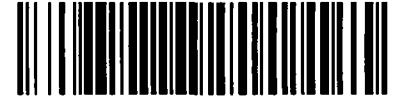




City of Chicago



F2023-113

Office of the City Clerk

Document Tracking Sheet

Meeting Date:	5/24/2023
Sponsor(s):	Dept./Agency
Type:	Communication
Title:	Second Lien Bond Determination Certificate regarding issuance of City of Chicago Wastewater Transmission Revenue Bonds consisting of Project Series 2023A (\$260,105,000), Refunding Series 2023B (\$192,470,000)
Committee(s) Assignment:	



CITY OF CHICAGO

DEPARTMENT OF FINANCE

MAY 12, 2023

Anna M. Valencia
Office of the City Clerk
121 North LaSalle Street
Room 107
Chicago, Illinois 60602

RE: Second Lien Wastewater Transmission Revenue Bonds Project Series 2023A.
Second Lien Wastewater Transmission Revenue Bonds Refunding Series 2023B.

Dear Ms. Valencia:

Attached is the Second Lien Bond Determination Certificate which is required to be filed with your office pursuant to Article 3, Section 3.5(e) of an ordinance passed by the City Council on June 27, 2018, pursuant to Article 5, Section 5.6(e) of an ordinance passed by the City Council on October 27, 2021, and pursuant to Section 3.2.04(e) of an ordinance passed by the City Council on November 07, 2022 (collectively, the "Bond Ordinance"). The Bond Ordinance authorized City Of Chicago Second Lien Wastewater Transmission Revenue Bonds Project Series 2023A and City Of Chicago Second Lien Wastewater Transmission Revenue Bonds Refunding Series 2023B.

Please direct this filing to the City Council.

Very Truly Yours,

Jennie Huang Bennett
Chief Financial Officer

Chicago City Clerk - Council Div.
2023 MAY 12 PM3:08

\$452,575,000
CITY OF CHICAGO
SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS

consisting of:

\$260,105,000
PROJECT SERIES 2023A

\$192,470,000
REFUNDING SERIES 2023B

SECOND LIEN BOND DETERMINATION CERTIFICATE
OF THE CHIEF FINANCIAL OFFICER OF THE CITY OF CHICAGO

The undersigned, Jennie Huang Bennett, certify that I am the duly appointed and qualified Chief Financial Officer (the “**Chief Financial Officer**”) of the City of Chicago (the “**City**”) and am an Authorized Officer of the City within the meaning of the hereinafter-defined Bond Ordinance. This Second Lien Bond Determination Certificate (this “**Determination Certificate**”) is being delivered in accordance with the Bond Ordinance and as an accompanying certificate to the record of proceedings pertaining to the issuance by the City of \$260,105,000 aggregate principal amount SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A (the “**Series 2023A Bonds**”) and \$192,470,000 aggregate principal amount SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B (the “**Series 2023B Bonds**”) and, together with the Series 2023A Bonds, the “**Series 2023 Bonds**”). All capitalized terms used and not otherwise defined herein have the respective meanings assigned thereto in the hereinafter-defined Master Indenture.

An ordinance adopted by the City Council of the City (the “**City Council**”) on June 27, 2018, as amended by an ordinance adopted by the City Council on October 27, 2021, and as further amended by an ordinance adopted by the City Council on November 7, 2022 (together, the “**Bond Ordinance**”), authorized the issuance and delivery by the City of the Series 2023 Bonds and the execution and delivery by the City of the Master Indenture of Trust, dated as of May 1, 2023 (the “**Master Indenture**”), from the City to Amalgamated Bank of Chicago, as trustee (the “**Trustee**”).

Subject to certain limitations set forth therein, the Bond Ordinance delegated authority to the Chief Financial Officer to determine various provisions of the bonds issued thereunder. The Chief Financial Officer is to determine, with respect to the Series 2023 Bonds, the purpose or purposes for which the Series 2023 Bonds are to be issued, the aggregate principal amount of Series 2023 Bonds to be issued, the date thereof, the maturities thereof, any provisions for optional redemption thereof, the schedule of sinking fund payments to be applied to the mandatory redemption thereof, the rate or rates of interest payable thereon, the first interest payment date thereof, the designation and the terms of sale of the Series 2023 Bonds, the interest rate or rates for the Series 2023 Bonds, the identities of the Trustee and the initial purchasers of the Series 2023 Bonds, the specific amounts and maturities of the Refunded Bonds, the date or dates on and price or prices at which the Refunded Bonds are to be redeemed, the amount of any original issue discount, any arrangements made for municipal bond insurance and the determinations made pursuant to the Bond Ordinance with respect to the purpose or purposes for which the Series 2023

Bonds are being issued and the amount or amounts being borrowed for each such purpose, all within the limitations established by the Bond Ordinance.

Pursuant to Section 3.05(e) of the Bond Ordinance, subsequent to the sale of the Series 2023 Bonds, the Chief Financial Officer is required to file in the Office of the City Clerk of the City, directed to the City Council, a Determination Certificate setting forth such terms and provisions of the Series 2023 Bonds. I have determined as follows with respect to the Series 2023 Bonds authorized by the Bond Ordinance, in each case within the authority granted to me by the Bond Ordinance.

SECTION 1. **Findings of the Chief Financial Officer.** On behalf of the City, I find and determine as follows.

(a) ***Purchase Price; Bond Purchase Agreement.*** The City has received an offer from Stifel, Nicolaus & Company, Incorporated, as representative (the “**Representative**”) of the underwriters of the Series 2023 Bonds listed on Schedule I attached to the hereinafter-defined Bond Purchase Agreement, to purchase the Series 2023 Bonds at the purchase price of \$501,119,577.47, which payment reflects the aggregate contract price of the Series 2023 Bonds, as described below, pursuant to the Bond Purchase Agreement relating to the Series 2023 Bonds, dated May 4, 2023 (the “**Bond Purchase Agreement**”), by and between the City and the Representative.

	Series 2023A Bonds	Series 2023B Bonds	SERIES 2023 BONDS
Principal Amount:	\$260,105,000.00	\$192,470,000.00	\$452,575,000.00
Plus: Original Issue Premium	24,452,685.55	26,954,055.05	51,406,740.60
Bond Proceeds:	284,557,685.55	219,424,055.05	503,981,740.60
Less: Underwriter’s Discount	\$ 1,701,949.89	\$ 1,160,213.24	\$ 2,862,163.13
Purchase Price:	<u>\$282,855,735.66</u>	<u>\$218,263,841.81</u>	<u>\$501,119,577.47</u>

A copy of the Bond Purchase Agreement is attached to this Determination Certificate as **Exhibit A**. The Bond Purchase Agreement is in substantially the form previously used for similar financings of the City and is consistent with the Bond Ordinance. The purchase price for each series of Series 2023 Bonds is not less than 85 percent of the original principal amount of the respective series of Series 2023 Bonds, plus any accrued interest on the Series 2023 Bonds from their date to the date of their delivery, and less any original issue discount on the Series 2023 Bonds, which is within the limit provided in the Bond Ordinance. Selling the Series 2023 Bonds to the Underwriters upon the terms provided in the Bond Purchase Agreement is in the best interests of the City.

This Determination Certificate is consistent with the terms of sale of the Series 2023 Bonds set forth in the Bond Purchase Agreement.

(b) ***Committee on Finance Concurrence.*** The Chairman of the Committee on Finance of the City Council has concurred in the acceptance by the City of the Bond Purchase Agreement as being within the authority granted by the Bond Ordinance.

(c) ***Indenture; Financing Purposes.*** The terms of the Series 2023 Bonds, as specified in this Determination Certificate, the Master Indenture and the First Supplemental Trust Indenture, dated as of May 1, 2023 (the “**First Supplemental Indenture**” and, together with the Master Indenture, the “**Indenture**”), from the City to the Trustee, provide that the proceeds from the sale of the Series 2023A Bonds will be used to (i) finance or reimburse the City for certain capital improvements to and extensions of the Sewer System, (ii) pay capitalized interest on the Series 2023A Bonds through January 1, 2026 and (iii) pay costs of issuance of the Series 2023A Bonds (the “**Series 2023A Financing Purposes**”), and the proceeds from the sale of the Series 2023B Bonds will be used to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City and (ii) pay costs of issuance of the Series 2023B Bonds (the “**Series 2023B Financing Purposes**” and, together with the Series 2023A Financing Purposes, the “**Financing Purposes**”). Any changes made by this Determination Certificate to the terms of the Series 2023 Bonds thus will result in the Series 2023 Bonds having substantially the same terms as provided in the Bond Ordinance and the Indenture. A copy of the Master Indenture is attached to this Determination Certificate as Exhibit B-1. A copy of the First Supplemental Indenture is attached to this Determination Certificate as Exhibit B-2.

(d) ***Interest Rates.*** The interest rates or yields for the Series 2023 Bonds set forth in this Determination Certificate are in my judgment the best rates at which the Series 2023 Bonds can be sold in the market under current circumstances. The interest rates for the Series 2023 Bonds do not exceed 18 percent per year, the maximum interest rate set forth in the Bond Ordinance.

(e) ***Approval of Indenture.*** The Series 2023 Bonds will be issued pursuant to the Bond Ordinance and the Indenture. Each of the Master Indenture and the First Supplemental Indenture is in similar form to those previously used for similar financings of the City. The Master Indenture and the First Supplemental Indenture contain only such changes and revisions as are consistent with the purposes and intent of the Bond Ordinance, including such changes and revisions as are necessary to reflect the terms and provisions of the Series 2023 Bonds, and I approve all such changes. The Master Indenture and the First Supplemental Indenture include such covenants with respect to the imposition of Sewer System rates, the issuance of Second Lien Parity Bonds, the application of funds in the Sewer Revenue Fund and the applicable accounts and other matters relating to the Series 2023 Bonds and the security for the Series 2023 Bonds, including the lien status of the Series 2023 Bonds, as I deem necessary in connection with the sale of the Series 2023 Bonds. Such covenants are not inconsistent with the terms of the Bond Ordinance.

(f) ***Compliance with Additional Bonds Test.*** The issuance of the Series 2023 Bonds with the terms and provisions set forth in this Determination Certificate will comply with the requirements of the Master Indenture for the issuance of additional Second Lien Parity Bonds as set forth in Section 4.6 of the Master Indenture. As set forth in Exhibit C attached to this Determination Certificate, Net Revenues Available for Bonds for Fiscal Year 2022 equal at least 110 percent of the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the Series 2023 Bonds.

(g) ***Financing Purposes Do Not Exceed Authorization.*** The amount that will be needed by the City to pay the costs constituting Financing Purposes, taking into account moneys that will be available from other sources (including investment earnings on proceeds of sale of the Series 2023 Bonds during the period before they are applied to pay such costs) to pay such costs, does not exceed the amount authorized by the Bond Ordinance to be issued for Financing Purposes.

(h) ***Bond Insurance Policy.*** The Series 2023 Bonds are insured under a policy of bond insurance (the “**Bond Insurance Policy**”) issued by Assured Guaranty Municipal Corp. for a total premium of \$1,908,227.11. The purchase of such Bond Insurance Policy is likely to facilitate the marketing and sale of the Series 2023 Bonds and permit completion of such sale in a timely fashion, and the Bond Insurance Policy is available at an acceptable premium.

SECTION 2. **Terms and Provisions of the Series 2023 Bonds.**

(a) ***Second Lien Bonds.*** The Series 2023 Bonds shall be Second Lien Bonds.

(b) ***Designation.*** The Series 2023 Bonds shall be designated “SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A” and “SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B.”

(c) ***Purpose of Issuance.*** The Series 2023 Bonds shall be issued for the Financing Purposes.

(d) ***Principal Amounts.*** The aggregate principal amount of the Series 2023A Bonds shall be \$260,105,000, and the aggregate principal amount of the Series 2023B Bonds shall be \$192,470,000.

(e) ***Serial and Term Bonds.*** The Series 2023A Bonds maturing January 1 in the years 2040 through 2043, inclusive, shall be issued as serial bonds. The Series 2023A Bonds maturing January 1, 2048, January 1, 2053 and January 1, 2062 shall be issued as term bonds. The Series 2023B Bonds shall be issued as serial bonds.

(f) ***Interest.*** Interest on the Series 2023 Bonds will be payable on each January 1 and July 1, commencing January 1, 2024. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each.

(g) ***Authorized Denominations, Lettering and Numbering.*** The Series 2023 Bonds shall be in fully registered form and shall be in Authorized Denominations of \$5,000 each or any integral multiple thereof. The Series 2023A Bonds shall be lettered and numbered 2023A R- followed by the number of Series 2023A Bonds. The Series 2023B Bonds shall be lettered and numbered 2023B R- followed by the number of Series 2023B Bonds. All Series 2023 Bonds shall be numbered consecutively from one upward in order of issuance.

(h) ***Dated Date, Maturities, Principal Amounts and Interest Rates.***

The Series 2023A Bonds shall be dated their date of delivery and shall mature on January 1 in each of the years and in the respective principal amounts set forth below and shall bear interest at the respective rates per annum set forth below.

<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>
2040	\$6,960,000	5.25%	2042	\$7,710,000	5.25%
2041	7,325,000	5.25	2043	8,115,000	5.25

\$47,445,000 5.25% Term Bond Due January 1, 2048

\$61,280,000 5.25% Term Bond Due January 1, 2053

\$79,140,000 5.25% Term Bond Due January 1, 2058

\$42,130,000 5.50% Term Bond Due January 1, 2062

The Series 2023B Bonds shall be dated their date of delivery and shall mature on January 1 in each of the years and in the respective principal amounts set forth below and shall bear interest at the respective rates per annum set forth below.

<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>
2029	\$14,385,000	5.00%	2035	\$19,275,000	5.00%
2030	15,105,000	5.00	2036	20,235,000	5.00
2031	15,860,000	5.00	2037	21,255,000	5.00
2032	16,650,000	5.00	2038	17,315,000	5.00
2033	17,480,000	5.00	2039	16,550,000	5.00
2034	18,360,000	5.00			

(i) ***Redemption Prior to Maturity.***

Series 2023A Bonds. The Series 2023A Bonds are subject to optional and mandatory Sinking Fund redemption, as described below:

Optional Redemption. The Series 2023A Bonds maturing on and after January 1, 2040, through and including January 1, 2048, are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

The Series 2023A Bonds maturing on and after January 1, 2053 are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2053, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2023A Bonds maturing on January 1, 2048, on January 1, 2053, on January 1, 2058 and on January 1, 2062 are subject to mandatory sinking fund redemption on January 1 in each of the respective years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed.

Series 2023A Term Bond Maturing January 1, 2048

<u>Year</u>	<u>Sinking Fund Installment</u>
2044	\$ 8,545,000
2045	8,990,000
2046	9,465,000
2047	9,960,000
2048 [†]	10,485,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2053

<u>Year</u>	<u>Sinking Fund Installment</u>
2049	\$11,035,000
2050	11,615,000
2051	12,225,000
2052	12,865,000
2053 [†]	13,540,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2058

<u>Year</u>	<u>Sinking Fund Installment</u>
2054	\$14,250,000
2055	15,000,000
2056	15,785,000
2057	16,615,000
2058 [†]	17,490,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2062

<u>Year</u>	<u>Sinking Fund Installment</u>
2059	\$ 9,700,000
2060	10,235,000
2061	10,800,000
2062 [†]	11,395,000

[†] Final maturity.

If the City redeems Series 2023A Bonds of a maturity, identified above as subject to mandatory redemption, pursuant to optional redemption, or purchases such Series 2023A Bonds and cancels the same, then an amount equal to the principal amount of the Series

2023A Bonds of such maturity so redeemed or purchased shall be deducted from the mandatory redemption requirements as provided for such Series 2023A Bonds of such maturity in such order as the Authorized Officer of the City shall determine or, in the absence of such determination, shall be credited against the unsatisfied balance of the applicable Sinking Fund Payments in inverse order of their payment dates.

Series 2023B Bonds. The Series 2023B Bonds are subject to optional redemption, as described below:

Optional Redemption. The Series 2023B Bonds maturing on and after January 1, 2033 are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

(j) ***Selection of Series 2023 Bonds to be Redeemed.*** In the event of the redemption of fewer than all of the Series 2023 Bonds of the same maturity, the particular Series 2023 Bonds or portion of Series 2023 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; *provided that* the portion of any Series 2023 Bond of a denomination of more than the minimum Authorized Denomination shall be in the principal amount of an Authorized Denomination, and *provided that*, in selecting portions of such Series 2023 Bonds for redemption, the Trustee shall treat each such Series 2023 Bond as representing that number of Series 2023 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Series 2023 Bond to be redeemed in part by the minimum Authorized Denomination. So long as The Depository Trust Company, New York, New York (“DTC”), or its nominee is the registered owner of the Series 2023 Bonds, if fewer than all of the Series 2023 Bonds are called for redemption, the particular Series 2023 Bonds or portions of Series 2023 Bonds to be redeemed will be selected by lot by DTC in such manner as DTC may determine.

(k) ***Tax-Exempt Bonds.*** The Series 2023 Bonds are being issued and sold as Tax-Exempt Bonds.

(l) ***Debt Service Reserve Requirement.*** There is no Debt Service Reserve Requirement for the Series 2023 Bonds.

SECTION 3. **The Refunding.**

The proceeds of the Series 2023B Bonds, together with other available moneys on deposit under the Indenture, will be applied to the current refunding of a portion of the outstanding City of Chicago Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012 (the “Series 2012 Bonds”).

The Series 2012 Bonds are being called for redemption on June 12, 2023, at a redemption price of the principal amount thereof plus accrued interest to the date fixed for redemption. Amounts sufficient to pay the interest on and redemption price of the Series 2012 Bonds will be deposited with Amalgamated Bank of Chicago, as escrow agent with respect to the Series 2012 Bonds (the “Escrow Agent”), to be applied to the defeasance of the Series 2012 Bonds, pursuant

to the Escrow Agreement, dated May 11, 2023 (the “**Escrow Agreement**”), by and between the City and the Escrow Agent, as further described in the Escrow Agreement.

SECTION 4. Amounts to be Borrowed.

The amount to be borrowed through the issuance and sale of the Series 2023A Bonds to pay costs of the Series 2023A Financing Purposes, other than Costs of Issuance of the Series 2023A Bonds, is \$280,661,302.81. The foregoing amount does not include Costs of Issuance of the Series 2023A Bonds.

The amount to be borrowed through the issuance and sale of the Series 2023B Bonds to pay costs of the Series 2023B Financing Purposes, other than Costs of Issuance of the Series 2023B Bonds, is \$217,019,685.69. The foregoing amount does not include Costs of Issuance of the Series 2023B Bonds.

SECTION 5. Trustee; Indenture.

(a) Amalgamated Bank of Chicago is selected to serve as Trustee under the Indenture.

(b) Each of the Master Indenture and the First Supplemental Indenture has been approved and executed by me on behalf of the City and has been delivered to the Trustee

SECTION 6. Book-Entry System. The Series 2023 Bonds initially will be issued through a book-entry only system operated by DTC. DTC will serve as book-entry depository under the Bond Indenture.

SECTION 7. Bond Purchase Agreement. The Bond Purchase Agreement is approved and executed by me on behalf of the City.

SECTION 8. Continuing Disclosure Undertaking. The Continuing Disclosure Undertaking of the City, dated as of May 11, 2023, is approved and executed by me on behalf of the City.

SECTION 9. Preliminary Official Statement; Official Statement.

(a) ***Preliminary Official Statement.*** The distribution of the City’s Preliminary Official Statement relating to the Series 2023 Bonds, dated April 20, 2023, to prospective purchasers of the Series 2023 Bonds, is approved and ratified.

(b) ***Official Statement.*** The City’s Official Statement relating to the Series 2023 Bonds, dated May 4, 2023, attached to this Determination Certificate as Exhibit D, its execution on behalf of the City and its distribution to purchasers of the Series 2023 Bonds are authorized and approved.

SECTION 10. Application of Proceeds. As authorized by the Bond Ordinance and provided in the Indenture, on behalf of the City, I determine that the proceeds received upon the

sale of the Series 2023 Bonds shall be deposited as set forth in the Written Order of the Chief Financial Officer attached to this Determination Certificate as Exhibit E.

[SIGNATURE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, I have executed and delivered this Second Lien Bond Determination Certificate of the Chief Financial Officer of the City of Chicago in the name and on behalf of the City of Chicago as of the 11th day of MAY, 2023.

CITY OF CHICAGO

By: Jennie Huang Bennett
Name: Jennie Huang Bennett
Title: Chief Financial Officer

[SIGNATURE PAGE – SECOND LIEN BOND DETERMINATION CERTIFICATE
OF THE CHIEF FINANCIAL OFFICER]

[SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A
SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B]

EXHIBIT A

BOND PURCHASE AGREEMENT

[Attached]

BOND PURCHASE AGREEMENT

\$452,575,000 CITY OF CHICAGO

\$260,105,000

Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A

\$192,470,000

Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B

May 4, 2023

City of Chicago
Office of the Chief Financial Officer
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602

The undersigned Stifel, Nicolaus & Company, Incorporated (the “**Representative**”), on behalf of itself and the other Underwriters, as listed in Appendix I attached hereto (the “**Underwriters**”), hereby offers to enter into this Bond Purchase Agreement (the “**Agreement**”) with the City of Chicago, a municipal corporation and a home rule unit of local government duly organized and existing under the laws of the State of Illinois (the “**City**”), for the purchase by the Underwriters, and sale by the City, of all but not less than all of the City’s Bonds specified below. This offer is made subject to the acceptance by the City on or before 10:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

The Representative is duly authorized, and hereby represents and warrants that it is duly authorized, to act as Representative of the Underwriters and to execute this Agreement and has full authority to take such action as it may deem advisable with respect to all matters pertaining to this Agreement. Each Underwriter hereby severally represents to the City that it is registered and in good standing under the Securities Exchange Act of 1934, as amended (the “1934 Act”), as a municipal securities dealer.

The primary role of the Underwriters is to purchase the Bonds, for resale to investors, in an arm’s-length commercial transaction between the City and the Underwriters. The Underwriters have financial and other interests that differ from those of the City.

Terms used but not defined in this Agreement are defined in the Official Statement (as herein defined).

1. **Agreement to Sell and Purchase.** Upon the terms and conditions and based upon and in reliance upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters \$260,105,000.00 aggregate principal amount of the City’s Second

Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the “**Series 2023A Bonds**”), at the purchase price of \$282,855,735.66 (reflecting the aggregate principal amount plus an original issue premium of \$24,452,685.55 less an underwriters’ discount of \$1,701,949.89); and \$192,470,000.00 aggregate principal amount of the City’s Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (the “**Series 2023B Bonds**,” and together with the Series 2023A Bonds, the “**Bonds**”), at the purchase price of \$218,263,841.81 (reflecting the aggregate principal amount plus an original issue premium of \$26,954,055.05 less an underwriters’ discount of \$1,160,213.24).

The Bonds shall: (a) be dated as of their date of delivery, (b) have the maturities and shall bear interest at the rates per annum set forth in Exhibit B hereto and (c) have the redemption features and the further terms set forth in Exhibit B hereto and in the Official Statement of the City, dated the date hereof, relating to the Bonds (such Official Statement, including the cover page and all appendices included therein, is hereinafter called the “**Official Statement**,” except that if the Official Statement shall have been amended with the approval of the Representative between the date hereof and the date upon which the Bonds are delivered for the Underwriters’ account with The Depository Trust Company, New York, New York (“**DTC**”), the term “**Official Statement**” shall refer to the Official Statement, as so amended).

2. The Ordinance and the Indenture. The Bonds will be issued and secured under and have such terms and conditions as are provided in an ordinance adopted by the City Council on June 27, 2018, as amended by an ordinance adopted by the City Council on October 27, 2021 and an ordinance adopted by the City Council on November 7, 2022 (collectively, the “**Ordinance**”). The Bonds will be issued under a Master Indenture of Trust dated as of May 1, 2023 and a First Supplemental Indenture dated as of May 1, 2023 (together, the “**Indenture**”), from the City to Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the “**Trustee**”).

3. Public Offering Price. The Underwriters agree to make a *bona fide* public offering of the Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth in Exhibit B. It shall be a condition to the obligation of the City to sell and deliver the Bonds to the Underwriters, and to the obligation of the Underwriters to purchase and to pay for the Bonds, that the entire principal amount of the Bonds to be sold pursuant to Section 1 hereof shall be sold and delivered to, and purchased and paid for by the Underwriters at the Closing (hereinafter defined). Subsequent to such initial public offering, the Underwriters reserve the right to change such initial public offering prices as the Underwriters deem necessary or desirable, in their sole discretion, in connection with the marketing of the Bonds, and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters at prices lower than the public offering prices or yields greater than the yields set forth therein. The Representative shall provide to the City a certificate setting forth the offering prices of the Bonds in substantially the form set forth on Exhibit A and shall provide such subsequent reporting as is described in Exhibit A for any “hold the price” Bonds.

4. The Official Statement. The City ratifies and consents to the distribution and use by the Underwriters, prior to the date hereof, of the Preliminary Official Statement of the City dated April 20, 2023 relating to the Bonds (the “**Preliminary Official Statement**”). For purposes of Rule

15c2-12 (***“Rule 15c2-12”***) of the Securities and Exchange Commission (the ***“SEC”***) under the Securities Exchange Act of 1934, as amended (the ***“Exchange Act”***), the Preliminary Official Statement is ***“deemed final”*** by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12. As soon as practicable, but not more than seven (7) business days after the City’s acceptance hereof, and in any event not later than two (2) business days before the Closing Date (as hereinafter defined), the City shall deliver, or cause to be delivered, to the Representative six copies of the Official Statement, signed on behalf of the City by its Chief Financial Officer, and the Official Statement so delivered shall be ***“final”*** for purposes of Rule 15c2-12. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12 and information which the City is required to include to comply with rules of the SEC, the City shall only make such other additions, deletions and revisions in the Official Statement which are mutually agreed upon by the City and the Representative. The City hereby agrees to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the Municipal Securities Rulemaking Board (the ***“MSRB”***) and the SEC. The City shall provide, or cause to be provided, at its expense, to the Underwriters as soon as practicable, but not more than seven (7) business days after the City’s acceptance of this Agreement and in time which, in the Representative’s opinion, is sufficient to accompany any confirmation that requests payment from any customer, copies of the Official Statement in such quantity which, in the Representative’s opinion, is sufficient to comply with the rules of the SEC and the MSRB with respect to the distribution of the Official Statement. The City authorizes the Underwriters to use and distribute the Official Statement in connection with the public offering and sale of the Bonds.

If on or prior to the Closing or within 25 days after the “end of the underwriting period” any event known to the City shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative, to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City’s sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term “end of the underwriting period” shall be the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public.

The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing unless the Underwriters otherwise notify the City in writing prior to 25 days after the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be

extended for additional periods of 30 days each upon receipt of an additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds but in any event no longer than 90 days after the date of Closing.

At or prior to the Closing (hereinafter defined), the Representative shall file, or cause to be filed, the Official Statement with the MSRB through its Electronic Municipal Market Access ("EMMA") system for municipal securities disclosure or through any other electronic format or system then prescribed by the MSRB or the SEC. The Representative shall notify the City when the Underwriters are no longer obligated to deliver to potential customers the Official Statement.

5. Representations and Warranties of the City. The City represents and warrants to the Underwriters as of the date hereof that:

(a) The City is a municipal corporation and home rule unit of local government existing under the Constitution and laws of the State of Illinois.

(b) The City Council of the City has: (i) duly adopted the Ordinance, which remains in full force and effect, (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and (iii) duly authorized and approved the execution and delivery of (A) the Bonds, (B) the Indenture, (C) this Agreement, (D) the General Tax Certificate (the "***Tax Certificate***"), and (E) a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "***Undertaking***"); and (F) the escrow agreement dated the Closing Date between the City and the Trustee, as escrow agent, entered into in connection with the refunding of the Refunded Bonds (the "***Escrow Agreement***").

(c) The City has full legal right, power and authority: (i) to adopt the Ordinance; (ii) to execute and deliver this Agreement, the Indenture, the Tax Certificate, the Escrow Agreement and the Undertaking; (iii) to issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinance, the Indenture and this Agreement; and (iv) to pay the Bonds from the sources pledged under the Ordinance and the Indenture for their payment.

(d) The adoption of the Ordinance and compliance with the respective provisions thereof do not, and the execution and delivery of this Agreement, the Indenture, the Bonds, the Tax Certificate, the Escrow Agreement and the Undertaking will not, in any material manner, violate any applicable law or administrative regulation of the State of Illinois or any department, division, agency or instrumentality thereof or of the United States of America or any department, division, agency or instrumentality thereof, or any applicable judgment or decree to which the City is subject, or conflict with, in a material manner, or constitute a material breach of, or a material default under, any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

(e) This Agreement, the Ordinance, the Preliminary Official Statement and the Official Statement have been, and the Indenture, the Tax Certificate, the Undertaking, the Escrow Agreement and the Bonds (when delivered and paid for at the Closing) shall be, duly authorized,

executed, delivered and (in the case of the Bonds) authenticated by the Trustee and issued by the City. When delivered and paid for at the Closing, the Bonds shall be entitled to the benefits and the security of, and shall be subject to the terms and conditions set forth in the Ordinance and the Indenture.

(f) All approvals, consents and orders of, and filings (except, if any, under applicable state “blue sky” laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Ordinance, the Indenture, the Tax Certificate and the Bonds have been, or will be, obtained or made.

(g) Between the date of this Agreement and the Closing, the Sewer System shall not have suffered any material adverse change in its condition, financial or otherwise.

(h) The financial statements contained in APPENDIX C of the Official Statement fairly present the financial position and results of operations of the City’s Sewer System, including the City’s Sewer Revenue Fund, as of the dates and for the periods therein stated, and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles, as applied to governmental units, consistently applied, except as otherwise noted therein.

(i) The Official Statement (excluding any description of the Bond Insurer and DTC, information under the captions “THE BONDS – Book-Entry Only System,” “BOND INSURANCE,” “TAX MATTERS,” “UNDERWRITING,” APPENDIX A – “GLOSSARY OF CERTAIN TERMS”, APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”, APPENDIX D - “PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL”, APPENDIX E - “CITY OF CHICAGO ECONOMIC AND DEMOGRAPHIC INFORMATION” (with respect to the information not explicitly sourced to the City), AND APPENDIX G— SPECIMEN MUNICIPAL BOND INSURANCE POLICY”, thereto, and information furnished by the Underwriters relating to the Underwriters for use in the Official Statement) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(j) The Indenture, this Agreement, the Undertaking, the Escrow Agreement and the Tax Certificate, when duly executed and delivered by the parties thereto, as appropriate, will constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies and the availability of equitable remedies generally); and at the time of the Closing, Assured Guaranty Municipal Corp. (the “**Bond Insurer**”) shall have issued the bond insurance policy as described in the Official Statement (collectively, the “**Bond Insurance Policy**”).

(k) When delivered to the Representative and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute validly issued and outstanding limited obligations of

the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(l) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City, wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Bonds, the Ordinance, the Indenture, the Tax Certificate, this Agreement, the Escrow Agreement or the Undertaking, or (ii) the excludability from federal income taxation of the interest on the Bonds.

(m) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Bonds or the Refunded Bonds under the Internal Revenue Code of 1986, as amended.

(n) Except as disclosed in the Official Statement, the City has not failed during the previous five years to comply in all material aspects with any previous continuing disclosure undertakings that it has entered into in accordance with Rule 15c2-12.

6. Continuing Disclosure. In order to assist the Underwriters in complying with Rule 15c2-12, the City will enter into the Undertaking pursuant to Rule 15c2-12, which Undertaking shall be substantially in the form described in the Official Statement, with such changes as may be reasonably approved by the Representative and the City.

7. Additional Covenants of the City. The City hereby covenants that:

(a) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 7(a) shall require the City to consent to general service of process in any state or jurisdiction other than the State of Illinois.

(b) The City shall apply the proceeds of the Bonds in accordance with the Ordinance, and the Indenture.

8. Closing. Subject to the conditions set forth in this Agreement, the closing (the "**Closing**") of the sale of the Bonds by the City and the purchase of the Bonds by the Underwriters, shall take place at approximately 11 a.m., Chicago time, on May 11, 2023 ("**Closing Date**"), at the offices of ArentFox Schiff LLP, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree), and in connection therewith:

(a) At the Closing, the City shall deliver or cause to be delivered to DTC, as securities depository, or to the Trustee, as DTC's FAST Agent, for the account of the Underwriters, a single certificate for each maturity of the Bonds, representing the total principal amount of such Bonds

of such maturity, registered in the name of Cede & Co., as nominee for DTC.

(b) Upon delivery of the Bonds to DTC or the Trustee, as FAST Agent, at the Closing, the City will deliver to the Representative the Closing Documents as set forth in Section 9(d). The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing in accordance with Section 8(c).

(c) The Underwriters agree at Closing to deliver a federal funds check or make a federal funds wire transfer or otherwise confirm deposit of federal funds to the City's account at a bank it specifies, in an amount equal to the purchase price of the Bonds.

9. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further conditions:

a. At the time of the Closing, the Ordinance, the Undertaking, the Escrow Agreement and the Indenture shall be in full force and effect and the Ordinance, the Indenture, and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 4 hereof, and the City shall have duly adopted and there shall be in full force and effect such resolutions and ordinances as, in the opinion of ArentFox Schiff LLP, and Golden Holley James, LLP (herein collectively "***Co-Bond Counsel***"), shall be necessary in connection with the transactions contemplated hereby and thereby.

b. At the time of the Closing, evidence shall be provided that, on the basis of the Bond Insurance Policy issued by AGM with respect to the insured bonds (the "***Insured Bonds***") as described in the Official Statement, the Insured Bonds have received a rating of at least "AA" (stable outlook) from Standard & Poor's Rating Services, and a rating of at least "AA+" (stable outlook) from Kroll Bond Rating Agency, and that Standard & Poor's Rating Services has assigned to the Bonds an underlying rating of at least "A+" (stable outlook), Fitch Ratings has assigned to the Bonds an underlying rating of at least "A" (positive outlook), and Kroll Bond Rating Agency has assigned to the Bonds an underlying rating of at least "AA-" (stable outlook) and such ratings shall not have been qualified or lowered on or prior to Closing if such qualification or lowering, in the Representative's opinion, adversely affects the market price or marketability of the Bonds.

c. The Underwriters shall have the right to cancel their obligations to purchase the Bonds and have the further right to terminate this Agreement, without liability therefor, by written notice to the City from the Representative, if, between the date hereof and the Closing:

i. legislation shall be introduced in or enacted by the Congress of the United States, or adopted by either house thereof or shall have been introduced and favorably reported for passage to either house by any committee of such house to which such legislation had been referred for consideration, or a decision shall have been rendered by or

adopted by either house thereof or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Bonds which, in the Representative's opinion, does or will materially adversely affect the market price or marketability of the Bonds;

ii. legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any public body of the general character of the Bonds, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or would require the qualification of the Ordinance or the Indenture under the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds;

iii. there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and either (1) the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 4 hereof, which will amend or supplement the Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading or (2) such amendment or supplement to the Official Statement materially adversely affects the market price or marketability of the Bonds;

iv. there shall have occurred, or any notice shall have been given, that the ratings of the City's sewer system obligations shall be, or will be, downgraded or suspended, or placed on Credit Watch by Standard & Poor's or Rating Watch by Fitch or Kroll, which, in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Bonds;

v. there shall have occurred, or any notice shall have been given of any intended downgrading (including a review), suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the City's obligations, which, in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Bonds;

vi. there shall be in force a general suspension of trading on The New York

Stock Exchange, Inc. or any other national securities exchanges, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc. or any other national securities exchange, whether by virtue of a determination by such Exchange or by order of the SEC or any other governmental authority having jurisdiction;

vii. a general banking moratorium shall have been declared by either federal, Illinois or New York authorities having jurisdiction and be in force;

viii. a material disruption in securities settlement, payment or clearance services in the United States shall have occurred or a material disruption of the municipal securities market shall have occurred;

ix. any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or agency in the State of Illinois, or a decision by any court of competent jurisdiction within the State of Illinois shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds;

x. a war involving the United States, an outbreak or escalation of or adverse development in hostilities or other national or international calamity or crisis shall have occurred which, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds;

xi. there shall be any proceeding or threatened proceeding by the SEC against the City and such proceeding or threatened proceeding, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds;
or

xii. additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange.

d. At the Closing, the Underwriters shall receive each of the following documents:

i. the approving opinions, dated the date of the Closing, of Co-Bond Counsel, substantially in the form attached to the Official Statement as APPENDIX D;

ii. the supplemental opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit C;

iii. an opinion of the Corporation Counsel for the City, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters substantially in the form attached hereto as Exhibit D;

iv. An opinion, dated the date of the Closing and addressed to the Underwriters of Chico & Nunes, P.C., Chicago, Illinois, as Underwriters' Counsel to the Underwriters (the "***Underwriters' Counsel***") to the effect that:

(A) The Bonds constitute exempted securities within the meaning of the Securities Act of 1933, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any of the Bonds under said Securities Act or to qualify the Ordinance or the Indenture under the Trust Indenture Act of 1939, as amended;

(B) The Undertaking complies with the requirements of paragraph (b)(5) of Rule 15c2-12;

(C) The conditions precedent to the Underwriters' purchase and sale of the Bonds contained in this Agreement have been satisfied or waived; and

(D) Based upon their participation in the preparation of the Official Statement as Underwriters' Counsel and their participation at conferences at which the Official Statement were discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, the Underwriters' Counsel have no reason to believe that the Official Statement, as of its date and as of the date of Closing, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that no belief or opinion need be stated regarding (i) any economic, financial, operational, technical or statistical information contained in or omitted from the Official Statement; (ii) any forecasts, projections, estimates, assumptions or expressions of opinion contained in the Official Statement; (iii) any financial statements or other financial, statistical or accounting data contained in or omitted from the Official Statement; (iv) any information incorporated or included by reference in the Official Statement; (v) any information relating to DTC, or its global book-entry systems or (vi) any information under the caption "TAX MATTERS" "BOND INSURANCE" and in the Appendices to the Official Statement.

v. The defeasance opinion of Co-Bond Counsel with respect to the Refunded Bonds dated the date of Closing and addressed to the City and the trustee(s) of the Refunded Bonds.

vi. an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Charity & Associates, P.C., Chicago, Illinois, and BurgherGray LLP, Chicago, Illinois, Co-Disclosure Counsel to the City ("***Co-Disclosure Counsel***"), substantially in the form attached hereto as Exhibit E, to the effect that (A) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and it is not necessary in connection with the public offering and sale of the Bonds to register any security under the Securities Act of 1933, as amended and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended, (B) the Undertaking complies with the requirements of paragraph (b)(5) of Rule 15c2-12 in effect as of the date of the Closing and (C) nothing has come to their attention which would lead them to believe that the Official Statement and the Appendices thereto (excluding the financial statements and other financial and statistical data contained in the Official Statement, including APPENDIX C and the descriptions DTC and the

DTC Book-Entry System and “BOND INSURANCE”, as to which no view is expressed), contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

vii. a copy, duly certified by the City, of the Ordinance, as passed by the City Council and approved by the Mayor;

viii. a certificate, dated the date of the Closing, executed on behalf of the City by its City Chief Financial Officer or its City Comptroller satisfactory to the Representative and in form and substance satisfactory to Underwriters’ Counsel, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as of the date of the Closing; (B) the financial statements of the Sewer System included as APPENDIX C to the Official Statement as of December 31, 2020 and December 31, 2021 fairly represents the receipts, expenditures, assets, liabilities and cash balances of such amounts as of the dates and for the periods therein set forth; and (C) except as disclosed in the Official Statement, since December 31, 2021, no materially adverse change has occurred, or any development involving a prospective material change, in the financial position or results of operations of the Sewer System and the Sewer System has not incurred since December 31, 2021, any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement;

ix. a certificate or certificates acceptable to the City and the Representative dated the date of Closing, to the effect that Amalgamated Bank of Chicago, Chicago, Illinois, has full legal right, power and authority to act as Trustee under the Indenture and has executed and delivered the Indenture and authenticated the Bonds;

x. a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Bonds;

xi. a fully executed counterpart or conformed copy of the Tax Certificate;

xii. a fully executed counterpart or conformed copy of the Undertaking;

xiii. a fully executed counterpart or conformed copy of the Indenture;

xiv. a fully executed counterpart of the Escrow Agreement;

xv. an opinion of counsel to the Bond Insurer, dated the date of the Closing and addressed to the City and to the Representative on behalf of the Underwriters, regarding the validity of the Bond Insurance Policy, which opinion shall be satisfactory to the City and the Representative

xvi. a fully executed Bond Insurance Policy.

xvii. evidence to the satisfaction of the Representative that all conditions to the issuance and delivery of the Bonds have been fulfilled.

e. All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment.

f. Payment for the Bonds and acceptance of the delivery of the Bonds by the Representative on behalf of the Underwriters shall evidence conclusively compliance by the City, or the waiver thereof by the Underwriters, of all conditions required hereunder for the Closing. If the City is unable to satisfy the conditions to the Underwriters' obligations contained in this Agreement, or if the Underwriters' obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the City nor the Underwriters shall have any further obligation hereunder.

10. Use of Documents. The City hereby authorizes the Underwriters to use, in connection with the public offering and sale of the Bonds, this Agreement, the Preliminary Official Statement, the Official Statement, the Ordinance, the Indenture, and the information contained herein and therein.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all reasonable expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinance, the Indenture, the Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Preliminary Official Statement and the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel, and Co-Disclosure Counsel; (d) the fees of the financial advisors (e) the fees and disbursements of any experts or consultants retained by the City, (f) the fees of the Trustee and the Bond Insurer and (g) the fees for the municipal bond ratings on the Bonds. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

12. Notices. Any notice or other communication to be given to the City under this Agreement shall be given by delivering the same in writing at the address set forth above, and any such notice or other communication to be given to the Underwriters shall be given by delivering the same in writing to:

Stifel, Nicolaus & Company, Incorporated
1 North Wacker Drive, 34th Floor
Chicago, IL 60606
Attn. Omar Daghestani

13. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All of the representations and agreements by the City in

this Agreement shall remain operative and in full force and effect regardless of any investigations made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

14. Approval; Representations and Warranties of the Underwriters.

(a) The Representative represents and warrants to the City that the Underwriters have heretofore authorized the Representative to execute any document on behalf of, or exercise any authority of and otherwise to act for, them in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative, and the Representative warrants and confirms to the City that: (i) it is duly registered under the 1934 Act as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements; (ii) it is (A) a member in good standing of the Financial Industry Regulatory Authority ("*FINRA*") or (B) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities; and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers the Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City; provided, however, that payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgement by the Representative and the Underwriters of such approval and satisfaction.

(b) Each Underwriter severally represents to the City that neither the Underwriter, nor any Affiliate thereof, is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the Directorate of Defense Trade Controls of the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

For purposes of this representation, "Affiliate," when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert), whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

Attached hereto as Exhibit F, is a form Representation Letter to be provided by each Underwriter to the City and the Representative at or before Closing.

(c) This Agreement has been duly authorized, executed and delivered by the Representative on behalf of the Underwriters and, assuming the due authorization, execution and delivery by the City, is the legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

15. Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any Bond or Bonds from the Underwriters merely because of such purchase.

16. Enforceability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

17. Cooperation with City Inspector General. Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 of the Municipal Code of Chicago. Pursuant to Section 2-56-090 of the Municipal Code of Chicago, it shall be the duty of each Underwriter to cooperate with the City's Inspector General in any investigation or hearing undertaken pursuant to Chapter 2-56. Every Underwriter shall report, directly and without undue delay, to the City's Inspector General any and all information concerning conduct by any person which such Underwriter knows to involve corrupt activity, pursuant to Section 2-156-018(b) of the Municipal Code of Chicago. An Underwriter's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, shall constitute an event of default under this Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

(1) bribery or attempted bribery, or its equivalent under any local, state or federal law, of any public officer or employee of the City of Chicago or of any sister agency; or

(2) theft, fraud, forgery, perjury, dishonesty or deceit, or attempted theft, fraud, forgery, perjury, dishonesty or deceit, or its equivalent under any local, state or federal law, against the City of Chicago or of any sister agency; or

(3) conspiring to engage in any of the acts set forth in items (1) or (2) of this subsection (a).

