture, the following Accounts:

- (1) In the Construction Fund:
 - (A) Series 2012C Notes Capital Account.
 - (B) Series 2012D Notes Capital Account.
- (2) In the Bond Fund:
 - (A) Series 2012C-1 Notes Principal Account.
 - (B) Series 2012C-1 Notes Interest Account.
 - (C) Series 2012D-1 Notes Principal Account.
 - (D) Series 2012D-1 Notes Interest Account.

To the extent any additional series, as necessary, of the Series 2012 Notes are issued and secured by a Facility, there shall be created additional sub-accounts of the Bond Fund related to such additional series or subseries.

Application of Proceeds of Series 2012 Notes. The Authority will direct in the Ninth Supplemental Trust Indenture that the proceeds of the sale of the Series 2012 Notes issued pursuant thereto, which will be equal to the par amount of the Series 2012 Notes, will be deposited, as directed by a certificate of an Authorized Representative, to the respective Series 2012C Notes Capital Account or Series 2012D Notes Capital Account of the Construction Fund, to provide funding for the Authority's capital program and to pay the costs of issuance of the Series 2012 Notes.

The Authority, pursuant to the Ninth Supplemental Trust Indenture, directs that the proceeds of the sale of the Series 2012 Notes, which shall be equal to the par amount of the Series 2012 Notes, issued to refund Outstanding Series 2012 Notes pursuant to the Ninth Supplemental Trust Indenture will be deposited to the respective Series 2012C Notes Principal Account or Series 2012D Notes Principal

Account of the Bond Fund, and shall be transferred by the Trustee to the Issuing and Paying Agent no later than 11:15 a.m. (New York City time) and such funds shall be used by the Issuing and Paying Agent, to provide for the payment of the principal due on maturing Series 2012 Notes.

The Establishment of New Programs.

(a) The initial Program was established under the Ninth Supplemental Trust Indenture, and a new Program may be established under the Ninth Supplemental Trust Indenture from time to time, by the completion and execution by an Authorized Representative, and the acknowledgement by the Issuing and Paying Agent and the Dealers, of a New Program Order in substantially the form attached thereto as Exhibit D, and compliance with the provisions of the Ninth Supplemental Trust Indenture. No further action shall be required to be taken by the Authority in order to establish a new Program thereunder, other than as set forth in the Ninth Supplemental Trust Indenture. The establishment of a new Program, in and of itself, shall not require the consent of the holders of the Series 2012 Notes.

(b) A Program may be established from time to time to succeed another Program. On and after the date a new Program is established under the Ninth Supplemental Trust Indenture, the Series 2012 Notes may continue to be issued under a prior Program subject to the following restrictions of this paragraph. It is the intention of the Authority that all Series 2012 Notes issued under a Program, as a part of one or more series, over the 18-month period beginning on the date of the first issuance of Series 2012 Notes under such Program (such 18-month period, the “New Money Issuance Period”) shall constitute a single issue under the Code. Under each Program, Series 2012 Notes may be issued during the New Money Issuance Period to (i) finance capital projects related to the Authority’s rapid transit system, (ii) finance certain costs of issuance of the Series 2012 Notes or (iii) refinance the Series 2012 Notes issued under such Program. After the New Money Issuance Period, Series 2012 Notes may be issued under a Program only to refinance Series 2012 Notes previously issued under that Program.

(c) The establishment and effectiveness of a new Program shall be conditioned upon the delivery to the Issuing and Paying Agent of each of the following:

(1) A copy of the New Program Order approved and executed by the Authority;

(2) Fully executed copies of the Tax Certificate or a supplement to the initial Tax Certificate and an IRS Form 8038-G (or such other related 8038 form then prescribed by the IRS) with respect to such Program;

(3) An opinion of Bond Counsel with respect to such Program in substantially the form attached to the Ninth Supplemental Trust Indenture as Exhibit A; and

(4) Such other documents, certificates and opinions as the Authority, Bond Counsel, counsel to the Authority, the Issuing and Paying Agent, the Dealers or the Dealers’ counsel may reasonably require.

Issuance and Sale of Series 2012 Notes, Maturities and Interest Rate.

(a) The Authority may issue and sell Series 2012 Notes pursuant to the Dealer Agreements at such times, in such amount, with such maturities, at such rates of interest and upon such other terms and conditions as will be fixed by the Dealers (but in no event in excess of the Maximum Rate), in

consultation with an Authorized Representative, at the time of sale, subject to the provisions of the Ninth Supplemental Trust Indenture.

(b) During a New Money Issuance Period of a particular Program, Series 2012 Notes may be executed by the Authority and delivered to the Issuing and Paying Agent from time to time, whereupon the Issuing and Paying Agent shall authenticate and deliver such Series 2012 Notes to or upon the order of the applicable Dealer against receipt of the purchase price therefor, but only upon delivery by the Authority to the Issuing and Paying Agent and the applicable Dealer, on or prior to such date, of a Note Order authorizing the issuance of such Series 2012 Notes, which shall, with respect to each Series 2012 Note, (i) direct the authentication and delivery of such Series 2012 Note, (ii) identify the series of which such Series 2012 Note is a part, (iii) identify the Dealer for such Series 2012 Note, (iv) specify the principal amount of such Series 2012 Note, (v) specify the maturity date of such Series 2012 Note, (vi) state the interest rate at issuance that such Series 2012 Note shall bear, (vii) specify the capital project expected to be financed or refinanced with proceeds of such Series 2012 Note, and (viii) specify the funds and accounts into which the proceeds of such Series 2012 Note are to be deposited. Upon the delivery to the Issuing and Paying Agent of a Note Order to complete, authenticate and issue Series 2012 Notes, the Authority shall execute a certification attached as Attachment 1 to the Note Order, as of the date of said Note Order, to the following effect:

(1) The representations and warranties of the Authority contained in the Ninth Supplemental Trust Indenture, the Facility relating to such Series 2012 Notes, the Dealer Agreements and the Issuing and Paying Agency Agreements are true and correct and all covenants contained therein have been duly observed;

(2) No petition by or against the Authority has at any time been filed under the United States Bankruptcy Code or under any similar law;

(3) Stop-Issuance Instruction has been given by the Bank under the Facility Agreement or other condition thereunder that could prevent said issuance, has occurred and is continuing or would occur as a result of the issuance of such Series 2012 Notes;

(4) All actions required to be performed by the Authority with respect to the issuance of such Series 2012 Notes have been duly performed.

(c) On the maturity date of any Outstanding Series 2012 Note, a new Series 2012 Note or Series 2012 Notes from the same Program as such Outstanding Series 2012 Note, may be issued, to refund such Outstanding Series 2012 Note; provided that a Stop-Issuance Instruction has not been given by the Bank to the Issuing and Paying Agent under the Facility Agreement. Such new Series 2012 Note or Series 2012 Notes shall be authenticated and delivered by the Issuing and Paying Agent to or upon the order of the applicable Dealer against receipt of the purchase price therefor. The Authority covenants that after the New Money Issuance Period has ended under each Program, the Authority shall provide the Issuing and Paying Agent with a Weighted Average Maturity Certificate substantially in the form of the certificate attached to the Ninth Supplemental Trust Indenture as Exhibit F and described in the Ninth Supplemental Trust Indenture before any additional Series 2012 Notes are issued.

(d) An Authorized Representative is authorized to prepare, make public, execute and distribute disclosure documents in connection with the sale of the Series 2012 Notes.

Terms, Form, Denominations, Numbers and Letters. The Series 2012 Notes will be dated the date of actual issuance and will be in the form required by the Ninth Supplemental Trust Indenture, the Indenture and the Act and provided, that so long as the Series 2012 Notes are issued in book-entry form

there will be a single Master Note for each series in the form contained in the Issuing and Paying Agency Agreements. The Authority, the Issuing and Paying Agent and the applicable Dealer may treat the registered owner thereof as the absolute owner of any Series 2012 Note for all purposes, regardless of notice or knowledge to the contrary. The Series 2012 Notes will be numbered serially from 1 upwards in order of their issuance, will be in denominations of integral multiples of \$5,000 with a minimum denomination of \$100,000, and with respect to refunding Series 2012 Notes, will each mature not later than (i) 270 days from its date of issuance or (ii) one Business Day prior to the Termination Date of the applicable Facility, whichever is earlier. Notwithstanding the preceding sentence, in no event will any Series 2012 Note issued to refund other Series 2012 Notes (a) mature later than thirty years from the date of issuance of the original Series 2012 Note issued to pay capital costs of the Authority or (b) have a maturity date which will cause the weighted average maturity of the issue to exceed 120% of the weighted average expected economic life of the property financed by the Program under which the Series 2012 Note was issued as evidenced in the applicable Weighted Average Maturity Certificate with respect to such Notes.. The principal amount, date of issuance, maturity date and rate of interest (calculated on the basis of the actual number of days elapsed and a 365/366 day year as appropriate) of each Series 2012 Note will be as specified in the Note Order delivered to the Issuing and Paying Agent pursuant to the Ninth Supplemental Trust Indenture. No Series 2012 Note will bear an interest rate in excess of 10% per annum except as otherwise provided by resolution of the Board of Directors of the Authority or such lesser amount set forth in the applicable Facility. The Series 2012 Notes will not be subject to redemption by the Authority prior to maturity. The Bank Note shall bear interest and be payable as provided in the applicable Facility Agreement. The Bank Note is subject to prepayment as provided in the Facility Agreement.