The Underwriters agree and covenant that no payment, gratuity or offer of employment shall be made in connection with this Agreement, by or on behalf of a subcontractor to the

Underwriters or any higher-tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Agreement.

18. No Advisory or Fiduciary Role by Underwriters; Acknowledgements of the City. The City acknowledges and agrees to the following: (1) the primary role of the Representative and Underwriters is to purchase securities, for resale to investors, in an arm's length commercial transaction between the City and the Underwriters in which the Representative is acting solely as a principal and that the Representative and Underwriters have financial and other interests that differ from those of the City; (2) the Representative and Underwriters are not acting as a municipal advisor, financial advisor or fiduciary to the City and have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Representative and Underwriters have provided other services or are currently providing other services to the City on other matters); (3) the only obligations the Representative or Underwriters have to the City with respect to the transaction contemplated hereby are expressly set forth in this Agreement and (4) the City has consulted its own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate. The City engaged (a) PFM Financial Advisors LLC and Sycamore Advisors LLC to perform certain professional services in the capacity as financial advisor to the City for this transaction, and (b) Charity & Associates, P.C., and BurgherGray LLP, as Co-Disclosure Counsel to the City.

19. Qualification of Securities. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and to provide for the continuance of such qualification; provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

20. Entire Agreement. This Agreement, together with any contemporaneous written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Bonds, represents the entire agreement between the City and the Underwriters with respect to the preparation of the Official Statement, and the conduct of the offering, and the purchase and sale of the Bonds.

21. Counterparts. This Agreement may be executed in several counterparts, each of which shall be regarded as the original and all of which shall constitute one and the same document.

[The Execution Page Follows]

Very truly yours,

Stifel, Nicolaus & Company, Incorporated,
as Representative
By

Omar Daghestani, Managing Director

The foregoing is
hereby accepted
as of the date
first written
above:

CITY OF CHICAGO
By:



Chief Financial Officer

Concurred By

Chairman, City of Chicago Committee on Finance

Very truly yours,

Stifel, Nicolaus & Company, Incorporated,
as Representative
By

Omar Daghestani, Managing Director

The foregoing is
hereby accepted
as of the date
first written
above:

CITY OF CHICAGO
By:

Chief Financial Officer

Concurred By



Chairman, City of Chicago Committee on Finance

Very truly yours,

Stifel, Nicolaus & Company, Incorporated,
as Representative
By


Omar Daghestani, Managing Director

The foregoing is hereby accepted as of the date first written above:

CITY OF CHICAGO

By:

Chief Financial Officer

Concurred By

Chairman, City of Chicago Committee on Finance

APPENDIX I

UNDERWRITERS

Stifel, Nicolaus & Company, Incorporated (Representative)
1 North Wacker Drive, 34th Floor
Chicago, IL 60606

PNC Capital Markets LLC (Co-Senior Manager)
1600 Market Street, 21st Floor
Philadelphia, PA 19103

Siebert Williams Shank & Co., LLC (Co-Senior Manager)
625 North Michigan Avenue, Suite 2350
Chicago, IL 60611

Cabrera Capital Markets LLC (Co-Senior Manager)
227 West Monroe Street, 30th Floor
Chicago, IL 60606

Stinson Securities, LLC (Co-Manager)
70 Montezuma Street
San Francisco, CA 94110

Valdés & Moreno Inc. (Co-Manager)
180 North LaSalle Street, Suite 3700
Chicago, IL 60601

Blaylock Van, LLC (Co-Manager)
203 North LaSalle Street, Suite 2100
Chicago, IL 60201

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

UNDERWRITERS' CERTIFICATE

Re: CITY OF CHICAGO (the “**Issuer**”)
\$452,575,000 Second Lien Wastewater Transmission Revenue Bonds, Series 2023 (the “**Bonds**”)
consisting of
\$260,105,000 Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A; and
\$192,470,000 Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B

Defined terms used in this certificate have the respective meanings set forth in the Issuer’s General Tax Certificate relating to the Bonds described above.

A. Issue Price

Stifel, Nicolaus & Company, Incorporated, as the representative (the “**Representative**”) of itself PNC Capital Markets LLC, Siebert Williams Shank & Co., Cabrera Capital Markets, Stinson Securities, LLC, Valdes & Moreno, and Blaylock Van, LLC, the Underwriters of the Bonds, certifies that:

(i) Based on our assessment of the then prevailing market conditions, the Underwriters reasonably expected when they agreed to purchase the Bonds (the “**Sale Date**”) that the first prices at which at least 10% of each maturity of the Bonds would be sold by the Underwriters to the general public would be prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those listed for each maturity on the inside front cover of the Official Statement for the Bonds (the “**Initial Offering Prices**”).

(ii) All of the Bonds have actually been offered to the public in a bona fide public offering at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, the Initial Offering Prices.

(iii) Except as disclosed herein, the first price, or yield in the case of obligations sold on a yield basis, at which ten percent (10%) of each maturity of the Bonds has been sold to the public was at a price not higher than, or, in the case of obligations sold on a yield basis, at a yield not lower than, the Initial Offering Prices. If as of this date the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriters agree to promptly report to the Issuer the prices at which Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriters’ reporting obligations after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the Issuer or bond counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(iv) Schedule X sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% Test has not been satisfied and for which the Issuer and the Underwriters agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriters will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter[s] have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(v) The Underwriters will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether they have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(vi) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) (i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the, dealer or broker-dealer, the Representative shall assume (i) that each order submitted by the, dealer or broker-dealer is a sale to the public.(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by

the Representative that the 10% Test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires.

The Issuer acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that the Underwriter[s] shall not be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(vii) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party to an underwriter,

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter

and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties.

(viii) The Underwriters had no reason to believe that any of the Initial Offering Prices of the Bonds exceeded the expected fair market value of the Bonds as of the Sale Date.

For purposes of this certificate, the term “general public” does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

B. Information for Form 8038-G

a) The yield on the Bonds (meaning that discount rate which, when used in computing the present value as of the Issue Date of all unconditionally payable payments of principal, interest and fees for qualified guarantees and amounts reasonably expected to be paid as fees for qualified guarantees on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the Bonds, as of the Issue Date) is 3.764776%. In computing the yield, any Bond subject to optional early redemption that was issued at an issue price that exceeded its stated redemption at maturity by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date for the Bonds was treated as redeemed at its stated redemption price on the optional redemption date that produced the lowest yield on the Bonds.

b) The weighted average maturity of the Bonds is not more than 20.9645 years.

c) The remaining weighted average maturity of the Refunded Bonds is 10.8724 years.

C. Yield on Escrow Accounts

The Underwriters have calculated the Yield on the investment of moneys on deposit in the Series 2012 Escrow Account to be 5.423710%

D. Bond Insurance

All of the Series 2023A and 2023B Bonds are insured. The Municipal Bond Insurance Policy (the “**Policy**”) issued by Assured Guaranty Municipal Corp. (“**AGM**” or the “**Insurer**”) was essential in marketing Bonds (the “**Insured Bonds**”) at the interest rate and price at which they were sold. The absence of the Policy would have materially affected in an adverse manner the

interest rate and price at which the Insured Bonds were sold.

The present value of the aggregate premiums paid for the Policy on the date of this certificate is less than the present value of the interest reasonably expected to be saved as a result of using the Policy to secure payment of the Insured Bonds, using as a discount rate the Yield on the Bonds calculated by treating the premium for the Policy as interest on the Insured Bonds. The premium paid for the Policy does not exceed a reasonable charge for the transfer of credit risk (such reasonableness was determined by taking into account premiums charged by bond insurers in comparable transactions).

E. Miscellaneous

It is understood by the undersigned that the certifications contained in this certificate are made by the Representative on behalf of the Underwriters and will be relied upon by the Issuer with respect to certain representations included in the General Tax Certificate and by Co-Bond Counsel in rendering their respective opinions that the Bonds are tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended. The undersigned is certifying only as to facts in existence on the date of this certificate. Nothing in this certificate represents the undersigned's interpretation of any laws or regulations; in particular the regulations under the Internal Revenue Code of 1986, or the application of any laws or regulations to these facts. The certifications contained in this certificate are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth in this certificate. Although certain information furnished in this certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe that information to be untrue in any material respect.

Stifel Nicolaus & Company, Incorporated

By: _____ Its: _

EXHIBIT B

\$260,105,000

Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A

1. Principal Amount: \$260,105,000
2. Dated: May 11, 2023
3. Maturity Schedule:

Maturity (January 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP
2040	\$6,960,000	5.250%	\$112.086	3.680%	167727B88
2041	7,325,000	5.250	111.593	3.740	167727B96
2042	7,710,000	5.250	111.102	3.800	167727C20
2043	8,115,000	5.250	110.532	3.870	167727C38

47,445,000 5.250% Term Bond due January 1, 2048, Price 109.324, Yield 4.020%, CUSIP 167727E28

61,280,000 5.250% Term Bond due January 1, 2053, Price 109.109, Yield 4.140%, CUSIP 167727C46

79,140,000 5.250% Term Bond due January 1, 2058, Price 108.248, Yield 4.240%, CUSIP 167727C53

42,130,000 5.500% Term Bond due January 1, 2062, Price 110.725, Yield 4.190%, CUSIP 167727C61

OPTIONAL REDEMPTION: The Series 2023A Bonds maturing on and after January 1, 2040, through and including January 1, 2048 are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date. The Series 2023A Bonds maturing on and after January 1, 2053, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2033, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

MANDATORY REDEMPTION: The Series 2023A Bonds due January 1, 2048, January 1, 2053, January 1, 2058 and January 1, 2062 are subject to mandatory sinking fund redemption on January 1 in each of the respective years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed:

Term Bond Due January 1, 2048:

Maturity (January 1)	Principal Amount
2044	\$8,545,000
2045	8,990,000
2046	9,465,000
2047	9,960,000
2048*	<u>10,485,000</u>
Total	\$47,445,000

Term Bond Due January 1, 2053:

Maturity (January 1)	Principal Amount
2049	\$11,035,000
2050	11,615,000
2051	12,225,000
2052	12,865,000
2053*	<u>13,540,000</u>
Total	\$61,280,000

Term Bond Due January 1, 2058:

Maturity (January 1)	Principal Amount
2054	\$14,250,000
2055	15,000,000
2056	15,785,000
2057	16,615,000
2058*	<u>17,490,000</u>
Total	\$79,140,000

Term Bond Due January 1, 2062:

Maturity (January 1)	Principal Amount
2059	\$9,700,000
2060	10,235,000
2061	10,800,000
2062*	<u>11,395,000</u>
Total	\$42,130,000

*Denotes Final Maturity

\$192,470,000
Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B

1. Principal Amount: \$192,470,000
2. Dated: May 11, 2023
3. Maturity Schedule:

Maturity (January 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP
2029	\$14,385,000	5.000%	\$111.786	2.730%	167727C79
2030	15,105,000	5.000	113.305	2.790	167727C87
2031	15,860,000	5.000	114.735	2.840	167727C95
2032	16,650,000	5.000	116.191	2.870	167727D29
2033	17,480,000	5.000	116.662	2.910	167727D37
2034	18,360,000	5.000	116.313	2.950	167727D45
2035	19,275,000	5.000	115.360	3.060	167727D52
2036	20,235,000	5.000	114.161	3.200	167727D60
2037	21,255,000	5.000	112.725	3.370	167727D78
2038	17,315,000	5.000	111.558	3.510	167727D86
2039	16,550,000	5.000	110.734	3.610	167727D94

OPTIONAL REDEMPTION: The Series 2023B Bonds maturing on and after January 1, 2033, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

May __, 2023

City of Chicago
City Hall
121 North LaSalle Street Chicago, Illinois 60602
Chicago, Illinois 60602

We have acted as co-bond counsel in connection with the issuance and delivery by the City of Chicago (the “City”) of the City’s (a) \$260,105,000 Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the “**Series 2023A Bonds**”), and \$192,470,000 Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (together with the Series 2023A Bonds, the “**Bonds**”). The Bonds are authorized by an Ordinance adopted by the City Council of the City on June 27, 2018, as amended by an ordinance adopted by the City Council on October 27, 2021 and an ordinance adopted by the City Council on November 7, 2022 (collectively the “**Bond Ordinance**”) and are being issued today under and pursuant to the Bond Ordinance, a Determination Certificate of the Chief Financial Officer of the City pursuant to the Bond Ordinance establishing certain terms of the Bonds and filed with the City Clerk pursuant to the Bond Ordinance (the “**Determination Certificate**”), and a Master Indenture of Trust dated as of May 1, 2023 and a First Supplemental Indenture dated as of May 1, 2023 (together the “**Trust Indenture**”), from the City to Amalgamated Bank of Chicago, as trustee (the “**Trustee**”), providing for the issuance of the Bonds. We rendered our separate approving opinion today as co-bond counsel as to the validity of the Bonds. Capitalized terms used but not defined in this letter have the meanings ascribed to them in our separate approving opinion as co-bond counsel.

The following opinion is based upon the same examination of the record of proceedings and accompanying certificates, and is subject to the same limitations, as described in our separate approving opinion as co-bond counsel described above. In addition to the items described in our separate approving opinion as co-bond counsel, the record of proceedings also includes executed copies of the Bond Purchase Agreement, dated May 4, 2023 (the “**Bond Purchase Agreement**”), between the City and the underwriters listed on *Exhibit A* (the “**Underwriters**”), and of the Official Statement, dated May 4, 2023, of the City relating to the Bonds (the “**Official Statement**”). We are furnishing this opinion pursuant to Section 9(d)(ii) of the Bond Purchase Agreement.

Based upon our examination as described in our separate opinion as co-bond counsel, we are further of the opinion as follows:

1. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Trust Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended. It is not necessary, in connection with the initial public offering and sale of the Bonds in the manner contemplated in the Bond Purchase Agreement, to register any securities under the Securities Act or to qualify the Bond Ordinance or the Trust Indenture under the Trust

Indenture Act.

2. We have reviewed the statements in the Official Statement on its covers, under the captions "INTRODUCTION," "DESCRIPTION OF THE BONDS" (other than information under the subcaption "Book-Entry Only System"), and "SECURITY FOR THE BONDS," and in Appendices A and B and, insofar as those statements purport to summarize certain provisions of the Bonds, the Bond Ordinance, the Determination Certificate and the Trust Indenture, such statements present a fair and accurate summary of those provisions. The statements in the Official Statement in the first paragraph on its cover, under the caption "TAX MATTERS," and in Appendix D, present a fair and accurate summary of the matters relating to the tax exemption of interest on the Bonds discussed in such portions of the Official Statement.

3. The execution and delivery on behalf of the City of the Bond Purchase Agreement has been duly authorized by the City. The Bond Purchase Agreement is a binding contractual obligation of the City in accordance with its terms if it is a valid and binding obligation of the Underwriters (as to which we express no opinion). The Continuing Disclosure Undertaking has been duly authorized, executed and delivered by the City and is a binding contractual obligation of the City in accordance with its terms.

Except as stated in paragraph 2 of this letter, we have not undertaken to determine independently the accuracy or completeness of the Official Statement. However, we state that during our participation in the authorization and issuance of the Bonds as co-bond counsel (which included participation in conferences with the City and the Underwriters and their respective counsel concerning the Official Statement), nothing has come to our attention which has caused us to believe that the Official Statement (except for statements under the captions "INTRODUCTION—City of Chicago Sewer System," the second paragraph under the caption "INTRODUCTION—Sewer System Rates," ["INTRODUCTION—Chicago Water and Sewer Tax,"] "DESCRIPTION OF THE BONDS—Book-Entry Only System," "BOND INSURANCE," "OUTSTANDING DEBT AND ANNUAL DEBT SERVICE," "DEPARTMENT OF WATER MANAGEMENT," "SEWER SYSTEM," "FINANCIAL OPERATIONS," "LITIGATION," "CO-FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISORS," SECONDARY MARKET DISCLOSURE—Corrective Action Related to Certain Bond Disclosure Requirements" and in Appendix C – "City of Chicago, Illinois Sewer Fund Basic Financial Statements as of and for the Years Ended December 31, 2020 and 2021, and Independent Auditors' Report," Appendix G – Specimen Municipal Bond Insurance Policy and the financial and statistical data in the Official Statement, as to which we express no view), as of its date or as of the date of this letter, contained or contains an untrue statement of a material fact or omitted or omits a material fact necessary to make the statements in it, in light of the circumstances under which they were made, not misleading.

The enforceability of provisions of the Bond Purchase Agreement and the Continuing Disclosure Undertaking may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Bond Purchase Agreement or the Continuing Disclosure Undertaking by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief. The enforceability of the indemnification provisions of the Bond Purchase Agreement may be limited by federal or state securities laws.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date.

The opinions rendered and assurances given in this letter are solely for the benefit of the persons to whom this letter is addressed in connection with the issuance and delivery of the Bonds and may not be relied upon by other persons or for any other purpose without our express prior written consent.

Very respectfully yours,

EXHIBIT D
FORM OF OPINION OF CORPORATION COUNSEL

[Date of Closing]

Amalgamated Bank of Chicago, as Trustee One West Monroe Street
Chicago, Illinois 60603

Stifel, Nicolaus & Company, Incorporated (Representative)
70 West Madison Street Suite 2400
Chicago, IL 60603
on behalf of the Underwriters named in the Bond Purchase Agreement (as defined herein)

Ladies and Gentlemen:

I am the Acting Corporation Counsel of the City of Chicago (the “City”). In connection with the issuance by the City of \$260,105,000 aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A, and \$192,470,000 aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (together, the “Bonds”), I have caused to be examined a certified copy of the record of proceedings of the City Council of the City (the “City Council”) pertaining to the adoption by the City Council of an ordinance on June 27, 2018, as amended by an ordinance adopted by the City Council on October 27, 2021 and an ordinance adopted by the City Council on November 7, 2022, pursuant to which the Bonds are being issued (collectively the “Ordinance”). Unless otherwise defined herein, capitalized terms defined in the Bond Purchase Agreement are used with the same meaning herein.

In addition to the Ordinance, I have caused to be examined final and/or executed copies of the following documents:

- (i) the Official Statement;
- (ii) that certain Trust Indenture dated as of May 1, 2023, from the City to Amalgamated Bank of Chicago, as trustee (the “Trustee”) in connection with the Bonds (the “Indenture”);
- (iii) that certain Bond Purchase Agreement dated May 4, 2023 (the “Bond Purchase Agreement”), between the City and the Underwriters referred to therein (the “Underwriters”);
- (iv) the Undertaking;
- (v) the Tax Certificate; and
- (vi) such other documents and records as were deemed necessary to enable me to render this opinion.

Based on the foregoing, I am of the opinion that:

1. The City is a municipal corporation and home rule unit of local government, organized and existing under the laws of the State of Illinois.

2. The City has duly authorized, approved and executed the Official Statement.

3. The City Council has (a) duly passed the Ordinance, which has not been amended, modified, supplemented, except as stated herein, or repealed and is in full force and effect; and (b) duly authorized and approved the execution and delivery of the Bonds, the Official Statement, the Bond Purchase Agreement, the Indenture, the Undertaking, and the Tax Certificate. Assuming due execution and delivery by the other parties thereto, as applicable, the Bond Purchase Agreement, the Indenture, the Determination Certificate, the Undertaking and the Tax Certificate (collectively, the "*City Documents*") constitute valid and legal obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by (i) applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors generally of entities similar to the City, and (ii) the discretion of the courts in granting equitable or similar remedies.

4. The City has full legal right, power and authority to: (a) enter into and to execute the City Documents; and (b) issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinance and the Indenture. To my knowledge, the passage of the Ordinance and compliance with its provisions do not violate any applicable law or administrative regulation of the State of Illinois or of any department, division, agency or instrumentality thereof or of the United States of America, or any applicable judgment or decree to which the City is subject and do not conflict in a material manner with or constitute a material breach of or a material default under any agreement or other instrument to which the City is a party or is otherwise subject.

5. To my knowledge, the City has obtained all approvals, consents and orders (except, if any, with respect to state "blue sky" laws) of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under the City Documents which the City could reasonably obtain as of the date hereof.

6. No litigation is pending or, to my knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds, or contesting (a) the validity or enforceability of the City Documents, (b) the completeness or accuracy of the Official Statement or (c) the power of the City or its authority with respect to the City Documents.

7. Nothing has come to my attention which would lead me to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that I express no opinion or belief regarding information under the captions "THE BONDS - Book-Entry Only System," "BOND INSURANCE," "TAX MATTERS," "UNDERWRITING," APPENDIX A - "GLOSSARY OF CERTAIN TERMS", APPENDIX B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", APPENDIX D - "PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL", APPENDIX E - "INFORMATION REGARDING THE CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS" (with respect to the information not explicitly sourced to the City), AND

APPENDIX G— SPECIMEN MUNICIPAL BOND INSURANCE POLICY”, any information in or omitted from the Official Statement relating to DTC, the Bond Insurer, any information furnished by the Underwriters for use in the Official Statement, the financial statements in APPENDIX C – CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2021, AND INDEPENDENT AUDITORS’ REPORT and all other financial and statistical data contained in the Official Statement, including the Appendices thereto.

No opinion is expressed as to any “blue sky” or other securities laws or as to the laws regarding taxation of any state, or the United States, or any disclosure or compliance related thereto.

The statements contained herein are made in an official capacity and not personally and no personal responsibility shall derive from them. Further, the only opinions that are expressed are the opinions specifically set forth herein, and no opinion is implied or should be inferred as to any other matter or transaction.

No one other than you shall be entitled to rely on this opinion.

Sincerely,

John L. Hendricks
Acting Corporation Counsel

EXHIBIT E
FORM OF CO DISCLOSURE COUNSEL OPINION

May __, 2023

City of Chicago
City Hall
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602

Stifel, Nicolaus & Company, Incorporated,
as Representative of the Underwriters named in
the Bond Purchase Agreement
dated May __, 2023
1 North Wacker Drive, 34th Floor
Chicago, IL 60606

Re: \$260,105,000 City of Chicago,
 Second Lien Wastewater Transmission
 Revenue Bonds, Project Series 2023A

\$192,470,000 City of Chicago,
Second Lien Wastewater Transmission
Revenue Bonds, Refunding Series 2023B

Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the City of Chicago (the “**City**”) in connection with the issuance by the City of its \$260,105,000 aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the “**Series 2023A Bonds**”) and \$192,470,000 aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (the “**Series 2023B Bonds**” and, together with the Series 2023A Bonds, the “**Bonds**”), which Bonds are being delivered to the Underwriters on the date hereof pursuant to the Bond Purchase Agreement dated May 4, 2023 (the “**Bond Purchase Agreement**”), by and among the Underwriters and the City. This opinion is furnished pursuant to Section 9(d)(vi) of the Bond Purchase Agreement. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In rendering this opinion, we have examined:

- (i) the Bond Purchase Agreement;
- (ii) the Official Statement;
- (iii) the Ordinance;
- (iv) the Undertaking;
- (v) the legal opinions of law firms other than ourselves, agreements, and certificates delivered pursuant to Section 9(d) of the Bond Purchase Agreement; and
- (vi) such other documents, certificates, instruments and records as we have considered necessary or appropriate for purposes of this opinion.

In examining the documents referred to above, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of documents purporting to be originals and the conformity to originals of all documents submitted to us as copies. As to questions of fact material to our opinion, we have relied (without investigation or independent confirmation) upon the representations contained in the documents and on certificates and other communications from public officials, officers and agents of the City and Amalgamated Bank of Chicago. We have also assumed that each of the documents has been duly authorized, executed and delivered by and constitutes the legal and valid obligation of each party thereto, and is enforceable there against in accordance with its terms.

We express no opinion as to the laws of any jurisdiction other than the laws of the State of Illinois (except that we express no opinion as to any choice of law provisions thereof) and the Federal laws of the United States of America.

Based on the foregoing, and subject to the qualifications, assumptions and limitations set forth herein, we are of the opinion that:

1. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and it is not necessary in connection with the public offering and sale of the Bonds to register any security under the Securities Act, and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended.
2. The Undertaking complies with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, in effect as of the date of the Closing.

As indicated above, we examined various documents and participated in conferences with representatives of the City, the City's co-financial advisors, Co-Bond Counsel, the Underwriters and their counsel at which times the contents of the Official Statement and related matters were discussed. We have not made an independent investigation of factual matters and have not verified and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement. We confirm, however, that in the course of our examination and during the above-mentioned conferences, nothing has come to our attention which would lead us to believe that the Official Statement and the Appendices thereto (excluding the financial and statistical data included therein, numbers, estimates, expectations, assumptions and forward-looking statements contained in the Official Statement, including Appendix C, the descriptions of DTC and the DTC Book-Entry system, "BOND INSURANCE" and the information concerning Assured Guaranty Municipal Corp., as to which no view is expressed), contains an untrue statement of a material fact

City of Chicago
Stifel, Nicolaus & Company, Incorporated
May __, 2023
Page 3

or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The opinions expressed herein are matters of professional judgment and are not a guarantee of result.

This opinion is solely for the information of the addressees hereof and is not to be quoted in whole or in part or otherwise referenced, nor is it to be filed with any governmental agency or any other person, without or prior written consent, and no one other than the addressees hereof are entitled to rely on this opinion. This opinion is given to you as of the date hereof, and we assume no obligation to advise you of any change which may hereafter be brought to our attention.

Very truly yours,

EXHIBIT F

FORM REPRESENTATION LETTER FROM UNDERWRITERS

May __, 2023

City of Chicago
Office of Chief Financial Officer
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Attn: Chief Financial Officer

Stifel, Nicolaus & Company, Incorporated (Representative)
1 North Wacker Drive, 34th Floor
Chicago, IL 60606

As a member of the Group of Underwriters expected to be named in a Bond Purchase Agreement (the “**Purchase Agreement**”) between the City of Chicago (the “**City**”) and Stifel, Nicolaus & Company, Incorporated, as representative (the “**Representative**”) of the underwriters named therein (each an “**Underwriter**”) relating to the City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A and Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (together, the “**Bonds**”), the undersigned Underwriter severally represents to the City and the Representative with respect to itself that:

(1) Neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the Directorate of Defense Trade Controls of the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List.

Stifel certifies that it and its parent company, wholly or majority-owned subsidiaries, and other affiliates, if any, are not currently engaged in, or for the duration of this Agreement will not engage in, a boycott of goods or services from the State of Israel; companies doing business in or with the State of Israel or authorized by, licensed by, or organized under the laws of the State of Israel; or persons or entities doing business in the State of Israel. The Underwriter understands that “boycott” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations, but does not include an action made for ordinary business purposes.

For purposes of this representation, “*Affiliate*,” when used to indicate a relationship with a specified person or entity, means a person or entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified person or entity, and a person or entity shall be deemed to be controlled by another

person or entity, if controlled in any manner whatsoever that results in control in fact by that other person or entity (or that other person or entity and any persons or entities with whom that other person or entity is acting jointly or in concert, whether directly or indirectly and whether through share ownership, a trust, a contract or otherwise.

(2) The undersigned Underwriter agrees that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph 1 above, at any time prior to the issuance of the Bonds, that Underwriter shall be deemed to have withdrawn from the Group of Underwriters under the Negotiated AAU Wire related to the Bonds.

The undersigned Underwriter hereby represents (i) it is duly registered under the 1934 Act (as defined in the Purchase Agreement) as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements; (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("*FINRA*") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities; and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers the Bonds for sale. The undersigned Underwriter further understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 and 2-156 of the Municipal Code of Chicago as described under Section 17 of the Purchase Agreement.

(3) The undersigned Underwriter (except for the Representative) has and does authorize the Representative to act as Representative of the Underwriter and to execute any document on behalf of, or exercise any authority of and otherwise to act for, it in all matters under or pertaining to the Purchase Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has caused this Representation Letter in connection with the City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A and Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B to be executed by its duly authorized representative as of the date written above.

[Underwriter]

By: _____

Its: Authorized Officer

[Representation Letter From Underwriters – Signature Page]

EXHIBIT B-1

MASTER INDENTURE

[Attached]

MASTER INDENTURE OF TRUST

dated as of May 1, 2023

from

CITY OF CHICAGO

to

**AMALGAMATED BANK OF CHICAGO,
as Trustee,**

securing

**City of Chicago
Second Lien Wastewater Transmission Revenue Bonds**

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS AND INTERPRETATION.....	3
Section 1.1 Definitions.....	3
Section 1.2 Interpretation.....	24
Section 1.3 Tender Option Second Lien Bonds.....	25
Section 1.4 Severability of Invalid Provisions.....	25
Section 1.5 Successors and Assigns.....	25
Section 1.6 Parties Interested In this Indenture	25
ARTICLE II AUTHORIZATION AND ISSUANCE OF SECOND LIEN BONDS	26
Section 2.1 Authorization for Indenture	26
Section 2.2 Indenture to Constitute a Contract	26
Section 2.3 Authorization of Second Lien Bonds.....	26
Section 2.4 Source of Payment; Second Lien Bonds Not Indebtedness; Pledge of Second Lien Bond Revenues and Other Moneys; No Further Senior Lien Bonds.....	27
Section 2.5 Issuance of Second Lien Bonds; Supplemental Indentures	27
Section 2.6 Conditions Precedent to Delivery of any Series	29
Section 2.7 Conditions Precedent to Delivery of any Series of Refunding Obligations.....	30
Section 2.8 Credit Enhancement Instruments.....	30
Section 2.9 Hedging Transactions	31
Section 2.10 Application of Proceeds of Second Lien Bonds	32
ARTICLE III REVENUES AND FUNDS	32
Section 3.1 Second Lien Construction Accounts.....	32
Section 3.2 Sewer Revenue Fund	32
Section 3.3 Application of Net Revenues Available For Bonds.....	33
Section 3.4 Deficiencies; Excess	40
Section 3.5 General Provisions as to Investments	40
ARTICLE IV GENERAL COVENANTS OF CITY	41
Section 4.1 Equality of Security	41
Section 4.2 Equality of Second Lien Bonds	41
Section 4.3 Punctual Payment.....	41
Section 4.4 Maintenance and Continued Operation of Sewer System	42

TABLE OF CONTENTS (continued)

	Page
Section 4.5 Rate Covenant.....	42
Section 4.6 Issuance of Second Lien Parity Bonds.....	42
Section 4.7 Against Pledge of Revenues	44
Section 4.8 Repairs, Replacements, Additions, Betterments.....	44
Section 4.9 Control and Operation of Sewer System	45
Section 4.10 Performance of Covenants; Authority	45
Section 4.11 Arbitrage and Tax Exemption Covenants.....	45
Section 4.12 Registered Owner Remedy	46
Section 4.13 Debt Service Reserve Accounts.....	46
Section 4.14 Offices For Servicing Second Lien Bonds.....	46
ARTICLE V SUPPLEMENTAL INDENTURES	47
Section 5.1 Supplemental Indentures Effective Upon Execution by the City and the Trustee.....	47
Section 5.2 Supplemental Indentures Effective Upon Consent of Trustee.....	48
Section 5.3 Supplemental Indentures Effective Upon Consent of Owners of Certain Second Lien Bonds	48
Section 5.4 General Provisions.....	48
ARTICLE VI AMENDMENTS	49
Section 6.1 Mailing of Notice of Amendment.....	49
Section 6.2 Powers of Amendment.....	49
Section 6.3 Consent of Owners of Second Lien Bonds.....	50
Section 6.4 Modifications by Unanimous Consent.....	52
Section 6.5 Exclusion of Second Lien Bonds	52
Section 6.6 Notation on Second Lien Bonds	52
ARTICLE VII DEFAULT AND REMEDIES	52
Section 7.1 Event of Default.....	52
Section 7.2 Remedies.....	53
Section 7.3 Priority of Payments After Default.....	54
Section 7.4 Termination of Proceedings.....	55
Section 7.5 Direction of Proceedings by Owners of Second Lien Obligations	55
Section 7.6 Limitation on Rights of Owners of Second Lien Bonds.....	55

TABLE OF CONTENTS

(continued)

	Page
Section 7.7 Possession of Second Lien Bonds by Trustee Not Required	56
Section 7.8 Remedies Not Exclusive	57
Section 7.9 No Waiver of Default.....	57
Section 7.10 Notice to Owners of Second Lien Bonds.....	57
ARTICLE VIII CONCERNING THE TRUSTEE.....	58
Section 8.1 Qualification of Trustee	58
Section 8.2 Responsibilities of Trustee.....	58
Section 8.3 Funds Held in Trust and Security Therefor	58
Section 8.4 Evidence on Which Trustee May Act.....	59
Section 8.5 Compensation and Expenses.....	60
Section 8.6 Permitted Acts and Functions	60
Section 8.7 Resignation	60
Section 8.8 Removal	61
Section 8.9 Appointment of Successor	61
Section 8.10 Transfer of Rights and Property to Successor.....	61
Section 8.11 Merger or Consolidation	62
Section 8.12 Adoption of Authentication	62
Section 8.13 Evidence of Signatures of Owners and Ownership of Second Lien Bonds	62
Section 8.14 Preservation and Inspection of Documents.....	63
ARTICLE IX MISCELLANEOUS.....	63
Section 9.1 Defeasance.	63
Section 9.2 Funds Held for Particular Second Lien Bonds.	65
Section 9.3 No Recourse Under Indenture or on Second Lien Bonds.....	65
Section 9.4 Termination of Rights of Providers of Credit Enhancement Instruments.....	66
Section 9.5 No Pledge of Taxing Power	66
Section 9.6 Notices	66
Section 9.7 Counterparts.....	67
Section 9.8 Applicable Law	67

MASTER INDENTURE OF TRUST

This **MASTER INDENTURE OF TRUST** (this “**Indenture**”), dated as of May 1, 2023, is from the **CITY OF CHICAGO** (as amended or supplemented in accordance with its terms, the “**City**”), a municipal corporation and home rule unit of local government organized and existing under the laws of the State of Illinois, to Amalgamated Bank of Chicago, a bank chartered by the State of Illinois having its principal corporate trust office in the City of Chicago, Illinois, as trustee (together with any successor or successors as trustee under this Indenture, the “**Trustee**”);

RECITALS

Capitalized terms used in this Indenture have the meanings specified in this Indenture unless the context clearly requires otherwise.

The City is a duly constituted and existing municipality within the meaning of Section 1 of Article VII of the 1970 Constitution of the State of Illinois (the “**Constitution**”) and is a “home rule unit” under Section 6(a) of Article VII of the Constitution.

The City has constructed and maintains and operates the Sewer System to meet the needs of the City’s inhabitants and other users of the Sewer System. The Sewer System is operated under the supervision and control of the Department of Water Management of the City. The City has undertaken a program to improve, extend, and rehabilitate the Sewer System by acquiring, constructing, improving and equipping the Projects.

Pursuant to the City’s powers as a “home rule unit” and the Series 1998 Bond Ordinance, the City has previously issued its Outstanding Senior Lien Bonds for lawful purposes of the Sewer System. The Outstanding Senior Lien Bonds are the only Senior Lien Bonds now Outstanding. The City Council has determined that it is necessary and desirable and in the best interests of the City’s inhabitants and other users of the Sewer System to covenant not to issue any additional bonds on a parity with the Senior Lien Bonds.

Pursuant to the City’s powers as a “home rule unit” and the Second Lien Bond Ordinances for the Outstanding Second Lien Bonds, the City has previously issued its Second Lien Bonds for lawful purposes of the Sewer System, including refunding Outstanding Senior Lien Bonds and Outstanding Second Lien Bonds or obligations payable from revenues of the Sewer System on a basis subordinate to the Second Lien Bonds (including Subordinate Lien Obligations) or for paying costs of issuance. The City has previously issued the Outstanding Second Lien Bonds with a claim for payment solely from Second Lien Bond Revenues of the Sewer System. The City may in the future issue Second Lien Parity Bonds for lawful purposes of the Sewer System. In addition, pursuant to authority conferred by this Indenture, the City may issue or incur for lawful purposes of the Sewer System, subject to the terms of this Indenture, Section 2.8 Obligations and Section 2.9 Obligations.

Pursuant to the City’s powers as a “home rule unit” and the Subordinate Lien Obligation Ordinances, the City has previously issued its Subordinate Lien Obligations for lawful purposes of the Sewer System. Pursuant to authority conferred by this Indenture and additional Subordinate

Lien Obligation Ordinances, the City may issue or incur for lawful purposes of the Sewer System, subject to the terms of this Indenture, Subordinate Lien Parity Obligations.

Pursuant to the City's powers as a "home rule unit" and applicable ordinances of the City, the City may issue or incur Short Term Obligations for lawful purposes of the Sewer System, subject to the terms of this Indenture.

GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the trusts created by this Indenture and of the purchase and acceptance of the Second Lien Bonds to be issued under this Indenture by their Owners, and of the sum of one dollar, lawful money of the United States of America, duly paid by the Trustee to the City at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which are acknowledged, in order to secure the payment of the principal of, redemption premium, if any, and interest on the Second Lien Bonds issued under this Indenture, subject to and in accordance with the pledged granted under the Senior Lien Bond Ordinance securing the Outstanding Senior Lien Bonds according to their tenor and effect, and to secure the performance and observance by the City of all of the covenants expressed or implied in this Indenture and in the Second Lien Bonds to be issued under this Indenture, assigns and grants a security interest in and to the following, on a parity with pledges made to secure the Outstanding Second Lien Bonds, to the Trustee, and its successors in trust and assigns forever for the securing of the performance of the obligations of the City set forth below (the "**Trust Estate**").

GRANTING CLAUSE FIRST

All right, title and interest of the City in and to the Second Lien Bond Revenues and amounts on deposit in the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, and the Second Lien Construction Accounts.

GRANTING CLAUSE SECOND

All moneys and securities from time to time held by the Trustee under the terms of this Indenture, except for moneys deposited with or paid to the Trustee and held in trust under this Indenture for the redemption of Second Lien Bonds, notice of the redemption of which has been duly given.

GRANTING CLAUSE THIRD

Any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to this Indenture, as and for additional security under this Indenture by the City or by any other person on its behalf or with its written consent to the Trustee, and the Trustee is authorized to receive any and all property thereof at any time and all times and to hold and apply the same subject to the terms of this Indenture.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts set forth in this Indenture for the equal and proportionate benefit, security and protection of all present and future owners of the Second Lien Bonds issued under this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing except to the extent otherwise specifically provided in any of the foregoing;

PROVIDED that if the City, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, redemption-premium, if any, and interest on the Second Lien Bonds issued under this Indenture due or to become due on those Second Lien Bonds, at the times and in the manner set forth in those Second Lien Bonds according to their true intent and meaning, and shall cause the payments to be made on those Second Lien Bonds as required under Article IV, or shall provide, as permitted by this Indenture, for such payments, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, and shall pay all sums of money due or to become due under all outstanding Section 2.8 Obligations and Section 2.9 Obligations, then upon the final payment of the foregoing this Indenture and the rights by this Indenture granted shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect; and it is expressly declared, that all Second Lien Bonds issued and secured under this Indenture are to be issued, authenticated and delivered and all said property, rights and interests and any other amounts assigned and pledged by this Indenture are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as expressed in this Indenture, and the City has agreed and covenanted, and does by this Indenture agree and covenant, with the Trustee and with the respective Owners of the Second Lien Bonds issued and secured under this Indenture, as follows:

THIS MASTER INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Second Lien Bonds issued under this Indenture or obligations incurred pursuant to Section 2.8 or Section 2.9 and secured by this Indenture are to be issued and secured and the Second Lien Bond Revenues and other moneys hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as expressed below, and the City has agreed and covenanted, and does agree and covenant, with the Trustee and with the respective owners from time to time of the Second Lien Bonds issued and secured under this Indenture, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. The terms defined in this Section shall, for all purposes of this Indenture, have the meanings specified in this Indenture, unless the context clearly requires otherwise.

“Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to 100 percent of Aggregate Second Lien Debt Service with respect to such Bond Year or other specified 12-month period with respect to the Second Lien Bonds of all Series and all Section 2.8 Obligations and Section 2.9 Obligations, provided that for purposes of Section 4.6, “Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, 100 percent of Annual Second Lien Debt Service with respect to such Bond Year or other specified 12-month period, and for purposes of calculating interest payable during such Bond Year or other specific 12-month period in respect of any Variable Rate Bonds, the rate of interest shall be assumed to equal the rate of interest paid with respect to such Variable Rate Bonds on the Interest Payment Date immediately preceding the date of calculation.

“Aggregate Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate amounts required by the provisions of all Supplemental Indentures creating series of Second Lien Bonds and all instruments creating Section 2.8 Obligations and Section 2.9 Obligations to be deposited from Second Lien Bond Revenues in all sub-funds, accounts and subaccounts created under such Supplemental Indentures in such Bond Year or other specified 12-month period.

“Aggregate Senior Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate of the amounts of Annual Senior Lien Debt Service with respect to such Bond Year or other specified 12-month period for the Senior Lien Bonds of all series.

“Aggregate Subordinate Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate of the amounts of Annual Subordinate Lien Debt Service with respect to such Bond Year or other specified 12-month period and to the Subordinate Lien Obligations of all series.

“Annual Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.8 Obligations or Section 2.9 Obligations, an amount of money equal to the sum of (a) all interest, costs or fees payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.8 Obligations and Section 2.9 Obligations Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.8 Obligations and Section 2.9 Obligations Outstanding on said date of computation, all calculated on the assumption that such Second Lien Bonds, Section 2.8 Obligations and Section 2.9 Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with this Indenture and the Supplemental Indenture creating such series or the instrument creating such Section 2.8 Obligations or Section 2.9 Obligations of Principal Installments payable at or after said date of computation.

“Annual Senior Lien Debt Service” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to Senior Lien Bonds of a particular series, an amount of money equal to the sum of (a) all interest payable during such Bond Year or other specified 12-month period on all Senior Lien Bonds of said series Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Senior Lien Bonds of said series Outstanding on said date of computation, all calculated on the assumption that Senior Lien Bonds will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Senior Lien Bond Ordinances of Principal Installments payable at or after said date of computation.

“Annual Subordinate Lien Debt Service” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the sum of (a) all interest payable during such Fiscal Year or other specified 12-month period on all Subordinate Lien Obligations of said series Outstanding on said date of computation and (b) all Principal Installments payable during such Fiscal Year or other specified 12-month period with respect to all Subordinate Lien Obligations of said series Outstanding on said date of computation, all calculated on the assumption that Subordinate Lien Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Subordinate Lien Obligation Ordinances of Principal Installments payable at or after said date of computation.

“Authorized Officer” means (a) the Chief Financial Officer of the City or, if the position of Chief Financial Officer is vacant or if the Chief Financial Officer so determines and designates, the City Comptroller as long as such designation is effective, and (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office.

“Beneficial Owner” means the owner of a beneficial interest in Second Lien Bonds issued under this Indenture registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

“Bond Counsel” means one or more firms of nationally recognized bond counsel designated by the Corporation Counsel of the City.