Place of Payment and Issuing and Paying Agent. The principal of and interest on the Series 2012 Notes are payable at maturity in immediately available funds, at the designated corporate trust office of the Issuing and Paying Agent or its successor, to the registered owner thereof. Upon the written request of any registered holder of at least \$1,000,000 in principal amount of Series 2012 Notes, the Issuing and Paying Agent shall make payments of interest on or principal of the Series 2012 Notes to such holder by wire transfer to the account of such holder as set forth on the registration books of the Authority maintained at the designated corporate trust office of the Issuing and Paying Agent at the close of business on the Regular Record Date prior to the payment date, or to any other account of which such holder shall give written notice to the Issuing and Paying Agent, in each case, not less than five Business Days prior to the date set for payment, subject to the provisions of the Ninth Supplemental Trust Indenture.

Form of Series 2012 Notes and Issuing and Paying Agent's Certificate of Authentication, and Bank Note. The text of the Series 2012 Notes and the Issuing and Paying Agent's certificate of authentication for such Series 2012 Notes will be substantially in the form set forth in the Ninth Supplemental Trust Indenture.

Custody of Cancelled Series 2012 Notes. All Series 2012 Notes will upon the payment of the principal thereof and interest thereon be cancelled by the Issuing and Paying Agent and disposed of by the Issuing and Paying Agent as directed by the Authority.

Security and Sources of Payment. The Trust Estate (as defined in the Indenture) is pledged for the payment of principal and interest on the Series 2012 Notes and the Bank Notes and all other amounts owing under the Facility Agreements and such pledge is on a parity with the pledge of the Trust Estate securing sale tax revenue bonds issued under the Indenture. The Authority may, however, pay principal of and interest on the Series 2012 Notes from the proceeds of such Series 2012 Notes, from the proceeds of refunding sales tax revenue bonds issued on a parity basis in accordance with the Indenture, from the proceeds of subordinated sales tax revenue bonds or from funds of the Authority.

Conditions Precedent to Delivery of Notes.

(a) On or before the date on which Series 2012 Notes are first authenticated and delivered under the Ninth Supplemental Trust Indenture, there shall be delivered to the Issuing and Paying Agent, in addition to the other requirements, each of the following:

- (i) a copy, certified by the Secretary or any Assistant Secretary of the Authority to be a true and correct copy, of the Ninth Supplemental Indenture;
- (ii) counterparts of the Issuing and Paying Agency Agreements and the initial Dealer Agreements each executed by the parties thereto;
- (iii) original executed Initial 2012C Facility and Initial 2012D Facility;
- (iv) specimen copies of the Master Note for each series (in the form contained in the Issuing and Paying Agency Agreement) and a fully executed copy of the Letter of Representations (as defined in the Ninth Supplemental Trust Indenture herein);
- (v) fully executed copies of the Tax Certificate and IRS Form 8038-G;
- (vi) an opinion of Bond Counsel to the Authority in substantially the form attached as Exhibit A to the Ninth Supplemental Trust Indenture;
- (vii) an opinion of counsel to the Authority;
- (viii) a fully executed copy of a New Program Order;
- (ix) a fully executed copy of a Note Order; and
- (x) such other documents, certificates and opinions as the Authority, Bond Counsel, counsel to the Authority, the Issuing and Paying Agent, the Banks, the Banks' counsel, the Dealers or the Dealers' counsel may reasonably require.

(b) On or before the date on which any additional Series 2012 Notes are first authenticated and delivered under the Ninth Supplemental Trust Indenture, there shall be delivered to the Issuing and Paying Agent, in addition to the other requirements set forth in this Ninth Supplemental Trust Indenture, each of the following:

- (i) an executed copy of the Facility (which may be an increase in the amount available under any existing Facility) relating to such additional Series 2012 Notes, which must have a term of at least 271 days or until at least three Business Days after the maturity date of the last maturing Series 2012 Note;
- (ii) an executed Issuing and Paying Agency Agreement relating to such Series 2012 Notes;
- (iii) an updated disclosure document or remarketing circular relating to the Series 2012 Notes acceptable to the Dealer for the Series 2012 Notes;

(iv) if the Series 2012 Notes are then rated by Moody's and/or S&P, written evidence from each such rating agency or agencies of the rating that the applicable Series 2012 Notes will be assigned upon the initial issuance and delivery of the Series 2012 Notes;

(v) an opinion of counsel for the issuer of the Facility referenced in (i) above that such Facility constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws affecting the enforcement of creditors' rights in general heretofore or hereafter enacted, and general equitable principles, as such laws would apply in the event of the bankruptcy, insolvency, reorganization or liquidation of, or other similar occurrence with respect to, the issuer or in the event of any moratorium or similar occurrence affecting the issuer of such Facility and general equitable principles.