“Bond Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on the Outstanding Senior Lien Bonds required to be paid in that Fiscal Year. Any Outstanding Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates. If the City has entered into an Interest Rate Hedge Agreement with respect to all or any portion of the Outstanding Senior Lien Bonds, the interest payable on such Senior Lien Bonds shall be deemed to be the amount payable under the Interest Rate Hedge Agreement for the years in which the Interest Rate Hedge Agreement is in effect. If the City is to pay a variable rate pursuant to the Interest Rate Hedge Agreement, the variable rate calculation shall be made as follows: for purposes of computing the interest payable on any Outstanding Senior Lien Bonds issued as Variable Rate Bonds in any future Fiscal Year or other

specified future 12-month period, the rate of interest shall be assumed to equal the highest monthly average rate of interest paid with respect to such Variable Rate Bonds during the 12 months preceding the date of such calculation, plus 0.5 percent, or if such Variable Rate Bonds were not Outstanding during the entire 12-month period preceding the date of calculation, the highest monthly average rate of interest paid with respect to comparable debt obligations having a comparable interest rate determination method, interest rate period and rating during such 12-month period, plus 0.5 percent.

“Bond Debt Service Reserve Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in Section 3.3(b) of this Indenture.

“Bond Debt Service Reserve Account Credit Enhancement Instrument Coverage” means, with respect to any Credit Enhancement Instrument for the Bond Debt Service Reserve Account on any date of determination, the amount available to pay principal of and interest on the Senior Lien Bonds under that Credit Enhancement Instrument, including amounts owed pursuant to an Interest Rate Hedge Agreement with respect to such Senior Lien Bonds to the extent such amounts constitute interest.

“Bond Debt Service Reserve Requirement” means, as of any date of computation, an amount equal to the sum of (i) that amount established in the Senior Lien Bond Ordinance authorizing the Outstanding Senior Lien Bonds, not to exceed the least of (A) the highest future Bond Debt Service Requirement of the Outstanding Senior Lien Bonds in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of the Outstanding Senior Lien Bonds (less any original issue discount); or (C) 125 percent of the average annual Bond Debt Service Requirement for the Outstanding Senior Lien Bonds. Outstanding Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

“Bond Principal and Interest Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in Section 3.3(a) of this Indenture.

“Bond Year” means, for the Series 2023 Bonds and for each series of Second Lien Bonds subsequently issued, the twelve month periods designated as such in the Supplemental Indenture authorizing such series; *provided* that the first such period and the last such period for a particular series may be less than 12 months in duration.

“Bondholder” or “Owner” means the person in whose name any Second Lien Bond issued under this Indenture is registered on the registration books of the City kept by the Trustee.

“Business Day” means any day of the year on which banks located in the city, or cities, respectively, in which are located the designated corporate trust office of the Trustee, the principal office of any Remarketing Agent and the office of the provider of a Credit Enhancement Instrument at which drawings under the Credit Enhancement Instrument are to be made, are not

required or authorized to remain closed and on which The New York Stock Exchange, Inc. is not closed.

“Capital Appreciation Obligation” means a Second Lien Bond bearing interest that is compounded on an initial date and semiannually thereafter, and is payable at maturity.

“Cash on Hand” means the sum of cash, cash equivalents, liquid investments and marketable securities in the Sewer Revenue Fund (excluding any such items in the Senior Lien Rebate Accounts, Second Lien Bonds Account, Subordinate Lien Obligations Account, Commercial Paper Account or Line of Credit Notes Account).

“Certificate” means an instrument of the City in writing signed by an Authorized Officer. Any such instrument in writing and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instruments, opinion or representation, and the two or more so combined shall be read and construed so as to form a single instrument. Any Certificate may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, respectively, unless the Authorized Officer signing such Certificate knows that the opinion or representation with respect to the matters upon which such Certificate may be based is erroneous. The same Authorized Officer, or the same counsel or accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture or any Supplemental Indenture, but different officers, counsel, accountants or other persons may certify to different facts, respectively.

“Chief Financial Officer” means the Chief Financial Officer of the City appointed by the Mayor or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

“City” means the City of Chicago.

“City Clerk” means the duly elected and qualified person serving as the City Clerk of the City.

“City Council” means the City Council of the City.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and to sections of the Code shall include relevant final, temporary or proposed Regulations as in effect from time to time and, with reference to any series of Second Lien Bonds, as applicable to obligations issued on the date of issuance of such series.

“Commercial Paper and Line of Credit Account” means the separate account of that name previously established in the Sewer Revenue Fund by prior Second Lien Bond Ordinances and expressly continued by Section 3.3(h) of this Indenture.

“Commercial Paper Notes” means obligations commonly described as “commercial paper” issued by the City from time to time payable from the Commercial Paper and Line of Credit Account pursuant to the Series 2012 Bond Ordinance.

“Compound Accreted Value” means, with respect to any Capital Appreciation Obligation, as of any date of calculation, its original principal amount plus the appreciation in its principal amount to that date calculated as provided in the related Second Lien Bond Determination Certificate.

“Costs of Issuance” means any item of expense payable or reimbursable, directly or indirectly, by the City and related to the authorization, offering, sale, issuance and delivery of Second Lien Bonds, including but not limited to travel and other expenses of any officer or employee of the City in connection with the authorization, offering, sale, issuance and delivery of such Second Lien Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and disbursements of financial advisors, accountants and engineers, initial fees and charges of the Trustee, legal fees and disbursements, fees and disbursements of other consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of such Second Lien Bonds, application fees and premiums on municipal bond insurance, surety bond and credit facility charges and costs.

“Counsel’s Opinion” means a written opinion of counsel selected by the City (who may be the Corporation Counsel for the City).

“CP/Line of Credit Notes Revenues” means all sums, amounts, funds or monies which are deposited to the Commercial Paper and Line of Credit Account pursuant to Section 3.3(h) of this Indenture.

“Credit Enhancement Instrument” means, with respect to all or a portion of a series of Second Lien Bonds issued under this Indenture, a letter of credit, a line of credit, a standby purchase agreement, a financial guaranty insurance policy, a surety bond, or a similar instrument providing credit support and/or liquidity support with respect to such Second Lien Bonds.

“Days’ Cash on Hand” means Cash on Hand, divided by the quotient of (i) operating expenses, as shown on the most recent audited financial statements of the Sewer Revenue Fund, and (ii) 365.

“Defeasance Obligations” means (i) cash, (ii) United States Treasury bills, notes and bonds or certificates of indebtedness the principal of and interest on which are unconditionally guaranteed by, the United States of America; (iii) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (ii) of this definition, which obligations are held in trust by a bank described in clause (d) of “Permitted Investments,” provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures prescribed at 31 C.F.R. 306.0 et seq. or 31 C.F.R. 350.0 et seq. (or other similar book entry procedures prescribed by federal law or regulations adopted after the date of adoption of this Indenture), has been created in such obligations for the benefit of the applicable account in the Sewer Revenue Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on all obligations which are payable from Net Revenues; and (iv) obligations, participation or other instruments of or issued by a federal agency or United States government-sponsored enterprise or instrumentality,

including but not limited to Fannie Mae, the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank.

“Deputy City Clerk” means the duly appointed and qualified person serving as the Deputy City Clerk of the City.

“Depository” means any bank, trust company, national banking association, savings bank or other banking association, selected by the Authorized Officer as a depository of moneys and securities held in any Second Lien Construction Account and in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, and the Second Lien Rebate Account under the provisions of the Senior Lien Bond Ordinance, the Second Lien Bond Ordinances for the Outstanding Second Lien Bonds, and this Indenture.

“Determination Certificate” means a Certificate of an Authorized Officer with respect to one or more series of Second Lien Bonds filed with the office of the City Clerk, addressed to the City Council, as provided in the applicable Second Lien Bond Ordinance or Second Lien Bond Ordinances.

“DTC” means The Depository Trust Company, New York, New York, its successors and assigns.

“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“Event of Default” means an Event of Default under Section 7.1.

“Federal Subsidies” means (a) the direct payments by the Treasury to the City of a portion of the interest payable by the City on the Series 2010B Second Lien Bonds and (b) to the extent available to the City after the effectiveness of this Indenture, payments by the Treasury to the City resulting from subsidies, tax credits or other incentives or benefits to state and local governments in connection with the issuance of debt obligations by such governments.

“Fiscal Year” means the period beginning January 1 and ending December 31 of any year.

“Governmental Obligations” means obligations described in clauses (ii), (iii), and (iv) of the definition of the term “Defeasance Obligations.”

“Gross Revenues” means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Sewer System, including without limitation (a) charges imposed for sewer service and usage, (b) charges imposed for inspections and permits for connection to the Sewer System, (c) grants (excluding grants received for capital projects) and (d) Investment Earnings. Gross Revenues do not include (a) amounts credited to customers on their bills, such as for the purchase price paid to such customers for capital assets of the sewer system or (b) Federal Subsidies unless the Chief

Financial Officer designates such Federal Subsidies as amounts to be deposited into the Sewer Revenue Fund and subject to the lien of this Indenture.

“Hedge Counterparty” means the person or persons with which the City enters into an Interest Rate Hedge Agreement.

“IEPA” means the Illinois Environmental Protection Agency and its successors and assigns or, in the case of IEPA Loans made pursuant to the IEPA Program, the authorized lender under such Program.

“IEPA Loan” means, collectively, the borrowing or borrowings by the City from the IEPA under the IEPA Program and evidenced by one or more loan agreements between the City and the IEPA setting forth the terms of an IEPA Loan.

“IEPA Program” means the Water Pollution Control Loan Program or any successor program administered by the State, and any similar program through which funds are authorized by the federal government, including the United States Environmental Protection Agency, and administered by the State or any federally authorized agency.

“Indenture” means this Master Indenture of Trust as originally executed and delivered by the City and the Trustee as it may be amended or supplemented in accordance with the terms of this Indenture.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, or any successor act and the regulations promulgated thereunder.

“Interest Payment Date” means, with respect to a series of Second Lien Bonds, January 1 and July 1 of each year, commencing, for Outstanding Second Lien Bonds, on the date specified in the applicable bond ordinance, trust indenture or Determination Certificate and, for the Series 2023 Second Lien Bonds and other Second Lien Parity Bonds issued under this Indenture, on the date specified in the applicable Supplemental Indenture.

“Interest Rate Hedge Agreement” means an interest rate exchange, hedge or similar agreement with a Hedge Counterparty entered into in order to hedge or manage the interest payable on all or a portion of any series of Outstanding Senior Lien Bonds or any series of Second Lien Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (*e.g.*, a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent. Obligations of the City under an Interest Rate Hedge Agreement shall not constitute indebtedness of the City for which its full faith and credit are pledged or for any other purpose.

“Investment Earnings” means interest plus net profits and less net losses derived from investments made with any portion of the Gross Revenues or with any money in the accounts in the Sewer Revenue Fund (other than the rebate accounts established and held for the Senior Lien Bonds and Second Lien Bonds) described in the Senior Lien Bond Ordinance, applicable Second Lien Bond Ordinance or related Determination Certificate or Determination Certificates, or in this Indenture. Investment Earnings do not include interest or earnings on investments of moneys on

deposit in any Senior Lien Construction Account, Second Lien Construction Account, or Subordinate Lien Construction Account.

“Line of Credit Notes” means the Line of Credit Notes defined in and authorized by the Series 2012 Bond Ordinance, payable from the Commercial Paper and Line of Credit Account.

“Mayor” means the Mayor of the City.

“Municipal Code” means the Municipal Code of Chicago, as from time to time amended.

“Net Revenues” means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

“Net Revenues Available for Bonds” means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Sewer Rate Stabilization Account plus the amounts allocated from the Sewer Rate Stabilization Account as provided in Section 3.3(i) plus the amounts allocated from the Residual Account at the direction of the Chief Financial Officer as provided in the second sentence of Section 3.3(j).

“Operation and Maintenance Costs” means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Sewer System that under generally accepted accounting principles are properly chargeable to the Sewer System and not capitalized including, without limitation, salaries, wages, taxes, pensions and pension-related expenses, contracts for services, costs of materials and supplies, purchase of power, fuel, insurance, reasonable repairs and extensions necessary to render efficient service, the costs related to any Interest Rate Hedge Agreements, trustee’s and paying agents’ fees, and all incidental expenses, but excluding any provision for depreciation or for interest on Senior Lien Bonds, Second Lien Bonds, or other obligations for borrowed money payable from the Net Revenues Available for Bonds.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding” means, when used with reference to any series or subseries of Second Lien Bonds, all of such obligations that are outstanding and unpaid, provided that such term does not include:

(a) Second Lien Bonds canceled at or prior to such date or delivered to or acquired by the trustee or paying agent for such Second Lien Bonds at or prior to such date for cancellation;

(b) matured or redeemed Second Lien Bonds which have not been presented for payment in accordance with the provisions of the trust indenture or ordinance authorizing such series of Second Lien Bonds and for the payment of which the City has deposited funds with the trustee or paying agent for such Second Lien Bonds;

(c) Second Lien Bonds for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if

called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Second Lien Bonds;

(d) Second Lien Bonds in lieu of or in exchange or substitution for which other Second Lien Bonds shall have been authenticated and delivered pursuant to the trust indenture or ordinance authorizing such series of Second Lien Bonds; and

(e) Second Lien Bonds owned by the City.

When used with respect to Senior Lien Bonds or Subordinate Lien Obligations, **“Outstanding”** shall have the meaning ascribed to such term in the Senior Lien Bond Ordinance or the related Subordinate Lien Obligation Ordinances, as applicable.

“Outstanding Bonds” means, collectively, the Outstanding Senior Lien Bonds and the Outstanding Second Lien Bonds.

“Outstanding Second Lien Bond Indentures” means, collectively, the Series 2001 Indenture, the Series 2008A Indenture, the Series 2008C Indenture, the Series 2010 Indenture, the Series 2012 Indenture, the Series 2014 Indenture, the Series 2015 Indenture and the Series 2017 Indenture.

“Outstanding Second Lien Bonds” means, collectively, the Outstanding Series 2001 Second Lien Bonds, the Outstanding Series 2008 Second Lien Bonds, the Outstanding Series 2010 Second Lien Bonds, the Outstanding Series 2012 Second Lien Bonds, the Outstanding Series 2014 Second Lien Bonds, the Outstanding Series 2015 Second Lien Bonds and the Outstanding Series 2017 Second Lien Bonds.

“Outstanding Senior Lien Bonds” means the Outstanding Series 1998 Senior Lien Bonds.

“Paying Agent” means such banking institution as may be appointed by the Chief Financial Officer as paying agent for a series of Second Lien Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-paying agent separately appointed by the Chief Financial Officer.

“Payment Date” means any date on which a Principal Installment or interest on any series of Second Lien Bonds is payable in accordance with its terms and, in the case of Outstanding Second Lien Bonds, the terms of the applicable bond ordinance, trust indenture or Determination Certificate, in the case of the Series 2023 Second Lien Bonds and other Second Lien Parity Bonds, the terms of this Indenture and the Supplemental Indenture creating such series and, in the case of any Section 2.8 Obligations or amounts which are payable under any Section 2.9 Obligations, in accordance with the terms of the instrument creating such Section 2.8 Obligations or such Section 2.9 Obligations.

“Permitted Investments” means any of the following:

(a) United States Treasury bills, notes and bonds or certificates of indebtedness, the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(b) obligations, participations or other instruments of or issued by a federal agency or United States government-sponsored enterprise or instrumentality, including but not limited to Fannie Mae, the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;

(c) debt obligations of any state of the United States or any other political or governmental subdivision of any state of the United States rated, at the time of purchase, no less than A-, or equivalent rating, by at least two accredited Rating Agencies, or have an equivalent credit enhancement instead of a second rating;

(d) fully collateralized at least 100% by a combination of bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, of any US State, or any political subdivision of a US State, which are rated at least AA, or equivalent rating, by at least two accredited ratings agencies and maintaining such rating during the term of such investments;

(e) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally-recognized statistical rating organization and maintaining such rating during the term of such investment;

(f) fully collateralized at least 100% by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank’s short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term deposit;

(g) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal Reserve Bank, provided (i) that the underlying securities are obligations described in clauses (a) or (c) of this definition and required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

(h) obligations of any state of the United States of America or any political subdivision of a state or any agency or instrumentality of a state or political subdivision which are, at the time of purchase, rated by at least two Rating Agencies or have an equivalent credit enhancement instead of a second rating;

(i) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated as investment grade by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

(j) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition of "Permitted Investments"), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

(k) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by a least two Rating Agencies in its two highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(l) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment;

(m) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, as amended (including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise).

(n) supranational debt instruments of international institutions established or chartered by multiple countries or other international institutions, rating, at the time of purchase, no less than A-, or equivalent rating, by at least two accredited rating agencies, or have an equivalent credit enhancement instead of a second rating;

(o) Structured Investment Vehicles backed or guaranteed by US Government Sponsored Enterprises or the United States Government; and

(p) any other suitable investment instrument permitted by state laws governing municipal investments or City Municipal Code, subject to the reasonable exercise of prudence in investing public funds.

“Principal Installment” means:

(a) as of any particular date of computation and with respect to Outstanding Senior Lien Bonds of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Senior Lien Bonds of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Senior Lien Bonds which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Senior Lien Bond Ordinance of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Senior Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Senior Lien Bonds of such series, and for all purposes of this Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment;

(b) as of any particular date of computation and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.8 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Second Lien Bonds of said series or of Section 2.8 Obligations which mature on a single future date, reduced by the aggregate principal amount of such Second Lien Bonds which would at or before said future date be retired by reason of the payment when due and the application in accordance with this Indenture, with respect to the Series 2023 Second Lien Bonds or any Second Lien Parity Bonds, or the ordinance or trust indenture creating any other series of Second Lien Bonds, or the instrument creating such Section 2.8 Obligations, of Sinking Fund Payments payable at or before said future date for the retirement of such Second Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of such Second Lien Bonds (including Section 2.8 Obligations), and for all purposes of this Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment; and

(c) as of any particular date of computation and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Subordinate Lien Obligations of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Subordinate Lien Obligations which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Subordinate Lien Obligation Ordinance authorizing the issuance of each series of Subordinate Lien Obligations of Sinking Fund Payments payable at or

before said future date for the retirement of such Outstanding Subordinate Lien Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Subordinate Lien Obligations of such series, and for all purposes of this Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“Principal Office” means, with respect to the Trustee, its principal office in Chicago, Illinois.

“Projects” means the program of improvement, extension and rehabilitation of the Sewer System consisting of the construction and acquisition of flood relief sewers, the rehabilitation and replacement of existing sewers, the expansion of operational facilities, services and equipment to protect and enhance the safety, integrity and security of the Sewer System, and any project eligible for funding by the IEPA through the IEPA Program.

“Project Bonds” means a series of Second Lien Bonds the proceeds of which are used for Project Costs.

“Project Costs” means the costs of acquiring, constructing and equipping the Projects, including, without limitation, acquisition of necessary interests in property, engineering fees or costs of the City, restoration costs, and legal and other professional fees or costs of the City.

“Qualified Collateral” means:

- (a) Governmental Obligations;
- (b) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than “AA” or “Aa” or their equivalents by any Rating Agency; and
- (c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

“Rating Agency” means any nationally recognized securities rating agency.

“Record Date” means June 15 and December 15 of each year.

“Redemption Price” means, with respect to any series of Second Lien Bonds, the principal amount of such Second Lien Bonds plus the applicable premium, if any, payable upon redemption of such Second Lien Bonds pursuant to the provisions of such Second Lien Bonds or the applicable Second Lien Bond Ordinance or trust indenture or Supplemental Indenture creating such Series of Second Lien Bonds, or such other redemption price or tender price as may be specified in such

Second Lien Bonds or applicable Second Lien Bond Ordinance or trust indenture or Supplemental Indenture.

“Refunding Obligations” means all Second Lien Bonds whether issued in one or more series, authenticated and delivered on original issuance for the purpose of the refunding of Senior Lien Bonds or Second Lien Bonds or Subordinate Lien Obligations of any series. The refunding effectuated by the issuance of Refunding Obligations may be accomplished through a tender offer for any of the Outstanding Bonds or through an exchange of Refunding Obligations for any of the Outstanding Bonds.

“Regulations” means the Income Tax Regulations (26 CFR Part I) promulgated under and pursuant to the Code.

“Residual Account” means the account of the name created by Section 3.3(j).

“Second Lien Bond Ordinance” means the ordinance or ordinances of the City authorizing one or more series of Second Lien Bonds.

“Second Lien Bond Revenues” means any Net Revenues Available for Bonds deposited into the Second Lien Bonds Account pursuant to (i) the ordinances authorizing the Outstanding Second Lien Bonds, (ii) this Indenture, (iii) the Supplemental Indenture authorizing the Series 2023 Bonds, and (iv) the Supplemental Indentures authorizing any Second Lien Parity Bonds.

“Second Lien Bonds” means the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds, the Series 2023 Second Lien Bonds, and all Second Lien Parity Bonds.

“Second Lien Bonds Account” means the separate account of that name previously established for the Second Lien Bonds in the Sewer Revenue Fund by prior Second Lien Bond Ordinances and expressly continued by Section 3.3(d) of this Indenture.

“Second Lien Bonds Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on the Second Lien Bonds then Outstanding required to be paid in that Fiscal Year. Any Second Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates. If the City has entered into an Interest Rate Hedge Agreement with respect to all or any portion of the Second Lien Bonds, the interest payable on such Second Lien Bonds shall be deemed to be the amount payable under the Interest Rate Hedge Agreement for the years in which the Interest Rate Hedge Agreement is in effect. If the City is to pay a variable rate pursuant to the Interest Rate Hedge Agreement, the variable rate calculation shall be made as follows: for purposes of computing the interest payable on any Second Lien Bonds issued as Variable Rate Bonds in any future Fiscal Year or other specified future 12-month period, the rate of interest shall be assumed to equal the highest monthly average rate of interest paid with respect to such Variable Rate Bonds during the 12 months preceding the date of such calculation, plus 0.5 percent, or if such Variable Rate Bonds were not Outstanding during the entire 12-month period preceding the date of calculation, the highest monthly average rate of interest paid with respect to comparable debt obligations having a comparable interest rate

determination method, interest rate period and rating during such 12-month period, plus 0.5 percent.

“Second Lien Bonds Debt Service Reserve Account” means the separate account of that name previously established for the Second Lien Bonds with a Depository designated by the Authorized Officer by prior Second Lien Bond Ordinances and described in Section 3.3(e) of this Indenture.

“Second Lien Bonds Debt Service Reserve Account Credit Enhancement Instrument Coverage” means, with respect to any Credit Enhancement Instrument for the Second Lien Bonds Debt Service Reserve Account on any date of determination, the amount available to pay principal of and interest on the Second Lien Bonds under that Credit Enhancement Instrument, including amounts owed pursuant to an Interest Rate Hedge Agreement with respect to such Second Lien Bonds to the extent such amounts constitute interest.

“Second Lien Bonds Debt Service Reserve Requirement” means, as of any date of computation and with respect to each series of Second Lien Bonds beginning with the Series 2023 Second Lien Bonds, the amount, if any, established in the Supplemental Indenture authorizing such series of Second Lien Bonds, not to exceed the least of (A) the highest future Second Lien Bonds Debt Service Requirement of such series in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of such series (less any original issue discount); or (C) 125 percent of the average annual Second Lien Bonds Debt Service Requirement for the Outstanding Second Lien Bonds of such series. Outstanding Second Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

“Second Lien Bonds Ordinances” means Ordinances of the City authorizing the issuance of Second Lien Parity Bonds.

“Second Lien Construction Accounts” means (i) an account, if any, established for construction purposes by the Series 2001 Bond Ordinance, the Series 2008 Bond Ordinance, the Series 2010 Bond Ordinance, the Series 2012 Bond Ordinance, the Series 2014 Bond Ordinance, the Series 2015 Bond Ordinance, the Series 2017 Bond Ordinance, the Supplemental Indenture authorizing the Series 2023 Second Lien Bonds, or the Supplemental Indenture authorizing any Second Lien Parity Bonds, and (ii) any account established to pay costs of issuance of Second Lien Bonds.

“Second Lien Parity Bonds” means obligations, other than the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds, and the Series 2023 Second Lien Bonds, which are payable from Second Lien Bond Revenues on an equal and ratable basis with all other Outstanding Second Lien Bonds.

“Second Lien Rebate Account” means the account of that name provided for in Section 3.3(f) of this Indenture.

“Section 2.8 Obligations” means any obligations incurred by the City to reimburse or otherwise make payments to the issuer or issuers of one or more Credit Enhancement Instruments (including Qualified Reserve Account Instruments as defined in Section 4.13) securing all or any portion of one or more series of Second Lien Bonds as described in Section 2.8, including any fees or other amounts payable to the issuer of any such Credit Enhancement Instruments, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such Credit Enhancement Instruments, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof.

“Section 2.9 Obligations” means any obligations incurred by the City to any one or more Hedge Counterparties pursuant to Section 2.9 including any fees or amounts payable by the City under each related Interest Rate Hedge Agreement or agreement described in Section 2.9(b).

“Senior Lien Bond Ordinance” means, to the extent applicable, Parts A and D of the Series 1998 Bond Ordinance.

“Senior Lien Bonds” means the Series 1998 Senior Lien Bonds.

“Senior Lien Construction Accounts” means (i) the account, if any, established for construction purposes by the Senior Lien Bond Ordinance, and (ii) any account established to pay costs of issuance of Senior Lien Bonds.

“Senior Lien Rebate Account” means the account of that name provided for in the Senior Lien Bond Ordinance and continued in Section 3.3(c) of this Indenture.

“Series 1998 Bond Ordinance” means the ordinance passed by the City Council on December 10, 1997, as amended by the City Council on February 5, 1998, authorizing the issuance of the Series 1998 Senior Lien Bonds.

“Series 1998 Senior Lien Bonds” means the Wastewater Transmission Revenue Bonds, Refunding Series 1998A, of the City authorized by and issued pursuant to the Series 1998 Bond Ordinance.

“Series 2001 Bond Ordinance” means the ordinance passed by the City Council on March 7, 2001, authorizing the issuance of the Series 2001 Second Lien Bonds.

“Series 2001 Indenture” means the Trust Indenture dated as of December 1, 2001 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2001 Second Lien Bonds.

“Series 2001 Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2001, of the City authorized pursuant to the Series 2001 Bond Ordinance and issued pursuant to the Series 2001 Indenture.

“Series 2008 Bond Ordinance” means the ordinance passed by the City Council on May 14, 2008, authorizing the issuance of the Series 2008 Second Lien Bonds.

“Series 2008 Second Lien Bonds” means the Series 2008A Second Lien Bonds and the Series 2008C Second Lien Bonds.

“Series 2008A Indenture” means the Trust Indenture dated as of November 1, 2008 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2008A Second Lien Bonds.

“Series 2008A Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2008A, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008A Indenture, consisting of the \$167,635,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2008A.

“Series 2008C Indenture” means the Amended and Restated Trust Indenture from the City to Amalgamated Bank of Chicago, as trustee, dated as of December 1, 2011, amending and restating the original Trust Indenture, dated as of October 1, 2008, from the City to Amalgamated Bank of Chicago, as trustee, as such Amended and Restated Trust Indenture has been amended by the First Amendment dated as of March 1, 2012, the Second Amendment dated as of December 1, 2014, the Third Amendment dated as of August 19, 2015, the Fourth Amendment dated as of September 1, 2015, and the Fifth Amendment dated as of October 1, 2015, providing for the issuance of the Series 2008C Second Lien Bonds.

“Series 2008C Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2008C, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008C Indenture, consisting of the \$332,230,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2008C.

“Series 2010 Bond Ordinance” means the ordinance passed by the City Council on July 28, 2010, authorizing the issuance of the Series 2010 Second Lien Bonds.

“Series 2010 Indenture” means the Trust Indenture dated as of November 1, 2010 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2010 Second Lien Bonds.

“Series 2010 Second Lien Bonds” means the Series 2010A Second Lien Bonds and the Series 2010B Second Lien Bonds.

“Series 2010A Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt), of the City authorized pursuant to the Series 2010 Bond Ordinance and issued pursuant to the Series 2010 Indenture, consisting of the \$25,865,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt).

“Series 2010B Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment), of the City authorized pursuant to the Series 2010 Bond Ordinance and issued pursuant to the Series 2010 Indenture, consisting of the \$250,000,000 in original aggregate principal amount of Second Lien

Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment).

“Series 2012 Bond Ordinance” means the ordinance passed by the City Council on May 9, 2012, authorizing the issuance of the Series 2012 Second Lien Bonds.

“Series 2012 Indenture” means the Trust Indenture dated as of September 1, 2012 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2012 Second Lien Bonds.

“Series 2012 Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012, of the City authorized pursuant to the Series 2012 Bond Ordinance and issued pursuant to the Series 2012 Indenture, consisting of the \$276,470,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012.

“Series 2014 Bond Ordinance” means the ordinance passed by the City Council on April 30, 2014, authorizing the issuance of the Series 2014 Second Lien Bonds.

“Series 2014 Indenture” means the Trust Indenture dated as of September 1, 2014 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2014 Second Lien Bonds.

“Series 2014 Second Lien Bonds” means the Wastewater Transmission Revenue Project Bonds, Series 2014 of the City authorized pursuant to the Series 2014 Bond Ordinance and issued pursuant to the Series 2014 Indenture, consisting of the \$292,405,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2014.

“Series 2015 Bond Ordinance” means the ordinance passed by the City Council on September 24, 2015, authorizing the issuance of the Series 2015 Second Lien Bonds.

“Series 2015 Indenture” means the Trust Indenture dated as of October 1, 2015 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2015 Second Lien Bonds.

“Series 2015 Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable) of the City authorized pursuant to the Series 2015 Bond Ordinance and issued pursuant to the Series 2015 Indenture, consisting of the \$87,080,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable).

“Series 2017 Bond Ordinance” means the ordinance passed by the City Council on January 13, 2016, authorizing the issuance of the Series 2017 Second Lien Bonds.

“Series 2017 Indenture” means the Trust Indenture dated as of June 1, 2017 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2017 Second Lien Bonds.

“Series 2017 Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2017 of the City authorized pursuant to the Series 2017 Bond Ordinance and issued pursuant to the Series 2017 Indenture, consisting of the \$180,590,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A, and the \$215,485,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2017B.

“Series 2023 Bond Ordinance” means an ordinance duly adopted by the City Council on June 27, 2018, as such ordinance was modified and amended by an ordinance duly adopted by the City Council on October 27, 2021, and an ordinance duly adopted by the City Council on November 7, 2022, authorizing the issuance of the Series 2023 Second Lien Bonds.

“Series 2023 Second Lien Bonds” means the \$452,575,000 Second Lien Wastewater Transmission Revenue Project and Refunding Bonds, Series 2023, of the City authorized pursuant to the Series 2023 Bond Ordinance and issued pursuant to this Indenture and the Series 2023 Supplemental Indenture.

“Series 2023 Supplemental Indenture” means the Supplemental Indenture authorizing the Series 2023 Second Lien Bonds.

“Sewer Rate Stabilization Account” means the separate account of that name previously established by the City in the Sewer Revenue Fund and described in Section 3.3(i) of this Indenture.

“Sewer Revenue Fund” means the separate fund designated the “Sewer Revenue Fund of the City of Chicago” previously established by the City pursuant to the Municipal Code and prior Second Lien Bond Ordinances and described in Section 3.2 of this Indenture.

“Sewer System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for sewer and wastewater transmissions and any and all further extensions, improvements and additions to the Sewer System.

“Short Term Obligations” means the Line of Credit Notes and the Commercial Paper Notes.

“Sinking Fund Payment” means:

(a) as of any particular date of determination and with respect to the Outstanding Senior Lien Bonds, the amount required by the Senior Lien Bond Ordinance to be paid by the City on a single future date for the retirement of Senior Lien Bonds of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Senior Lien Bond;

(b) as of any particular date of determination and with respect to the Outstanding Second Lien Bonds of any series or consisting of any Section 2.8 Obligations, the amount required by the prior Second Lien Bond Ordinance or the Supplemental Indenture creating such series or the instrument creating such Section 2.8 Obligations to be paid by the City on a single future date for the retirement of such Second Lien Bonds (including Section 2.8 Obligations) which mature

after said future date, but does not include any amount payable by the City by reason only of the maturity of a Second Lien Bond; and

(c) as of any particular date of determination and with respect to the Outstanding Subordinate Lien Obligations of any series, the amount required by a Subordinate Lien Obligation Ordinance to be paid in any event by the City on a single future date for the retirement of Subordinate Lien Obligations of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Subordinate Lien Obligation.

“State” means the State of Illinois.

“Subordinate Lien Construction Accounts” means (i) the various accounts established for construction purposes by Subordinate Lien Obligation Ordinances, and (ii) any account established to pay costs of issuance of Subordinate Lien Obligations.

“Subordinate Lien Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on Subordinate Lien Obligations required to be paid in that Fiscal Year.

“Subordinate Lien Obligation Ordinances” means ordinances of the City authorizing the issuance of Subordinate Lien Parity Obligations.

“Subordinate Lien Obligation Revenues” means all sums, amounts, funds or monies which are deposited to the Subordinate Lien Obligations Account pursuant to Section 3.3(g) of this Indenture.

“Subordinate Lien Obligations” means obligations, including Subordinate Lien Parity Obligations, that are payable from sums, amounts, funds or monies which are deposited to the Subordinate Lien Obligations Account or Subaccounts pursuant to Subordinate Lien Obligation Ordinances.

“Subordinate Lien Obligations Account” means the separate account of that name previously established in the Sewer Revenue Fund by prior Second Lien Bond Ordinances and expressly continued by Section 3.3(g) of this Indenture.

“Subordinate Lien Parity Obligations” means Subordinate Lien Obligations issued on or after the date of this Indenture.

“Supplemental Indenture” means any indenture modifying, altering, amending, supplementing or confirming this Indenture duly entered into in accordance with the terms of this Indenture.

“Tax-Exempt Second Lien Bonds” means Second Lien Bonds, the interest on which, as of their date of issuance, is not includable in gross income for federal income tax purposes under the federal income tax laws in effect from time to time.

“Taxable Second Lien Bonds” means Second Lien Bonds, the interest on which, as of their date of issuance, is includable in gross income for federal income tax purposes under the federal income tax laws in effect from time to time

“Treasury” means the United States Treasury Department.

“Trust Estate” means as provided in the Granting Clauses of this Indenture.

“Trustee” means Amalgamated Bank of Chicago, as Trustee under this Indenture, and its successors and assigns.

“Undertaking” means the City’s Continuing Disclosure Undertaking related to one or more series of Second Lien Bonds, as amended from time to time, if required by law.

“Variable Rate Bonds” means any Senior Lien Bonds or Second Lien Bonds the interest rate on which is not established at the time of their issuance at a single numerical rate for the entire term of such Senior Lien Bonds or Second Lien Bonds.

Section 1.2 Interpretation. This Indenture, except when the context by clear implication requires, shall be construed and applied as follows:

(a) all words and terms importing the singular number shall, where the context requires, import the plural number and vice versa;

(b) pronouns include both singular and plural and cover all genders;

(c) any percentage of Second Lien Bonds, for the purposes of this Indenture, shall be computed on the basis of the unpaid principal amount of Second Lien Bonds Outstanding at the time the computation is made or is required to be made under this Indenture;

(d) headings of sections in this Indenture are solely for convenience of reference and do not constitute a part of this Indenture and shall not affect the meaning, construction or effect of this Indenture;

(e) unless expressly indicated otherwise, references to Articles or Sections shall be construed as references to Articles or Sections of this Indenture as originally executed;

(f) words importing the redemption of a Second Lien Bond or the calling of a Second Lien Bond for redemption do not include or connote the payment of such Second Lien Bond at its stated maturity or the purchase of such Second Lien Bond;

(g) in determining the Owners of the requisite percentage of Owners of Second Lien Bonds for purposes of any consent, approval or waiver under this Indenture, Section 2.9 Obligations shall be disregarded;

(h) the term “principal” when used in connection with a Capital Appreciation Obligation shall mean, as of a particular date, the Compound Accreted Value original principal amount of such Capital Appreciation Obligation as of its date of issuance plus interest accreted thereon to such particular date;

(i) any headings preceding the text of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies of this Indenture, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect; and

(j) Articles and Sections mentioned by number only are the respective Articles and Sections of this Indenture so numbered.

Section 1.3 Tender Option Second Lien Bonds. The City may issue Second Lien Bonds subject to tender at the option of the Owner if the payment of the purchase price of tendered Second Lien Bonds is to be provided pursuant to a Credit Enhancement Instrument issued by a bank or liquidity provider with obligations rated in one of the three highest short-term rating categories assigned by any Rating Agency.

Section 1.4 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the City or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements of this Indenture and shall in no way affect the validity of the other provisions of this Indenture or of the Second Lien Bonds.

Section 1.5 Successors and Assigns. Whenever in this Indenture the City is named or referred to, it shall and shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the City contained in this Indenture shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the City, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Indenture.

Section 1.6 Parties Interested In this Indenture. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the City, the Trustee, the Owners of the Second Lien Bonds issued under this Indenture or issued under the Outstanding Second Lien Bond Indentures and any provider of a Credit Enhancement Instrument or Hedge Counterparty, any right, remedy or claim under or by reason of this Indenture or any of its covenants, conditions or stipulations. All the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, any provider of a Credit Enhancement

Instrument or Hedge Counterparty, and the Owners of the Second Lien Bonds issued under this Indenture.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF SECOND LIEN BONDS

Section 2.1 Authorization for Indenture. This Indenture is executed and delivered by the City by virtue of and pursuant to the home rule powers of the City. The City has ascertained and determines and declares that the execution and delivery of this Indenture is necessary to meet the needs of the City's inhabitants and other users of the Sewer System, that each and every act, matter, thing or course of conduct as to which provision is made in this Indenture is necessary or convenient to carry out and effectuate such purposes of the City and to carry out its powers and is in furtherance of the public benefit, safety and welfare of the City, its inhabitants and other users of the Sewer System, and that each and every covenant or agreement contained in this Indenture is necessary, useful or convenient in order better to secure the Second Lien Bonds to be issued under this Indenture and are contracts or agreements necessary, useful and convenient to carry out and effectuate the corporate purposes of the City.

Section 2.2 Indenture to Constitute a Contract. In consideration of the purchase and acceptance of Series 2023 Second Lien Bonds and Second Lien Parity Bonds by their Owners, the provisions of this Indenture and any Supplemental Indenture shall constitute a contract among the City, the Trustee and the Owners from time to time of the Series 2023 Second Lien Bonds and Second Lien Parity Bonds. The Outstanding Senior Lien Bonds were authorized by the Series 1998 Bond Ordinance and are governed by the Series 1998 Indenture. The Outstanding Second Lien Bonds were authorized by the respective Second Lien Bond Ordinances and are governed by the Outstanding Second Lien Bond Indentures governing each respective series of Outstanding Second Lien Bonds.

Pursuant to the City's powers as a "home rule unit," the City wishes to reorganize its wastewater transmission credit structure such that the Series 2023 Second Lien Bonds and all future Second Lien Parity Bonds will be governed by the respective Second Lien Bond Ordinances and the terms of this Indenture. The City has determined that so doing will not result in (i) a change in the time, amounts or currency of payment of the principal of or interest on any Outstanding Senior Lien Bonds or any Outstanding Second Lien Bonds or the rate of interest on such bonds, or (ii) a preference or priority of any Outstanding Second Lien Bond over any other Second Lien Bond or a preference or priority of any Second Lien Bond issued under this Indenture over any Outstanding Second Lien Bond, or (iii) a reduction in the aggregate principal amount of any Outstanding Second Lien Bond.

Section 2.3 Authorization of Second Lien Bonds. In order to provide sufficient funds for the financing, Second Lien Bonds are authorized to be issued from time to time in one or more series as provided below, without limitation as to amount except as may be limited by law, for the purpose of (a) the payment, or the reimbursement for the payment of, Project Costs, (b) the refunding of any Senior Lien Bonds or Second Lien Bonds or other obligations issued to finance or refinance Project Costs including, but not limited to, the refunding of any Senior Lien Bonds or Second Lien Bonds, or (c) the funding of any fund or account set forth in the related Second Lien

Bond Ordinance or any fund or account as specified in this Indenture or the Supplemental Indenture under which any Second Lien Bonds are issued; including, in each case, payment of Costs of Issuance. Second Lien Bonds consisting of Section 2.8 Obligations and Section 2.9 Obligations are also authorized to be incurred from time to time as provided for in Section 2.8 and Section 2.9, respectively, for the purposes set forth in those Sections.

Section 2.4 Source of Payment; Second Lien Bonds Not Indebtedness; Pledge of Second Lien Bond Revenues and Other Moneys; No Further Senior Lien Bonds.

(a) The Second Lien Bonds are legal, valid and binding limited obligations of the City having a claim for payment of principal, redemption premium and interest solely from the moneys and securities held by the City in the Second Lien Bonds Account and by the Trustee under the provisions of this Indenture and any Supplemental Indenture and, together with any other Second Lien Bonds Outstanding, from Second Lien Bond Revenues and from amounts in the Second Lien Bonds Account and the Second Lien Construction Accounts.

(b) The Second Lien Bonds and the interest on them do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness and shall have no claim to be paid from taxes of the City.

(c) A pledge of the Trust Estate, to the extent set forth in the Granting Clauses of this Indenture, and of all moneys and securities held or set aside or to be held or set aside by the Trustee under this Indenture or any Supplemental Indenture is made, and such moneys and securities are pledged, to secure the payment of the principal and Redemption Price of, and interest on, the Second Lien Bonds and the payment of all amounts constituting Section 2.8 Obligations and Section 2.9 Obligations, subject only to the provisions of the Outstanding Second Lien Bond Indentures, this Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation of such moneys and securities for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the Outstanding Second Lien Bond Indentures, this Indenture or such Supplemental Indenture. This pledge, assignment and grant of a lien and security interest is valid and binding from and after the date of issuance of any Second Lien Bonds under this Indenture without any further physical delivery or further act; and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice of such pledge, assignment and lien. The claim of the Second Lien Bonds to Net Revenues Available for Bonds is junior and subordinate to the claim of the Senior Lien Bonds.

(d) The City shall not, and covenants that it will not, (i) issue additional bonds on a parity with the Senior Lien Bonds or otherwise having a claim to payment from Second Lien Bond Revenues prior to the Second Lien Bonds or (ii) issue additional Second Lien Bonds other than Second Lien Bonds issued under this Indenture.

Section 2.5 Issuance of Second Lien Bonds; Supplemental Indentures. Each series of Second Lien Bonds issued under this Indenture shall be created by a Supplemental Indenture which shall prescribe expressly or by reference with respect to such series:

(a) the authorized principal amount and series designation of such Second Lien Bonds;

- (b) the purpose or purposes for which such series is being issued;
- (c) the manner in which the proceeds of the Second Lien Bonds of such series are to be applied;
- (d) the date or dates, and the maturity date or dates, of the Second Lien Bonds of such series, or the manner of determining such dates;
- (e) the interest rate or rates to be borne by the Second Lien Bonds of such series or the manner of determining such rate or rates, and the first Interest Payment Date of such series;
- (f) the manner of dating, numbering and lettering and the authorized denominations for the Second Lien Bonds of such series;
- (g) the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Second Lien Bonds of such series or the manner of designating the same;
- (h) the Redemption Price or Prices, if any, of, and the redemption terms for the Second Lien Bonds of such series, or the manner of determining such Redemption Price or Prices and terms;
- (i) the amount and due date of each Sinking Fund Payment, if any, for Second Lien Bonds of like maturity of such series, or the manner of determining such amounts and dates;
- (j) identification of any Credit Enhancement Instrument and the provider of such Credit Enhancement Instrument for all or any portion of the Second Lien Bonds of such series, and the terms of and any other provisions relating to such Credit Enhancement Instrument;
- (k) identification of any Interest Rate Hedge Agreement and the applicable Hedge Counterparty or Hedge Counterparties with respect to all or any portion of the Second Lien Bonds of such series, and the terms of and any other provisions relating to such Interest Rate Hedge Agreement;
- (l) the Second Lien Bonds Debt Service Reserve Requirement, if any, for such series of Second Lien Bonds;
- (m) the Bond Year for the Second Lien Bonds of such series;
- (n) provisions as to execution; registration; transfer; exchange; replacement of lost, destroyed, mutilated, or improperly canceled Second Lien Bonds; temporary Second Lien Bonds; cancellation; and book-entry provisions applicable to the Second Lien Bonds of such series;
- (o) covenants with respect to maintenance of the Second Lien Bonds Account;

- (p) the form and text of the Second Lien Bonds of such series and provision for the Trustee's authentication of such Second Lien Bonds by certificate or otherwise; and
- (q) any other provisions deemed advisable by the City that do not conflict with the provisions of this Indenture.

Section 2.6 Conditions Precedent to Delivery of any Series. Second Lien Bonds of any series shall be executed by the City and delivered to the Trustee and upon such execution and delivery shall be authenticated by the Trustee and delivered to the City or upon its order, but only following the receipt by the Trustee of:

- (a) a copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing (i) the execution, authentication, issuance and delivery of the Second Lien Bonds of such series and (ii) the execution and delivery of the Supplemental Indenture referred to in Section 2.5;

- (b) an Opinion of Bond Counsel or Opinions of Bond Counsel to the effect that (i) the City had the right and power to adopt the ordinance referred to in Section 2.6(a) above; (ii) the ordinance has been duly and lawfully adopted by the City Council, is in full force and effect and is valid and binding upon the City and is enforceable in accordance with its terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iii) this Indenture and the Supplemental Indenture referred to in Section 2.5 have been duly and lawfully authorized by all necessary action on the part of the City, have been duly and lawfully executed by authorized officers of the City, are in full force and effect, and are valid and binding upon the City and enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event that equitable remedies are sought); (iv) the ordinance referred to in Section 2.6(a), this Indenture and such Supplemental Indenture create the valid pledge of Second Lien Bond Revenues, moneys and securities which they purport to create; (v) upon their execution, authentication and delivery, the Second Lien Bonds of such series will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State of Illinois, ordinances of the City, including, without limitation, the applicable Second Lien Bond Ordinance, this Indenture and such Supplemental Indenture; and (vi) any approval required for the issuance of the Second Lien Bonds has been obtained;

- (c) a written order as to the delivery of such series, executed by an Authorized Officer (i) stating the identity of the purchasers, aggregate purchase price, and date and place of delivery of such series and that no Event of Default has occurred and is continuing under this Indenture and (ii) fixing and determining all terms and provisions of the Second Lien Bonds of such series not fixed or determined by this Indenture or the Supplemental Indenture referred to in Section 2.5;

- (d) an executed counterpart of the Supplemental Indenture referred to in Section 2.5;

- (e) A Certificate of the Authorized Officer evidencing compliance with the rate covenant set forth in Section 4.5 and the additional Second Lien Bonds test set forth in Section 4.6; and

(f) such further documents and moneys as are required by the provisions of Article V or of any Supplemental Indenture.

Section 2.7 Conditions Precedent to Delivery of any Series of Refunding Obligations.

All Refunding Obligations of any series shall be executed by the City and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order, but only following the receipt by the Trustee of:

(a) The documents referred to in subsections of Section 2.6, unless Section 4.6(b)(ii) applies, in which event the document referenced in Section 2.6(e) shall not be required;

(b) if a redemption of Second Lien Bonds is to be effected, irrevocable instructions to the Trustee to give due notice of redemption of all the Second Lien Bonds to be redeemed and the redemption date or dates, if any, upon which such Second Lien Bonds are to be redeemed;

(c) if a redemption of Second Lien Bonds is to be effected and the redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to publish as provided in the applicable Supplemental Indenture notice of redemption of such Second Lien Bonds on a specified date prior to their redemption date;

(d) a certificate of an independent certified public accountant stating the amount of either (i) moneys (which may include all or a portion of such series) in an amount sufficient to pay the Second Lien Bonds to be refunded at maturity or at the applicable Redemption Price of the Second Lien Bonds to be redeemed, as applicable, together with accrued interest on such Second Lien Bonds to the maturity date or dates or the redemption date or dates, as applicable, or (ii) Defeasance Obligations the principal of and interest on which when due (without reinvestment), together with the moneys (which may include all or a portion of the proceeds of the Second Lien Bonds to be issued), if any, which must be contemporaneously deposited with the Trustee, to be sufficient to pay when due principal of Second Lien Bonds at maturity or the applicable Redemption Price of the Second Lien Bonds to be redeemed, as applicable, together with accrued interest on such Second Lien Bonds to the redemption date or dates or the date or dates of maturity of such Second Lien Bonds; and

(e) such further documents and moneys as are required by the provisions of Article V or any Supplemental Indenture.

Section 2.8 Credit Enhancement Instruments. The City reserves the right to provide one or more Credit Enhancement Instruments to secure the payment of the principal of, premium, if any, and interest on all or a portion of one or more series of Second Lien Bonds or, if Owners of such Second Lien Bonds have the right to require tender or purchase of such Second Lien Bonds, to secure the payment of the tender or purchase price of such Second Lien Bonds upon the demand of their Owners. In connection with any such Credit Enhancement Instrument, the City may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under such Credit Enhancement Instrument and the method by which the City will reimburse the issuer of such Credit Enhancement Instrument for such drawings together with interest on such drawings at such rate or rates as provided in such instrument and otherwise make payments of fees and other obligations as may be agreed upon by the City and the issuer of such

Credit Enhancement Instrument. Any such obligation of the City to reimburse or otherwise make payments of fees and other obligations to the issuer of such Credit Enhancement Instrument shall constitute a Second Lien Bond under this Indenture to the same extent as any series of Second Lien Bonds issued pursuant to a Supplemental Indenture, and any and all amounts payable by the City to reimburse and otherwise make payments of fees and other obligations to the issuer of any such Credit Enhancement Instrument, together with interest on such amounts, as well as amounts paid for fees or other obligations, shall for purposes of this Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on Second Lien Bonds.

Section 2.9 Hedging Transactions.

(a) Subject to Section 2.9(d), if the City shall enter into a an Interest Rate Hedge Agreement with a Hedge Counterparty requiring the City to pay a fixed interest rate on a notional amount, or requiring the City to pay a variable interest rate on a notional amount, and the City has made a determination that such Interest Rate Hedge Agreement was entered into for the purpose of providing substitute interest payments for Second Lien Bonds of a particular series and maturity or maturities in a principal amount equal to the notional amount of the Interest Rate Hedge Agreement, and so long as the Hedge Counterparty under such Interest Rate Hedge Agreement is not in default under such Interest Rate Hedge Agreement:

- i. for purposes of any calculation of Annual Second Lien Debt Service the interest rate on the Second Lien Bonds of such series and maturity or maturities shall be determined as if such Second Lien Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the City under such Interest Rate Hedge Agreement;
- ii. any net payments required to be made by the City to the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement from Second Lien Bond Revenue shall be deemed payments on Second Lien Bonds and shall be made on a parity with payments due on other Second Lien Bonds; and
- iii. any net payments received by the City from the Hedge Counterparty pursuant to such Interest Rate Hedge Agreement shall be deposited in the Second Lien Bond Account.

(b) If the City shall enter into an agreement of the type generally described in subsection (a) of this Section 2.9 that does not satisfy the requirements for an Interest Rate Hedge Agreement as a result of the City's inability or failure to make the determination described in Section 2.9(a) or otherwise, then:

- i. the interest rate adjustment or assumptions referred to in paragraph (i) of said subsection (a) shall not be made;
- ii. any net payments required to be made by the City to the Hedge Counterparty pursuant to such agreement from Second Lien Bond Revenues shall be made only from amounts available after the payment of all Second Lien Bonds; and

- iii. any net payments received by the City from the Hedge Counterparty pursuant to such agreement may be treated as Second Lien Bond Revenues at the option of the City and applied as directed by the City.

(c) Termination payments made with respect to an agreement described in paragraphs (a) and (b) of this Section 2.9 shall be subordinate to payments due on Second Lien Bonds.

(d) The City may enter into an Interest Rate Hedge Agreement pursuant to Section 2.9(a) only if (i) each Rating Agency then rating or proposing to rate Second Lien Bonds (if such Rating Agency also rates the unsecured obligations of the Hedge Counterparty or its guarantor) has assigned to the unsecured obligations of the Hedge Counterparty or of the person who guarantees the obligation of the Hedge Counterparty to make its payments to the City, as of the date the Interest Rate Hedge Agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Second Lien Bonds by such Rating Agency (without regard to Credit Enhancement Instruments), and (ii) the City has notified each Rating Agency then rating or proposing to rate Second Lien Bonds (whether or not such Rating Agency also rates the unsecured obligations of the Hedge Counterparty or its guarantor) in writing, at least 15 days prior to executing and delivering the Interest Rate Hedge Agreement of its intention to enter into the Interest Rate Hedge Agreement and has received from such Rating Agency a written indication that the entering into of the Interest Rate Hedge Agreement by the City will not in and of itself cause a reduction or withdrawal by such Rating Agency of its unenhanced rating on the Second Lien Bonds.

Section 2.10 Application of Proceeds of Second Lien Bonds. The proceeds, including accrued interest, of any series of Second Lien Bonds issued under this Indenture shall be deposited with the City or the Trustee and shall be applied by the City or the Trustee in the manner required by the Supplemental Indenture creating such series.

ARTICLE III

REVENUES AND FUNDS

Section 3.1 Second Lien Construction Accounts. The City shall maintain existing Second Lien Construction Accounts previously established for the Outstanding Second Lien Bonds for the purpose of paying Project Costs of the applicable Projects. The City shall establish and maintain Second Lien Construction Accounts, if required, for the Series 2023 Bonds and any Second Lien Parity Bonds for the purpose of paying Project Costs of applicable Projects.

Section 3.2 Sewer Revenue Fund. There has been created and there exists a separate fund of the City designated the Sewer Revenue Fund into which the Gross Revenues of the Sewer System have been, are and shall be deposited as collected. The Sewer Revenue Fund shall continue as a separate fund of the City. The Sewer Revenue Fund shall constitute a trust fund and is not in limitation of the lien and security interest granted under this Indenture, has been and is irrevocably pledged to the owners of the Senior Lien Bonds, the Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), the Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), and the

Short Term Obligations (but solely with respect to amounts on deposit in the Commercial Paper and Line of Credit Account), from time to time Outstanding for the sole purpose of carrying out the covenants, terms and conditions of the Outstanding Second Lien Bond Indentures, this Indenture and the ordinances authorizing the issuance of the Senior Lien Bonds, the Second Lien Bonds (but solely with respect to amounts on deposit in the Second Lien Bonds Account), the Subordinate Lien Obligations (but solely with respect to amounts on deposit in the Subordinate Lien Obligations Account), and the Short Term Obligations (but solely with respect to amounts on deposit in the Commercial Paper and Line of Credit Account).

The Sewer Revenue Fund shall be used only as provided in the Outstanding Second Lien Bond Indentures, this Indenture and the ordinances authorizing Outstanding Bonds, Subordinate Lien Obligations or Short Term Obligations for (a) paying Operation and Maintenance Costs, (b) paying the principal of, redemption premium, if any, and interest on Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations and Short Term Obligations or purchasing Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations or Short Term Obligations, in each case as provided in this Indenture, the Outstanding Second Lien Bond Indentures, and the Ordinances authorizing Outstanding Bonds, Subordinate Lien Obligations or Short Term Obligations, and (c) establishing and maintaining (for the purposes specified in those ordinances) the Senior Lien Construction Accounts and the Accounts in the Sewer Revenue Fund described in Section 3.3 of this Indenture and all other reserve funds or accounts that are required to be established and maintained in the ordinances authorizing the issuance of Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations and Short Term Obligations; *provided* that any funds available after these requirements have been satisfied or that are not necessary to satisfy these requirements shall be transferred to the Residual Account as provided in Section 3.4.

A lien on and security interest in the Net Revenues Available for Bonds, the various Accounts of the Sewer Revenue Fund established as provided in the Second Lien Bond Ordinances, and Section 3.3 of this Indenture (other than the Second Lien Bonds Account, the Subordinate Lien Obligations Account and the Commercial Paper and Line of Credit Account) and in the Senior Lien Construction Accounts (but not the Second Lien Construction Accounts) are granted to the owners of the Senior Lien Bonds Outstanding from time to time, subject to amounts in the various Accounts being deposited, credited and expended as provided in the Outstanding Second Lien Bond Indentures, this Indenture and in the Senior Lien Bond Ordinance and the Second Lien Bond Ordinances. No lien or security interest in the Senior Lien Construction Accounts is granted to any owner of any Second Lien Bond, Subordinate Lien Obligation or Short Term Obligation.

Section 3.3 Application of Net Revenues Available For Bonds. There have been created and there exist in the Sewer Revenue Fund the following separate accounts: the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Sewer Rate Stabilization Account, the Residual Account and the Senior Lien Rebate Accounts. There also have been created and shall be maintained in the Sewer Revenue Fund (i) the Second Lien Bonds Account and its various Subaccounts for each series of Second Lien Bonds; (ii) the Second Lien Bonds Debt Service Reserve Account; (iii) the Second Lien Rebate Account; (iv) the Subordinate Lien Obligations Account and its various Subaccounts for each series of Subordinate Lien Obligations; and (v) the Commercial Paper and Line of Credit Account and its various Subaccounts. The Net Revenues Available for Bonds shall be transferred, without any further official action or direction,

to the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Senior Lien Rebate Accounts, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, the Second Lien Rebate Accounts, the Subordinate Lien Obligations Account, the Commercial Paper and Line of Credit Account, the Sewer Rate Stabilization Account and the Residual Account in the order in which those accounts are listed below, for use in accordance with the provisions of this Section 3.3.

(a) **Bond Principal and Interest Account.** Not later than 10 days prior to each principal or interest payment date for the Senior Lien Bonds, there shall be transferred to the Bond Principal and Interest Account sufficient funds to pay the amount of the principal, redemption premium, if any, and interest becoming due, whether upon maturity, redemption or otherwise, and amounts owed on Interest Rate Hedge Agreements for any Outstanding Senior Lien Bonds on such payment date on all Outstanding Senior Lien Bonds.

Funds in the Bond Principal and Interest Account shall be used only for the purpose of (a) paying principal of, redemption premium, if any, and interest on Outstanding Senior Lien Bonds and (b) amounts owed on Interest Rate Hedge Agreements for any Outstanding Senior Lien Bonds, as the same become due.

(b) **Bond Debt Service Reserve Account.**

(i) Amounts in the Bond Debt Service Reserve Account shall be deposited in a separate account with a Depository designated by the Authorized Officer. Whenever the balance in the Bond Debt Service Reserve Account is less than the Bond Debt Service Reserve Requirement for the Outstanding Senior Lien Bonds, except as permitted pursuant to the provisions of the Senior Lien Bond Ordinance, there shall be transferred to the Bond Debt Service Reserve Account within the next 12 months sufficient funds to maintain balances in the Bond Debt Service Reserve Account at least equal to the Bond Debt Service Reserve Requirement for the Outstanding Senior Lien Bonds.

Except as may be required to be credited to the Senior Lien Rebate Accounts and except for amounts in excess of the Bond Debt Service Reserve Requirement (which excess amounts may be transferred to any account of the Sewer Revenue Fund), funds in the Bond Debt Service Reserve Account and any Credit Enhancement Instruments in that Account shall be used to pay principal of, redemption premium, if any, and interest on the Outstanding Senior Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Bond Principal and Interest Account (after any available amounts in the Residual Account and then the Sewer Rate Stabilization Account have first been applied to that purpose).

(ii) All or any part of the Bond Debt Service Reserve Requirement may be met by deposit in the Bond Debt Service Reserve Account of one or more Credit Enhancement Instruments. A Credit Enhancement Instrument shall, for purposes of determining the value of the amounts on deposit in the Bond Debt Service Reserve Account, be valued at the Bond Debt Service Reserve Account Credit Enhancement Instrument Coverage for the Credit Enhancement Instrument except as provided in the next sentence. If a Credit Enhancement Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Senior Lien Bond, then the Bond Debt Service Reserve Account Credit Enhancement Instrument

Coverage of that Credit Enhancement Instrument shall be reduced each year, beginning on the date that is four years prior to the first date on which the Credit Enhancement Instrument is to terminate (or is subject to termination), by 25 percent of the coverage in each of the years remaining prior to such date, *provided* that if under the terms of the Credit Enhancement Instrument and the terms of the related ordinance, the City has the right and duty to draw upon the Credit Enhancement Instrument prior to its termination for deposit in the Bond Debt Service Reserve Account (if and to the extent a substitute Credit Enhancement Instrument is not deposited in the Bond Debt Service Reserve Account) all or part of its Bond Debt Service Reserve Account Credit Enhancement Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Bond Debt Service Reserve Requirement and (B) the sum of the amounts on deposit in the Bond Debt Service Reserve Account and the amount that the City may draw under the Credit Enhancement Instrument prior to its termination for deposit in the Bond Debt Service Reserve Account. Any amounts in the Bond Debt Service Reserve Account that are not required to be transferred to the Bond Principal and Interest Account may, from time to time, be used to pay costs of acquiring a Credit Enhancement Instrument Bond Debt Service Reserve Account or to make payments due under a related reimbursement agreement, but only if after such payment, the value of the Bond Debt Service Reserve Account shall not be less than the Bond Debt Service Reserve Requirement. The City pledges and grants a lien on and security interest in the amounts on deposit in the Bond Debt Service Reserve Account to any provider of a Credit Enhancement Instrument for the Bond Debt Service Reserve Account with respect to such provider's Credit Enhancement Instrument, *provided* that the pledge, lien and security interest shall be junior to any claim for the benefit of the owners of the Outstanding Senior Lien Bonds or any party to an Interest Rate Hedge Agreement related thereto.

After the deposit of a Credit Enhancement Instrument into the Bond Debt Service Reserve Account and after the City has received notice of the value of the Bond Debt Service Reserve Account after such deposit, the Authorized Officer may then direct the transfer from the Bond Debt Service Reserve Account to any account of the Sewer Revenue Fund of any amounts in the Bond Debt Service Reserve Account in excess of the Bond Debt Service Reserve Requirement.

(c) **Senior Lien Rebate Account.** There shall be transferred from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Senior Lien Rebate Account for the Outstanding Senior Lien Bonds the amounts that are required to be held available for rebate to the United States of America with respect to the Outstanding Senior Lien Bonds as required by the provisions of the Senior Lien Bond Ordinance. Such Senior Lien Rebate Account shall be deposited in a separate bank account in a bank or banks designated by the Authorized Officer as a Depository pursuant to a depository agreement. The amount so to be held available shall be determined from time to time by the City pursuant to the Senior Lien Bond Ordinance.

Amounts in such Senior Lien Rebate Account shall be used at the direction of the Authorized Officer to make rebate payments with respect to the Outstanding Senior Lien Bonds to the United States of America.

(d) **Second Lien Bonds Account.** The City has established in the Second Lien Bonds Account a separate and segregated subaccount for each series of Second Lien Bonds now

Outstanding. The City establishes in the Second Lien Bonds Account with respect to the Series 2023 Second Lien Bonds a separate and segregated subaccount designated the "2023 Second Lien Bonds Subaccount". The City will in the Supplemental Indenture authorizing each series of Second Lien Parity Bonds establish a separate and segregated subaccount for such series designated in a similar fashion.

On the Business Day immediately preceding each Interest Payment Date, there shall be transferred to the Second Lien Bonds Account, the interest due on the next Interest Payment Date and on the Business Day immediately preceding the next Principal Installment Date, the principal due on the next Principal Installment Payment Date, as those amounts are required by (a) the Second Lien Bond Ordinances authorizing each series of Second Lien Bonds now Outstanding, and (b) this Indenture with respect to the Series 2023 Second Lien Bonds and future series of Second Lien Parity Bonds to be deposited in the Second Lien Bonds Account on such date without priority, one over the other, as to any Subaccounts within the Second Lien Bonds Account. The amount to be so deposited shall be specified in a certificate of the Authorized Officer. The moneys in the various Subaccounts of the Second Lien Bonds Account shall be transferred by the Authorized Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related series of Second Lien Bonds for the purpose of paying such amounts as may be required to be paid with respect to such Second Lien Bonds, including amounts owed with respect to any Interest Rate Hedge Agreements for such Second Lien Bonds.

(e) Second Lien Bonds Debt Service Reserve Account.

(i) Amounts in the Second Lien Bonds Debt Service Reserve Account shall be deposited in a separate account with a Depository designated by the Authorized Officer. Whenever the balance in the Second Lien Bonds Debt Service Reserve Account is less than the Second Lien Bonds Debt Service Reserve Requirement for the Outstanding Second Lien Bonds, except as permitted pursuant to the provisions of this Indenture, there shall be transferred to the Second Lien Bonds Debt Service Reserve Account within the next 12 months sufficient funds to maintain balances in the Second Lien Bonds Debt Service Reserve Account at least equal to the Second Lien Bonds Debt Service Reserve Requirement for the Outstanding Second Lien Bonds.

Except as may be required to be credited to the Second Lien Rebate Accounts and except for amounts in excess of the Second Lien Bonds Debt Service Reserve Requirement (which excess amounts may be transferred to any account of the Sewer Revenue Fund), funds in the Second Lien Bonds Debt Service Reserve Account and any Credit Enhancement Instruments in that Account shall be used to pay principal of, redemption premium, if any, and interest on the Outstanding Second Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Second Lien Bonds Account (after any available amounts in the Residual Account and then the Sewer Rate Stabilization Account have first been applied to that purpose).

(ii) All or any part of the Second Lien Bonds Debt Service Reserve Account Requirement may be met by deposit in the Second Lien Bonds Debt Service Reserve Account of one or more Credit Enhancement Instruments. A Credit Enhancement Instrument shall, for purposes of determining the value of the amounts on deposit in the Second Lien Bonds

Debt Service Reserve Account, be valued at the Second Lien Bonds Debt Service Reserve Account Credit Enhancement Instrument Coverage for the Credit Enhancement Instrument except as provided in the next sentence. If a Credit Enhancement Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Second Lien Bond, then the Second Lien Bonds Debt Service Reserve Account Credit Enhancement Instrument Coverage of that Credit Enhancement Instrument shall be reduced each year, beginning on the date that is four years prior to the first date on which the Credit Enhancement Instrument is to terminate (or is subject to termination), by 25 percent of the coverage in each of the years remaining prior to such date, *provided* that if under the terms of the Credit Enhancement Instrument and the terms of the related ordinance, the City has the right and duty to draw upon the Credit Enhancement Instrument prior to its termination for deposit in the Second Lien Bonds Debt Service Reserve Account (if and to the extent a substitute Credit Enhancement Instrument is not deposited in the Second Lien Bonds Debt Service Reserve Account) all or part of its Second Lien Bonds Debt Service Reserve Account Credit Enhancement Instrument Coverage, then the reduction shall be in an amount equal to the difference between (A) the Second Lien Bonds Debt Service Reserve Account and (B) the sum of the amounts on deposit in the Second Lien Bonds Debt Service Reserve Account and the amount that the City or the Trustee may draw under the Credit Enhancement Instrument prior to its termination for deposit in the Second Lien Bonds Debt Service Reserve Account. Any amounts in the Second Lien Bonds Debt Service Reserve Account that are not required to be transferred to the Second Lien Bonds Account may, from time to time, be used to pay costs of acquiring a Credit Enhancement Instrument or to make payments due under a related reimbursement agreement, but only if after such payment, the value of the Second Lien Bonds Debt Service Reserve Account shall not be less than the Second Lien Bonds Debt Service Reserve Requirement. The City pledges and grants a lien on and security interest in the amounts on deposit in the Second Lien Bonds Debt Service Reserve Account to any provider of a Credit Enhancement Instrument for the Second Lien Bonds Debt Service Reserve Account with respect to such provider's Credit Enhancement Instrument, *provided* that the pledge, lien and security interest shall be junior to any claim for the benefit of the owners of the Outstanding Second Lien Bonds or any party to an Interest Rate Hedge Agreement related thereto.

After the deposit of a Credit Enhancement Instrument into the Second Lien Bonds Debt Service Reserve Account and after the City has received notice of the value of the Second Lien Bonds Debt Service Reserve Account after such deposit, the Authorized Officer may then direct the transfer from the Second Lien Bonds Debt Service Reserve Account to any account of the Sewer Revenue Fund of any amounts in the Second Lien Bonds Debt Service Reserve Account in excess of the Second Lien Bonds Debt Service Reserve Requirement.

(f) **Second Lien Rebate Account.** There shall be transferred from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Second Lien Rebate Account for the Outstanding Second Lien Bonds the amounts that are required to be held available for rebate to the United States of America with respect to the Outstanding Second Lien Bonds as required by the provisions of this Indenture. Such Second Lien Rebate Account shall be held by the Trustor or at the election of the City as directed by the Authorized Officer shall be deposited in a separate bank account in a bank or banks designated by the Authorized Officer as a Depository pursuant to a depository agreement. The amount so to be held available shall be determined from time to time by the City pursuant to this Indenture.

Amounts in such Second Lien Rebate Account shall be used at the direction of the Authorized Officer to make rebate payments with respect to the Outstanding Second Lien Bonds to the United States of America.

(g) **Subordinate Lien Obligations Account.** There have been established in the Subordinate Lien Obligations Account with respect to each series of Outstanding Subordinate Lien Obligations a separate and segregated Subordinate Lien Obligations Principal and Interest Subaccount and a separate and segregated Subordinate Lien Debt Service Reserve Subaccount for the purposes set forth in Section 3.1 of this Indenture and this Section 3.3. There shall be established in the Subordinate Lien Obligations Account with respect to each series of Subordinate Lien Parity Obligations a separate and segregated Subordinate Lien Obligations Principal and Interest Subaccount and a separate and segregated Subordinate Lien Debt Service Reserve Subaccount for the same purposes. On the Business Day immediately preceding each January 1 and July 1, there shall be transferred to the Subordinate Lien Obligations Account, the amount required by any ordinance authorizing Subordinate Lien Obligations to be deposited in the Subordinate Lien Obligations Account on such date without priority, one over the other, to any Subaccounts within the Subordinate Lien Obligations Account, the amount to be so deposited specified in a certificate of the Authorized Officer. The monies in the various Subaccounts of the Subordinate Lien Obligations Account shall be used to pay such amounts as may be required to be paid by the ordinances authorizing such Subordinate Lien Obligations.

(h) **Commercial Paper and Line of Credit Account.** There shall be transferred to the Commercial Paper and Line of Credit Account and to the Subaccounts in the Commercial Paper and Line of Credit Account such amounts on such dates as are required to be so transferred by (i) the applicable indentures governing the terms of outstanding Commercial Paper Notes and (ii) the applicable Line of Credit Agreement (as defined in the Series 2012 Bond Ordinance) governing the terms of outstanding Line of Credit Notes. The moneys in the various Subaccounts of the Commercial Paper and Line of Credit Account shall be transferred by the Authorized Officer on the date so deposited in such various Subaccounts to the appropriate paying agents or trustees for the related Commercial Paper Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and indentures governing such Commercial Paper Notes and for the related Line of Credit Notes for the purpose of paying such amounts as may be required to be paid by the ordinances and related Line of Credit Agreement governing such Line of Credit Notes.

(i) **Sewer Rate Stabilization Account.** There shall be transferred from the Sewer Revenue Fund from Net Revenues and deposited to the credit of the Sewer Rate Stabilization Account the amounts as shall be required for the balance in the Sewer Rate Stabilization Account to equal at least ninety (90) Days' Cash On Hand as of January 1 of each year. The Sewer Rate Stabilization Account shall be maintained in a separate bank account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. In any year, the City may withdraw any amounts from the Sewer Rate Stabilization Account and use those amounts for paying any expenses or obligations of the Sewer System including, without limitation, any Operation and Maintenance Costs, deposits in the Bond Principal and Interest Account, deposits in the Bond Debt Service Reserve Account, deposits when due in the Second Lien Bonds Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account and in the Bond Debt Service Reserve Account), deposits

when due in the Second Lien Bonds Debt Service Reserve Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, in the Bond Debt Service Reserve Account and in the Second Lien Bonds Account), deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, in the Bond Debt Service Reserve Account, in the Second Lien Bonds Account and in the Second Lien Bonds Debt Service Reserve Account), deposits in the Commercial Paper and Line of Credit Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, in the Bond Debt Service Reserve Account, in the Second Lien Bonds Account, in the Second Lien Bonds Debt Service Reserve Account, and in the Subordinate Lien Obligations Account), the costs related to any Interest Rate Hedge Agreements entered into pursuant to ordinances or indentures authorizing the issuance of Outstanding Senior Lien Bonds, Outstanding Second Lien Bonds, the Subordinate Lien Obligations and the Short Term Obligations in that order of priority, or any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System. The Sewer Rate Stabilization Account shall be used (after any amounts in the Residual Account are applied to the purpose) to make all required deposits in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Second Lien Bond Account and the Second Lien Bonds Debt Service Reserve Account when no other funds are available for that purpose. Any Net Revenues remaining in any period and not required for transfer to the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, the Second Lien Rebate Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account may be transferred to the Sewer Rate Stabilization Account at any time upon the direction of the Authorized Officer. The Chief Financial Officer may allocate from the Sewer Rate Stabilization Account to Net Revenues Available for Bonds the amount determined by the Chief Financial Officer to be allocated for such purpose.

(j) **Residual Account.** There shall be transferred from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Residual Account such amounts as are not otherwise required for the purposes specified in paragraphs (a) through (f) of this Section 3.3 or as required by Section 3.4. The Residual Account shall be maintained in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. In any year the City may withdraw any amounts from the Residual Account and use those amounts for (i) paying any expenses or obligations of the Sewer System, including, without limitation, any Operation and Maintenance Costs, (ii) making deposits when due in the Second Lien Bonds Account, (iii) making deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts), (iv) making deposits when due in the Commercial Paper Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts or the Subordinate Lien Obligations Account), (v) making deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), (vi) any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System or (vii) any other cost or expense relating to the Sewer System or the financing or refinancing of the Sewer System. The Chief Financial Officer may allocate from the Residual Account to Net Revenues Available for Bonds the amount determined by the Chief Financial Officer to be allocated for such purpose.

Section 3.4 Deficiencies; Excess. In the event of a deficiency on any Interest Payment Date in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, the Second Lien Rebate Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account, the City shall transfer an amount from the Residual Account in the amount of such deficiency for deposit into the related deficient account. In addition, the amount of any deficiency shall be included in the amount to be transferred from the Sewer Revenue Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year, as required by this Indenture.

Whenever the balance in the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Debt Service Reserve Account, or the Second Lien Rebate Account exceeds the amount required to be on deposit in that Account, such excess may be transferred to the Sewer Revenue Fund; *provided* that no such transfers shall be made when any debt service payments on outstanding obligations of the City that are payable by their terms from the revenues of the Sewer System are past due. Any funds that remain in the Sewer Revenue Fund at the end of any Fiscal Year shall be transferred to the Residual Account.

Section 3.5 General Provisions as to Investments. All moneys held in any fund or account established and created under this Indenture shall be invested in Permitted Investments upon the oral direction of an Authorized Officer, or his or her designated representative, promptly confirmed in writing. The Trustee is authorized to execute purchases and sales of Permitted Investments through the facilities of its own bond, trading or capital markets operations or those of any affiliated entity. Although the City recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the City agrees that confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement for such account is rendered.

(a) Permitted Investments purchased as an investment of moneys in any fund or account established and created under this Indenture, together with the income derived therefrom, shall be deemed at all times to be a part of such fund or account. Permitted Investments so purchased shall be sold at the best price reasonably obtainable whenever it shall be necessary so to do in order to provide moneys to make any withdrawal or payment from such fund or account. For the purposes of any such investment, a Permitted Investment shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such Permitted Investment. Permitted Investments in which moneys held in any fund or account have been invested shall mature not later than the respective dates as estimated by the City or the Trustee based on information provided by the City, when the moneys held for the credit of any fund or account will be needed.

(b) In computing the amount in any fund or account, obligations maturing within the three year period next succeeding the date of computation shall be valued at amortized value, and obligations maturing more than one year following the date of computation shall be valued at the lower of amortized value or market value; provided that investment agreements described in clause (h) of the definition of "Permitted Investments" shall be valued at amortized value.

(c) For purposes of this Indenture amortized value means par, if the obligation was purchased at par, or, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium or adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation shall be made on each April 15 and October 15, or if such day is not a business day of the Trustee then on the business day of the Trustee immediately preceding such April 15 or October 15, and at any other time required under this Indenture or under any Supplemental Indenture, and on any particular date shall not include the amount of interest then earned or accrued to such date on any deposit or investment.

ARTICLE IV

GENERAL COVENANTS OF CITY

Section 4.1 Equality of Security. All Second Lien Bonds (including, without limitation, Section 2.8 Obligations), regardless of series, date of issuance or incurrence and date of sale, shall be secured by the pledge, security interest and lien contained in the Granting Clauses and Section 2.4 and the security so pledged shall not be used for any other purpose except as expressly permitted by the terms of this Indenture, so long as any Second Lien Bonds (including, without limitation, Section 2.8 Obligations), remain Outstanding and unpaid. The City covenants and agrees not to issue any additional bonds on a parity with Outstanding Senior Lien Bonds.

Section 4.2 Equality of Second Lien Bonds. Except as otherwise specifically provided in Section 4.1, all Second Lien Bonds authorized under the Outstanding Second Lien Bond Indentures, this Indenture or obligations incurred as provided in Section 2.8 and Section 2.9(a) shall be on a parity and rank equally without preference, priority or distinction over any other thereof as to security, regardless of the time or times of their issue, and the provisions, covenants and agreements set forth in this Indenture to be performed by and on behalf of the City shall be for the equal benefit, protection and security of the owners of any and all Second Lien Bonds and the holders of Section 2.8 Obligations and Section 2.9 Obligations. The City covenants that, except as otherwise provided in Section 4.6, it will not issue any obligations payable from the Second Lien Bond Revenues or any other moneys pledged in this Indenture or voluntarily create or cause or permit to be created any debt, lien, pledge or assignment, having priority over or being on a parity with, the Second Lien Bonds.

Section 4.3 Punctual Payment. The City covenants that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on, all Second Lien Bonds, including, without limitation, Section 2.8 Obligations, in strict conformity with the terms of such Second Lien Bonds and of this Indenture, the Supplemental Indentures creating the Second Lien Bonds of each series and the Outstanding Second Lien Bond Indentures and the instruments creating Section 2.8 Obligations or Section 2.9 Obligations except as specifically provided in Section 2.9(c), and that it will faithfully observe and perform all the conditions, covenants and

requirements of this Indenture, each such Supplemental Indenture and instrument and of the Second Lien Bonds issued or incurred under such Supplemental Indenture.

Section 4.4 Maintenance and Continued Operation of Sewer System. The City will maintain the Sewer System in good repair and working order, will continuously operate it on a Fiscal Year basis, and will punctually perform all duties with respect to the Sewer System required by the Constitution and laws of the State.

So long as any Second Lien Bonds are Outstanding, the City will continue to operate the Sewer System as a revenue-producing system so as to produce Net Revenues sufficient to satisfy the covenants of this Indenture.

Section 4.5 Rate Covenant. The City will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to (a) pay Operation and Maintenance Costs, (b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall in each Fiscal Year at least equal one hundred fifteen percent of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, and (c) produce Second Lien Bond Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time, which Second Lien Bond Revenues shall in each Fiscal Year at least be equal to one hundred ten percent of the sum required to pay promptly when due the Second Lien Bonds Debt Service Requirement for the Fiscal Year on Second Lien Bonds. The amount of Net Revenues Available for Bonds that exceeds one hundred percent of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (b) and (c) of the preceding sentence for such Fiscal Year.

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the rate covenant set forth above. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the rate covenant, the City shall prepare or have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the rate covenant and the Office of Budget and Management of the City and the Authorized Officer shall recommend appropriate action to the City Council to comply with this rate covenant.

Section 4.6 Issuance of Second Lien Parity Bonds.

(a) As long as there are any Outstanding Second Lien Bonds, the City may issue Second Lien Parity Bonds for any lawful purpose of the Sewer System, including to refund Outstanding Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations or obligations

payable from revenues of the Sewer System on a basis subordinate to the Second Lien Bonds and Subordinate Lien Obligations, upon compliance with the following conditions:

- i. the funds required to be transferred to the Second Lien Bonds Account and its sub-funds, accounts and subaccounts shall have been transferred in full up to the date of delivery of such Second Lien Parity Bonds; and
- ii. (1) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Second Lien Parity Bonds (as shown by the audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least 110 percent of the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a pro forma basis assuming (w) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or trust indenture authorizing their issuance, sale and delivery and (x) any projected withdrawal from or deposits into the Sewer Rate Stabilization Account of such amounts as shall be estimated by the Authorized Officer in the current or any future fiscal year. Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (ii):
 - A. if prior to the issuance of such Second Lien Parity Bonds, the City shall have enacted an increase in the rates of the Sewer System from the rates in effect for such last completed Fiscal Year, Net Revenues Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for such last completed Fiscal Year as they would have been had the increased rates been in effect during all of that last completed Fiscal Year; and
 - B. if prior to the issuance of such Second Lien Parity Bonds the City shall have enacted an increase in the rates of the Sewer System scheduled to take effect in a future Fiscal Year, such rate increase may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service coverage for such completed Fiscal Year;

Any such adjustment shall be evidenced by a certificate of the Authorized Officer.

(2) If during the first six months of a Fiscal Year, an audit of the Sewer System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of paragraph (a)(ii)(1) shall be deemed to have been satisfied if both (A) Net Revenues Available for Bonds for the second preceding Fiscal Year (as shown by the audit of an independent certified public accountant), adjusted as described in paragraph (a)(ii)(1), and (B) Net Revenues Available for Bonds for the preceding Fiscal Year (as estimated by the Authorized Officer), adjusted as described in paragraph (a)(ii)(1), shall equal at least 110 percent of the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a pro

forma basis assuming (y) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or trust indenture authorizing their issuance, sale and delivery and (z) any projected withdrawal from or deposits into the Sewer Rate Stabilization Account of such amounts as shall be estimated by the Authorized Officer in the current or any future fiscal year.

(b) The City may issue Second Lien Parity Bonds without complying with the requirements of paragraph (a) of this Section 4.6:

- i. to pay, redeem or refund Senior Lien Bonds or Second Lien Bonds if in the judgment of the City there will be insufficient money available to make payments of interest on or principal of those Bonds (at maturity or on Sinking Fund Payments dates) as such amounts become due; or
- ii. to pay, redeem or refund any Senior Lien Bonds or Second Lien Bonds if (A) the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Debt Service and the Aggregate Subordinate Lien Debt Service in each Fiscal Year in which there was to be any Aggregate Senior Lien Debt Service, Aggregate Second Lien Debt Service or Aggregate Subordinate Lien Debt Service on Bonds after the issuance of the Second Lien Parity Bonds and the payment, redemption or refunding of such Bonds will not be in excess of (B) the sum of the Aggregate Senior Lien Debt Service, Aggregate Second Lien Debt Service and Aggregate Subordinate Lien Debt Service prior to the issuance of the Second Lien Parity Bonds in each such Fiscal Year.

(c) Other obligations, including bonds, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Second Lien Bonds.

Section 4.7 Against Pledge of Revenues. The City shall not hereafter issue any bonds, notes, or other evidences of indebtedness secured by the pledge contained in Section 2.4, other than Second Lien Parity Bonds, and shall not create or cause to be created any lien or charge on Net Revenues Available for Bonds, or on any amounts pledged for the benefit of owners of Second Lien Bonds under this Indenture, other than the pledge contained in the Granting Clauses hereof and Section 2.4, provided that neither this Section nor any other provision of this Indenture shall prevent the City from (a) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Net Revenues Available for Bonds to be derived on and after such date as the pledge contained in Section 2.4 shall be discharged and satisfied as provided in Section 9.1, (b) issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by, the pledge of amounts which may be withdrawn from the Second Lien Bonds Account so long as such pledge is expressly junior and subordinate to the pledge contained in Section 2.4 or (c) issuing Subordinate Lien Obligations.

Section 4.8 Repairs, Replacements, Additions, Betterments. The City from time to time will make all necessary and proper repairs, replacements, additions and betterments to the Sewer System so that the Sewer System may at all times be operated efficiently, economically and properly. When any necessary equipment or facility shall have been worn out, destroyed or

otherwise is insufficient for proper use, it shall be promptly replaced so that the value and efficiency of the Sewer System shall be at all times fully maintained.

Section 4.9 Control and Operation of Sewer System. The City will establish such rules and regulations for the control and operation of the Sewer System as are necessary for the safe, lawful, efficient and economical operation of the Sewer System.

Section 4.10 Performance of Covenants; Authority. The City shall faithfully perform at all times to the extent applicable to the City any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Second Lien Bond executed, authenticated and delivered under this Indenture, and in all proceedings pertaining to this Indenture.

Section 4.11 Arbitrage and Tax Exemption Covenants.

(a) The covenants and agreements of the City set forth in this Section 4.11 shall apply to Tax-Exempt Second Lien Bonds. The covenants and agreements of the City set forth in this Section 4.11 shall not apply to Taxable Second Lien Bonds. The covenants and agreements of the City set forth in this Section 4.11 shall apply to Tax-Exempt Second Lien Bonds as long as any such Tax-Exempt Second Lien Bonds continue to bear interest (whether or not they are Outstanding Bonds within the meaning of this Indenture) and shall also apply after such Tax-Exempt Second Lien Bonds cease to bear interest but only within such subsequent period as shall be required for the City to comply with the covenants of this Section 4.11.

(b) The City will not direct or permit any action which (or fail to take any action the failure of which) would cause any Tax-Exempt Second Lien Bond to be an "arbitrage bond" within the meaning of the Code.

(c) The City (i) will take all actions that are necessary to be taken (and avoid taking any action that it is necessary to avoid being taken) so that interest on the Tax-Exempt Second Lien Bonds will not be or become subject to federal income taxation under present law, and (ii) will take all actions reasonably within its power to take that are necessary to be taken (and avoid taking any actions that are reasonably within its power to avoid taking and that it is necessary to avoid) so that interest on the Tax-Exempt Second Lien Bonds will not be or become includible in gross income for federal income tax purposes under the federal income tax laws as in effect from time to time.

(d) The City will, without limitation, (i) to the extent required by the Code, restrict the yield on investments of amounts received upon the sale of the Tax-Exempt Second Lien Bonds and other amounts, and (ii) timely rebate to the United States of America certain amounts that may be received as interest or other investment earnings on accounts of the Sewer Revenue Fund, all as shall be necessary to comply with this Section. The City shall also make or cause to be made identifiable investments of amounts allocable to the Tax-Exempt Second Lien Bonds as shall be necessary or appropriate to be able to ascertain the amounts that may be required so to be rebated to the United States of America. The City shall from time to time determine the amounts in accounts of the Sewer Revenue Fund that shall be subject so to be rebated and those amounts from time to time shall be held by the City in the Second Lien Rebate Account (which the City shall

establish under this Indenture) and shall be rebated to the United States of America in the amounts and at the times as required. Such amounts so subject from time to time so to be rebated shall not be available for the other purposes for which the Sewer Revenue Fund and its accounts and accounts and sub-accounts established by this Indenture may be applied, and, for purposes of computing the balance in the Sewer Revenue Fund and such various accounts shall be disregarded.

(e) The City will not take any of the following actions without in each such event obtaining the Opinion of Bond Counsel (which may represent the City from time to time in other matters) that such action will not contravene any covenant of this Indenture and will not make compliance with those covenants impossible: (i) defease any Tax-Exempt Second Lien Bonds; (ii) sell, lease or otherwise dispose of any material portion of the Sewer System; (iii) enter into or amend any short-term or long-term contract for wastewater service by the City other than pursuant to general rates charged to the general public; or (iv) enter into or amend any contract or arrangement for persons other than its employees to manage the Sewer System.

(f) The provisions of this Section 4.11 shall not be interpreted to impose upon the City any obligation to redeem or to purchase any Tax-Exempt Second Lien Bonds other than with proceeds or other amounts available under this Indenture.