(c) The Issuing and Paying Agent shall not authenticate or deliver any Series 2012 Note of a series after any Stop Issuance Instruction (as defined in the applicable Facility Agreement) or any substantially similar notice as described in a successor Facility with respect to such series shall have been received by the Issuing and Paying Agent.

Weighted Average Maturity Certificate.

(a) Pursuant to the Ninth Supplemental Trust Indenture, a Program may be established from time to time to succeed another Program. On and after the date a new Program is established under the Ninth Supplemental Trust Indenture, Series 2012 Notes may continue to be issued under a prior Program subject to the restrictions set forth in paragraph (b) below.

(b) It is the intention of the Authority that all Series 2012 Notes issued under a Program, as a part of one or more series, during the New Money Issuance Period shall constitute a single issue under the Code. Under each Program, Series 2012 Notes may be issued during the New Money Issuance Period to finance or refinance (i) capital projects related to the Authority's rapid transit system, (ii) certain costs of issuance of the Series 2012 Notes or (iii) Series 2012 Notes issued under such Program. After the New Money Issuance Period, Series 2012 Notes may be issued under a Program only to refund Series 2012 Notes previously issued under that Program; provided however, that the principal amount and maturity date of such refunding Series 2012 Notes must conform to the requirements set forth in paragraph (c) below.

(c) The Authority covenants that it will not authorize the issuance of any Series 2012 Notes for the purpose of refunding Series 2012 Notes previously issued under the same Program that increase the principal amount of all Series 2012 Notes issued and Outstanding under the Program nor shall the maturity date of any Series 2012 Note exceed the latest permitted maturity date set forth in Paragraph 7 of the Weighted Average Maturity Certificate submitted to the Issuing and Paying Agent pursuant to the Ninth Supplemental Trust Indenture.

Covenants of the Authority

Amount of Series 2012 Notes Outstanding. The Authority covenants that at no time will it have Series 2012 Notes Outstanding under a specific series or subseries of Series 2012 Notes such that (a) the aggregate principal amount of such Series 2012 Notes Outstanding exceeds the principal portion of the Stated Amount available under the related Facility or Facilities or (b) the aggregate interest payable on such Series 2012 Notes exceeds the interest portion of the State Amount (as defined in the related Facility) available under the related Facility or Facilities..

Exemption of the Series 2012 Notes from Taxation. The Authority covenants to take all lawful action to ensure that interest on the Series 2012 Notes will remain excludable from gross income for federal income tax purposes and exempt from State of Georgia income taxes and to refrain from taking any action that will cause interest on the Series 2012 Notes to become includable in gross income or subject to such federal and State of Georgia income taxes.

Maintenance of Facilities. The Authority covenants that, as long as any Series 2012 Notes are Outstanding, it will not agree to or acquiesce in (i) any reduction of the principal portion or interest portion of the Facilities such that the Authority is not in compliance with the covenant contained in the Ninth Supplemental Trust Indenture (other than a reduction in connection with the delivery of Bank Notes (as defined in the related Facility)) or (ii) any termination of a related Facility prior to the maturity of the applicable Series 2012 Notes.

Inclusion in Additional Bonds Test. The Authority covenants that, so long as the Facilities are in full force and effect, the Authority will not issue bonds or other obligations of the Authority (other than refunding bonds) in an amount, which, when added to (i) the total outstanding indebtedness of the Authority (other than refunding bonds) plus (ii) the aggregate principal amount of the Series 2012 Notes secured by the Facilities then in full force and effect,, exceeds the limitation set forth in the Indenture.

Facilities.

(a) As additional security for the payment of the principal and interest on the Series 2012C-1 Notes, the Authority shall cause the Initial 2012C Facility to be delivered to the Issuing and Paying Agent. As required by the Ninth Supplemental Trust Indenture, prior to issuing any additional Series 2012C Notes hereunder the Authority covenants that it shall obtain an additional Facility or expand an existing Facility in an amount necessary to cover the principal and interest components of such additional Series 2012C Notes.

(b) As additional security for the payment of the principal of and interest on the Series 2012D-1 Notes, the Authority shall cause the Initial 2012D Facility to be delivered to the Issuing and Paying Agent. As required by the Ninth Supplemental Trust Indenture, prior to issuing any additional Series 2012D Notes hereunder the Authority covenants that it shall obtain an additional Facility or expand an existing Facility in an amount necessary to cover the principal and interest components of such additional Series 2012D Notes.