Section 4.12 Registered Owner Remedy. Any Owner of a Second Lien Bond may proceed by civil action to compel performance of all duties required by this Indenture, including the establishment and collection of sufficient fees, charges and rates for services supplied by the Sewer System, and the application of Gross Revenues as provided by this Indenture.

Section 4.13 Debt Service Reserve Accounts. Any Supplemental Indenture pursuant to which a series of Second Lien Bonds is issued under this Indenture may establish a Second Lien Bonds Debt Service Reserve Requirement with respect to such series of Second Lien Bonds. Such Supplemental Indenture may provide that the Second Lien Bonds Debt Service Reserve Requirement for such series may be satisfied with (i) one or more Qualified Reserve Account Credit Instruments, (ii) Permitted Investments, or (iii) a combination thereof. For purposes of this Section 4.13 the term “**Qualified Reserve Account Credit Instrument**” means a Credit Enhancement Instrument consisting of a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated “Aa” or “AA” or better by a Rating Agency as of its date of issuance. Any such Credit Enhancement Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payments under it other than a certification of the Trustee that the funds drawn under it are to be used for purposes for which moneys in the Second Lien Bonds Debt Service Reserve Account may be used.

Section 4.14 Offices For Servicing Second Lien Bonds. The City shall at all times maintain one or more agencies in the City of Chicago, Illinois, or the City of New York, New York, where Second Lien Bonds of any series may be presented for payment, where Second Lien Bonds of any series may be presented for registration, registration of transfer or exchange to the extent and in the manner specified in the Second Lien Bond Ordinances authorizing Outstanding Second Lien Bonds, the Outstanding Second Lien Bond Indentures, this Indenture and the Supplemental Indenture creating such series and where notices, demands and other documents

may be served upon the City in respect of the Second Lien Bonds of any series or of this Indenture. The City appoints the Trustee an agent for all such purposes.

ARTICLE V

SUPPLEMENTAL INDENTURES

Section 5.1 Supplemental Indentures Effective Upon Execution by the City and the Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, which, upon (i) the filing with the Trustee of a copy of such ordinance certified by the City Clerk and (ii) the execution and delivery of such Supplemental Indenture by the City and the Trustee, shall be fully effective in accordance with its terms:

(a) to close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on, the issuance of Second Lien Bonds or other evidences of indebtedness;

(b) to add to the covenants and agreements of the City in this Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(c) to add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in this Indenture;

(e) to create a series of Second Lien Bonds and, in connection with such creation, to specify and determine the matters and things referred to in Article II and also any other matters and things relative to such Second Lien Bonds which are not contrary to or inconsistent with this Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance of such Second Lien Bonds;

(f) to, confirm, as further assurance, the pledge under Section 2.4 and the subjection of additional properties, Second Lien Bond Revenues or other collateral to any lien, claim or pledge created or to be created by this Indenture; and

(g) to modify any of the provisions of this Indenture in any respect whatever, provided that such modification shall be, and shall be expressed to be, effective only after all Second Lien Bonds Outstanding at the date of the execution and delivery of such Supplemental Indenture shall cease to be Outstanding.

Section 5.2 Supplemental Indentures Effective Upon Consent of Trustee.

(a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council which, upon (i) the filing with the Trustee of a copy of such ordinance certified by the City Clerk, (ii) the filing with the Trustee and the City of an instrument in writing made by the Trustee consenting thereto, and (iii) the execution and delivery of such Supplemental Indenture by the City and the Trustee, shall be fully effective in accordance with its terms:

1. to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or
2. to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or
3. to provide additional duties of the Trustee under this Indenture.

(b) Any such Supplemental Indenture may also contain one or more of the purposes specified in Section 5.1, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Indenture as shall contain one or more of the purposes set forth in subsection (a) of this Section.

Section 5.3 Supplemental Indentures Effective Upon Consent of Owners of Certain Second Lien Bonds. At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, subject to consent by the owners of Outstanding Second Lien Bonds issued under this Indenture in accordance with and subject to the provisions of Article VI which Supplemental Indenture, upon (i) the filing with the Trustee of a copy of such ordinance certified by the City Clerk, (ii) compliance with the provisions of Article VI, and (iii) execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Section 5.4 General Provisions.

(a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article VI. Nothing contained in this Article or Article VI shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument or the right, or obligation of the City to execute and deliver to the Trustee any instrument which elsewhere in this Indenture it is provided shall be delivered to the Trustee.

(b) Any ordinance authorizing a Supplemental Indenture referred to and permitted or authorized by Sections 5.1 and 5.2 may be adopted by the City Council without the consent of any of the owners of Second Lien Bonds issued under this Indenture, but such Supplemental Indenture shall be executed and delivered by the City and the Trustee and shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully authorized

by the City Council and executed by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

(c) The Trustee is authorized to enter into, execute and deliver any Supplemental Indenture referred to and permitted or authorized by Sections 5.1, 5.2 or 5.3 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on, an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(d) No Supplemental Indenture may change or modify any of the rights or obligations of the Trustee without its written consent to such Supplemental Indenture.

(e) Any Supplemental Indenture executed and delivered pursuant to Section 5.2 or Article VI shall not take effect until the written consent to such modification or amendment of each provider of a Credit Enhancement Instrument for any Outstanding Second Lien Bonds issued under this Indenture shall have been filed with the Trustee.

ARTICLE VI

AMENDMENTS

Section 6.1 Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to owners of Second Lien Bonds issued under this Indenture shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of then Outstanding Second Lien Bonds issued under this Indenture at his or her address, if any, appearing upon the registration books maintained by the City at the principal office of the Trustee or, in the case of Section 2.8 Obligations, set forth in the instrument creating the same, (ii) to each provider of a Credit Enhancement Instrument for any Outstanding Second Lien Bonds, (iii) to the Trustee.

Section 6.2 Powers of Amendment. Any modification or amendment of this Indenture or of any Supplemental Indenture or of the rights and obligations of the City and of the Owners of the Second Lien Bonds issued and Outstanding under this Indenture, in particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 6.3(a) of the Owners of a majority in principal amount of the Second Lien Bonds issued under this Indenture Outstanding at the time such consent is given, (b) in case less than all of the several series of then Outstanding Second Lien Bonds issued under this Indenture are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Second Lien Bonds of each series so affected, (c) in case any Section 2.8 Obligations are affected by the modification or amendment, of the party to whom the Section 2.8 Obligations so affected are payable, (d) in case any Hedge Counterparty is affected by the modification or amendment, of the Hedge Counterparty so affected; except that if such modification or amendment will, by its terms, not take effect so long as any Second Lien Bonds issued under this Indenture of any specified series and maturity or any specified Section 2.8 Obligations or Section 2.9 Obligations remain Outstanding, the consent of the Owners of such Second Lien Bonds or the party to which such Section 2.8 Obligations or Section 2.9 Obligations are payable, as applicable, shall not be required and such Second Lien Bonds, Section 2.8 Obligations or Section 2.9 Obligations shall not be

deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien Bonds, Section 2.8 Obligations or Section 2.9 Obligations under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Second Lien Bond or of any installment of interest on such Second Lien Bond or a reduction in the principal amount or the Redemption Price of such Second Lien Bond or a reduction in the rate of interest on such Second Lien Bond, or in the terms of purchase or the purchase price of such Second Lien Bond, without the consent of the Owner of such Second Lien Bond, or shall reduce the percentages or otherwise affect the classes of Second Lien Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written consent to such modification or amendment. For the purposes of this Section, a series of Second Lien Bonds issued under this Indenture or any specified Section 2.8 Obligations or Section 2.9 Obligations shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of Second Lien Bonds of such series or of such Section 2.8 Obligations or Section 2.9 Obligations. Notwithstanding anything to the contrary, a modification or amendment of a Supplemental Indenture which increases the maximum rate of interest on Second Lien Bonds of a series may be made by a Supplemental Indenture without the consent of the Owners of the affected Second Lien Bonds but shall be subject to the consents of any provider of a Credit Enhancement Instrument for the Second Lien Bonds of such series or other consent or consents as may be required by the Supplemental Indenture authorizing the issuance of such Second Lien Bonds.

Section 6.3 Consent of Owners of Second Lien Bonds.

(a) The City may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 6.2, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary of such Supplemental Indenture or reference to such Supplemental Indenture in form approved by the Trustee), together with a request to the Owners of the applicable Second Lien Bonds for their consent to such Supplemental Indenture in form satisfactory to the Trustee, shall be mailed by the City to the Owners of such Second Lien Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as provided in this Section). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, (A) there shall have been filed with the Trustee (i) the written consents of Owners of the percentages of Outstanding Second Lien Bonds specified in Section 6.2 (and, to the extent required by Section 6.2, the consent of the party to which Section 2.8 Obligations or Section 2.9 Obligations are payable), and (ii) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and is valid and binding upon the City and enforceable in accordance with its terms upon its becoming effective as provided in this Section, and (B) a notice shall have been mailed as provided below in this Section.

(b) The consent of an Owner of Second Lien Bonds issued under this Indenture to any modification or amendment shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Second Lien Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 8.13. A certificate or certificates signed by

the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 8.13 shall be conclusive that the consents have been given by the Owners of the Second Lien Bonds described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Second Lien Bonds giving such consent and upon any subsequent Owner of such Second Lien Bonds and of any Second Lien Bonds issued in exchange for such Second Lien Bonds (whether or not such subsequent Owner of such Second Lien Bonds has notice thereof) unless such consent is revoked in writing by the Owner of such Second Lien Bonds giving such consent or a subsequent Owner of such Second Lien Bonds by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation of such consent is on file with the Trustee.

(c) At any time after the Owners of the required percentages of Second Lien Bonds issued under this Indenture shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the City and the Trustee a written statement that the Owners of such required percentages of Second Lien Bonds (and, to the extent required by Section 6.2 the party to which Section 2.8 Obligations or Section 2.9 Obligations are payable) have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Second Lien Bonds issued under this Indenture (and, to the extent required by Section 6.2, the party to which Section 2.8 Obligations or Section 2.9 Obligations are payable) and will be effective as provided in this Section, shall be given to Owners of Second Lien Bonds issued under this Indenture and Outstanding by the City by mailing such notice to the Owners of such Second Lien Bonds and each party to which Section 2.8 Obligations or Section 2.9 Obligations are payable (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this Section). The City shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Trustee, each party to which Section 2.8 Obligations or Section 2.9 Obligations are payable and the Owners of all Second Lien Bonds issued under this Indenture and Outstanding at the expiration of 40 days after the filing with the Trustee of proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 40 day period; *provided* that the Trustee and the City, during such 40 day period and any such further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

(d) Nothing in this Section 6.3 shall impact the provisions established in the Outstanding Second Lien Bond Indentures governing the authorization of indenture supplements governing those Outstanding Second Lien Bond Indentures and Outstanding Second Lien Bonds.

Section 6.4 Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the City and of the Owners of the Second Lien Bonds issued under this Indenture and Outstanding may be modified or amended in any respect upon the consent of the Owners of all the then Outstanding Second Lien Bonds issued under this Indenture to the execution and delivery of a Supplemental Indenture making such modification or amendment, such consent to be given as provided in Section 6.3 except that no notice to the Owners of such Second Lien Bonds shall be required; but no such modification or amendment may change or modify any of the rights or obligations of the Trustee without its written consent to such modification or amendment.

Section 6.5 Exclusion of Second Lien Bonds. Second Lien Bonds owned by or for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Second Lien Bonds provided for in this Article, and the City shall not be entitled with respect to such Second Lien Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee with a Certificate, upon which the Trustee may rely, describing all Second Lien Bonds so to be excluded.

Section 6.6 Notation on Second Lien Bonds. Second Lien Bonds authenticated and delivered under this Indenture after the effective date of any action taken as provided in Article V or this Article may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Owner of any Second Lien Bond issued under this Indenture and Outstanding at such effective date and presentation of such Owner's Second Lien Bond for that purpose at the principal office of the Trustee or upon any exchange or registration of transfer of any Second Lien Bond issued under this Indenture and Outstanding at such effective date, suitable notation shall be made on such Second Lien Bond or upon any Second Lien Bond issued upon any such exchange or registration of transfer by the Trustee as to any such action. If the City or the Trustee shall so determine, new Second Lien Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Second Lien Bond issued under this Indenture and then Outstanding shall be exchanged, without cost to such Owner, for Second Lien Bonds of the same series and maturity upon surrender of such Second Lien Bond.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.1 Event of Default. Each of the following events of default is declared an "Event of Default:"

(a) payment of the principal or Redemption Price, if any, of any Second Lien Bond shall not be made when and as the same shall become due, whether at maturity, upon call for redemption or otherwise;

(b) payment of any installment of interest on any Second Lien Bond shall not be made when the same shall become due;

(c) the City shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Second Lien Bonds issued under this Indenture, which materially affects the rights of the Owners of the Second Lien Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the Owners of not less than 25 percent in principal amount of the Outstanding Second Lien Bonds issued under this Indenture; *provided*, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45 day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all due diligence; or

(d) an event of default shall occur and be continuing under the provisions of any Supplemental Indenture.

Section 7.2 Remedies.

(a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 7.1, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (c) or (d) of Section 7.1 (and as specified in any Supplemental Indenture with respect to additional events of default described under such Supplemental Indenture), the Trustee may, unless otherwise directed pursuant to Section 7.5, proceed, and upon the written direction of the Owners of not less than a majority in principal amount of the Outstanding Second Lien Bonds issued under this Indenture given in accordance with Section 7.5, shall proceed, in its own name, subject to the provisions of this Section, to protect and enforce its rights and the rights of the Owners of the Second Lien Bonds issued under this Indenture by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures with respect to a particular series as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- i. by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of the Second Lien Bonds issued under this Indenture including the right to require the City to receive and collect [Net] Revenues adequate to carry out the covenants and agreements as to such [Net] Revenues and the pledge contained in Section 2.4 and to require the City to carry out any other covenant or agreement with the Owners of the Second Lien Bonds issued under this Indenture and to perform its duties under this Indenture;
- ii. by bringing suit upon such Second Lien Bonds;
- iii. by action or suit in equity, require the City to account as if it were the trustee of an express trust for the Owners of the Second Lien Bonds issued under this Indenture; or
- iv. by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Second Lien Bonds issued under this Indenture.

(b) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any

default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Second Lien Bonds issued under this Indenture for principal, Redemption Price, interest or otherwise, under any provision of this Indenture or any Supplemental Indenture or of the Second Lien Bonds issued under this Indenture, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Second Lien Bonds, together with any and all costs and expenses of collection and of all proceedings under this Indenture and under such Second Lien Bonds without prejudice to any other right or remedy of the Trustee or the Owners of such Second Lien Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under this Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) Notwithstanding anything else to the contrary in this Section 7.2, the Trustee shall not waive an Event of Default unless any Credit Enhancement Instrument shall, at the time of such waiver, have been reinstated in full.

Section 7.3 Priority of Payments After Default.

(a) If upon the happening and continuance of any Event of Default, the moneys held by the Trustee are insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Second Lien Bonds issued under this Indenture, such moneys (other than moneys held for the payment or redemption of particular Second Lien Bonds issued under this Indenture, which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to this Article, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Second Lien Bonds issued under this Indenture, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under this Indenture, shall, except as otherwise provided with respect to moneys held for the exclusive benefit of Second Lien Bonds of a particular series or particular Section 2.8 Obligations or Section 2.9 Obligations (subject to Section 2.9(c)) under the provisions of a Supplemental Indenture, be applied as follows:

FIRST: to the payment to the persons entitled to the following payment, of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled to the following payment, of the unpaid principal or Redemption Price of any Second Lien Bonds issued under this Indenture, which shall have become due, whether at maturity or by call for redemption, in the order of their due dates with interest on such Second Lien Bonds from the respective dates upon which such principal or Redemption Price became due at the rate borne by the Second Lien Bonds and, if the amounts available shall not be sufficient to pay in full all the Second Lien Bonds due on any date, then to the payment of the Second Lien Bonds ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such moneys with the Trustee, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatever to the City, to the Owner of any Second Lien Bond or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Owner of any unpaid Second Lien Bond issued under this Indenture unless such Second Lien Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 7.4 Termination of Proceedings. If any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the City, the Trustee and the Owners of the Second Lien Bonds issued under this Indenture shall be restored to their former positions and rights under this Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 7.5 Direction of Proceedings by Owners of Second Lien Obligations. The owners of the majority in principal amount of the Second Lien Bonds issued under this Indenture then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under this Indenture, except that (i) such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and (ii) the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners of the Outstanding Second Lien Bonds issued under this Indenture not parties to such direction.

Section 7.6 Limitation on Rights of Owners of Second Lien Bonds.

(a) No Owner of any Second Lien Bond issued under this Indenture shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under this Indenture, or for the protection or enforcement of any right or remedy under this Indenture or any right under law unless such Owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25 percent in principal amount of the Second Lien Bonds issued under this Indenture then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in

this Indenture or granted under law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in such action, suit or proceeding or by such action, suit or proceeding, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and, such notification, request and offer of indemnity are declared in every such case (except with respect to the enforcement of Credit Enhancement Instruments securing Second Lien Bonds issued under this Indenture), at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy under this Indenture or under law. It is understood and intended that no one or more Owners of the Second Lien Bonds secured by this Indenture shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of this Indenture, or to enforce any right under this Indenture or under law with respect to such Second Lien Bonds or this Indenture, except in the manner provided in this Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in this Indenture and for the benefit of all owners of the Outstanding Second Lien Bonds issued under this Indenture, but the provisions of this paragraph shall not apply to any suit instituted by the Owner of any Second Lien Bond issued under this Indenture for the enforcement of the payment of the principal or Redemption Price of or interest on any Second Lien Bond on or after the respective due date of such Second Lien Bond expressed in such Second Lien Bond.

(b) Each Owner of any Second Lien Bond issued under this Indenture by such Owner's acceptance of such Second Lien Bond shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Owner of any Second Lien Bond, or group of such Owners, holding at least 25 percent in principal amount of the Second Lien Bonds issued under this Indenture Outstanding, or to any suit instituted by the Owner of any Second Lien Bond for the enforcement of the payment of the principal or Redemption Price of or interest on any Second Lien Bond on or after the respective due date of such Second Lien Bond expressed in such Second Lien Bond.

(c) The rights granted under paragraph (a) of this Section to the Owners of Second Lien Bonds issued under this Indenture shall, in the case of any Second Lien Bond for which there is a Credit Enhancement Instrument, be exercised only by the provider of such Credit Enhancement Instrument, *provided* that the right of such provider to exercise rights under said paragraph (a) shall immediately cease and terminate if (i) the rights of such provider have ceased and terminated as provided in paragraph (a) or (b) of Section 9.4, as applicable, or (ii) the Trustee (but only if the Trustee is an affiliate of the provider) shall not have paid to such Owner its allocable share of monies provided to the Trustee by such provider for payment to Owners of such Second Lien Bonds.

Section 7.7 Possession of Second Lien Bonds by Trustee Not Required. All rights of action under this Indenture or under any of the Second Lien Bonds enforceable by the Trustee may

be enforced by it without the possession of any of the Second Lien Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all of the Owners of such Second Lien Bonds, subject to the provisions of this Indenture.

Nothing contained in this Article shall affect or impair the right of the Owner of any Second Lien Bond issued under this Indenture to enforce the payment of the principal or Redemption Price, if any, of and interest on such Owner's Second Lien Bond or the obligation of the City to pay the principal or Redemption Price, if any, of and interest on each Second Lien Bond issued under this Indenture to the Owner of such Second Lien Bond at the time and place in said Second Lien Bond, if any, expressed.

Section 7.8 Remedies Not Exclusive. No remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners of the Second Lien Bonds by this Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this Indenture or now or hereafter existing at law or in equity or by statute.

Section 7.9 No Waiver of Default. No delay or omission by the Trustee or by the Owner of any Second Lien Bond issued under this Indenture to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein and every power and remedy given by this Indenture to the Trustee and the Owners of the Second Lien Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 7.10 Notice to Owners of Second Lien Bonds. The Trustee shall give to the Owners of the Second Lien Bonds issued under this Indenture notice of each Event of Default under this Indenture known to the Trustee within 90 days after knowledge of the occurrence of such Event of Default, unless such Event of Default shall have been remedied or cured or necessary moneys provided before the giving of such notice; but, except in the case of default in the payment of the principal or Redemption Price, if any, of or interest on any of the Second Lien Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Owners of the Second Lien Bonds. Each such notice shall be given by the Trustee by mailing written notice thereof: (a) to all registered Owners of the Second Lien Bonds issued under this Indenture as the names and addresses of such Owners appear upon the books for registration and transfer of Second Lien Bonds as kept by the Trustee or, in the case of Section 2.8 Obligations or Section 2.9 Obligations, as set forth in the instrument creating the same, (b) to each provider of a Credit Enhancement Instrument, and (c) to such other persons as is required by law.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.1 Qualification of Trustee. The Trustee under this Indenture shall be a bank, trust company or national banking association having the powers of a trust company doing business and having an office in the City of Chicago, Illinois.

Section 8.2 Responsibilities of Trustee.

(a) The recitals of fact contained in this Indenture and in the Second Lien Bonds issued under this Indenture are to be taken as the statements of the City and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or any Supplemental Indenture or of any Second Lien Bonds issued under this Indenture or any Supplemental Indenture or in respect of the security afforded by this Indenture or any Supplemental Indenture, and the Trustee shall not incur any responsibility in respect of this Indenture or any Supplemental Indenture except as specifically and expressly provided in this Indenture. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Second Lien Bonds issued under this Indenture. The Trustee shall not be under any responsibility or duty with respect to (i) the issuance of the Second Lien Bonds for value or (ii) the application of the proceeds of such Second Lien Bonds except to the extent such proceeds are paid to the Trustee in its capacity as Trustee, or (iii) the application of any moneys paid to the City or others in accordance with this Indenture or any Supplemental Indenture. The Trustee shall not be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any action or suit in respect of this Indenture, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of paragraph (b) of this Section, the Trustee shall not be liable in connection with the performance of its duties under this Indenture except for its own negligence or willful misconduct.

(b) The Trustee, prior to the occurrence of an Event of Default and after the remedy of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and each Supplemental Indenture. In case an Event of Default has occurred and has not been remedied, the Trustee shall exercise such of the rights and powers vested in it by law, this Indenture and each Supplemental Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of this Indenture and any Supplemental Indenture relating to (i) action taken or so to be taken by the Trustee or (ii) evidence upon which the Trustee may rely shall be subject to the provisions of this Section.

Section 8.3 Funds Held in Trust and Security Therefor. All moneys held by the Trustee, as such, at any time pursuant to the terms of this Indenture or any Supplemental Indenture shall be and are assigned, transferred and set over unto the Trustee in trust for the purposes and upon the terms and conditions of this Indenture or such Supplemental Indenture. Subject to the provisions of Section 3.5, all moneys (not including securities) held by the Trustee, as such, may be deposited by the Trustee in its banking department, or with such other banks, trust companies, or national banking associations, each having its principal place of business in the City of Chicago, Illinois, as may be designated by the City and approved by the Trustee. No such funds shall be

deposited with any bank, trust company or national banking association, other than the Trustee, in an amount exceeding 25 percent of the amount which an officer of such bank, trust company or national banking association shall certify to the Trustee and the City as the combined capital, surplus and undivided profits of such bank, trust company or national banking association. No such funds shall be deposited or remain on deposit with any bank, trust company or national banking association in excess of the amount insured by the Federal Deposit Insurance Corporation, unless (a) such bank, trust company or national banking association shall have deposited in trust with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Trustee and the City, pledged to some other bank, trust company or national banking association, for the benefit of the City and the appropriate fund, account, sub-fund or sub-account, as collateral security for the moneys deposited, Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to 110 percent of the amount of such moneys, or (b) in lieu of such collateral security as to all or any part of such moneys, there shall have been deposited in trust with the trust department of the Trustee, for the benefit of the City and the appropriate fund, account, sub-fund or sub-account, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States of America and qualified to transact business in the State of Illinois in a sum at least equal to the amount of such moneys or part thereof. The Trustee shall allow and credit interest on any such moneys held by it at such rate as it customarily allows upon similar moneys of similar size and under similar condition as required by law. Interest in respect of moneys or on securities in any fund, account, sub-fund or sub-account shall be credited in each case to the fund, account, sub-fund or sub-account in which such moneys or securities are held.

Section 8.4 Evidence on Which Trustee May Act. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under this Indenture in good faith and in accordance with such opinion. Whenever the Trustee deems it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action under this Indenture, including payment of moneys out of any fund or account, such fact or matter (unless other evidence in respect of such fact or matter is in this Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided in this Indenture or therein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof or thereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by an Authorized Officer. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Trustee Officers**”) and containing specimen signatures of such Trustee Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or

deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by a Trustee Officer listed on the incumbency certificate provided to the Trustee have been sent by such Trustee Officer. The City shall be responsible for ensuring that only Trustee Officers transmit such Instructions to the Trustee and that the City and all Trustee Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 8.5 Compensation and Expenses. The City shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture or any Supplemental Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture or any Supplemental Indenture and, except as provided in any Supplemental Indenture, the Trustee shall have a lien for such compensation on any and all moneys at any time held by it under this Indenture or any Supplemental Indenture. The City further agrees to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under this Indenture, which are not due to its negligence or default.

Section 8.6 Permitted Acts and Functions. The Trustee may become the Owner of any Second Lien Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of Second Lien Bonds or to effect or aid in any reorganization growing out of the enforcement of the Second Lien Bonds or this Indenture or any Supplemental Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Second Lien Bonds then Outstanding.

Section 8.7 Resignation. The Trustee may at any time resign and be discharged of its duties and obligations created by this Indenture by giving not fewer than 60 days' written notice to the City and mailing notice of such resignation to each provider of a Credit Enhancement Instrument and to the Owners of Outstanding Second Lien Bonds issued under this Indenture at their addresses shown on the registration books kept by the Trustee within 20 days after the giving

of such written notice. Such resignation shall take effect upon the appointment of a successor by the City or the Owners of Second Lien Bonds issued under this Indenture as provided in this Indenture.

Section 8.8 Removal. The Trustee may be removed at any time by the Owners of a majority in principal amount of the Second Lien Bonds issued under this Indenture then Outstanding, excluding any Second Lien Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Second Lien Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to each provider of a Credit Enhancement Instrument and to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the City, by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice of such removal to each provider of a Credit Enhancement Instrument and to the Owners of Second Lien Bonds issued under this Indenture at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment of a successor Trustee.

Section 8.9 Appointment of Successor. If at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Second Lien Bonds issued under this Indenture then Outstanding, excluding any Second Lien Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City, each provider of a Credit Enhancement Instrument and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of Second Lien Bonds issued under this Indenture as authorized in this Indenture. The City shall mail notice to each provider of a Credit Enhancement Instrument and to Owners of Second Lien Bonds issued under this Indenture then Outstanding of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Second Lien Bonds. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice of resignation as provided in Section 8.7 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any provider of a Credit Enhancement Instrument, or any Owner of Second Lien Bonds issued under this Indenture then Outstanding may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed under the provisions of this Section shall be a bank, trust company or national banking association doing business and having an office in the City of Chicago, Illinois.

Section 8.10 Transfer of Rights and Property to Successor. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and upon

such execution, acknowledgment and delivery such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in this Indenture set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Section 8.11 Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company is a bank, trust company or national banking association which is qualified to be a successor to the Trustee under Section 8.9 and is authorized by law to perform all the duties imposed upon it by this Indenture and any Supplemental Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 8.12 Adoption of Authentication. In case any of the Second Lien Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Second Lien Bonds and deliver such Second Lien Bonds so authenticated, and in case any of the said Second Lien Bonds shall not have been authenticated, any successor Trustee may authenticate such Second Lien Bonds in the name of the predecessor Trustee or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is provided anywhere in said Second Lien Bonds or in this Indenture that the certificate of the Trustee shall have.

Section 8.13 Evidence of Signatures of Owners and Ownership of Second Lien Bonds.

(a) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Second Lien Bonds issued under this Indenture may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the ownership by any person of the Second Lien Bonds, shall be sufficient for any purpose of this Indenture (except as otherwise provided in this Indenture expressly) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Owner or such Owner's attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he or she purports to act, that the person signing such request or other instrument acknowledged to such person the execution of such instrument, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

2. The authority of the person or persons executing any such instrument on behalf of a corporate owner of Second Lien Bonds may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(b) The ownership of Second Lien Bonds and the amount, numbers and other identification, and date of ownership of the same shall be proved by the registry books. Any request, consent or vote of the Owner of any Second Lien Bond shall bind all future Owners of such Second Lien Bond in respect of anything done or suffered to be done by the City or the Trustee in accordance with such consent or vote.

Section 8.14 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any provider of a Credit Enhancement Instrument, and any Owner of Second Lien Bonds and their agents and their representatives, any of whom may make copies of such documents.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Defeasance.

(a) If the City shall pay or cause to be paid to the Owners of all Second Lien Bonds issued under this Indenture, the principal and interest and Redemption Price, if any, to become due on the Second Lien Bonds, at the times and in the manner stipulated therein, in this Indenture, in the Supplemental Indentures creating such Second Lien Bonds and the instruments creating Section 2.8 Obligations and Section 2.9 Obligations, then the pledge contained in Section 2.4 and all other rights granted by this Indenture shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City expressed in a Certificate, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the City all accounts, funds and other moneys or securities held by it pursuant to this Indenture and such Supplemental Indentures which are not required for the payment or redemption of Second Lien Bonds issued under this Indenture not theretofore surrendered for such payment or redemption.

(b) Any Second Lien Bonds issued under this Indenture or interest installments appertaining to such Second Lien Bonds, whether at or prior to the maturity or the redemption date of such Second Lien Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if (i) in case any such Second Lien Bonds are to be redeemed prior to their maturity, there shall have been taken all action necessary to call such Second Lien Bonds for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, (ii) there shall have been deposited with the Trustee by or on behalf of the City either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due (without reinvestment of such Defeasance Obligations) will provide moneys which, together with the moneys, if any, on deposit with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Second Lien Bonds on and prior to the redemption date or maturity date of such Second Lien Bonds, as the case may be and (iii) if said Second Lien Bonds are not by their terms subject to redemption within the next succeeding 45 days, the City shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Second Lien Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Second Lien Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of, and accrued interest on, said Second Lien Bonds. Except as provided in paragraph (e) of this Section, neither the Defeasance Obligations or any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or interest on said Defeasance Obligations shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the Second Lien Bonds for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption.

(c) No defeasance of a Second Lien Bond that is to be paid more than 90 days after the date of the deposit referred to in clause (ii) of paragraph (b) of this Section shall be effective until the Trustee shall have received a verification report signed by an independent certified public accountant that the Defeasance Obligations, consisting of obligations described in clause (a) of the definition of "Permitted Investments" and moneys to be deposited for such purpose are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Bonds with respect to which provision for payment is to be made pursuant to this Section by virtue of the deposit of such Defeasance Obligations and moneys.

(d) If the principal of and interest on all Second Lien Bonds issued under this Indenture then Outstanding shall be paid by providers of Credit Enhancement Instruments pursuant to the terms of such Credit Enhancement Instruments, the pledge of revenues, securities and funds and all other covenants, agreements and other obligations of the City to the Owners of such Second Lien Bonds shall continue to exist and each provider shall be fully subrogated to the rights of such Owners.

(e) Defeasance Obligations and moneys held pursuant to this Section may be withdrawn by the City, if there is substituted in place of such Defeasance Obligations and moneys other Defeasance Obligations and moneys sufficient for the purposes of this Section and, if, prior

to such substitution, there is filed with the Trustee (i) a verification report signed by an independent certified public accountant that the Defeasance Obligations and moneys, as substituted, are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Bonds with respect to which provision for payment was made by deposit of such substituted Defeasance Obligations pursuant to the provisions of this Section and (ii) an Opinion of Bond Counsel to the effect that such substitution has been duly authorized in accordance with this Indenture and will not affect adversely the tax-exempt status of any Second Lien Bonds previously authenticated and delivered under this Indenture.

Section 9.2 Funds Held for Particular Second Lien Bonds.

(a) The amounts held by the Trustee for the payment of the interest, principal, Redemption Price or accrued interest due on any date with respect to particular Second Lien Bonds shall, on and after such date and pending such payment, be set aside on the Trustee's books and held in trust by it for the owners of the Second Lien Bonds entitled to such payment, and for the purposes of this Indenture, such interest, principal or Redemption Price, after the due date thereof, shall no longer be considered to be unpaid.

(b) If, through the deposit of moneys by the City or otherwise, the Trustee shall hold, pursuant to this Indenture, moneys sufficient to pay the principal and interest to maturity on all Outstanding Second Lien Bonds issued under this Indenture, or, in the case of Second Lien Bonds in respect of which the City shall have taken all action necessary to redeem such Second Lien Bonds prior to maturity, sufficient to pay the Redemption Price and interest to such redemption date, then at the request of the City all such moneys held by the Trustee shall be held for the payment or redemption of such Outstanding Second Lien Bonds.

(c) Unless otherwise specified in any Supplemental Indenture securing Second Lien Bonds, any moneys held by the Trustee in trust for the payment and discharge of any of the Second Lien Bonds issued under this Indenture which remain unclaimed for two years after the date when all of the Second Lien Bonds issued under this Indenture have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the said date when all of the Second Lien Bonds became due and payable, shall, at the written request of the City, be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged.

Section 9.3 No Recourse Under Indenture or on Second Lien Bonds. All covenants, stipulations, promises, agreements and obligations of the City contained in this Indenture or any Supplemental Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any officer or employee of the City in such person's individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Second Lien Bonds issued under this Indenture or for any claim based on such Second Lien Bonds or on this Indenture or any Supplemental Indenture against any officer or employee of the City or any natural person executing such Second Lien Bonds.

Section 9.4 Termination of Rights of Providers of Credit Enhancement Instruments.

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

(b) As long as any Credit Enhancement Instrument is in full force and effect, the City and the Trustee shall comply with all provisions of the Credit Enhancement Instrument.

Section 9.5 No Pledge of Taxing Power. No provision of this Indenture shall be construed as a pledge of the general credit or taxing power of the City. The City's obligations under this Indenture are payable solely from the Trust Estate, including Second Lien Bond Revenues, and no obligation of the City under this Indenture shall be required to be satisfied from any other source.

Section 9.6 Notices. Except as otherwise provided in this Indenture, all notices, certificates or other communications under this Indenture shall be sufficiently given and shall be deemed given to the parties required under this Indenture to receive such notice, certificate or communication when mailed by registered mail, postage prepaid, addressed as follows:

If to the City: City of Chicago
 Office of Chief Financial Officer
 Room 700, City Hall
 121 North LaSalle Street
 Chicago, Illinois 60602
 Attention: Chief Financial Officer

If to the Trustee: Amalgamated Bank of Chicago
 30 North LaSalle Street
 38th Floor
 Chicago, Illinois 60602
 Attention: Corporate Trust Department

In case by reason of the suspension of mail service, it shall be impracticable to give notice by mail of any event to the owners of any Second Lien Bonds issued under this Indenture, to the

City, to the Trustee, to any provider of a Credit Enhancement Instrument, or to any other person to whom such notice is required to be mailed by the provisions of this Indenture or any Supplemental Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of notice.

Section 9.7 Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.8 Applicable Law. This Indenture shall be governed exclusively by and construed in accordance with the laws of the State of Illinois applicable to contracts made and to be performed in the State of Illinois.

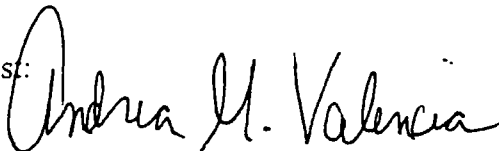
Section 9.9 Savings Clause. Nothing in this Indenture shall impair any rights granted to any Owner of Second Lien Bonds, Bond Insurer, Letter of Credit Provider or Hedge Counterparty in connection with any Senior Lien Bonds or Second Lien Bonds Outstanding as of the effective date of this Indenture, or impair the obligations thereunder or security therefor.

IN WITNESS WHEREOF, The City of Chicago has caused this Indenture to be executed by its Chief Financial Officer, attested by its City Clerk or its Deputy City Clerk and its corporate seal to be affixed to this Indenture; and Amalgamated Bank of Chicago, as Trustee, has caused this Indenture to be executed by one of its Authorized Signatories, attested by one of its Authorized Signatories and its corporate seal to be affixed to this Indenture, all as of the day and year first above written.

CITY OF CHICAGO



Chief Financial Officer

Attest: 

City Clerk

AMALGAMATED BANK OF CHICAGO,
as Trustee

By:
Its:

(Corporate Seal)

IN WITNESS WHEREOF, The City of Chicago has caused this Indenture to be executed by its Chief Financial Officer, attested by its City Clerk or its Deputy City Clerk and its corporate seal to be affixed to this Indenture; and Amalgamated Bank of Chicago, as Trustee, has caused this Indenture to be executed by one of its Authorized Signatories, attested by one of its Authorized Signatories and its corporate seal to be affixed to this Indenture, all as of the day and year first above written.


CITY OF CHICAGO

Chief Financial Officer

Attest:

City Clerk

AMALGAMATED BANK OF CHICAGO,
as Trustee



By: *Donna Howard*
Its: *Vice President*

(Corporate Seal)

16156-0110
CH2.26018095.25

[SIGNATURE PAGE – MASTER INDENTURE OF TRUST]

EXHIBIT B-2

FIRST SUPPLEMENTAL INDENTURE

[Attached]

CITY OF CHICAGO

to

**AMALGAMATED BANK OF CHICAGO,
as Trustee**

FIRST SUPPLEMENTAL INDENTURE

SECURING

SECOND LIEN WASTEWATER REVENUE BONDS,

PROJECT SERIES 2023A

AND

SECOND LIEN WASTEWATER REVENUE BONDS,

REFUNDING SERIES 2023B

DATED AS OF MAY 1, 2023

Supplementing a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023, from the City of Chicago to Amalgamated Bank of Chicago, as Trustee.

This **FIRST SUPPLEMENTAL INDENTURE** is made and entered into as of May 1, 2023 (this "*First Supplemental Indenture*"), from the City of Chicago (the "*City*"), a municipal corporation and home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois, to Amalgamated Bank of Chicago, as Trustee (the "*Trustee*"), a state banking corporation duly organized, existing and authorized to accept and execute trusts of the character set out in this First Supplemental Indenture and in the Indenture (defined below) under and by virtue of the laws of the United States of America, as Trustee.

W I T N E S S E T H:

WHEREAS, the City is a duly constituted and existing municipality within the meaning of Section 1 of Article VII of the 1970 Constitution of the State of Illinois, and is a "home rule unit" of local government under Section 6(a) of Article VII of the 1970 Constitution; and

WHEREAS, the City has constructed and maintains and operates the Sewer System to meet the needs of the City's inhabitants and other users of the Sewer System; and

WHEREAS, the City has issued and has outstanding its Outstanding Senior Lien Bonds, its Outstanding Second Lien Bonds and its outstanding Subordinate Lien Obligations; and

WHEREAS, the City has determined that it is advisable and in the best interests of the City to authorize the issuance from time to time, subject to the authorization limits specified in the 2023 Amended Ordinance, of (a) its Second Lien Wastewater Revenue Bonds, Project Series 2023A ("*Series 2023A Second Lien Bonds*") for any one or more of the purposes of (1) paying Project Costs, (2) funding capitalized interest on the Series 2023A Second Lien Bonds, and (3) paying Costs of Issuance of the Series 2023A Second Lien Bonds, and (b) its Second Lien Wastewater Revenue Bonds, Refunding Series 2023B ("*Series 2023B Second Lien Bonds*" and together with the Series 2023A Second Lien Bonds, collectively, the "*Series 2023 Second Lien Bonds*") for the purposes of (1) refunding in advance of maturity a portion of the Outstanding Series 2012 Second Lien Bonds ("*Refunding Purposes*") and (2) paying Costs of Issuance of the Series 2023B Second Lien Bonds; and

WHEREAS, the aggregate estimated amount of uses for proceeds of the Series 2023 Second Lien Bonds does not exceed \$500,000,000. The aggregate proceeds of the Series 2023 Second Lien Bonds incurred for the costs described in clause (1) – (6) of the immediately preceding paragraph (the "*2023 Costs*") will not exceed the amount required to pay such costs; and

WHEREAS, the City does not have available funds sufficient to pay the 2023 Costs; and

WHEREAS, the City Council of the City (the "*City Council*"), on June 27, 2018, adopted an ordinance (the "*2018 Wastewater Revenue Bond Ordinance*") authorizing the issuance of 2018 Obligations (as defined in the 2018 Wastewater Revenue Bond Ordinance); and

WHEREAS, the 2018 Wastewater Revenue Bond Ordinance authorized the issuance of the 2018 Bonds in the aggregate amount not to exceed \$400,000,000; and

WHEREAS, the City Council, on October 27, 2021, adopted an ordinance (the “*Amendment to 2018 Wastewater Revenue Bond Ordinance*”) increasing the aggregate principal amount of the 2018 Bonds to an aggregate amount not to exceed \$500,000,000 (the 2018 Wastewater Revenue Bond Ordinance as amended by the Amendment to 2018 Wastewater Revenue Bond Ordinance is hereinafter referred to as the “*2018 Amended Ordinance*”); and

WHEREAS, the City Council, on November 7, 2022, adopted an ordinance (the “*2023 Amendment to 2018 Amended Ordinance*”) further amending the 2018 Amended Ordinance to provide for the authorization of a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023, from the City of Chicago to Amalgamated Bank of Chicago, as Trustee (the 2018 Amended Ordinance, as amended by the Amendment to 2018 Amended Ordinance, is hereinafter referred to as the “*2023 Amended Ordinance*”), the City has determined to authorize the issuance of the Series 2023 Second Lien Bonds in one or more series for any one or more of the purposes described therein and herein; and

WHEREAS, the City has entered into a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023 supplemented and amended, including by this First Supplemental Indenture, the “*Indenture*”), with the Trustee, which Indenture authorizes the issuance of Second Lien Parity Bonds in one or more series pursuant to one or more Supplemental Indentures and the incurrence by the City of Section 2.8 Obligations (as defined in the Indenture) and Section 2.9 Obligations (as defined in the Indenture); and

WHEREAS, the 2023 Amended Ordinance authorizes the issuance and sale of the Series 2023 Second Lien Bonds pursuant to the Indenture in one or more separate series that may be issued under or pursuant to the 2023 Amended Ordinance and the Indenture (provided that the total principal amount of all Series 2023 Second Lien Bonds shall not exceed \$500,000,000, plus an amount equal to the amount of any original issue discount (not to exceed 15 percent of the aggregate principal amount of such series of Second Lien Bonds) used in the marketing of such Series 2023 Second Lien Bonds); and

WHEREAS, pursuant to such authorization, in order to pay the 2023 Costs, the City has, pursuant to authorization granted in the 2023 Amended Ordinance, determined to issue and sell the Series 2023 Second Lien Bonds authorized as aforesaid; and

WHEREAS, such Series 2023 Second Lien Bonds shall be issued and sold in two series as provided in this First Supplemental Indenture, the Series 2023A Second Lien Bonds in the aggregate principal amount of \$260,105,000 and designated as “Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A” and the Series 2023B Second Lien Bonds being in the aggregate principal amount of \$192,470,000 and designated as “Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B”.

WHEREAS, the Series 2023 Second Lien Bonds, and the Trustee’s Certificate of Authentication to be endorsed on such Bonds, shall be substantially in the forms attached to this First Supplemental Indenture as *Exhibit A*, with necessary and appropriate variations, omissions and insertions as permitted or required by the 2023 Amended Ordinance or the Indenture;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

GRANTING CLAUSES

That the City, in consideration of the premises and the acceptance by the Trustee of the trusts created by this First Supplemental Indenture, and of the purchase and acceptance of the Series 2023 Second Lien Bonds by their Registered Owners, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, to secure the payment of the principal of, premium, if any, and interest on the Series 2023 Second Lien Bonds according to their tenor and effect, and to secure the performance and observance by the City of all the covenants expressed or implied in this First Supplemental Indenture, in the Indenture and in the Series 2023 Second Lien Bonds, assigns and grants a security interest in and to the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City set forth below (the "*Trust Estate*"):

GRANTING CLAUSE FIRST

All right, title and interest of the City in and to Second Lien Bond Revenues (as defined in the Indenture); and amounts on deposit in the Second Lien Bonds Account (as defined in the Indenture) (other than monies, instruments and securities or any Qualified Reserve Account Credit Instrument or Credit Enhancement Instrument on deposit in a Debt Service Reserve Account for any other Series of Second Lien Bonds issued or to be issued), and in the 2023A Construction Account (as defined herein), in each case to the extent pledged and assigned in the granting clauses of the Indenture; and

GRANTING CLAUSE SECOND

All moneys and securities from time to time held by the Trustee under the terms of this First Supplemental Indenture; and

GRANTING CLAUSE THIRD

Any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, mortgaged, pledged, hypothecated or otherwise subjected to this First Supplemental Indenture, as and for additional security under this First Supplemental Indenture by the City or by any other person on its behalf or with its written consent to the Trustee, and the Trustee is by this First Supplemental Indenture authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this First Supplemental Indenture;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in this First Supplemental Indenture for the equal and proportionate benefit, security and protection of all present and future Registered Owners of the Series 2023 Second Lien Bonds and all other Second Lien Bonds issued or secured from time to time under the provisions of the Indenture, without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing, except to the extent otherwise specifically provided in this First Supplemental Indenture or in the Indenture;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Series 2023 Second Lien Bonds, and shall cause the payments to be made on such Series 2023 Second Lien Bonds as required in this First Supplemental Indenture, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of the Indenture and this First Supplemental Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to the Trustee in accordance with the terms and provisions of this First Supplemental Indenture, then upon the final payment of such sums this First Supplemental Indenture and the rights by this First Supplemental Indenture granted shall cease, determine and be void; otherwise this First Supplemental Indenture shall remain in full force and effect.

THIS FIRST SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, and it is expressly declared; that all Series 2023 Second Lien Bonds issued and secured under this First Supplemental Indenture are to be issued, authenticated and delivered, and all of said property, rights and interests and any other amounts assigned and pledged by this First Supplemental Indenture are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in this First Supplemental Indenture, and the City has agreed and covenanted and by this First Supplemental Indenture agrees and covenants with the Trustee, the respective owners of the Series 2023 Second Lien Bonds as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. All capitalized terms used in this First Supplemental Indenture unless otherwise defined shall have the same meaning as used in Article I of the Indenture and in the 2023 Amended Ordinance. In addition to the terms defined in the preambles of this First Supplemental Indenture, the following words and phrases shall have the following meanings for purposes of this First Supplemental Indenture:

"Authorized Denomination" means, with respect to a particular Series 2023 Second Lien Bond, \$5,000 and any integral multiple of \$5,000.

"Bondholder," "holder," "owner of the Series 2023 Second Lien Bonds" or "Registered Owner" means the Registered Owner of any Series 2023 Second Lien Bond.

"Bond Register" means the registration books of the City kept by the Trustee (in its capacity as Bond Registrar) to evidence the registration and transfer of Series 2023 Second Lien Bonds.

"Bond Registrar" means the Trustee.

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor of the City or, if no person is at the time then so appointed and acting, the City Comptroller of the City.

"City" means the City of Chicago, a municipal corporation and home rule unit of local government, organized and existing under the Constitution and laws of the State.

"Code" means the United States Internal Revenue Code of 1986, as amended. References to the Code and to Sections of the Code shall include relevant final, temporary or proposed regulations thereunder as in effect from time to time and as applicable to obligations issued on the Date of Issuance.

"Cost of Issuance Account" means the account designated the "Series 2023 Cost of Issuance Account" as described in Section 4.02(b)(vi).

"Date of Issuance" means May 11, 2023, the date of original issuance and delivery of the Series 2023 Second Lien Bonds under this First Supplemental Indenture.

"Deposit Date" means as provided in Section 4.04.

"Depository Agreement" means the Depository Agreement dated as of May 1, 2023 between the City and Amalgamated Bank of Chicago, as depository, pursuant to which funds on deposit in the Construction Account: 2023A Second Lien Bonds shall be held and disbursed.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, and its successors and assigns, or any other depository performing similar functions.

"Escrow Account" means the 2012 Escrow Account established under the 2012 Escrow Agreement.

"First Supplemental Indenture" means this First Supplemental Indenture and any amendments and supplements to this First Supplemental Indenture.

"Indenture" means the Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023, from the City to the Trustee, pursuant to which Second Lien Bonds are authorized to be issued, and any additional amendments and supplements to it, including this First Supplemental Indenture. References to Articles and Sections of the Indenture shall be deemed to refer to Articles and Sections of the Indenture as amended.

"Insured Series 2023 Second Lien Bonds" means the 2023 Second Lien Bonds, certain special provisions with respect to which are set forth in **Exhibit B** to this Indenture.

“Interest Payment Date” means with respect to the Series 2023 Second Lien Bonds each January 1 and July 1, commencing on January 1, 2024.

“Maturity Date” means, with respect to a particular Series 2023 Second Lien Bond, the maturity date for such Series 2023 Second Lien Bond set forth in Section 2.01(d).

“Opinion of Bond Counsel” means a written opinion of Bond Counsel in form and substance acceptable to the City and the Trustee, which opinion as to tax matters may be based on a ruling or rulings of the Internal Revenue Service.

“Participant,” when used with respect to any Securities Depository, means any participant of such Securities Depository.

“Paying Agent” means the Trustee and any other bank, national banking association or trust company designated by the City or the Trustee pursuant to Section 8.03 as a paying agent for the Series 2023 Second Lien Bonds, and any successor or successors appointed by the Chief Financial Officer or the Trustee under this First Supplemental Indenture.

“Principal and Interest Accounts” means the accounts designated the “Series 2023A Second Lien Bonds, Principal and Interest Account” and “Series 2023B Second Lien Bonds, Principal and Interest Account” established in the 2023 Second Lien Bonds Subaccount as described in Section 4.02(b)(iv), Section 4.02(b)(v) and Section 4.05.

“2023A Principal and Interest Account Requirement” means an amount, calculated as of each Deposit Date, equal to the total Principal Installments and interest due on the Series 2023A Second Lien Bonds on such Deposit Date.

“2023B Principal and Interest Account Requirement” means an amount, calculated as of each Deposit Date, equal to the total Principal Installments and interest due on the Series 2023B Second Lien Bonds on such Deposit Date.

“Program Fee Accounts” means the account designated the “Series 2023A Second Lien Bonds, Program Fee Account” established in the 2023 Second Lien Bonds Subaccount as described in Section 4.02(b)(ii) and Section 4.06 and the account designated “Series 2023B Second Lien Bonds, Program Fee Account” established in the 2023 Second Lien Bonds Subaccount as described in Section 4.02(b)(iii) and Section 4.06.

“Program Fees” means:

(a) the fees, expenses and other charges payable to each fiduciary, including the Trustee, the Trustee’s Agent and any Paying Agent, pursuant to the provisions of Section 8.5 of the Indenture; *provided* that if at any time there shall be any Series of Second Lien Bonds Outstanding under the Indenture other than the Series 2023 Second Lien Bonds, then “*Program Fees*” shall mean only such portion of such fees, expenses and other charges as shall be payable with respect to, or properly allocable to, the duties performed by each such fiduciary with respect to the Series 2023 Second Lien Bonds;

(b) ongoing fees payable to any Rating Agency maintaining a rating on any

Series 2023 Second Lien Bonds; and

(c) any other fees, expenses and other charges of a similar nature payable by the City to any person under this First Supplemental Indenture or otherwise with respect to the Series 2023 Second Lien Bonds.

"Project Costs" means the costs of financing or reimbursing the City for certain capital improvements to and extensions of the wastewater transmission system of the City.

"Projects" means the program of improvements and extensions to the Sewer System designated by the Commissioner.

"Rating Agency" means any nationally recognized securities ratings service that shall have assigned ratings to any Series 2023 Second Lien Bond as requested by or on behalf of the City and which ratings are then currently in effect.

"Record Date" means with respect to the Series 2023 Second Lien Bonds June 15 and December 15 of each year (whether or not a Business Day).

"Registered Owner" or *"Owner"* means the person or persons in whose name or names a Series 2023 Second Lien Bond is registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Series 2023 Second Lien Bonds.

"Series 2023 Insurance Policy" means the financial guaranty insurance policy, a Credit Enhancement Instrument, issued by the Series 2023 Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Series 2023 Second Lien Bonds when due.

"Series 2023 Insurer" means Assured Guaranty Municipal Corp. a New York stock insurance company, or any successor thereto or assignee thereof. The Series 2023 Insurer is a provider of a Credit Enhancement Instrument.

"Series 2023A Program Fee Account" means the account designated the "Series 2023A Second Lien Bonds, Program Fee Account" as described in Section 4.02(b)(ii).

"Series 2023B Program Fee Account" means the account designated the "Series 2023B Second Lien Bonds, Program Fee Account" as described in Section 4.02(b)(iii).

"Series 2023 Second Lien Bonds" means the \$452,575,000 aggregate principal amount of, collectively, the Series 2023A Second Lien Bonds and the Series 2023B Second Lien Bonds.

"Series 2023A Second Lien Bonds" means the \$260,105,000 aggregate principal amount of Second Lien Wastewater Revenue Bonds, Project Series 2023A authorized to be issued pursuant to Section 2.01(b).

"Series 2023B Second Lien Bonds" means the \$192,470,000 aggregate principal amount of Second Lien Wastewater Revenue Bonds, Refunding Series 2023B authorized to be issued pursuant to Section 2.01(c).

"State" means the State of Illinois.

"Tax Agreement" means the General Tax Certificate of the City relating to the Series 2023 Second Lien Bonds delivered by the City on the date of issuance of the Series 2023 Second Lien Bonds.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of this First Supplemental Indenture.

"Trustee" means Amalgamated Bank of Chicago, organized and existing under the laws of the State of Illinois (as trustee), and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee under this First Supplemental Indenture.

"Trustee's Agent" means any agent designated as Trustee's Agent by the Trustee and at the time serving in that capacity. Any agent so designated by the Trustee shall execute a written agreement with the Trustee assuming all obligations of the Trustee under this First Supplemental Indenture with respect to those duties of the Trustee which such agent agrees to perform on behalf of the Trustee.

"2012 Escrow Agent" means Amalgamated Bank of Chicago, as escrow agent under the 2012 Escrow Agreement, and its successors and assigns.

"2012 Escrow Agreement" means the Escrow Agreement with respect to the refunded Series 2012 Second Lien Bonds, dated as of May 1, 2023, between the City and the 2012 Escrow Agent.

"2023A Construction Account" means the Construction Account: 2023A Second Lien Bonds established pursuant to Section 4.1 of Article IV of the 2023 Amended Ordinance, as further described in Sections 4.02 and 4.06 hereof.

"2023 Second Lien Bonds Subaccount" means the fund of that name established within the Second Lien Bonds Account created under Section 3.3(d) of the Indenture, as further described in Section 4.02.

ARTICLE II

THE SERIES 2023 SECOND LIEN BONDS

Section 2.01. Authority and Purpose for and Issuance of Series 2023 Second Lien Bonds. (a) No Series 2023 Second Lien Bonds may be issued under the provisions of this First Supplemental Indenture except in accordance with this Article. Pursuant to the 2023 Amended Ordinance, the total principal amount of all Series 2023 Second Lien Bonds shall not exceed \$500,000,000, plus an amount equal to the amount of any original issue discount (not to exceed

15 percent of the aggregate principal amount of such series of Second Lien Bonds), other than Series 2023 Second Lien Bonds issued in lieu of or in substitution for which other Series 2023 Second Lien Bonds have been authenticated and delivered pursuant to Sections 2.01(c), 2.03, 2.04, 2.06, 2.07 or 3.03(d).

(b) The Series 2023A Second Lien Bonds are being issued for the purposes of
 (i) paying Project Costs, including paying capitalized interest on the Series 2023A Bonds and
 (ii) paying the Costs of Issuance of the 2023A Second Lien Bonds.

(c) The 2023B Second Lien Bonds are being issued for (i) Refunding Purposes and (ii) paying the Costs of Issuance of the 2023B Second Lien Bonds.

(d) The Series 2023 Second Lien Bonds shall be designated “City of Chicago Second Lien Wastewater Revenue Bonds, Project Series 2023A” and “City of Chicago Second Lien Wastewater Revenue Bonds, Refunding Series 2023B.”

The Series 2023A Second Lien Bonds shall be issued in the aggregate principal amount of \$260,105,000. The Series 2023A Bonds shall be dated the Date of Issuance, and shall mature on January 1 in each of the years and in the principal amounts and shall bear interest at the respective rates per annum set forth in the table below:

Maturity (January 1)	Principal Amount	Rate Per Annum
2040	\$ 6,960,000	5.250%
2041	7,325,000	5.250
2042	7,710,000	5.250
2043	8,115,000	5.250
2048	47,445,000	5.250
2053	61,280,000	5.250
2058	79,140,000	5.250
2062	42,130,000	5.500

The Series 2023B Second Lien Bonds shall be issued in the aggregate principal amount of \$192,470,000. The Series 2023B Bonds shall be dated the Date of Issuance, and shall mature on January 1 in each of the years and in the principal amounts and shall bear interest at the respective rates per annum set forth in the table below:

Maturity (January 1)	Principal Amount	Rate Per Annum
2029	\$14,385,000	5.00%
2030	15,105,000	5.00
2031	15,860,000	5.00
2032	16,650,000	5.00
2033	17,480,000	5.00

Maturity (January 1)	Principal Amount	Rate Per Annum
2034	\$18,360,000	5.00%
2035	19,275,000	5.00
2036	20,235,000	5.00
2037	21,255,000	5.00
2038	17,315,000	5.00
2039	16,550,000	5.00

(e) Each Series 2023 Second Lien Bond authenticated prior to the first Interest Payment Date for such Series 2023 Second Lien Bond shall bear interest from the Date of Issuance, and following the first Interest Payment Date interest shall accrue as set forth in the next paragraph except that if, as shown by the records of the Trustee, interest on such Series 2023 Second Lien Bond is in default, any Series 2023 Second Lien Bond issued in exchange for or upon the registration of transfer of such Series 2023 Second Lien Bond shall bear interest from the date to which interest has been paid in full on such Series 2023 Second Lien Bond or, if no interest has been paid on such Series 2023 Second Lien Bond, the Date of Issuance. Each Series 2023 Second Lien Bond shall bear interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest at the rate borne by such Series 2023 Second Lien Bond on the date on which such principal, premium or interest came due and payable.

(f) Interest on the Series 2023 Second Lien Bonds shall be payable on each Interest Payment Date, computed upon the basis of a 360-day year consisting of twelve 30-day months. No interest shall accrue on any Series 2023 Second Lien Bond after its Maturity Date (*provided*, the payment at maturity is paid or provided for in accordance with the provisions of the Indenture).

(g) The principal of and interest on the Series 2023 Second Lien Bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment of such Series 2023 Second Lien Bonds, is legal tender for the payment of public and private debts.

(h) The principal of the Series 2023 Second Lien Bonds shall be payable at the designated corporate trust office of the Trustee or, at the option of the Registered Owners, at the designated corporate trust office of any Paying Agent named in the Series 2023 Second Lien Bonds, upon presentation and surrender of such Series 2023 Second Lien Bonds.

(i) Payment of interest on Series 2023 Second Lien Bonds shall be paid by check mailed on the Interest Payment Date to the persons appearing on the Bond Register as the Registered Owners of such Series 2023 Second Lien Bonds as of the close of business of the Trustee on the Record Date at the addresses of such Registered Owners as they appear on the Bond Register, or at such other addresses as are furnished to the Trustee in writing by the Registered Owners not later than the Record Date. Payment of interest on any Series 2023 Second Lien Bond shall be made to the Registered Owner of \$1,000,000 or more in aggregate principal amount of Series 2023 Second Lien Bonds as of the close of business of the Trustee on

the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

(j) The Series 2023 Second Lien Bonds shall bear interest from and including the Date of Issuance until payment of the principal or redemption price of such Series 2023 Second Lien Bonds shall have been made or provided for in accordance with the provisions of this First Supplemental Indenture, whether at the Maturity Date or otherwise.

Section 2.02. Execution; Limited Obligations. The Series 2023 Second Lien Bonds shall be executed on behalf of the City with the official manual or facsimile signature of the Mayor of the City and attested with the official manual or facsimile signature of its City Clerk or Deputy City Clerk, and shall have affixed, impressed, imprinted or otherwise reproduced on such Series 2023 Second Lien Bonds the corporate seal of the City or a facsimile of such seal. The Series 2023 Second Lien Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State, and pursuant to the 2023 Amended Ordinance. The Series 2023 Second Lien Bonds, the Section 2.8 Obligations and the Section 2.9 Obligations are not general obligations of the City, but are limited obligations payable solely from the Trust Estate, including Second Lien Bond Revenues, amounts on deposit in the Second Lien Bonds Account and the 2023A Construction Account, and shall be a valid claim of the respective Registered Owners of the Series 2023 Second Lien Bonds only against the Trust Estate, including amounts on deposit in the Second Lien Bonds Account (other than monies, instruments and securities or any Qualified Reserve Account Credit Instrument or Credit Enhancement Instrument on deposit in a Debt Service Reserve Account for any other Series of Second Lien Bonds issued or to be issued) and the 2023A Construction Account and other moneys held by the Trustee or otherwise pledged therefor, which amounts are by this First Supplemental Indenture pledged, assigned and otherwise held as security for the equal and ratable payment of the Series 2023 Second Lien Bonds, the Section 2.8 Obligations and the Section 2.9 Obligations, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Series 2023 Second Lien Bonds, the Section 2.8 Obligations and the Section 2.9 Obligations, except as may be otherwise expressly authorized in the Indenture or in this First Supplemental Indenture. Neither the Series 2023 Second Lien Bonds, the Section 2.8 Obligations nor the Section 2.9 Obligations shall constitute an indebtedness of the City or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision of the State is pledged to the payment of the principal of premium, if any, or the interest on the Series 2023 Second Lien Bonds, the Section 2.8 Obligations or the Section 2.9 Obligations, or other costs incident to the Series 2023 Second Lien Bonds, the Section 2.8 Obligations or the Section 2.9 Obligations. In case any officer whose signature or a facsimile of whose signature shall appear on the Series 2023 Second Lien Bonds shall cease to be such officer before the delivery of such Series 2023 Second Lien Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, as if such officer had remained in office until delivery.

Section 2.03. Authentication. No Series 2023 Second Lien Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this First Supplemental

Indenture unless and until such certificate of authentication in substantially the form attached to this Indenture as part of *Exhibit A* shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Series 2023 Second Lien Bond shall be conclusive evidence that such Series 2023 Second Lien Bond has been authenticated and delivered under this First Supplemental Indenture. The Trustee's certificate of authentication on any Series 2023 Second Lien Bond shall be deemed to have been executed by it if (i) signed by an authorized signatory of the Trustee, but it shall not be necessary that the same signatory sign the certificates of authentication on all of the Series 2023 Second Lien Bonds issued under this First Supplemental Indenture and (ii) the date of authentication on such Series 2023 Second Lien Bond is inserted in the place provided for such date in the certificate of authentication.

Section 2.04. Form of Series 2023 Second Lien Bonds; Temporary Series 2023 Second Lien Bonds. The Series 2023 Second Lien Bonds issued under this First Supplemental Indenture shall be substantially in the form attached to this Indenture as *Exhibit A*, with such appropriate variations, omissions and insertions as are permitted or required by this First Supplemental Indenture.

Pending preparation of definitive Series 2023 Second Lien Bonds, or by agreement with the purchasers of such Series 2023 Second Lien Bonds, the City may issue and, upon its request, the Trustee shall authenticate, in lieu of definitive Series 2023 Second Lien Bonds, one or more temporary printed or typewritten Bonds in Authorized Denominations of substantially the tenor recited above. Upon request of the City, the Trustee shall authenticate definitive Series 2023 Second Lien Bonds in exchange for and upon surrender of an equal principal amount of temporary Series 2023 Second Lien Bonds. Until so exchanged, temporary Series 2023 Second Lien Bonds shall have the same rights, remedies and security under this First Supplemental Indenture as definitive Series 2023 Second Lien Bonds.

Section 2.05. Delivery of Series 2023 Second Lien Bonds. Upon the execution and delivery of this First Supplemental Indenture, the City shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Series 2023 Second Lien Bonds and deliver them to the purchasers as may be directed by the City as provided in this Section.

Prior to the delivery by the Trustee of the Series 2023 Second Lien Bonds there shall be filed with the Trustee:

- (i) a copy, duly certified by the City Clerk or Deputy City Clerk of the City, of the 2023 Amended Ordinance (including the 2018 Wastewater Revenue Bond Ordinance, the Amendment to 2018 Wastewater Revenue Bond Ordinance, and the 2022 Amendment to 2018 Amended Ordinance);

- (ii) original executed counterparts of the Indenture and this First Supplemental Indenture;

- (iii) an Opinion or Opinions of Bond Counsel to the effect that (A) the City had the right and power to adopt the 2023 Amended Ordinance; (B) the 2023 Amended Ordinance has been duly and lawfully adopted by the City Council, is in full force and effect and is valid and binding upon the City and enforceable in accordance with its terms

(except as limited by any applicable bankruptcy liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event equitable remedies are sought); (C) the Indenture and this First Supplemental Indenture have been duly and lawfully authorized by all necessary action on the part of the City, have been duly and lawfully executed by authorized officers of the City, are in full force and effect, and are valid and binding upon the City and enforceable in accordance with their terms (except as limited by any applicable bankruptcy, liquidation, reorganization, insolvency or other similar laws and by general principles of equity in the event equitable remedies are sought); (D) the 2023 Amended Ordinance, the Indenture and this First Supplemental Indenture create the valid pledge of the Trust Estate, including Second Lien Bond Revenues and moneys and securities held in the Second Lien Bonds Account (other than monies, instruments and securities or any Qualified Reserve Account Credit Instrument or Credit Enhancement Instrument on deposit in a Debt Service Reserve Account for any other Series of Second Lien Bonds issued or to be issued) under the 2023 Amended Ordinance, the Indenture and this First Supplemental Indenture for the benefit and security of the Series 2023 Second Lien Bonds; subject to application of such moneys and securities in the manner provided in the Indenture and this First Supplemental Indenture; (E) upon the execution, authentication and delivery of the Indenture and this First Supplemental Indenture, the Series 2023 Second Lien Bonds will have been duly and validly authorized and issued in accordance with the Constitution and laws of the State, the 2023 Amended Ordinance, the Indenture and this First Supplemental Indenture, and (F) any required approval for the issuance of the Series 2023 Second Lien Bonds has been obtained;

(iv) a written order as to the delivery of the Series 2023 Second Lien Bonds, signed by the Chief Financial Officer and stating (A) the identity of the purchasers, the aggregate purchase price and the date and place of delivery; and (B) that no Event of Default has occurred and is continuing under the Indenture or this First Supplemental Indenture; and

(v) a Certificate of the Chief Financial Officer stating that the conditions of Section 2.6 and to the extent applicable Section 2.7 of the Indenture have been met.

Section 2.06. Mutilated, Lost, Stolen or Destroyed Series 2023 Second Lien Bonds.

If a Series 2023 Second Lien Bond is mutilated, lost, stolen or destroyed, the City may execute and the Trustee may authenticate a new Series 2023 Second Lien Bond of like date, maturity, interest rate and denomination as the Series 2023 Second Lien Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Series 2023 Second Lien Bond, such mutilated Series 2023 Second Lien Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Series 2023 Second Lien Bond, there shall be first furnished to the City and the Trustee evidence of such loss, theft or destruction satisfactory to the City and the Trustee, together with indemnity satisfactory to them. If any such Series 2023 Second Lien Bond has matured, instead of issuing a substitute Series 2023 Second Lien Bond, the City may pay the same without surrender of such Series 2023 Second Lien Bond. The City and the Trustee may charge the Registered Owner of such Series 2023 Second Lien Bond with their reasonable fees and expenses in this connection. All Series 2023 Second Lien Bonds so surrendered to the Trustee shall be canceled and destroyed, and evidence of such destruction

shall be given to the City. Upon the date of final maturity or redemption of all of the Series 2023 Second Lien Bonds, the Trustee shall destroy any inventory of unissued certificates.

All duplicate Series 2023 Second Lien Bonds issued and authenticated pursuant to this Section shall constitute original, contractual obligations of the City (whether or not, in the case of the first paragraph of this Section, lost, stolen or destroyed Series 2023 Second Lien Bonds are at any time found by anyone and presented for payment), and shall be entitled to equal and proportionate rights and benefits under this First Supplemental Indenture as all other Outstanding Series 2023 Second Lien Bonds issued under this First Supplemental Indenture.

All Series 2023 Second Lien Bonds shall be owned upon the express condition that the foregoing provisions, to the extent permitted by law, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost, stolen or purchased Series 2023 Second Lien Bonds, and shall preclude any and all other rights or remedies.

Section 2.07. Transfer and Exchange of Series 2023 Second Lien Bonds; Persons Treated as Owners. (a) Subject to the limitations contained in subsection (c) of this Section, upon surrender for registration of transfer of any Series 2023 Second Lien Bond at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by, the Bondholder or such Bondholder's attorney duly authorized in writing, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, a new Series 2023 Second Lien Bond or Bonds of like date and tenor in Authorized Denominations of the same Maturity Date and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive bearing numbers not contemporaneously Outstanding. Subject to the limitations contained in subsection (c) of this Section, Series 2023 Second Lien Bonds may be exchanged at such times at such designated corporate trust office of the Trustee upon surrender of such Series 2023 Second Lien Bond together with an assignment duly executed by the Registered Owner of such Series 2023 Second Lien Bonds or such Registered Owner's attorney in such form and with guarantee of signature as shall be satisfactory to the Trustee for an equal aggregate principal amount of Series 2023 Second Lien Bonds of like date and tenor of any Authorized Denomination as the Series 2023 Second Lien Bonds surrendered for exchange bearing numbers not contemporaneously Outstanding. The execution by the City of any Series 2023 Second Lien Bond of any Authorized Denomination shall constitute full and due authorization of such Authorized Denomination, and the Trustee shall thereby be authorized to authenticate and deliver such registered Series 2023 Second Lien Bond.

(b) No service charge shall be imposed upon the Registered Owners for any exchange or transfer of Series 2023 Second Lien Bonds. The City and the Trustee may, however, require payment by the person requesting an exchange or transfer of Series 2023 Second Lien Bonds of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation to such exchange or transfer, except in the case of the issuance of one or more Series 2023 Second Lien Bonds for the unredeemed portion of a Series 2023 Second Lien Bond surrendered for redemption in part.

(c) The Trustee shall not be required to transfer or exchange any Series 2023 Second Lien Bond during the period commencing on the Record Date next preceding any Interest

Payment Date of such Series 2023 Second Lien Bond and ending on such Interest Payment Date, or to transfer or exchange such Series 2023 Second Lien Bond after the mailing of notice calling such Series 2023 Second Lien Bond for redemption has been made as provided in this First Supplemental Indenture or during the period of 15 days next preceding the giving of notice of redemption of Series 2023 Second Lien Bonds of the same Maturity Date and interest rate.

(d) Series 2023 Second Lien Bonds delivered upon any registration of transfer or exchange as provided in this Section 2.07 or as provided in Section 2.08 shall be valid limited obligations of the City, evidencing the same debt as the Series 2023 Second Lien Bonds surrendered, shall be secured by the Indenture and shall be entitled to all of the security and benefits of this First Supplemental Indenture to the same extent as the Series 2023 Second Lien Bond surrendered.

(e) The City, the Trustee and any Paying Agent may treat the Registered Owner of any Series 2023 Second Lien Bond as the absolute owner of such Series 2023 Second Lien Bond for all purposes, whether or not such Series 2023 Second Lien Bond is overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of, premium, if any, and interest on any such Series 2023 Second Lien Bond as provided in this First Supplemental Indenture shall be made only to or upon the written order of the Registered Owner of such Series 2023 Second Lien Bond or such Registered Owner's legal representative, but such registration may be changed as provided in this First Supplemental Indenture. All such payments shall be valid and effective to satisfy and discharge the liability upon such Series 2023 Second Lien Bond to the extent of the sum or sums so paid.

Section 2.08. Cancellation. Any Series 2023 Second Lien Bond surrendered for the purpose of payment or retirement, or for exchange, transfer or replacement, shall be canceled upon surrender of such Series 2023 Second Lien Bond to the Trustee or any Paying Agent. If the City shall acquire any of the Series 2023 Second Lien Bonds, the City shall deliver such Series 2023 Second Lien Bonds to the Trustee for cancellation and the Trustee shall cancel the same. Any such Series 2023 Second Lien Bonds canceled by any Paying Agent other than the Trustee shall be promptly transmitted by such Paying Agent to the Trustee. Certification of Series 2023 Second Lien Bonds canceled by the Trustee and Series 2023 Second Lien Bonds canceled by a Paying Agent other than the Trustee which are transmitted to the Trustee shall be made promptly to the City. Canceled Series 2023 Second Lien Bonds may be destroyed by the Trustee unless instructions to the contrary are received from the City. Upon the date of final maturity or redemption of all Series 2023 Second Lien Bonds, the Trustee shall destroy any inventory of unissued certificates.

Section 2.09. Book-Entry Provisions. The provisions of this Section shall apply as long as the Series 2023 Second Lien Bonds are maintained in book-entry form with DTC or another Securities Depository, any provisions of this First Supplemental Indenture to the contrary notwithstanding.

(a) Payments of the principal of and interest on the Series 2023 Second Lien Bonds shall be made to the Securities Depository, or its nominee, as the Registered Owner of the Series 2023 Second Lien Bonds, in same day funds on each date on which the principal of, premium; if any, and interest on the Series 2023 Second Lien Bonds is due as set forth in this First

Supplemental Indenture and the Series 2023 Second Lien Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the beneficial owners of the Series 2023 Second Lien Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee written notice thereof, and the Trustee shall make payments with respect to the Series 2023 Second Lien Bonds in the manner specified in such notice as set forth herein. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the Series 2023 Second Lien Bonds to Participants or the beneficial owners of the Series 2023 Second Lien Bonds or their nominees.

(b) The Registered Owners of the Series 2023 Second Lien Bonds have no right to the appointment or retention of a Securities Depository for the Series 2023 Second Lien Bonds. If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Series 2023 Second Lien Bonds that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Series 2023 Second Lien Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Series 2023 Second Lien Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

(c) If, following a determination or event specified in paragraph (b) above, the City discontinues the maintenance of the Series 2023 Second Lien Bonds in book-entry form with the then current Securities Depository, the City will issue replacement Series 2023 Second Lien Bonds to the replacement Securities Depository, if any, or, if no replacement Securities Depository is selected for the Series 2023 Second Lien Bonds, directly to the Participants as shown on the records of the former Securities Depository or, to the extent requested by any Participant, to the beneficial owners of the Series 2023 Second Lien Bonds shown on the records of such Participant. Replacement Series 2023 Second Lien Bonds shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of such Series 2023 Second Lien Bonds by check mailed to each Registered Owner at the address of such Registered Owner as it appears on the Bond Register or, at the option of any Registered Owner of not less than \$1,000,000 principal amount of Series 2023 Second Lien Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Registered Owner as of such Record Date, if such Registered Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Series 2023 Second Lien Bonds are payable only upon presentation and surrender of such replacement Series 2023 Second Lien Bond or Second Lien Bonds at the principal corporate trust office of the Trustee.

(d) The Securities Depository and its Participants, and the beneficial owners of the Series 2023 Second Lien Bonds, by their acceptance of the Series 2023 Second Lien Bonds,

agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the beneficial owners of the Series 2023 Second Lien Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the beneficial owners to perform any obligation of the Participant to a beneficial owner of the Series 2023 Second Lien Bonds.

(e) As long as Cede & Co. is the Registered Owner of the Series 2023 Second Lien Bonds, as nominee of DTC, references herein to the Registered Owners of the Series 2023 Second Lien Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2023 Second Lien Bonds.

(f) As long as Cede & Co. is the Registered Owner of the Series 2023 Second Lien Bonds:

(i) selection of Series 2023 Second Lien Bonds to be redeemed upon partial redemption or presentation of such Series 2023 Second Lien Bonds to the Trustee upon partial redemption shall be deemed made when the right to exercise ownership rights in such Series 2023 Second Lien Bonds through DTC or DTC's Participants is transferred by DTC on its books; and

(ii) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Registered Owners under this First Supplemental Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Series 2023 Second Lien Bonds through DTC or its Participants.

ARTICLE III

REDEMPTION OF SERIES 2023 SECOND LIEN BONDS

Section 3.01. Optional Redemption.

(a) The Series 2023A Bonds maturing on and after January 1, 2040, through and including January 1, 2048 are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date. The Series 2023A Bonds maturing on and after January 1, 2053, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2033, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date. The Series 2023A Bonds maturing on and after January 1, 2053, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2033, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

(b) The Series 2023B Second Lien Bonds maturing on or after January 1, 2033 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after July 1, 2032, and if in part, in such order of maturity as the City shall determine and within any maturity and interest rate by lot, at a Redemption Price equal to the outstanding principal amount of such Series 2023B Second Lien Bond, together with accrued interest to the date fixed for redemption.

Section 3.02. Mandatory Sinking Fund Redemption.

(a) The Series 2023A Second Lien Bonds due on January 1, 2048, January 1, 2053, January 1, 2058 and January 1, 2062 (collectively, the "*Term Bonds*") are subject to mandatory sinking fund redemption prior to maturity in part, selected as provided in Section 3.04, at a redemption price of 100 percent of the outstanding principal amount of such Series 2023 Second Lien Bonds to be so redeemed, on January 1 of the years and in the amounts shown below, plus accrued interest to the redemption date, as set forth below:

**Series 2023A Second Lien Bonds
due January 1, 2048**

<u>Year</u>	<u>Principal Amount</u>
2044	\$ 8,545,000
2045	8,990,000
2046	9,465,000
2047	9,960,000
2048*	10,485,000

* Stated maturity

**Series 2023A Second Lien Bonds
due January 1, 2053**

<u>Year</u>	<u>Principal Amount</u>
2049	\$ 11,035,000
2050	11,615,000
2051	12,225,000
2052	12,865,000
2053*	13,540,000

* Stated maturity

**Series 2023A Second Lien Bonds
due January 1, 2058**

<u>Year</u>	<u>Principal Amount</u>
2054	\$ 14,250,000
2055	15,000,000
2056	15,785,000
2057	16,615,000
2058*	17,490,000

* Stated maturity

**Series 2023A Second Lien Bonds
due January 1, 2062**

<u>Year</u>	<u>Principal Amount</u>
2059	\$ 9,700,000
2060	10,235,000
2061	10,800,000
2062*	11,395,000

* Stated maturity

(b) In lieu of redeeming the Term Bonds pursuant to the mandatory sinking fund redemption provisions described above, on or before the 60th day next preceding any mandatory sinking fund redemption date for such Term Bonds, the Trustee may, at the written direction of the Chief Financial Officer, use such funds available under the Indenture to purchase Term Bonds in the open market at a price not exceeding par plus accrued interest.

On or before the 60th day next preceding any mandatory sinking fund redemption date for the Term Bonds (or such shorter period as may be acceptable to the Trustee), the City may, at its option, (i) deliver to the Trustee for cancellation, Term Bonds or portions thereof in Authorized Denominations subject to mandatory sinking fund redemption or (ii) receive a credit in respect of its mandatory sinking fund redemption obligation for Term Bonds or portions thereof in Authorized Denominations which prior to said date have been redeemed (otherwise than through the operation of such mandatory sinking fund redemption) and canceled by the Trustee and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each Term Bond or portion thereof subject to mandatory sinking fund redemption so delivered or previously redeemed will be credited against future mandatory sinking fund redemption obligations on Term Bonds in such order as the City designates, or if no such designation is

made, in chronological order, the principal amount of such Term Bonds to be redeemed by operation of such mandatory redemption to be accordingly reduced.

- (c) No 2023B Second Lien Bonds are subject to mandatory sinking fund redemption.

Section 3.03. Redemption Terms; Notice of Redemption.

(a) Series 2023 Second Lien Bonds may be called for redemption by the Trustee pursuant to Section 3.01 upon receipt by the Trustee at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee) of a written request of the City requesting such redemption. Term Bonds shall be called for redemption by the Trustee pursuant to Section 3.02 without further request or direction from the City or any other party. Series 2023 Second Lien Bonds may be called for redemption by the Trustee pursuant to Section 3.03 upon receipt by the Trustee at least 45 days prior to the redemption date (or such shorter period as shall be acceptable to the Trustee) of a written request of the City requesting such redemption.

(b) Unless waived by any owner of Series 2023 Second Lien Bonds to be redeemed, notice of the call for any optional redemption pursuant to Section 3.01, 3.02 or Section 3.03 shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 45 days prior to the date fixed for redemption to the Registered Owner of the Series 2023 Second Lien Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Series 2023 Second Lien Bond to be redeemed shall not affect the validity of the proceedings for the redemption of any other Series 2023 Second Lien Bond to be redeemed. Any notice of redemption mailed as provided in this Section shall be conclusively presumed to have been given whether or not actually received by the addressee.

(c) All notices of redemption shall specify, at a minimum: (i) the series name and designation and certificate numbers of Series 2023 Second Lien Bonds being redeemed, (ii) the CUSIP numbers of the Series 2023 Second Lien Bonds being redeemed, (iii) the principal amount of Series 2023 Second Lien Bonds being redeemed and the redeemed amount for each certificate (for partial calls), (iv) the redemption date, (v) the redemption price, (vi) the Date of Issuance of the Series 2023 Second Lien Bonds being redeemed, (vii) the interest rate and maturity date of the Series 2023 Second Lien Bonds being redeemed, (viii) the date of mailing of notices to Registered Owners and information services (if required), and (ix) the name of the employee of the Trustee who may be contacted with regard to such notice. With respect to an optional redemption of any Series 2023 Second Lien Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of the Series 2023 Second Lien Bonds being redeemed. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Series 2023 Second Lien Bonds, and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2023 Second Lien Bonds will not be redeemed. Unless the notice of redemption is made conditional as provided above, on or prior to any redemption date for Series 2023 Second Lien Bonds, the City shall deposit with the Trustee

an amount of money sufficient to pay the redemption price of all Series 2023 Second Lien Bonds or portions thereof which are to be redeemed on that date.

(d) Notice of redemption having been given as aforesaid, the Series 2023 Second Lien Bonds, or portions thereof, so to be redeemed shall, on the redemption date (unless the redemption has been canceled as described in Section 3.04(c)), become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2023 Second Lien Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Series 2023 Second Lien Bonds for redemption in accordance with said notice, such Series 2023 Second Lien Bonds shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Series 2023 Second Lien Bond, there shall be prepared for the Registered Owner a new Series 2023 Second Lien Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal. If any Series 2023 Second Lien Bond, or portion thereof, called for redemption shall not be so paid upon surrender for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Bond, or portion thereof, so called for redemption.

Section 3.04. Selection of Series 2023 Second Lien Bonds for Redemption. If fewer than all the Series 2023 Second Lien Bonds of the same interest rate and maturity are to be redeemed, the aggregate principal amount thereof to be redeemed shall be in an Authorized Denomination, and the Trustee shall assign to each Series 2023 Second Lien Bond of such interest rate and maturity a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Series 2023 Second Lien Bonds to be redeemed. The Series 2023 Second Lien Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Series 2023 Second Lien Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected. For purposes of any redemption of fewer than all of the outstanding Series 2023 Second Lien Bonds of a single interest rate and maturity, the particular Series 2023 Second Lien Bonds or portions thereof to be redeemed shall be selected not more than 60 days prior to the redemption date by the Trustee.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Source of Payment of Series 2023 Second Lien Bonds. The Series 2023 Second Lien Bonds, the Section 2.8 Obligations and the Section 2.9 Obligations are not general obligations of the City but are limited obligations as described in Section 2.02 and as provided in this First Supplemental Indenture and in the Indenture.

Section 4.02. Creation of Accounts and Subaccounts in 2023 Second Lien Bonds Subaccount.

(a) Moneys on deposit in the 2023 Second Lien Bonds Subaccount, and in each Account established in it as provided below, shall be held in trust by the Trustee for the sole and exclusive benefit of the Registered Owners of the Series 2023 Second Lien Bonds.

(b) There are by this First Supplemental Indenture created by the City and ordered established with the Trustee separate Accounts within the 2023 Second Lien Bonds Subaccount, designated as follows:

(i) 2023A Construction Account: an Account to be designated the "Construction Account: 2023A Second Lien Bonds" (the "*2023A Construction Account*") to be held by Amalgamated Bank of Chicago under the Depository Agreement;

(ii) 2023A Capitalized Interest Account (the "*2023 Capitalized Interest Account*").

(iii) Program Fee Account: an Account to be designated the "Series 2023A Second Lien Bonds, Program Fee Account" (the "*Series 2023A Program Fee Account*");

(iv) Program Fee Account: an Account to be designated the "Series 2023B Second Lien Bonds, Program Fee Account" (the "*Series 2023B Program Fee Account*");

(v) Principal and Interest Account: an Account to be designated the "Series 2023A Second Lien Bonds, Principal and Interest Account" (the "*2023A Principal and Interest Account*");

(vi) Principal and Interest Account: an Account to be designated the "Series 2023B Second Lien Bonds, Principal and Interest Account" (the "*2023B Principal and Interest Account*", and together with the 2023A Principal and Interest Account, the "*Principal and Interest Accounts*"); and

(vii) Cost of Issuance Account: an Account to be designated the "Series 2023 Costs of Issuance Account" (the "*Costs of Issuance Account*").

Section 4.03. Application of Series 2023 Second Lien Bond Proceeds.

The proceeds received by the City from the sale of the Series 2023 Second Lien Bonds in the amount of \$501,119,577.47 (consisting of the aggregate principal amount of the Series 2023 Second Lien Bonds, plus net premium of \$51,406,740.60 and less the Underwriters' discount of \$2,862,163.13), shall be deposited with the Trustee and applied as follows:

the Trustee shall deposit into the 2023A Construction Account the amount of \$246,466,597.02 and shall deposit into the Series 2023A Costs of Issuance Account in the amount of \$880,393.93 and shall deposit into the Series 2023B Costs of Issuance Account in the amount of \$649,967.93; and

the Trustee shall deposit into the Series 2023A Capitalized Interest Account \$34,194,705.79 and shall apply such amount as provided in Section 4.07; and

the Trustee will deposit into the 2012 Escrow Account the amount of \$217,019,685.69 for Refunding Purposes pursuant to the 2012 Escrow Agreement.

Section 4.04. Deposits into 2023 Second Lien Bonds Subaccount and Accounts. On January 1 and July 1 of each year, commencing January 1, 2024 (each such date referred to in this First Supplemental Indenture as the “*Deposit Date*”), there shall be deposited into the 2023 Second Lien Bonds Subaccount from amounts on deposit in the Second Lien Bonds Account (other than monies, instruments and securities or any Qualified Reserve Account Credit Instrument or Credit Enhancement Instrument on deposit in a Debt Service Reserve Account for any other Series of Second Lien Bonds issued or to be issued) an amount equal to the aggregate of the following amounts, which amounts shall have been calculated by the Trustee and certified by the Chief Financial Officer and transferred by the City to the Trustee on or before the Business Day next preceding each such January 1 or July 1, respectively (such aggregate amount with respect to any Deposit Date being referred to in this First Supplemental Indenture as the “*Series 2023 Deposit Requirement*”):

(a) For deposit into the 2023A Principal and Interest Account, an amount equal to the 2023A Principal and Interest Account Requirement;

(b) for deposit into the 2023B Principal and Interest Account, an amount equal to the 2023B Principal and Interest Account Requirement;

(c) for deposit into the Series 2023A Program Fee Account, the amount estimated by the City to be required as of the close of business on the related Deposit Date to pay all Program Fees payable from amounts in the Series 2023A Program Fee Account during the semi-annual period commencing on such related Deposit Date and, in the case of the initial Deposit Date, any Program Fees payable from the Date of Issuance to, but not including, such initial Deposit Date; and

(d) for deposit into the Series 2023B Program Fee Account, the amount estimated by the City to be required as of the close of business on the related Deposit Date to pay all Program Fees payable from amounts in the Series 2023B Program Fee Account during the semi-annual period commencing on such related Deposit Date and, in the case of the initial Deposit Date, any Program Fees payable from the Date of Issuance to, but not including, such initial Deposit Date.