(c) The Authority covenants that it shall use its best efforts to obtain a substitute Facility or Facilities in the event the Authority has reason to believe that any Bank will not or will be unable to honor its obligations under its Facility.

(d) On the maturity date of each Series 2012 Note, the Issuing and Paying Agent shall cause sufficient funds to be made available under the applicable Facility (at such times required therein in order to have funds available on the maturity date) to pay the principal of and interest on the applicable Series 2012 Note or Series 2012 Notes due on such date to the extent not otherwise provided for from the Trustee pursuant to the Ninth Supplemental Trust Indenture. If funds paid under the applicable Facility are insufficient to meet all the purposes for which such funds are to be paid and applied on such date, such funds as are available shall be applied as follows:

First, to the payment of interest on the applicable Series 2012 Notes due on such date and, if the amount available shall not be sufficient to pay in full all such interest, then to the

payment ratably, according to the amount of interest due on each such Series 2012 Note, without any discrimination or preference; and

Second, to the payment of principal of the applicable Series 2012 Notes due on such date and, if the amount available shall not be sufficient to pay in full all such principal, then to the payment thereof ratably, according to the amounts of principal due on each such Series 2012 Note, without any discrimination or preference.

All funds paid under the applicable Facility shall be held at all times separate from funds of the Authority in trust by the Issuing and Paying Agent for the benefit of the registered owners of the applicable Series 2012 Notes and the related Bank to be applied solely in accordance with the purposes for which such amounts are paid as provided above. All such funds shall be held uninvested.

(e) All amounts paid under a Facility shall be reimbursed to the applicable Bank by the Authority in accordance with the applicable Facility Agreement. Notwithstanding anything in the Indenture to the contrary, the deposit from the Revenue Fund to the Bond Fund on or before the last Business Day of each month in accordance the Indenture shall include (a) an amount at least equal to the interest coming due on any Series 2012 Notes maturing in the following month and (b) an amount at least equal to the amount the Authority is obligated to reimburse each Bank for in connection with amounts drawn under the applicable Facility.

(f) To the extent the Authority fails (through the Trustee, pursuant to the applicable Facility Agreement or otherwise) to reimburse the applicable Bank the amount of any draw on the date of such draw, the Authority shall pay to such Bank the amount of such draw with interest thereon in the manner and at the times provided in the applicable Facility Agreement. Until the Authority reimburses such Bank for any amount paid under such Facility Agreement, the payment of any principal of or interest on any applicable Series 2012 Note paid from funds so drawn shall not be considered to have been paid by the Authority and shall continue to be an obligation of the Authority under such Series 2012 Note and the applicable Bank shall succeed to the rights of the owner of such Series 2012 Note to such payment, without limitation, in the manner specified in such Series 2012 Note and shall be entitled to all payments in respect of such principal or interest and all of the rights of the owner with respect thereto as set forth in such Series 2012 Note. Provision for reinstatement of certain amounts

(g) Upon satisfaction of the requirements set forth herein under the heading "Facilities," the Authority may replace a Facility then in effect with a substitute Facility on any Facility Substitution Date. Any replacement of the Facility by a substitute Facility is specifically conditioned, among other things, upon the payment to the Bank of all Loans Outstanding under the existing Facility.

On or prior to a Facility Substitution Date, the Authority will have delivered to the Issuing and Paying Agent: (1) if the Series 2012 Notes are then rated by Moody's and/or S&P, written evidence from each such rating agency or agencies of the rating that the applicable Series 2012 Notes will be assigned after the Facility Substitution Date; and (2) an opinion of counsel for the issuer of the substitute Facility that it constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws affecting the enforcement of creditors' rights in general heretofore or hereafter enacted, as such laws would apply in the event of the bankruptcy, insolvency, reorganization or liquidation of, or other similar occurrence with respect to, the issuer or in the event of any moratorium or similar occurrence affecting the issuer or general equitable principles..

Each substitute Facility must have a term of at least 271 days or until at least three Business Days after the maturity date of the last maturing Series 2012 Note.

Each substitute Facility must: (1) be an obligation of a financial institution or surety whose debt obligations (or whose holding company parent's debt obligations) or suretyship undertakings, as the case may be, have at least an investment grade rating from each rating agency then rating the Series 2012 Notes, (2) have a term of at least 271 days or until at least three Business Days after the maturity date of the last maturing Series 2012 Note and (3) be on terms no less favorable to the holders of the applicable Series 2012 Notes than the Facility expiring or being replaced and entitle the Issuing and Paying Agent to draw upon or demand payment and receive in immediately available funds an amount equal to the then applicable amount available under the Facility expiring or being replaced.