In addition to the Series 2023 Deposit Requirement, there shall be deposited into the 2023 Second Lien Bonds Subaccount any other moneys received by the Trustee under and pursuant to the Indenture or this First Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the 2023 Second Lien Bonds Subaccount or to one or more Accounts in that Subaccount.

Upon calculation by the Trustee of each Series 2023 Deposit Requirement under this Section, the Trustee shall notify the City of the Series 2023 Deposit Requirement and the Deposit

Date to which it relates; and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Section 4.05. Use of Moneys in the Principal and Interest Accounts. Moneys in the Principal and Interest Accounts shall be used for the payment of the principal of, premium, if any, and interest on the Series 2023 Second Lien Bonds, for the redemption of Series 2023 Second Lien Bonds prior to their respective Maturity Dates and for the payment of Section 2.8 Obligations and Section 2.9 Obligations. Funds for payment of principal of, premium, if any, and interest due on each Payment Date with respect to the Series 2023 Second Lien Bonds (including the optional redemption of Series 2023 Second Lien Bonds pursuant to Section 3.01 and not otherwise provided for; and with respect to payments made pursuant to Section 2.8 Obligations and Section 2.9 Obligations), shall be derived from moneys held in the Principal and Interest Account, ratably, without preference or priority of any kind, except that net payments required to be made by the City from Gross Revenues to a swap provider pursuant to a swap agreement authorized under the Indenture that does not satisfy the requirements for qualification as a Qualified Second Lien Swap Agreement shall be made only from amounts available after the payment of all Second Lien Bonds and termination and other non-scheduled payments made with respect to Section 2.9 Obligations shall be paid on a subordinate basis.

Section 4.06. Use of Moneys in the 2023A Construction Account and Program Fee Account. Moneys deposited into the 2023A Construction Account pursuant to Section 4.03(a) shall be used for the payment of Project Costs in accordance with the terms of the Depository Agreement.

Section 4.07. Use of Moneys in the Capitalized Interest Account. Moneys deposited into the 2023A Capitalized Interest Account shall be used for payment of interest on the Series 2023A Bonds on July 1, 2023, January 1, 2024, July 1, 2024, January 1, 2025, July 1, 2025 and January 1, 2026 and to the extent available, a portion of interest due on July 1, 2026..

Section 4.08. Use of Moneys in the Costs of Issuance Account. Except as otherwise provided in the 2023 Amended Ordinance and this First Supplemental Indenture, and subject to the provisions of and limitations contained in the Tax Agreement, moneys on deposit in the Costs of Issuance Account shall be disbursed and applied to pay, or to reimburse the payment of, Costs of Issuance, as directed in a certificate of the City filed with the Trustee. If after the earliest to occur of (i) payment of all other expenses incurred in connection with issuance of the Series 2023 Second Lien Bonds, as specified in a certificate of the City filed with the Trustee and (ii) November 1, 2023, there shall be any balance remaining in the Costs of Issuance Account, such balance shall be transferred to the Principal and Interest Account.

Section 4.09. Tax Covenants. The City covenants to take any action required by the provisions of the Code and within its power to take in order to preserve the exclusion of interest on the Series 2023 Second Lien Bonds from gross income for federal income tax purposes, including, but not limited to, the provisions of Section 148 of the Code relating to “arbitrage bonds.”

The City further covenants to comply with the provisions of the Tax Agreement relating to the Series 2023 Second Lien Bonds, including, but not limited to, those provisions relating to

the status of the Series 2023 Second Lien Bonds as not being “private activity bonds” under Section 141 of the Code.

Section 4.10. Non-presentment of Bonds. If any Series 2023 Second Lien Bond is not presented for payment when the principal of such Series 2023 Second Lien Bond becomes due, whether at maturity, at the date fixed for redemption or otherwise, if moneys sufficient to pay such Series 2023 Second Lien Bond shall have been made available to the Trustee for the benefit of the Registered Owner of such Series 2023 Second Lien Bond, subject to the provisions of the immediately following paragraph, all liability of the City to the Registered Owner of such Series 2023 Second Lien Bond for the payment of such Series 2023 Second Lien Bond shall immediately cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest on such monies, for the benefit of the Registered Owner of such 2023 Second Lien Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Indenture or on, or with respect to, such Series 2023 Second Lien Bond.

Any moneys so deposited with and held by the Trustee and not so applied to the payment of Series 2023 Second Lien Bonds within two years after the date on which the same shall have become due, shall be repaid by the Trustee to the City upon the City’s written request, and thereafter the Registered Owners of such Series 2023 Second Lien Bonds shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the City shall not be liable for any interest on such monies and shall not be regarded as a trustee of such moneys. The obligation of the Trustee under this Section to pay any such funds to the City shall be subject, however, to any provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Section 4.11. Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account referred to in any provision of this First Supplemental Indenture shall be held by the Trustee in trust as provided in Section 8.3 of the Indenture, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created by this First Supplemental Indenture.

ARTICLE V

INVESTMENT OF MONEYS

Section 5.01. Investment of Moneys. Moneys held in the funds, accounts and subaccounts established under this First Supplemental Indenture, including moneys held for payment of Series 2023 Second Lien Bonds not presented for payment as described in Section 4.10, shall be invested and reinvested in Permitted Investments in accordance with the provisions governing investments contained in the Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times part of the fund, account or subaccount for which they were made.

ARTICLE VI

DISCHARGE OF LIEN

Section 6.01. Defeasance. If the City shall pay to the Registered Owners of the Series 2023 Second Lien Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on the Series 2023 Second Lien Bonds, then this First Supplemental Indenture shall be fully discharged and satisfied upon the satisfaction and discharge of this First Supplemental Indenture, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries shall pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to this First Supplemental Indenture which are not required for the payment or redemption of the Series 2023 Second Lien Bonds.

If the City shall pay and discharge a portion of the Series 2023 Second Lien Bonds as provided above, including any Series in full, such portion shall cease to be entitled to any lien, benefit or security under the Indenture. The liability of the City with respect to such Series 2023 Second Lien Bonds shall continue, but the Registered Owners of the Series 2023 Second Lien Bonds so defeased shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the moneys or Defeasance Obligations deposited with the Trustee under Article IX of the Indenture.

The provisions of this Section 6.01 are subject in all respects to the provisions of Sections 9.1 and 9.2 of the Indenture.

ARTICLE VII

REMEDIES

The provisions of Article VII of the Indenture shall be applicable to any Event of Default which shall have occurred and be continuing under this First Supplemental Indenture.

Under no circumstance may the Trustee declare the principal of or interest on the Series 2023 Second Lien Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default under the Indenture or this First Supplemental Indenture.

ARTICLE VIII

TRUSTEE AND PAYING AGENT

Section 8.01. Acceptance of Trusts.

(a) The Trustee accepts the trusts imposed upon it by this First Supplemental Indenture, and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth in this First Supplemental Indenture and in the Indenture. Except as otherwise expressly set forth in this First Supplemental Indenture, the Trustee assumes no duties, responsibilities or liabilities by reason of its execution of this First Supplemental Indenture other than as set forth in the Indenture and this First Supplemental Indenture, and this First

Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions of its acceptance of the trust under the Indenture, as fully as if said terms and conditions were set forth at length in this First Supplemental Indenture. Notwithstanding the provisions of Section 8.4 or 8.5 of the Indenture, the Trustee shall have no lien or security interest in and to amounts in the Principal and Interest Account for the purpose of paying the fees or expenses of the Trustee or any Paying Agent. Notwithstanding any provision of the Indenture to the contrary, the Trustee may not resign or be removed until a successor Trustee shall have been appointed as provided in the Indenture.

(b) The Trustee may appoint a Trustee's Agent with power to act on its behalf and subject to its direction in the authentication, registration and delivery of Series 2023 Second Lien Bonds of any Series in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Trustee's Agent had been expressly authorized by this First Supplemental Indenture to authenticate, register and deliver such Series 2023 Second Lien Bonds. The foregoing notwithstanding, the Trustee need not appoint a Trustee's Agent for as long as the Trustee shall have an office in New York, New York capable of handling the duties of Trustee's Agent hereunder. Any Trustee's Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this First Supplemental Indenture, the authentication, registration and delivery of Series 2023 Second Lien Bonds by the Trustee or any Trustee's Agent pursuant to this Section shall be deemed to be the authentication, registration and delivery of such Series 2023 Second Lien Bonds "by or to the Trustee." Such Trustee's Agent shall at all times be a commercial bank having an office in New York, New York, and shall at all times be a corporation organized and doing business under the laws of the United States or of any state with combined capital and surplus of at least \$15,000,000 and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any Trustee's Agent appointed hereunder shall also be a Paying Agent for purposes of this First Supplemental Indenture

Section 8.02. Dealing in Series 2023 Second Lien Bonds. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in the Series 2023 Second Lien Bonds, and may join in any action which the Registered Owner of any Series 2023 Second Lien Bond may be entitled to take with like effect as if it did not act in any capacity under this First Supplemental Indenture. The Trustee, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City, and may act as depositary, trustee or agent for any committee or body of the Registered Owners of the Series 2023 Second Lien Bonds secured by this First Supplemental Indenture or other obligations of the City as freely as if it did not act in any capacity under this First Supplemental Indenture.

Section 8.03. Paying Agent.

(a) The Trustee is appointed Paying Agent for the Series 2023 Second Lien Bonds. The City may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in subsection (c) below for a successor Paying Agent.

(b) The Trustee accepts the duties and obligations imposed upon it as Paying Agent by this First Supplemental Indenture. Each other Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this First Supplemental Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof.

(c) Any Paying Agent may at any time resign and be discharged of the duties and obligations imposed upon it by this First Supplemental Indenture by giving at least 60 days' written notice to the City and the Trustee, and such resignation shall take effect upon the day specified in such notice but only if a successor shall have been appointed as provided herein. Any Paying Agent appointed by the City may be removed at any time by an instrument signed by the Chief Financial Officer and filed with such Paying Agent and the Trustee. The Trustee may at any time terminate the agency of any Paying Agent appointed by it by giving written notice of such termination to such Paying Agent and the City. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Paying Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent, shall give written notice of such appointment to the City and shall mail notice of such appointment to all Owners of Series 2023 Second Lien Bonds. Any successor Paying Agent shall be appointed by the City and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association; having capital stock and surplus aggregating at least \$15,000,000, or shall be a wholly-owned subsidiary of such an entity, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this First Supplemental Indenture.

(d) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee and shall be subject to audit of all of its books, records and accounts with respect to the Bonds.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures. This First Supplemental Indenture may be supplemented and amended in the manner set forth in Articles V and VI, respectively, of the Indenture.

Additionally, this First Supplemental Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions of this First Supplemental Indenture, the Indenture or the 2023 Amended Ordinance, for any one or more of the following purposes:

- (a) to provide for certificated Series 2023 Second Lien Bonds; and

(b) to secure or maintain ratings from any Rating Agency in the highest long-term debt rating category of such Rating Agency which are available for the Series 2023 Second Lien Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on such Series 2023 Second Lien Bonds as provided in the Indenture or otherwise adversely affect the Registered Owners of such Series 2023 Second Lien Bonds under the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.01. First Supplemental Indenture as Part of Indenture. This First Supplemental Indenture shall be construed in connection with, and as a part of, the Indenture, and all terms, conditions and covenants contained in the Indenture, except as provided in the Indenture or as modified or supplemented in this First Supplemental Indenture or the 2023 Amended Ordinance and shall apply and be deemed to be for the equal benefit, security and protection of the Bondholders. The Indenture is in all respects ratified, confirmed and approved.

Section 10.02. Severability. If any provision of this First Supplemental Indenture shall be held or deemed to be, or shall, in fact, be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions contained in this First Supplemental Indenture or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 10.03. Payments Due on Saturdays, Sundays and Holidays. If the date for making any payment, or the last date for the performance of any act or the exercise of any right, as provided in this First Supplemental Indenture, shall not be a Business Day, such payment may be made, act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this First Supplemental Indenture, and no interest shall accrue for the period after such nominal date.

Section 10.04. Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed.

Section 10.06. Captions. The captions and headings in this First Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this First Supplemental Indenture.

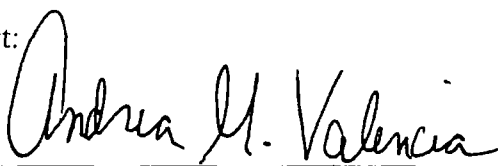
IN WITNESS WHEREOF, City has caused these presents to be executed in its name and with its official seal affixed to this First Supplemental Indenture and attested by its duly authorized officials; and to evidence its acceptance of the trusts created by this First Supplemental Indenture, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal affixed to this First Supplemental Indenture and attested by its duly authorized officers, as of the date first above written.

CITY OF CHICAGO

By: 
Chief Financial Officer

[SEAL]

Attest:

By: 
City Clerk

AMALGAMATED BANK OF CHICAGO,
as Trustee

By: _____
Authorized Signatory

[SEAL]

Attest:

By: _____
Authorized Signatory

IN WITNESS WHEREOF, the City of Chicago has caused this First Amendment to Trust Indenture to be executed by its Chief Financial Officer or its Comptroller, attested by its City Clerk or its Deputy City Clerk and its corporate seal to be affixed to this First Amendment to Trust Indenture; and the Trustee, as Trustee, has caused this First Amendment to Trust Indenture to be executed by one of its Authorized Signatories, attested by one of its Authorized Signatories and its corporate seal to be affixed to this First Amendment to Trust Indenture, all as of the day and year first above written.

CITY OF CHICAGO

Chief Financial Officer

[SEAL]

Attest:

City Clerk

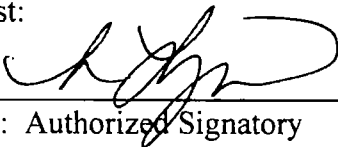
AMALGAMATED BANK OF CHICAGO,
as Trustee



Title: Authorized Signatory

[SEAL]

Attest:



Title: Authorized Signatory

[Signature page to First Amendment to Trust Indenture]

The principal of and premium, if any, on this Series 2023A Second Lien Bond shall be payable at the designated corporate trust office of the Trustee or upon presentation and surrender of this Series 2023A Second Lien Bond.

Interest on this Series 2023A Second Lien Bond shall be paid by check mailed on the Interest Payment Date to the person appearing on the Bond Register as the Registered Owner of this Series 2023A Second Lien Bond as of the close of business of the Trustee on the Record Date at the address of such Registered Owners as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner not later than the Record Date. Payment of interest on this Series 2023A Second Lien Bond shall be made to a Registered Owner of One Million Dollars (\$1,000,000) or more in aggregate principal amount of Series 2023A Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on this Series 2023A Second Lien Bond shall be paid in arrears on each Interest Payment Date. Interest on this Series 2023A Second Lien Bond shall be computed upon the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

Definitions. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture (as defined below).

General. This Series 2023A Second Lien Bond is one of an authorized series of bonds limited in aggregate principal amount to \$260,105,000 (the "Series 2023A Second Lien Bonds") issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and related ordinances of the City Council of the City, and executed under a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023 (the "Master Indenture"), and as supplemented by a First Supplemental Indenture, dated as of May 1, 2023 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each from the City to Amalgamated Bank of Chicago, as trustee (the "Trustee"), for any one or more of the purposes of (i) paying Project Costs, (ii) funding capitalized interest on the Series 2023A Second Lien Bonds and (iii) paying Costs of Issuance of the Series 2023A Second Lien Bonds. The Series 2023A Second Lien Bonds and the interest on them are payable from Second Lien Bond Revenues deposited into the 2023A Second Lien Bonds Subaccount and pledged to the payment of the Series 2023A Second Lien Bonds under the Indenture and certain other monies held by or on behalf of the Trustee and from any other monies held by the Trustee under the Indenture for such purpose.

As provided in the Indenture, additional bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Master Indenture. The aggregate principal amount of bonds that may be issued pursuant to the Indenture is not limited, except as provided in the Indenture and ordinances authorizing those

additional bonds, and all bonds issued and to be issued pursuant to the Indenture, including the Series 2023A Second Lien Bonds, are and will be equally secured by the pledges and covenants made in the Series 2023 Second Lien Bonds, except as otherwise provided or permitted in the Master Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Series 2023A Second Lien Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Registered Owners of the Series 2023A Second Lien Bonds and the limitations on such rights and remedies.

The Series 2023A Second Lien Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as provided in the First Supplemental Indenture.

Limited Obligation. The Series 2023A Second Lien Bonds are issued pursuant to ordinances adopted by the City Council of the City, which ordinances authorize the execution and delivery of the Indenture. The Series 2023A Second Lien Bonds are limited obligations of the City payable solely from the Trust Estate pledged therefor under the Indenture.

No recourse shall be had for the payment of the principal of premium, if any, or interest on any of the Series 2023A Second Lien Bonds or for any claim based on the Series 2023A Second Lien Bonds or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee or agent, or member of the City Council, of the City, or any successor to the City, as such, either directly or through the City, or any successor to the City, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the City Council, as such, is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Series 2023A Second Lien Bonds.

Registration. This Series 2023A Second Lien Bond is transferable by the Registered Owner of this Series 2023A Second Lien Bond in person or by such Registered Owner's attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture.

Defeasance. Provision for payment of all or any portion of the Series 2023A Second Lien Bonds may be made, and the Indenture may be discharged, prior to payment of the Series 2023A Second Lien Bonds in the manner provided in the Indenture.

Miscellaneous. The Registered Owner of this Series 2023A Second Lien Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants or the Indenture, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect to the Indenture, except as provided in the Indenture.

IT IS CERTIFIED, RECITED AND DECLARED that all acts and conditions required to be performed or to exist precedent to and in the execution and delivery of the Indenture and the

issuance of this Series 2023A Second Lien Bond exist or have been performed in due time, form and manner as required by law, and that the issuance of this Series 2023A Second Lien Bond and the series of which it forms a part does not exceed or violate any constitutional or statutory limitation.

This Series 2023A Second Lien Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused this Series 2023A Second Lien Bond to be executed in its name by the manual or facsimile signature of its Mayor and the manual or facsimile of its corporate seal to be printed on this Series 2023A Second Lien Bond and attested by the manual or facsimile signature of its City Clerk.

CITY OF CHICAGO

By: _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Series 2023A Second Lien Bond is one of the Series 2023A Second Lien Bonds described in the within-mentioned Indenture.

Authentication Date: _____

AMALGAMATED BANK OF CHICAGO,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

Ten. Com. -- as tenants in common

Ten. Ent. -- as tenants by the entireties

Jt. Ten. -- as joint tenants with right of survivorship and not as tenants in common

Unif. Gift Min. Act _____ Custodian _____
(Cust.) (Minor)

under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used, though not in the above list.

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

this Series 2023A Second Lien Bond of the City of Chicago and irrevocably constitutes and appoints _____, attorney to transfer said Series 2023A Second Lien Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature: _____

Signature Guaranteed:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of this Series 2023A Second Lien Bond in every particular, without alteration or enlargement or any change whatever.

STATEMENT OF INSURANCE

[TO BE INCLUDED ON INSURED BONDS ONLY]

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Series 2023A Second Lien Bonds (the "Insured Series 2023A Second Lien Bonds") to Amalgamated Bank of Chicago, Illinois, or its successor, as paying agent for the Insured Series 2023A Second Lien Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy and the Indenture.

Form of Series 2023B Second Lien Bond

UNITED STATES OF AMERICA

STATE OF ILLINOIS

CITY OF CHICAGO

SECOND LIEN WASTEWATER REVENUE BONDS

REFUNDING SERIES 2023B

Number RB-____ \$ _____

MATURITY DATE

January 1, 20__

INTEREST RATE

_____%

ISSUE DATE

May 11, 2023

CUSIP

REGISTERED OWNER:

Cede & Co.

PRINCIPAL AMOUNT:

Dollars

The City of Chicago (the "City"), a municipal corporation and home rule unit of local government duly organized and existing under the laws of the State of Illinois, for value received, promises to pay (but only out of the sources provided below) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above upon presentation and surrender of this Series 2023B Second Lien Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the issue date specified above, or from and including the most recent Interest Payment Date (as defined in the First Supplemental Indenture, as such term is defined below) with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

The Series 2023B Second Lien Bonds are limited obligations of the City and shall not constitute an indebtedness of the City or a loan of its credit within the meaning of any Constitutional or statutory provision or limitation as to indebtedness. The Series 2023B Second Lien Bonds do not have a claim for payment from any taxes of the City. Neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the principal of the Series 2023B Second Lien Bonds, or the interest or any premium on the Series 2023B Second Lien Bonds. The Series 2023B Second Lien Bonds are payable solely from the Trust Estate (as defined in the First Supplemental Indenture) pledged to such payment under the Indenture and certain other monies held by or on behalf of the Trustee.

The principal of and premium, if any, on this Series 2023B Second Lien Bond shall be payable at the designated corporate trust office of the Trustee or upon presentation and surrender of this Series 2023B Second Lien Bond.

Interest on this Series 2023B Second Lien Bond shall be paid by check mailed on the Interest Payment Date to the person appearing on the Bond Register as the Registered Owner of this Series 2023B Second Lien Bond as of the close of business of the Trustee on the Record Date at the address of such Registered Owners as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner not later than the Record Date. Payment of interest on this Series 2023B Second Lien Bond shall be made to a Registered Owner of One Million Dollars (\$1,000,000) or more in aggregate principal amount of Series 2023B Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on this Series 2023B Second Lien Bond shall be paid in arrears on each Interest Payment Date. Interest on this Series 2023B Second Lien Bond shall be computed upon the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

General. This Series 2023B Second Lien Bond is one of an authorized series of bonds limited in aggregate principal amount to \$192,470,000 (the "Series 2023B Second Lien Bonds") issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and related ordinances of the City Council of the City, and executed under a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023 (the "Master Indenture"), and as supplemented by a First Supplemental Indenture, dated as of May 1, 2023 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), from the City to Amalgamated Bank of Chicago, as trustee (the "Trustee"), for any one or more of the purposes of (i) refunding in advance of maturity such portion of the Outstanding Series 2012 Second Lien Bonds as shall be determined by the Authorized Officer ("Refunding Purposes") and (ii) paying Costs of Issuance of the Series 2023B Second Lien Bonds. The Series 2023B Second Lien Bonds and the interest on them are payable from Second Lien Bond Revenues (as defined in the Indenture) deposited into the 2023 Second Lien Bonds Subaccount and pledged to the payment of the Series 2023 Second Lien Bonds under the Indenture and certain other monies held by or on behalf of the Trustee and from any other monies held by the Trustee under the Indenture for such purpose.

As provided in the Indenture, additional bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Master Indenture. The aggregate principal amount of bonds that may be issued pursuant to the Indenture is not limited, except as provided in the Indenture and ordinances authorizing those additional bonds, and all bonds issued and to be issued pursuant to the Indenture, including the Series 2023B Second Lien Bonds, are and will be equally secured by the pledges and covenants

made in the Series 2023 Second Lien Bonds, except as otherwise provided or permitted in the Master Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Series 2023B Second Lien Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Registered Owners of the Series 2023B Second Lien Bonds and the limitations on such rights and remedies.

The Series 2023B Second Lien Bonds are subject to optional redemption prior to maturity as provided in the First Supplemental Indenture.

Limited Obligation. The Series 2023B Second Lien Bonds are issued pursuant to ordinances adopted by the City Council of the City, which ordinances authorize the execution and delivery of the Indenture. The Series 2023B Second Lien Bonds are limited obligations of the City payable solely from the Trust Estate pledged therefor under the Indenture.

No recourse shall be had for the payment of the principal of premium, if any, or interest on any of the Series 2023B Second Lien Bonds or for any claim based on the Series 2023B Second Lien Bonds or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee or agent, or member of the City Council, of the City, or any successor to the City, as such, either directly or through the City, or any successor to the City, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the City Council, as such, is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Series 2023B Second Lien Bonds.

Registration. This Series 2023B Second Lien Bond is transferable by the Registered Owner of this Series 2023B Second Lien Bond in person or by such Registered Owner's attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture.

Defeasance. Provision for payment of all or any portion of the Series 2023B Second Lien Bonds may be made, and the Indenture may be discharged, prior to payment of the Series 2023B Second Lien Bonds in the manner provided in the Indenture.

Miscellaneous. The Registered Owner of this Series 2023B Second Lien Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants, the Indenture, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect to the Indenture, except as provided in the Indenture.

IT IS CERTIFIED, RECITED AND DECLARED that all acts and conditions required to be performed or to exist precedent to and in the execution and delivery of the Indenture and the issuance of this Series 2023B Second Lien Bond exist or have been performed in due time, form and manner as required by law, and that the issuance of this Series 2023B Second Lien Bond and

the series of which it forms a part does not exceed or violate any constitutional or statutory limitation.

This Series 2023B Second Lien Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused this Series 2023B Second Lien Bond to be executed in its name by the manual or facsimile signature of its Mayor and the manual or facsimile of its corporate seal to be printed on this Series 2023B Second Lien Bond and attested by the manual or facsimile signature of its City Clerk.

CITY OF CHICAGO

By: _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Series 2023B Second Lien Bond is one of the Series 2023B Second Lien Bonds described in the within-mentioned Indenture.

Authentication Date: _____

AMALGAMATED BANK OF CHICAGO,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

Ten. Com. -- as tenants in common

Ten. Ent. -- as tenants by the entireties

Jt. Ten. -- as joint tenants with right of survivorship and not as tenants in common

Unif. Gift Min. Act _____ Custodian _____
(Cust.) (Minor)

under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used, though not in the above list.

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

this Series 2023B Second Lien Bond of the City of Chicago and irrevocably constitutes and appoints _____, attorney to transfer said Series 2023B Second Lien Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature: _____

Signature Guaranteed:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of this Series 2023B Second Lien Bond in every particular, without alteration or enlargement or any change whatever.

STATEMENT OF INSURANCE

[TO BE INCLUDED ON INSURED BONDS ONLY]

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Series 2023B Second Lien Bonds (the "Insured Series 2023B Second Lien Bonds") to Amalgamated Bank of Chicago, Illinois, or its successor, as paying agent for the Insured Series 2023B Second Lien Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy and the Indenture.

.

.

EXHIBIT B

PROVISIONS APPLICABLE TO INSURED SERIES 2023 SECOND LIEN BONDS

Notwithstanding anything to the contrary set forth in the Indenture or this Supplemental Indenture, the following provisions shall apply to the Insured Series 2023 Second Lien Bonds for so long as the Insured Series 2023 Second Lien Bonds are “Outstanding” within the meaning established by (i) below, subject, however, to the provisions of the last paragraph of this Exhibit B.

- (a) The Series 2023 Insurer shall be deemed to be the sole holder of the Insured Series 2023 Second Lien Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Series 2023 Second Lien Bonds (the “Insured Bondholders”) are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee (with respect to the Insured Series 2023 Second Lien Bonds). In furtherance thereof and as a term of the Indenture and each Insured Series 2023 Second Lien Bond, each Insured Bondholder appoints the Series 2023 Insurer as its agent and attorney-in-fact with respect to the Insured Series 2023 Second Lien Bonds and agrees that the Series 2023 Insurer may at any time during the continuation of any proceeding by or against the City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Insured Bondholder delegates and assigns to the Series 2023 Insurer, to the fullest extent permitted by law, the rights of each Insured Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. The Trustee acknowledges such appointment, delegation and assignment by each Insured Bondholder for the Series 2023 Insurer’s benefit, and agrees to cooperate with the Series 2023 Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment. Remedies granted to the Insured Bondholders shall expressly include mandamus, but these provisions shall not create any remedy not otherwise expressly granted by the Indenture.
- (b) The maturity of Insured Series 2023 Second Lien Bonds shall not be accelerated without the consent of the Series 2023 Insurer and in the event the maturity of the Insured Series 2023 Second Lien Bonds is accelerated, the Series 2023 Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the City) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2023 Insurer's obligations under the Series

2023 Insurance Policy with respect to such Insured Series 2023 Second Lien Bonds shall be fully discharged.

- (c) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Series 2023 Insurer. No grace period shall be permitted for payment defaults.
- (d) The Series 2023 Insurer is a third party beneficiary to the Indenture. The Series 2023 Insurer is a provider of a Credit Enhancement Instrument.
- (e) The exercise of any provision of the Indenture which permits the purchase of Insured Series 2023 Second Lien Bonds in lieu of redemption shall require the prior written approval of the Series 2023 Insurer if any Insured Series 2023 Second Lien Bond so purchased is not cancelled upon purchase.
- (f) Any amendment, supplement, modification to, or waiver of, the Indenture that requires the consent of Insured Bondholders or adversely affects the rights and interests of the Series 2023 Insurer shall be subject to the prior written consent of the Series 2023 Insurer.
- (g) Unless the Series 2023 Insurer otherwise directs, upon the occurrence and continuance of an event of default or an event which with notice or lapse of time would constitute an event of default, amounts on deposit in the Construction Account: 2023A Second Lien Bonds (as applicable) shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Insured Series 2023A Second Lien Bonds.
- (h) The rights granted to the Series 2023 Insurer under the Indenture to request, consent to or direct any action are rights granted to the Series 2023 Insurer in consideration of its issuance of the Series 2023 Insurance Policy. Any exercise by the Series 2023 Insurer of such rights is merely an exercise of the Series 2023 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Insured Bondholders and such action does not evidence any position of the Series 2023 Insurer, affirmative or negative, as to whether the consent of the Insured Bondholders or any other person is required in addition to the consent of the Series 2023 Insurer.
- (i) Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Series 2023 Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Series 2023 Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Insured Series 2023 Second Lien Bonds unless the Series 2023 Insurer otherwise approves.

To accomplish defeasance, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2023 Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured Series 2023 Second Lien Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Series 2023 Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Series 2023 Second Lien Bonds are no longer “Outstanding” under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Insured Series 2023 Second Lien Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City, the Trustee and the Series 2023 Insurer. The Series 2023 Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

Insured Series 2023 Second Lien Bonds shall be deemed “Outstanding” under the Indenture, and the rights granted to the Series 2023 Insurer shall remain in effect (subject to the absence of the occurrence and continuance of a default by the Series 2023 Insurer of its obligations as set forth in the introduction to this section) unless and until the City has paid the Series 2023 Insurer in full for any payment of principal of or interest on the Insured Series 2023 Second Lien Bonds made by the Series 2023 Insurer, and there are no other amounts due or owing to the Series 2023 Insurer.

- (j) Amounts paid by the Series 2023 Insurer under the Series 2023 Insurance Policy shall not be deemed paid for purposes of the Indenture and the Insured Series 2023 Second Lien Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Series 2023 Insurer have been paid in full or duly provided for.
- (k) Each of the City and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements (initial filing to be completed by the City) and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.
- (l) Claims Upon the Series 2023 Insurance Policy and Payments by and to the Series 2023 Insurer.

If, on the Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Series 2023 Second Lien Bonds due on such Payment Date, the Trustee shall give notice to the Series 2023 Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to

pay the principal of and interest on the Insured Series 2023 Second Lien Bonds due on such Payment Date, the Trustee shall make a claim under the Series 2023 Insurance Policy and give notice to the Series 2023 Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Series 2023 Second Lien Bonds and the amount required to pay principal of the Insured Series 2023 Second Lien Bonds, confirmed in writing to the Series 2023 Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such Business Day by filling in the form of Notice of Claim and Certificate delivered with the Series 2023 Insurance Policy.

The Trustee shall designate any portion of payment of principal on Insured Series 2023 Second Lien Bonds paid by the Series 2023 Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Series 2023 Second Lien Bonds registered to the then current Insured Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Series 2023 Second Lien Bond to the Series 2023 Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Series 2023 Second Lien Bond shall have no effect on the amount of principal or interest payable by the City on any Insured Series 2023 Second Lien Bond or the subrogation rights of the Series 2023 Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2023 Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Series 2023 Second Lien Bond. The Series 2023 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Series 2023 Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Insured Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Series 2023 Insurance Policy in trust on behalf of Insured Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Insured Bondholders in the same manner as principal and interest payments are to be made with respect to the Insured Series 2023 Second Lien Bonds under the sections hereof regarding payment of Insured Series 2023 Second Lien Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the City agrees to pay to the Series 2023 Insurer (i) a sum equal to the total of all amounts paid by the Series 2023 Insurer under the Series 2023 Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Series 2023 Insurer until payment thereof in full, payable to the

Series 2023 Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Series 2023 Second Lien Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The City hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Second Lien Bond Revenues and payable from such Second Lien Bond Revenues on a parity with debt service due on the Insured Series 2023 Second Lien Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Series 2023 Second Lien Bond payment date shall promptly be remitted to the Series 2023 Insurer.

- (m) The Series 2023 Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Series 2023 Second Lien Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2023 Insurance Policy. Each obligation of the City to the Series 2023 Insurer under the Indenture shall survive discharge or termination of the Indenture.
- (n) The City shall pay or reimburse the Series 2023 Insurer any and all charges, fees, costs and expenses that the Series 2023 Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2023 Insurer to honor its obligations under the Series 2023 Insurance Policy. The Series 2023 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.
- (o) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the City or rebate only after the payment of past due and current debt service on the Insured Series 2023 Second Lien Bonds.
- (p) The Series 2023 Insurer shall be entitled to pay principal or interest on the Insured Series 2023 Second Lien Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Series 2023 Insurance Policy) and any amounts due on the Insured Series 2023 Second Lien Bonds as a result of

acceleration of the maturity thereof in accordance with the Indenture, whether or not the Series 2023 Insurer has received a Notice of Nonpayment (as such terms are defined in the Series 2023 Insurance Policy) or a claim upon the Series 2023 Insurance Policy.

- (q) The notice address of the Series 2023 Insurer is: Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. 222632-N, Telephone: (212) 826-0100; Email: munidisclosure@agltd.com. In each case in which notice or other communication refers to an event of default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”
- (r) The Series 2023 Insurer shall be provided with the following information by the City:
 - (i) Annual audited financial statements within 210 days after the end of the City’s fiscal year (together with, if specifically requested by the Series 2023 Insurer in writing, a certification of the City that it is not aware of any breach of any covenants under the Indenture), and the City’s annual budget within 30 days after the approval thereof together with such other information, data or reports as the Series 2023 Insurer shall reasonably request from time to time (the provisions of this paragraph (i) with respect to annual audited financial statements shall be deemed satisfied if such financial statements, budget and other information, data or reports shall have been posted electronically on a website that the Series 2023 Insurer has access to);
 - (ii) Notice of any default known to the City within five Business Days after knowledge thereof;
 - (iii) Prior notice of the advance refunding or redemption of any of the Insured Series 2023 Second Lien Bonds, including the principal amount, maturities and CUSIP numbers thereof;
 - (iv) Notice of the resignation or removal of the Trustee and the Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;
 - (v) Notice of the commencement of any proceeding by or against the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);
 - (vi) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Insured Series 2023 Second Lien Bonds;

- (vii) An executed copy of any amendment, supplement, or waiver to the Indenture; and
- (viii) All reports, notices and correspondence to be delivered to Insured Bondholders under the terms of the Indenture (the requirements of this sentence shall be deemed satisfied if the City has posted such information electronically on a website that the Series 2023 Insurer has access to).

In addition, to the extent that the City has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Insured Series 2023 Second Lien Bonds, all information furnished pursuant to such agreements shall also be provided to the Series 2023 Insurer, simultaneously with the furnishing of such information (the requirements of this sentence shall be deemed satisfied if the City has posted such information electronically on a website that the Series 2023 Insurer has access to).

- (s) The Series 2023 Insurer shall have the right to receive such additional information as it may reasonably request.
- (t) The City will permit the Series 2023 Insurer to discuss the affairs, finances and accounts of the City or any information the Series 2023 Insurer may reasonably request regarding the security for the Insured Series 2023 Second Lien Bonds with appropriate officers of the City and will use commercially reasonable efforts to enable the Series 2023 Insurer to have access to the facilities, books and records of the City on any Business Day upon reasonable prior notice.
- (u) The Trustee shall notify the Series 2023 Insurer of any failure of the City to provide notices, certificates and other information under the transaction documents.
- (v) Notwithstanding satisfaction of the other conditions to the issuance of Second Lien Parity Bonds set forth in the Indenture, no such issuance may occur if an event of default (or any event which, once all notice or grace periods have passed, would constitute an event of default) exists unless such default shall be cured upon such issuance.
- (w) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Series 2023 Second Lien Bonds or the rights of the Insured Bondholders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Series 2023 Insurance Policy.
- (x) No contract shall be entered into or any action taken by which the rights of the Series 2023 Insurer or security for or sources of payment of the Insured Series 2023 Second Lien Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Series 2023 Insurer.
- (y) Anything contained in this Indenture or in the Insured Series 2023 Second Lien Bonds to the contrary notwithstanding, the existence of all rights given to the Insured Series 2023

Second Lien Insurer hereunder with respect to the giving of consents or approvals, or the direction of proceedings, are expressly conditioned upon its timely and full performance of the Series 2023 Insurance Policy. Any such rights shall not apply if at any time:

- (i) there are no Insured Series 2023 Second Lien Bonds Outstanding;
- (ii) if the Series 2023 Insurer has failed to perform any of its obligations under the Series 2023 Insurance Policy or has been declared insolvent or bankrupt by a court of competent jurisdiction;
- (iii) an order or decree shall have been entered appointing a receiver, receivers, custodian or custodians for any of its assets or revenues, or any proceeding shall be instituted with the consent or acquiescence of the Series 2023 Insurer or any plan shall be entered into by the Series 2023 Insurer for the purpose of effecting a composition between the Series 2023 Insurer and its creditors or for the purpose of adjusting the claims of such creditors;
- (iv) the Series 2023 Insurer is dissolved;
- (v) the Series 2023 Insurer makes any assignment for the benefit of its creditors;
- (vi) the Series 2023 Insurer is generally not paying its debts as such debts become due or the Insurer files a petition in bankruptcy or under Title II of the United States Code, as amended;
- (vii) the Series 2023 Insurance Policy has been determined to be void or unenforceable by final non-appealable judgment of a court of competent jurisdiction; or
- (viii) the Series 2023 Insurer contests the validity or enforceability of the Series 2023 Insurance Policy;

provided that this Section shall not in any way limit or affect the rights of the Series 2023 Insurer as an Insured Bondholder, as subrogee of an Insured Bondholder or as assignee of an Insured Bondholder, or otherwise, to be reimbursed and indemnified for its costs and expenses and other payment on or in connection with the Insured Series 2023 Second Lien Bonds or the Insurance Policy, either by operation of law or at equity or by contract.

16136-010
CH2:26921470.2

EXHIBIT C

EVIDENCE OF COMPLIANCE WITH ADDITIONAL BONDS TEST

[Attached]

FYE	Aggregate Senior Lien Bonds Requirement (in \$000s)	Aggregate Second Lien Bonds Requirement (in \$000s)	Aggregate Subordinate Lien Debt Service (in \$000s)	Requirement plus Aggregate Subordinate Lien Debt Service (in \$000s)	Aggregate Senior and Second Lien Bonds Requirement plus Aggregate Subordinate Lien Debt Service (in \$000s)	FY 2021 Net Revenues Available for Bonds (in \$000s)	Additional Bonds Test
12/31/23	13,695	112,630	31,025	157,350	466,850	2 97	
12/31/24	595	129,719	31,134	161,448	466,850	2 89	
12/31/25	24,680	105,029	31,134	160,842	466,850	2 90	
12/31/26	24,680	118,858	31,134	174,672	466,850	2 67	
12/31/27	24,680	118,934	31,118	174,733	466,850	2 67	
12/31/28		143,188	31,033	174,221	466,850	2 68	
12/31/29		143,167	31,033	174,200	466,850	2 68	
12/31/30		142,971	31,033	174,004	466,850	2 68	
12/31/31		142,941	30,651	173,592	466,850	2 69	
12/31/32		142,552	30,268	172,820	466,850	2 70	
12/31/33		142,315	28,727	171,042	466,850	2 73	
12/31/34		141,890	28,215	170,105	466,850	2 74	
12/31/35		141,434	27,279	168,713	466,850	2 77	
12/31/36		131,765	22,178	153,943	466,850	3 03	
12/31/37		131,243	20,163	151,406	466,850	3 08	
12/31/38		114,502	17,833	132,335	466,850	3 53	
12/31/39		81,779	10,022	91,801	466,850	5 09	
12/31/40		51,053	7,204	58,256	466,850	8 01	
12/31/41		51,076	3,122	54,198	466,850	8 61	
12/31/42		51,091		54,213	466,850	8 61	
12/31/43		51,120		51,120	466,850	9 13	
12/31/44		31,594		31,594	466,850	14 78	
12/31/45		31,596		31,596	466,850	14 78	
12/31/46		31,594		31,594	466,850	14 78	
12/31/47		31,596		31,596	466,850	14 78	
12/31/48		31,598		31,598	466,850	14 77	
12/31/49		31,597		31,597	466,850	14 78	
12/31/50		31,600		31,600	466,850	14 77	
12/31/51		31,596		31,596	466,850	14 78	
12/31/52		20,723		20,723	466,850	22 53	
12/31/53		20,722		20,722	466,850	22 53	
12/31/54		20,724		20,724	466,850	22 53	
12/31/55		20,721		20,721	466,850	22 53	
12/31/56		20,723		20,723	466,850	22 53	
12/31/57		20,725		20,725	466,850	22 53	
12/31/58		12,017		12,017	466,850	38 85	
12/31/59		12,019		12,019	466,850	38 84	
12/31/60		12,021		12,021	466,850	38 84	
12/31/61		12,022		12,022	466,850	38 83	
12/31/62				0	466,850	#DIV/0!	

EXHIBIT D

OFFICIAL STATEMENT

[Attached]

Subject to the accuracy of certain representations and continuing compliance by the City of Chicago with certain covenants, in the respective opinions of ArentFox Schiff LLP and Golden Holley James, LLP, Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals. Interest on the Bonds is included in computing the adjusted financial statement income of those corporations subject to the corporate alternative income tax. Interest on the Bonds is not exempt from present Illinois income taxes. See "TAX MATTERS" in this Official Statement for a more complete discussion of these matters.



\$452,575,000
CITY OF CHICAGO

\$260,105,000
Second Lien Wastewater Transmission
Revenue Bonds, Project Series 2023A

\$192,470,000
Second Lien Wastewater Transmission
Revenue Bonds, Refunding Series 2023B

Dated: Date of Delivery

Due: As Shown on the Inside Cover Pages

This Official Statement contains information relating to the City of Chicago (the "City") Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the "Series 2023A Bonds") and Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (the "Series 2023B Bonds" and, together with the Series 2023A Bonds, the "Bonds") which will be issued pursuant to a Master Indenture of Trust dated as of May 1, 2023 and a First Supplemental Indenture dated as of May 1, 2023 (together, the "Indenture") from the City to Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the "Trustee"). Prior to the issuance of the Bonds and the effectiveness of the Indenture, each series of the Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City were issued on a parity basis under their own respective trust indentures. The Bonds will be issuable as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on each January 1 and July 1, with the first interest payment date being January 1, 2024. Principal of the Bonds is payable at maturity or upon redemption prior to maturity. Principal of and interest on the Bonds will be paid by the Trustee to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursement of such payments to beneficial owners will be the responsibility of DTC and its participants. See "DESCRIPTION OF THE BONDS—Book-Entry Only System" herein.