THE TENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2013A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Tenth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2013A Construction Fund
 - (A) Capital Account
 - (B) Cost of Issuance Account
- (2) The Series 2013A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2013A Bonds. The Series 2013A Bonds were issued pursuant to the Indenture and the Series 2013A Bond Resolution and are equally and ratably secured under the Indenture and the Series 2013A Bond Resolution with the outstanding Series 2013A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2013A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2013A Bonds.

THE ELEVENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2014A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Eleventh Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2014A Construction Fund
 - (A) Capital Account
 - (B) Cost of Issuance Account
- (2) The Series 2014A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2014A Bonds. The Series 2014A Bonds were issued pursuant to the Indenture and the Series 2014A Bond Resolution and are equally and ratably secured under the Indenture and the Series 2014A Bond Resolution with the outstanding Series 2014A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2014A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2014A Bonds.

THE TWELFTH SUPPLEMENTAL TRUST INDENTURE

The Series 2015A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Twelfth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2015A Construction Fund
 - (A) Capital Account
 - (B) Cost of Issuance Account
- (2) The Series 2015A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2015A Bonds. The Series 2015A Bonds were issued pursuant to the Indenture and the Series 2015A Bond Resolution and are equally and ratably secured under the Indenture and the Series 2015A Bond Resolution with the outstanding Series 2015A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as

set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2015A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2015A Bonds.

THE THIRTEENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2015B and 2015C Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Thirteenth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2015B Construction Fund
 - (A) Capital Account; and
 - (B) Cost of Issuance Account
- (2) The Series 2015C Construction Fund.
 - (A) Cost of Issuance Account
- (3) The Series 2015B Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.
- (4) The Series 2015C Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2015B and 2015C Bonds. The Series 2015B and 2015C Bonds were issued pursuant to the Indenture and the Series 2015B and 2015C Bond Resolution and are equally and ratably secured under the Indenture and the Series 2015B and 2015C Bond Resolution with the outstanding Series 2015B and 2015C Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2015B and 2015C Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2015B and 2015C Bonds.

THE FOURTEENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2016B Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Fourteenth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (1) The Series 2016B Construction Fund.
 - (A) Cost of Issuance Account
- (2) The Series 2016B Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2016B Bonds. The Series 2016B Bonds were issued pursuant to the Indenture and the Series 2016B Bond Resolution and are equally and ratably secured under the Indenture and the Series 2016B Bond Resolution with the outstanding Series 2016B Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2016B Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2016B Bonds.

THE FIFTEENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2016A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Fifteenth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

- (3) The Series 2016A Construction Fund.
 - (A) Cost of Issuance Account
- (4) The Series 2016A Bond Fund:
 - (A) Interest Account; and
 - (B) Principal Account.

Security for the Series 2016A Bonds. The Series 2016A Bonds were issued pursuant to the Indenture and the Series 2016A Bond Resolution and are equally and ratably secured under the Indenture and the Series 2016A Bond Resolution with the outstanding Series 2016A Bonds and any other Series of

Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2016A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2016A Bonds.

THE SIXTEENTH SUPPLEMENTAL TRUST INDENTURE

The Series 2017A Bonds

Establishment of Funds and Accounts and Subaccounts. Pursuant to the Indenture, the Sixteenth Supplemental Trust Indenture confirms within the Funds and Accounts established under the Indenture, the following Funds and Accounts:

(5) The Series 2017A Construction Fund.

- (A) Capital Account; and
- (B) Cost of Issuance Account

(6) The Series 2017A Bond Fund:

- (A) Interest Account; and
- (B) Principal Account.

Security for the Series 2017A Bonds. The Series 2017A Bonds were issued pursuant to the Indenture and the Series 2017A Bond Resolution and are equally and ratably secured under the Indenture and the Series 2017A Bond Resolution with the outstanding Series 2017A Bonds and any other Series of Bonds issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other Bonds, except as described in the Indenture.

Priority of Lien. Subject to the rights of the owners and holders of the First Indenture Bonds as set forth in the First Indenture and the rights of the owners and holders of the Second Indenture Bonds as set forth in the Second Indenture, all right, title and interest in, to and under the Contract, including but not limited to the payments to be made to the Authority thereunder, together with all amounts on deposit in the Revenue Fund established under the Indenture, all amounts on deposit in any Fund or Account established under the Indenture with respect to the Series 2017A Bonds, including the earnings thereon were pledged and assigned to the Trustee under the Indenture to the Owners of the Series 2017A Bonds.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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April __, 2017

Metropolitan Atlanta Rapid Transit Authority
Atlanta, Georgia

U.S. Bank National Association
Atlanta, Georgia

[PURCHASER]

Re: \$_____ Metropolitan Atlanta Rapid Transit Authority Sales Tax
Revenue Bonds (Third Indenture Series), Series 2017A

To the Addressees:

We have acted as Bond Counsel to the Metropolitan Atlanta Rapid Transit Authority (the “Authority”) in connection with the issuance by the Authority of its \$_____ Metropolitan Atlanta Rapid Transit Authority Sales Tax Revenue Bonds (Third Indenture Series), Series 2017A (the “Series 2017A Bonds”). In such capacity, we have examined (a) the Rapid Transit Contract and Assistance Agreement dated as of September 1, 1971, as amended (the “Existing Contract”), among Authority, the City of Atlanta, Georgia, Fulton County, Georgia, DeKalb County, Georgia and Clayton County, Georgia; (b) the Rapid Transit Contract, dated July 5, 2014 (the “Clayton Contract” and, together with the Existing Contract, the “Contracts”), between the Authority and Clayton County, Georgia; (c) the Trust Indenture dated as of January 1, 1976, as amended and supplemented from time to time (the “First Indenture”), between the Authority and U.S. Bank National Association, as successor trustee; (d) the Trust Indenture, dated as of March 1, 1993, as amended and supplemented from time to time (the “Second Indenture”), between the Authority and U.S. Bank National Association, as successor trustee; (e) the Trust Indenture dated as of October 1, 2003, as amended and supplemented from time to time (the “Original Third Indenture”), including by a Sixteenth Supplemental Trust Indenture, dated as of April 1, 2017 (the “Sixteenth Supplemental Indenture” and the Original Third Indenture, as so amended and supplemented, the “Third Indenture”), between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”); (f) a resolution of the Authority adopted on April __, 2017 (the “Resolution”); and (g) such law and such other certified proceedings, certifications and documents as we have deemed necessary to render this opinion. In all such examinations, we have assumed the genuineness of signatures of original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies, and as to the certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Series 2017A Bonds are issued pursuant to the Resolution and the Third Indenture and are secured by a third lien on and pledge of amounts due to the Authority under the Existing Contract, subject only to the lien of the holders and owners of the First Indenture Bonds issued under the First Indenture and to the lien of the holders and owners of the Second Indenture Bonds issued under the Second Indenture and a first lien on the pledge of amounts due to the Authority under the Clayton Contract. The Authority has relinquished its right to issue additional sales tax revenue bonds under the First Indenture and the Second Indenture. The Series 2017A Bonds are on a parity with the Authority's bond and notes previously issued or to be issued in accordance with the Third Indenture.

The Series 2017A Bonds are being issued for the purpose of (i) financing certain capital projects of the Authority and (ii) paying certain costs of issuing the Series 2017A Bonds.

Regarding questions of fact material to our opinion, we have relied on the representations of the Authority (including representations as to the use and investment of proceeds of the Series 2017A Bonds) and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Defined terms used herein that are not otherwise defined herein shall have the meanings assigned to such terms in the Third Indenture.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2017A Bonds have been duly authorized and executed by the Authority and are binding and limited obligations of the Authority payable solely from the payments derived under the Contracts and other funds provided therefor in the Third Indenture.
2. The Third Indenture has been duly authorized, executed and delivered by the Authority and constitutes a valid and binding obligation of the Authority, enforceable against the Authority.
3. The Third Indenture grants to the Trustee for (i) the owners of the Series 2017A Bonds and (ii) the owners of the Outstanding Bonds and any other bonds heretofore or hereafter issued on a parity therewith in accordance with the provisions of the Third Indenture, a valid lien on and pledge of all the Trust Estate (as described in the Third Indenture), subject and subordinate in all respects to the rights of the owners and holders of the First Indenture Bonds and the Second Indenture Bonds.
4. The Contracts have been duly authorized, executed and delivered by the Authority and are a valid and binding obligation of the Authority, the City of Atlanta, Fulton County, DeKalb County and Clayton County, as applicable, enforceable against such parties.
5. As required by the Existing Contract, Fulton County and DeKalb County have levied the retail sales and use tax authorized by an Act of the Georgia General

Assembly approved March 16, 1971 (Ga. Laws 1971, p. 2082), as amended. As required by the Clayton Contract, Clayton County has levied the retail sales and use tax authorized by an Act of the Georgia General Assembly approved April 19, 2000 (Ga. Laws 2000, p. 4492), as amended.

6. Interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence assumes the accuracy of factual representations made by the Authority and is subject to the compliance by the Authority with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2017A Bonds in order that the interest on the Series 2017A Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2017A Bonds to be included in gross income for federal income tax purposes retroactively to the original date of issuance of the Series 2017A Bonds. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on the Series 2017A Bonds.

7. The interest on the Series 2017A Bonds is exempt from present State of Georgia income taxation.

The rights of the owners of the Series 2017A Bonds and the enforceability of the Series 2017A Bonds, the Third Indenture and the Contracts are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion with respect to the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2017A Bonds, nor do we express any opinion as to compliance by the Authority or the initial purchasers of the Series 2017A Bonds with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Series 2017A Bonds.

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.

Very truly yours,

HOLLAND & KNIGHT LLP

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APPENDIX E

DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM

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The Depository Trust Company (“DTC”) will act as securities depository for the Series 2017A Bonds. The Series 2017A 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 2017A Bond will be issued for each maturity of the Series 2017A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2017A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017A 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 2017A 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 2017A Bonds, except in the event that use of the book-entry system for the Series 2017A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017A 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 2017A 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 2017A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017A 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.

Prepayment notices shall be sent to DTC. If less than all of the Series 2017A Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

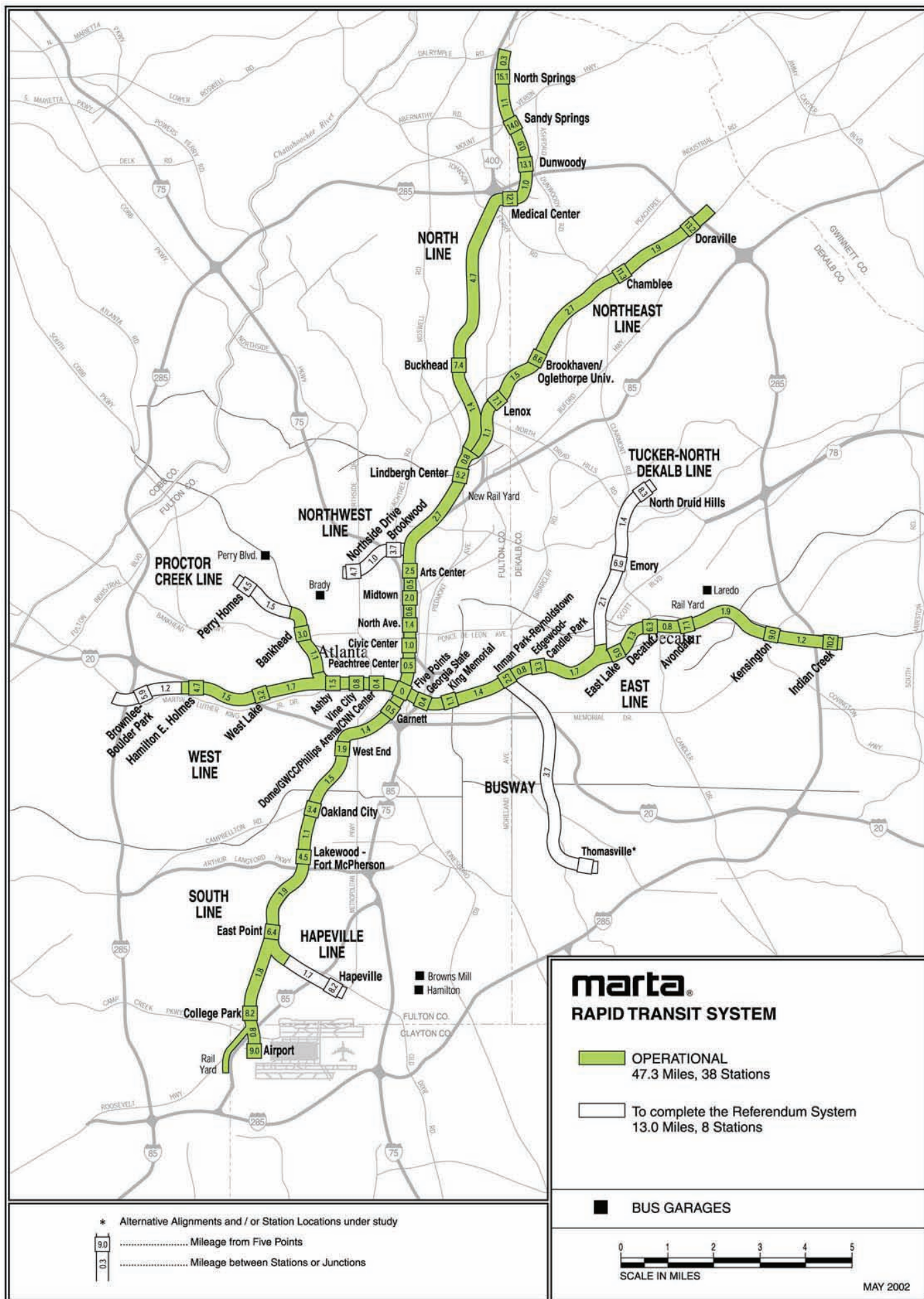
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2017A 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 Authority 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, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment 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 Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017A Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, Series 2017A Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017A Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Authority does not take any responsibility for the accuracy or completeness thereof





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