The Bonds are subject to redemption prior to maturity as described in this Official Statement. See "DESCRIPTION OF THE BONDS—Redemption" herein.

The Bonds are limited obligations of the City having a claim for payment of principal and interest solely from Second Lien Bond Revenues on an equal and ratable basis with all other Second Lien Bonds that are Outstanding from time to time. The Bonds are secured by and payable from certain moneys and securities held by the Trustee under the Indenture. The Bonds, together with any other Outstanding Second Lien Bonds, are also secured by and payable from any amounts on deposit in Second Lien Construction Accounts. The claim of the Bonds, together with any other Outstanding Second Lien Bonds, to Net Revenues Available for Bonds is junior and subordinate to the claim of the City's Outstanding Senior Lien Bonds and any future Senior Lien Parity Bonds as described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM").



The City will use the proceeds from the sale of the Series 2023A Bonds to (i) finance or reimburse the City for certain capital improvements to and extensions of the wastewater transmission system of the City, (ii) fund capitalized interest on the Series 2023A Bonds and (iii) pay costs of issuance of the Series 2023A Bonds. The City will use the proceeds from the sale of the Series 2023B Bonds to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City, and (ii) pay costs of issuance of the Series 2023B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS. THE BONDS DO NOT HAVE A CLAIM FOR PAYMENT FROM ANY TAXES OF THE CITY. THE BONDS ARE NOT SECURED BY A LIEN ON OR A SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE SEWER SYSTEM. THE CITY SHALL NOT BE OBLIGATED TO PAY THE BONDS EXCEPT FROM THE REVENUES PLEDGED TO THEIR PAYMENT. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION OF THE STATE OF ILLINOIS IS PLEDGED TO THE PAYMENT OF THE BONDS.

Maturities, Principal Amounts, Interest Rates, Prices, Yields and CUSIP Numbers are set forth on the inside cover pages.

The Bonds are offered when, as and if issued, and accepted by the Underwriters, subject to delivery of separate approving legal opinions by ArentFox Schiff LLP, Chicago, Illinois, and Golden Holley James, LLP, Chicago, Illinois, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the City by (i) its Acting Corporation Counsel, and (ii) in connection with the preparation of this Official Statement, Charity & Associates, P.C., Chicago, Illinois, and BurgherGray LLP, Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriters by Chico & Nunes, P.C., Chicago, Illinois. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 11, 2023.

Stifel, Nicolaus & Company, Incorporated
Siebert Williams Shank & Co., LLC
Stinson Securities, LLC

Valdés & Moreno Inc.

PNC Capital Markets LLC
Cabrera Capital Markets LLC
Blaylock Van, LLC

Dated: May 4, 2023

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS
AND CUSIP NUMBERS[†]**

\$260,105,000

Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A

Maturity (January 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
2040	\$6,960,000	5.25%	112.086*	3.680%	167727B88
2041	7,325,000	5.25	111.593*	3.740	167727B96
2042	7,710,000	5.25	111.102*	3.800	167727C20
2043	8,115,000	5.25	110.532*	3.870	167727C38

\$47,445,000 5.25% Term Bonds due January 1, 2048, Price 109.324*, Yield 4.020%, CUSIP[†]:167727E28

\$61,280,000 5.25% Term Bonds due January 1, 2053, Price 109.109**, Yield 4.140%, CUSIP[†]:167727C46

\$79,140,000 5.25% Term Bonds due January 1, 2058, Price 108.248**, Yield 4.240%, CUSIP[†]:167727C53

\$42,130,000 5.50% Term Bonds due January 1, 2062, Price 110.725**, Yield 4.190%, CUSIP[†]:167727C61

*Priced to the July 1, 2032 first optional redemption date.

**Priced to the July 1, 2033 first optional redemption date.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Series 2023A Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2023A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2023A Bonds.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS
AND CUSIP NUMBERS[†]**

\$192,470,000

Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B

Maturity (January 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
2029	\$14,385,000	5.00%	111.786	2.730%	167727C79
2030	15,105,000	5.00	113.305	2.790	167727C87
2031	15,860,000	5.00	114.735	2.840	167727C95
2032	16,650,000	5.00	116.191	2.870	167727D29
2033	17,480,000	5.00	116.662*	2.910	167727D37
2034	18,360,000	5.00	116.313*	2.950	167727D45
2035	19,275,000	5.00	115.360*	3.060	167727D52
2036	20,235,000	5.00	114.161*	3.200	167727D60
2037	21,255,000	5.00	112.725*	3.370	167727D78
2038	17,315,000	5.00	111.558*	3.510	167727D86
2039	16,550,000	5.00	110.734*	3.610	167727D94

*Priced to the July 1, 2032 first optional redemption date.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Series 2023B Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2023B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2023B Bonds.

CITY OF CHICAGO

MAYOR

Lori E. Lightfoot

CITY CLERK

Andrea M. Valencia

CITY TREASURER

Melissa Conyears-Ervin

CITY COUNCIL

COMMITTEE ON FINANCE

Scott Waguespack, Chairman

CHIEF FINANCIAL OFFICER

Jennie Huang Bennett

CITY COMPTROLLER

Reshma N. Soni

BUDGET DIRECTOR

Susie Park

ACTING CORPORATION COUNSEL

John L. Hendricks, Esq.

DEPARTMENT OF WATER MANAGEMENT

Andrea R.H. Cheng, Commissioner

CO-BOND COUNSEL

ArentFox Schiff LLP

Chicago, Illinois

Golden Holley James, LLP

Chicago, Illinois

CO-DISCLOSURE COUNSEL

Charity & Associates, P.C.

Chicago, Illinois

BurgherGray LLP

Chicago, Illinois

CO-FINANCIAL ADVISORS

PFM Financial Advisors LLC

Chicago, Illinois

Sycamore Advisors LLC

Chicago, Illinois

Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the "City") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. 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.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

This Official Statement, including the Appendices, contains certain opinions, estimates and forward-looking statements and information that are based on the City's beliefs as well as assumptions made by and information currently available to the City. Such opinions, estimates, projections and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance of the City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on such opinions, statements or prospective financial information.

The prospective financial information set forth in this Official Statement, except for certain information sourced to parties other than the City, is solely the product of the City. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with the preparation of, the prospective financial information and forward-looking statements contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, including any estimates, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its achievability.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

TABLE OF CONTENTS

INTRODUCTION.....	1
Purposes	1
Authorization	1
Security for the Bonds.....	1
Redemption	2
Rate Covenant.....	2
City of Chicago Sewer System	3
Sewer System Rates	3
Recent Developments regarding the City of Chicago and the Office of Mayor	3
Concurrent Financial Transaction of the City	3
ESTIMATED SOURCES AND USES OF FUNDS	4
Project Costs	4
Refunding of Refunded Bonds.....	4
Estimated Sources and Uses of Funds.....	4
DESCRIPTION OF THE BONDS.....	5
General.....	5
Redemption	5
General Redemption Procedures.....	7
Selection of Bonds for Redemption	7
Bond Registration and Transfers.....	7
Book-Entry Only System	8
General Provisions of the Bonds When Not in Book-Entry Only System	11
SECURITY FOR THE BONDS	12
General.....	12
Pledge of Second Lien Bond Revenues	12
Pledge of Amounts in Second Lien Construction Accounts	12
Flow of Funds	12
Payment of Debt Service on the Bonds.....	16
Second Lien Rate Covenant.....	16
Additional Second Lien Parity Bonds.....	16
Additional Information	17
Deficiencies and Excesses.....	17
Cash and Investments.....	17
Investment of Funds.....	17
BOND INSURANCE.....	18
Bond Insurance Policy	18
Assured Guaranty Municipal Corp.	18
OUTSTANDING DEBT AND ANNUAL DEBT SERVICE.....	21
Senior Lien and Second Lien Obligations.....	21
Subordinate Obligations.....	24
DEPARTMENT OF WATER MANAGEMENT	25
Organization and Staffing	26
Description of Physical Facilities.....	27
Capital Improvement Program	27
US EPA.....	29
SEWER SYSTEM.....	29
General.....	29
FINANCIAL OPERATIONS.....	30
Recent Sewer Service Rates.....	30
Sewer Rate Comparisons	31
Sewer Accounts	32
Collections and Delinquencies.....	33
Utility Billing Relief Program.....	34
Sewer System Revenues Not Connected to the State of Illinois	35
Annual Budget Review and Implementation of Annual Budget.....	35
The Financial Policies of the Sewer System	36
Historical and Project Operations	37
Pension Costs	41

COVID-19 Pandemic.....	45
INVESTMENT CONSIDERATIONS.....	45
Effect of Potential Future Ratings Downgrades.....	45
Unfunded Pensions	45
Environmental Regulations.....	46
Operational Security and Cybersecurity of the Sewer System.....	46
Water Conservation.....	47
Limited Obligations	47
Second Lien Status of Bonds	47
Issuance of Additional Bonds	47
No Assurance of Secondary Market.....	47
Adverse Change in Laws	47
Bankruptcy.....	48
Uncertain Enforcement Remedies.....	48
Force Majeure Events	48
Other Considerations.....	49
Forward-Looking Statements.....	49
LITIGATION	49
RATINGS	50
CERTAIN LEGAL MATTERS	50
INDEPENDENT AUDITORS	50
CO-FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISORS	50
UNDERWRITING.....	51
TAX MATTERS	51
Federal Income Tax	51
Discount and Premium.....	52
State and Local Taxes	52
Basis of Bond Counsel Opinions	53
Risk of Audit.....	53
Legislation.....	53
Backup Withholding	53
SECONDARY MARKET DISCLOSURE	54
Annual Financial Information Disclosure	54
Reportable Events Disclosure	55
Consequences of Failure of the City to Provide Information.....	56
Amendments; Waiver	56
EMMA	56
Termination of Undertaking.....	57
Additional Information	57
Corrective Action Related to Certain Bond Disclosure Requirements	57
CERTAIN VERIFICATIONS	58
MISCELLANEOUS.....	59
APPENDIX A — GLOSSARY OF CERTAIN TERMS	
APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX C — CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND	
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020, AND INDEPENDENT AUDITOR’S REPORT	
APPENDIX D — PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL	
APPENDIX E — INFORMATION REGARDING THE CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS	
APPENDIX F — THE REFUNDED BONDS	
APPENDIX G — SPECIMEN MUNICIPAL BOND INSURANCE POLICY	

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$452,575,000
CITY OF CHICAGO

\$260,105,000	\$192,470,000
SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A	SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B

INTRODUCTION

This Official Statement, including the cover page, inside cover pages, and the Appendices, sets forth certain information in connection with the sale of \$260,105,000 Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the “Series 2023A Bonds”) and \$192,470,000 Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (the “Series 2023B Bonds” and, together with the Series 2023A Bonds, the “Bonds”), of the City of Chicago (the “City”), which are to be issued pursuant to the Bond Ordinance (defined herein). All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings provided in APPENDIX A—“GLOSSARY OF CERTAIN TERMS.”

Purposes

The proceeds from the sale of the Series 2023A Bonds will be used to (i) finance or reimburse the City for certain capital improvements to and extensions of the wastewater transmission system of the City (the “Sewer System”), (ii) pay capitalized interest on the Series 2023A Bonds and (iii) pay costs of issuance of the Series 2023A Bonds. The proceeds from the sale of the Series 2023B Bonds will be used to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City, and (ii) pay costs of issuance of the Series 2023B Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization

The Bonds are being issued pursuant to the constitutional home rule powers of the City. The Bonds were authorized under an ordinance adopted by the City Council on June 27, 2018, as amended by an ordinance adopted by the City Council on October 27, 2021 and an ordinance adopted by the City Council on November 7, 2022 (collectively, the “Bond Ordinance”). The Bonds are being issued under a Master Indenture of Trust dated as of May 1, 2023 and a First Supplemental Indenture dated as of May 1, 2023 (together, the “Indenture”), from the City to Amalgamated Bank of Chicago, Chicago, Illinois, as trustee (the “Trustee”). The Indenture is being entered into by the City in order to realize administrative benefits relative to its practice of having each series of Second Lien Bonds be governed by a separate ordinance and trust indenture. The Indenture will not supersede the ordinances and indentures for Second Lien Bonds issued prior to the issuance of the Series 2023 Bonds, but will, together with future supplemental indentures, govern the Series 2023 Bonds and future issuances of Second Lien Bonds.

Security for the Bonds

The Bonds are limited obligations of the City having a claim for payment of principal and interest solely from the Second Lien Bond Revenues derived by the City from its ownership and operation of the Sewer System, all on an equal and ratable basis with any other Second Lien Bonds, including those that were issued prior to the effectuation of the Indenture and remain outstanding. The Bonds are secured by and payable from certain moneys and securities held by the Trustee under the Indenture. The Bonds, together with any other Second Lien Bonds, are also secured by and payable from any amounts on deposit in the Second Lien Construction Accounts. The claim of the Bonds to the Net Revenues Available for Bonds is junior and subordinate to the claim of the City’s

Senior Lien Bonds and any Senior Lien Parity Bonds. See “SECURITY FOR THE BONDS — General” and “— Flow of Funds,” “OUTSTANDING DEBT AND ANNUAL DEBT SERVICE” and APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Source of Payment; Pledge of Second Lien Bond Revenues.”

THE BONDS ARE NOT SECURED BY A LIEN ON OR SECURITY INTEREST IN THE PHYSICAL ASSETS OF THE SEWER SYSTEM. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION AS TO INDEBTEDNESS, AND NEITHER THE FULL FAITH AND CREDIT NOR TAXING POWER OF THE CITY, THE STATE OF ILLINOIS OR ANY POLITICAL SUBDIVISION OF THE STATE OF ILLINOIS IS PLEDGED TO THE PAYMENT OF THE BONDS.

Redemption

The Bonds are subject to redemption prior to maturity as described under the caption “DESCRIPTION OF THE BONDS – Redemption.”

Rate Covenant

In the Indenture, the City covenants that it will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to (a) pay Operation and Maintenance Costs, (b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall in each Fiscal Year at least equal one hundred fifteen percent of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, and (c) produce Second Lien Bond Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time, which Second Lien Bond Revenues shall in each Fiscal Year at least be equal to one hundred ten percent of the sum required to pay promptly when due the Second Lien Bonds Debt Service Requirement for the Fiscal Year on Second Lien Bonds. The amount of Net Revenues Available for Bonds that exceeds one hundred percent of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (b) and (c) of the preceding sentence for such Fiscal Year. The foregoing covenants are collectively referred to herein as the “Rate Covenant.” See “SECURITY FOR THE BONDS — Second Lien Rate Covenant,” “FINANCIAL OPERATIONS — Annual Budget Review and Implementation of Annual Budget”, and APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Additional Second Lien Parity Bonds.”

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the Rate Covenant. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the Rate Covenant, the City shall prepare or will have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the Rate Covenant and the Office of Budget and Management of the City and the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant.

City of Chicago Sewer System

The Sewer System consists of approximately 4,400 miles of sewers, more than 350,000 sewer structures, and a service area of roughly 230 square miles inhabited by approximately 2.7 million people. The City's Department of Water Management (the "Department") does not operate any sewage treatment facilities. The Sewer System collects and transmits wastewater to the treatment facilities of an independent governmental body, the Metropolitan Water Reclamation District of Greater Chicago (the "Water Reclamation District"). See "DEPARTMENT OF WATER MANAGEMENT" and "SEWER SYSTEM."

Sewer System Rates

The City Council has authority to make adjustments to sewer service rates. No regulation by any administrative agency applies to the Sewer System rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant. See "INTRODUCTION – Rate Covenant."

The Sewer System rates for all accounts located within the City are a percentage of the Water System rates. Metered water rates are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula related to the size of the relevant property and other use-related factors. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase. Beginning June 1, 2016, and every year thereafter, annual Water System rates are required to be adjusted, if applicable, by applying to the previous year's rates the rate of inflation, calculated based on the Consumer Price Index – Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1. Any such annual increase, however, shall be capped at 5% of the previous year's rate. As of June 1, 2022 Sewer System rates were \$4.33 per 1,000 gallons of water. On June 1, 2023, the Sewer System rate will increase by 5 percent to \$4.55 per 1,000 gallons of water. The City Council may take action at any time to alter the then-current schedule of water rates. See "FINANCIAL OPERATIONS."

Recent Developments regarding the City of Chicago and the Office of Mayor

As presented on the third inside cover page, as of the date of this Official Statement, Lori E. Lightfoot serves as the Mayor of the City of Chicago (the "Mayor"). On April 4, 2023, Brandon Johnson was elected to serve as Mayor. Mr. Johnson is scheduled to be sworn in as Mayor on May 15, 2023. The new Mayor may implement changes in the City's operating and financial practices and policies and departmental staff leadership. The City does not expect that any of such changes will have any material adverse impact on the security for the Bonds, the Second Lien Bond Revenues or the ability of the City to pay the debt service on the Bonds.

Concurrent Financial Transaction of the City

At or about the time of the delivery of this Official Statement and the expected issuance of the Bonds, the City will have commenced the process of delivering notices of consent solicitation statements to holders of outstanding City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Series 2008C and City of Chicago Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable) relating to a proposed amendment to the respective trust indentures relating to such bonds. The proposed amendment is intended to amend the definition of "debt service reserve requirement" in each trust indenture and allow the City, upon meeting other conditions, to reduce the debt service reserve account in each trust indenture to \$0. The foregoing is collectively described as the "Concurrent DSRF Transaction." The Concurrent DSRF Transaction and its consummation are separate and apart from and not contingent upon the issuance of the Bonds, are not a part of any common plan of finance with the Bonds and are not deemed to be security for the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

Project Costs

The proceeds from the sale of the Series 2023A Bonds will be used to (i) finance or reimburse the City for certain programs and projects for the Sewer System (the “Project Costs”), (ii) fund capitalized interest on the Series 2023A Bonds and (iii) pay costs of issuance of the Series 2023A Bonds. Such programs and projects, and the amounts allocated to each, are estimates and are subject to change. See “DEPARTMENT OF WATER MANAGEMENT — Capital Improvement Program.”

Refunding of Refunded Bonds

The proceeds from the sale of the Series 2023B Bonds, along with other available moneys on deposit under the Indenture, will be used to refund certain of the Outstanding Series 2012 Second Lien Bonds (the “Refunded Bonds”), and (ii) pay costs of issuance of the Series 2023B Bonds. See APPENDIX F – “THE REFUNDED BONDS.”

Estimated Sources and Uses of Funds

The following table sets forth the estimated application of the proceeds of the Bonds:

	<u>Series 2023A Bonds</u>	<u>Series 2023B Bonds</u>	<u>Total</u>
Source of Funds			
Principal Amount of Bonds.....	\$260,105,000.00	\$192,470,000.00	\$452,575,000.00
Net Original Issue Premium.....	<u>24,452,685.55</u>	<u>26,954,055.05</u>	<u>51,406,740.60</u>
Total Sources of Funds.....	<u>\$284,557,685.55</u>	<u>\$219,424,055.05</u>	<u>\$503,981,740.60</u>
Use of Funds			
Project Costs.....	\$246,466,597.02		\$246,466,597.02
Deposit for Refunding.....		\$217,019,685.69	217,019,685.69
Deposit to Capitalized Interest Account.....	34,194,705.79		34,194,705.79
Costs of Issuance (including Underwriters’ discount and bond insurance premium)	<u>3,896,382.74</u>	<u>2,404,369.36</u>	<u>6,300,752.10</u>
Total Uses of Funds.....	<u>\$284,557,685.55</u>	<u>\$219,424,055.05</u>	<u>\$503,981,740.60</u>

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of their delivery and will bear interest from that date until paid, payable semiannually on each January 1 and July 1, commencing January 1, 2024. The Bonds will bear interest at the rates per year, and mature in the principal amounts on January 1 in each year, as set forth on the inside cover page of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds are subject to redemption prior to maturity, as described below under the heading “—Redemption.”

Principal of and interest on the Bonds will be paid by the Trustee. If any payment on any Bond is due on a day other than a Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

The Bonds initially will be issued through a book-entry only system operated by The Depository Trust Company, New York, New York (“DTC”). Details of payments of the Bonds when in the book-entry form and the book-entry only system are described below under the heading “—Book-Entry Only System.” Except as described under the heading “—Book-Entry Only System” below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered to be the Owners thereof. Accordingly, each beneficial owner must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC “Participant” (as defined below), the Participant who will act on behalf of such beneficial owner to receive notices and payments of principal of and interest on the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Participant, such beneficial owner’s Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered Owner of the Bonds, references herein to Bondholders or Owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds.

Redemption

Optional Redemption.

Series 2023A Bonds

The Series 2023A Bonds maturing on or after January 1, 2040, and though an including January 1, 2048 are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2032, as a whole or in part, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

The Series 2023A Bonds maturing on and after January 1, 2053, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2033, as a whole or in part, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

Series 2023B Bonds

The Series 2023B Bonds maturing on and after January 1, 2033, are subject to redemption prior to maturity at the option of the City, at any time on or after July 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption.

The Series 2023A Bonds maturing on January 1, 2048 are subject to mandatory redemption, in part by lot from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed:

<u>Year</u>	<u>Principal Amount</u>
2044	\$8,545,000
2045	8,990,000
2046	9,465,000
2047	9,960,000
2048*	10,485,000
* Final Maturity	

The Series 2023A Bonds maturing on January 1, 2053 are subject to mandatory redemption, in part by lot from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed:

<u>Year</u>	<u>Principal Amount</u>
2049	\$11,035,000
2050	11,615,000
2051	12,225,000
2052	12,865,000
2053*	13,540,000
* Final Maturity	

The Series 2023A Bonds maturing on January 1, 2058 are subject to mandatory redemption, in part by lot from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed:

<u>Year</u>	<u>Principal Amount</u>
2054	\$14,250,000
2055	15,000,000
2056	15,785,000
2057	16,615,000
2058*	17,490,000
* Final Maturity	

The Series 2023A Bonds maturing on January 1, 2062 are subject to mandatory redemption, in part by lot from mandatory Sinking Fund Payments, on January 1 in each of the years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed:

<u>Year</u>	<u>Principal Amount</u>
2059	\$9,700,000
2060	10,235,000
2061	10,800,000
2062*	11,395,000
* Final Maturity	

The Series 2023B Bonds are not subject to mandatory redemption.

If the City redeems Bonds of a maturity, identified above as subject to mandatory redemption, pursuant to optional redemption or purchases such Bonds and cancels the same, then an amount equal to the principal amount of the Bonds of such maturity so redeemed or purchased shall be deducted from the mandatory redemption requirements as provided for such Bonds of such maturity in such order as the Authorized Officer shall determine or, in the absence of such determination, shall be credited against the unsatisfied balance of the applicable Sinking Fund Payments in inverse order of their payment dates.

General Redemption Procedures

Notice of redemption shall be given by the Trustee by mail, not fewer than 30 days nor more than 60 days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed at its address shown on the registration books of the City kept by the Trustee. Each such redemption notice shall specify: (i) the Bonds to be redeemed by maturity and CUSIP number; (ii) the redemption date; (iii) the place where amounts due upon such redemption will be payable (which shall be the Principal Office of the Trustee); (iv) if fewer than all of the Bonds of any like maturity are to be redeemed, the specific Bonds to be redeemed, identified by letters, numbers or other distinguishing marks, and the principal amounts of such Bonds to be redeemed; and (v) that from and after the redemption date, such Bonds shall cease to bear interest. A redemption notice provided in connection with optional redemption shall either (i) state that the redemption is conditioned on there being on deposit in the Principal and Interest Accounts on the date fixed for redemption sufficient moneys to pay the redemption price of the Bonds to be redeemed, or (ii) in the case of notices provided in connection with optional redemption, be sent only if sufficient moneys to pay the redemption price of the Bonds to be redeemed is on deposit in the applicable Principal and Interest Account in the date fixed for redemption. Such notice may set forth any additional information relating to such redemption as shall be deemed necessary or appropriate by the Trustee.

Failure to duly give notice of redemption by mail to any particular Bondholder, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of Bonds for which such notice has been properly given.

Any Bonds, or portions of Bonds, which have been duly selected for redemption shall be deemed to be paid and shall cease to bear interest on the specified redemption date, if moneys sufficient to pay such Bonds are held by the Trustee for the benefit of the Bondholders.

Selection of Bonds for Redemption

In the event of the redemption of fewer than all of the Bonds of the same maturity, the particular Bonds or portion of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; *provided*, that the portion of any Bond of a denomination of more than the minimum Authorized Denomination shall be in the principal amount of an Authorized Denomination and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the minimum Authorized Denomination. So long as DTC or its nominee is the registered owner of the Bonds, if fewer than all of the Bonds are called for redemption, the particular Bonds or portions of Bonds to be redeemed will be selected by lot by DTC in such manner as DTC may determine. See “DESCRIPTION OF THE BONDS — Book-Entry Only System.”

Bond Registration and Transfers

For a description of the procedure to transfer ownership of a Bond while in the book-entry only system, see “—Book-Entry Only System” below. Subject to the limitations described below, the Bonds are transferable upon surrender thereof at the Principal Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder’s authorized agent duly authorized in writing. Any Bond, upon surrender of such Bond at the

Principal Office of the Trustee together with an assignment executed by the Bondholder or its duly authorized agent, may, at the option of the Bondholder, be exchanged for an equal aggregate principal amount of Bonds of any Authorized Denomination bearing interest at the same interest rate and maturity as the Bond being surrendered. The Trustee may charge a fee sufficient to cover any tax, fee or other governmental charge in connection with any exchange or transfer of any Bond.

Book-Entry Only System

The following description of the procedures and recordkeeping with respect to the beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners is based on certain information furnished by DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. Accordingly, neither the City nor the Underwriters of the Bonds makes any representation concerning these matters.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect, and the City expressly disclaims any responsibility to update this Official Statement to reflect any such changes. Investors wishing to use the facilities of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The City will have no responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC will act as securities depository for the Bonds. The 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 Bond certificate will be issued for each maturity of each Series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Direct Participants and Indirect Participants (collectively, "*DTC Participants*") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the DTC 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 DTC Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Ordinance and the Indenture or other documents related to the Bonds. Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

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

Payment of principal and interest on the 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 City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC, the Underwriters, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City 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 DTC Participants.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

Unless otherwise noted, the information contained in the preceding paragraphs concerning DTC and DTC's book-entry system has been extracted from information furnished by DTC. Neither the City nor the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

SO LONG AS THE BONDS ARE REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER DTC NOMINEE, AS NOMINEE FOR DTC, THE CITY AND THE TRUSTEE MAY TREAT DTC (OR ITS NOMINEE) AS THE SOLE AND EXCLUSIVE REGISTERED OWNER OF THE BONDS FOR ALL PURPOSES UNDER THE BOND ORDINANCE AND INDENTURE, INCLUDING FOR THE PURPOSES OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, GIVING ANY NOTICE PERMITTED OR REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE ORDINANCE AND INDENTURE, REGISTERING THE TRANSFER OF THE BONDS OR OTHER ACTION TO BE TAKEN BY REGISTERED OWNERS AND FOR ALL OTHER PURPOSES WHATSOEVER.

THE CITY AND THE TRUSTEE SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, TO ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR TO ANY DTC PARTICIPANT OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE CITY (KEPT BY THE TRUSTEE) AS BEING A REGISTERED OWNER THAT DTC OR DTC PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS: (i) PAYMENTS OF PRINCIPAL OR INTEREST ON THE BONDS; (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DTC PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

INTEREST AND PRINCIPAL WILL BE PAID BY THE CITY OR THE TRUSTEE TO DTC OR ITS NOMINEE. DISBURSEMENT OF SUCH PAYMENTS TO THE DIRECT PARTICIPANTS IS THE RESPONSIBILITY OF DTC, AND DISBURSEMENT OF SUCH PAYMENTS TO THE BENEFICIAL OWNERS IS THE RESPONSIBILITY OF THE DTC PARTICIPANTS.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, references in this Official Statement to the holders or registered owners of the Bonds (other than under the heading "TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO: (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (ii) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE TERMS OF THE ORDINANCE OR INDENTURE; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. OR OTHER DTC NOMINEE AS THE REGISTERED HOLDER OF THE BONDS; OR (vi) ANY OTHER MATTER.

Each person for whom a DTC Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant and may desire to make arrangements with such DTC Participant to have all notices of redemption or other

communications of DTC, which may affect such person, to be forwarded in writing by such DTC Participant and to have notification made of all interest payments. NONE OF THE CITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the City determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the City or restricted registration is no longer in effect, Bond certificates will be delivered as described in the Ordinance and Indenture.

General Provisions of the Bonds When Not in Book-Entry Only System

The Owners of the Bonds have no right to the appointment or retention of a securities depository for the Bonds. If (i) the City determines, or (ii) the City receives notice that the securities depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Bonds of a given series, that the securities depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the beneficial owners that they obtain certificated Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Bond certificates for such series. The City shall have no obligation to make any determination described in this paragraph.

If, following a determination or event specified in the preceding paragraph, the City discontinues the maintenance of the Bonds in book-entry form with the then-current securities depository, the City will issue replacement Bonds to the replacement securities depository, if any, or, if no replacement securities depository is selected for the Bonds, directly to the Participants as shown on the records of the former securities depository or, to the extent requested by any Participant, to the beneficial owners of the Bonds shown on the records of such Participant. The City and the Trustee may conclusively rely upon (i) a certificate of the securities depository as to the identity of the participants in the book-entry system and (ii) a certificate of such participants as to the identity of, and the respective principal amounts of Bonds beneficially owned by, the beneficial owners. Replacement Bonds shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the Bonds by check mailed to each Owner at the address of such Owner as it appears on the Bond Register or at the option of any Owner of not less than \$1,000,000 principal amount of Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Owner as of such Record Date, if such Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Bonds, are payable only upon presentation and surrender of such replacement Bond or Bonds at the designated corporate trust office of the Trustee.

SECURITY FOR THE BONDS

General

The Bonds are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations as to indebtedness. The Bonds have no claim to be paid from taxes of the City. As described below, the Bonds, together with the Outstanding Second Lien Bonds, including those issued and outstanding prior to the effective date of the Indenture and any Second Lien Parity Bonds issued from time to time in the future (which are expected to be issued under the Indenture), are secured by a pledge of Second Lien Bond Revenues that are derived from the Net Revenues Available for Bonds (as defined below) in the City's Sewer Revenue Fund, which claim is junior and subordinate to the claim of the Outstanding Senior Lien Bonds and any Senior Lien Parity Bonds. See "Flow of Funds —4. The Second Lien Bonds Account," below. In the Indenture, other than the Outstanding Senior Lien Bonds, the City covenants and agrees not to issue any additional Senior Lien Parity Bonds.

"Net Revenues Available for Bonds" means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Sewer Rate Stabilization Account plus the amounts allocated from the Sewer Rate Stabilization Account as provided in the Indenture plus the amounts allocated from the Residual Account at the direction of the Chief Financial Officer as provided in the Indenture. "Net Revenues" means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs. The terms "Gross Revenues" and "Operation and Maintenance Costs" have the meanings set forth in APPENDIX A—"GLOSSARY OF CERTAIN TERMS."

Pledge of Second Lien Bond Revenues

The Bonds are payable on a parity basis as to Second Lien Bond Revenues with all other Outstanding Second Lien Bonds, including those issued and outstanding prior to the effective date of the Indenture and any Second Lien Parity Bonds issued from time to time in the future (which are expected to be issued under the Indenture). Second Lien Bond Revenues consist of all Net Revenues Available for Bonds deposited into the Second Lien Bonds Account pursuant to the Bond Ordinance and the ordinances authorizing each prior series of Outstanding Second Lien Bonds and each series of Outstanding Second Lien Parity Bonds. On the Business Day immediately preceding each January 1 and July 1, the Authorized Officer is required to transfer to the Trustee for deposit into the Second Lien Bonds Account the amounts required by the Indenture and any ordinance authorizing the issuance of Second Lien Bonds. Pursuant to the Indenture and the prior respective indentures governing Second Lien Bonds issued prior to the effective date of the Indenture, such Second Lien Bond Revenues are pledged to the payment of the principal of and interest on the Bonds and all other Outstanding Second Lien Bonds, without priority or distinction of one series of Second Lien Bonds over any other series of Second Lien Bonds. See "Flow of Funds —4. The Second Lien Bonds Account," below.

Pledge of Amounts in Second Lien Construction Accounts

The Bonds, together with any other Outstanding Second Lien Bonds, are also secured by and payable from any amounts on deposit in the Second Lien Construction Accounts.

Flow of Funds

The City maintains the Sewer Revenue Fund as a separate fund of the City to, among other things, carry out the provisions of the ordinances authorizing the Senior Lien Bonds, the Second Lien Bonds, any Subordinate Lien Obligations, any Commercial Paper Notes or any Line of Credit Notes. All Gross Revenues of the Sewer System are credited as they are collected to the Sewer Revenue Fund, which is held by a depository bank which is currently not the depository for the City's General Fund. The Sewer Revenue Fund is separate, distinct and segregated from the City's General Fund and is not encumbered by any liens, claims, security interests or

obligations of the City relating to its General Fund. Net Revenues Available for Bonds are required pursuant to the Bond Ordinance to be deposited in the following accounts in the following order of priority:

1. The Bond Principal and Interest Account is used to pay principal of, redemption premium, if any, and interest on the Outstanding Senior Lien Bonds and amounts owed on Interest Rate Hedge Agreements for Outstanding Senior Lien Bonds. At least 10 days before each date that debt service payments are due with respect to Senior Lien Bonds, sufficient amounts to make such payments shall be deposited into this Account.

2. The Bond Debt Service Reserve Account is used to pay principal of, redemption premium, if any, and interest on the Outstanding Senior Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Bond Principal and Interest Account (after any available amounts in the Sewer Rate Stabilization Account and the Residual Account have first been applied to that purpose, excluding amounts in excess of the Bond Debt Service Reserve Requirement for Outstanding Senior Lien Bonds), except to the extent required to be credited to the Senior Lien Rebate Account.

3. The Senior Lien Rebate Account is used to make required rebates of arbitrage to the United States with respect to any Senior Lien Bonds.

4. The Second Lien Bonds Account is used to pay the principal of and interest on the Bonds and any other Outstanding Second Lien Bonds. The City also is required to make deposits in the Second Lien Bonds Account to meet other payment obligations under the Indenture and any ordinance or indenture authorizing Outstanding Second Lien Bonds. The City will make debt service and other deposits as required by the Indenture and by any ordinance or indenture authorizing Outstanding Second Lien Bonds. Moneys deposited in the Second Lien Bonds Account shall be transferred by the Authorized Officer on the date so deposited to the Trustee and the trustee or paying agent for each series of Second Lien Bonds in order to satisfy the debt service and other payment obligations, including with respect to Interest Rate Hedge Agreements, under the Indenture and any ordinance or indenture authorizing such Outstanding Second Lien Bonds. Moneys on deposit in the Second Lien Bonds Account shall be applied without priority as to any particular series of Outstanding Second Lien Bonds.

The City has established Debt Service Reserve Accounts for certain Series of Outstanding Second Lien Bonds. Each Debt Service Reserve Account secures only the Series of Outstanding Second Lien Bonds for which it was established. The Debt Service Reserve Requirement for certain Series of Outstanding Second Lien Bonds is or will be met by separate municipal bond debt service reserve fund policies and by cash deposits.

5. The Second Lien Debt Service Reserve Account is used to pay principal of, redemption premium, if any, and interest on the Outstanding Second Lien Bonds as the same become due at any time when there are insufficient funds available for such purpose in the Second Lien Bonds Account (after any available amounts in the Sewer Rate Stabilization Account and the Residual Account have first been applied to that purpose, excluding amounts in excess of the Second Lien Bonds Debt Service Reserve Requirement for Outstanding Second Lien Bonds), except to the extent required to be credited to the Second Lien Rebate Account.

6. The Second Lien Rebate Account is used to make required rebates of arbitrage to the United States with respect to any Second Lien Bonds.

7. **The Subordinate Lien Obligations Account** is used to make debt service payments and other required deposits with respect to any outstanding Subordinate Lien Obligations. As of the date of this Official Statement, the only Subordinate Lien Obligations outstanding are certain loans to the City made by the Illinois Environmental Protection Agency ("IEPA"). See "OUTSTANDING DEBT AND ANNUAL DEBT SERVICE—Subordinate Obligations." The City is obligated to make required debt service and other deposits in the Subordinate Lien Obligations Account on the Business Day immediately preceding each January 1 and July 1. Moneys on deposit in the Subordinate Lien Obligations Account shall be applied without priority to any subaccounts established in the Subordinate Lien Obligations Account, as directed by a certificate of the Authorized Officer.

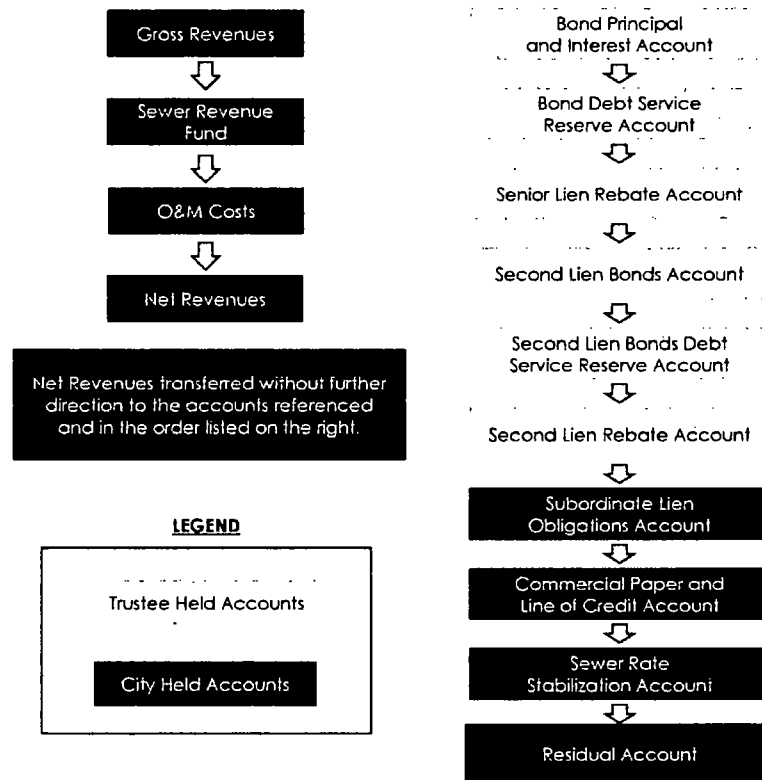
8. **The Commercial Paper and Line of Credit Account** is used for the purpose of paying such amounts as may be required to be paid by the related trust indentures governing Commercial Paper Notes, and for the purpose of paying such amounts as may be required to be paid by the related line of credit agreement governing such Line of Credit Notes.

9. **The Sewer Rate Stabilization Account** is funded by transfers from the Sewer Revenue Fund from Net Revenues and deposited to the credit of the Sewer Rate Stabilization Account the amounts as shall be required for the balance in the Sewer Rate Stabilization Account to equal at least ninety (90) Days' Cash On Hand as of January 1 of each year. The Sewer Rate Stabilization Account is used at the City's discretion, in any year, to pay any expenses of or obligations of the Sewer System, including, without limitation, Operation and Maintenance Costs, deposits in the Bond Principal and Interest Account, deposits in the Bond Debt Service Reserve Account, deposits when due in the Second Lien Bonds Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account and the Bond Debt Service Reserve Account), deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account or the Second Lien Bonds Account), deposits when due in the Commercial Paper and Line of Credit Account (but only if and to the extent no amounts are required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Second Lien Bonds Account, or the Subordinate Lien Obligations Account), the costs of any Interest Rate Hedge Agreements or other similar arrangement or any costs of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System. The Sewer Rate Stabilization Account must be used to make all required deposits to the Bond Principal and Interest Account and the Bond Debt Service Reserve Account when no other funds are available for that purpose. Any Net Revenues remaining in any period and not required to be deposited in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Subordinate Lien Obligations Account, or the Commercial Paper and Line of Credit Account may be transferred to the Sewer Rate Stabilization Account at any time upon the direction of the Authorized Officer. The Sewer Rate Stabilization Account shall be maintained in a separate bank account in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. For more information concerning the Sewer Rate Stabilization Account, see "FINANCIAL OPERATIONS — Historical and Projected Operations."

10. **The Residual Account** is funded by transfers from the Sewer Revenue Fund from Net Revenues Available for Bonds and deposited to the credit of the Residual Account such amounts as are not otherwise required for the purposes specified in paragraphs (1) through (9) above or as required by the Indenture. The Residual Account shall be maintained in a bank or banks designated by the Chief Financial Officer pursuant to a depository agreement. In any year the City may withdraw any amounts from the Residual Account and use those amounts for (i) paying any expenses or obligations of the Sewer System, including, without limitation, any Operation and Maintenance Costs, (ii) making deposits when due in the Second Lien Bonds Account, (iii) making deposits when due in the Subordinate Lien Obligations Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts), (iv) making deposits when due in the Commercial Paper Account (but only if and

to the extent no amounts are required to be deposited in the Second Lien Bond Accounts or the Subordinate Lien Obligations Account), (v) making deposits when due in the Line of Credit Notes Account (but only if and to the extent no amounts are required to be deposited in the Second Lien Bond Accounts, in the Subordinate Lien Obligations Account or in the Commercial Paper Account), (vi) any cost of repairs, replacements, renewals, improvements, equipment or extensions to the Sewer System or (vii) any other cost or expense relating to the Sewer System or the financing or refinancing of the Sewer System. The Chief Financial Officer may allocate from the Residual Account to Net Revenues Available for Bonds, the amount determined by the CFO of the City of Chicago to be allocated for such purpose.

The following chart demonstrates the flow of funds from the Sewer Revenue Fund as described above.



Any funds available in the Sewer Revenue Fund after the requirements above have been satisfied or which are not necessary to satisfy such requirements may be used for any lawful purpose of the Sewer System. Funds in the Accounts in the Sewer Revenue Fund established in the Bond Ordinance must be invested in Permitted Investments. All amounts in the Bond Debt Service Reserve Account and each Senior Lien Rebate Account must be invested in Permitted Investments that are held separate and distinct from those of any other Funds or Accounts. Investments shall be scheduled to mature before needed for the respective purposes of each of such accounts. All investment earnings on any such Accounts so invested must be credited to the Sewer Revenue Fund and shall be considered Gross Revenues, except that earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be considered Gross Revenues and shall be retained in the respective Senior Lien Rebate Accounts except to the extent no longer required for rebate purposes.

The Series 2010B Second Lien Bonds are qualified "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), which allows the City to receive Federal Subsidies from the United States Treasury in connection with such bonds. As provided in the Indenture, Gross Revenues exclude Federal Subsidies unless the Chief Financial Officer designates such Federal Subsidies as amounts to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture. The City may designate the

Federal Subsidies associated with the Series 2010B Second Lien Bonds to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture and provides certain projections herein assuming such designation. However, such designation has not been made and there is no assurance that such designation will be made in the future. Accordingly, unless or until such Federal Subsidies are designated to be deposited into the Sewer Revenue Fund and subject to the lien of the Indenture, such Federal Subsidies do not constitute security for, and are not available for payment of, the Bonds or any other Second Lien Bonds, nor any Senior Lien Bonds, Subordinate Lien Obligations, or Short Term Obligations.

Payment of Debt Service on the Bonds

The Indenture establishes the 2023 Second Lien Bonds Revenue Fund to be held and administered by the Trustee. Under the Indenture, the Authorized Officer is required on the Business Day preceding each January 1 and July 1 to transfer to the Trustee for deposit in the 2023 Second Lien Bonds Revenue Fund the amounts required to be deposited in such 2023 Second Lien Bonds Revenue Fund from amounts on deposit in the Second Lien Bonds Account. The Indenture establishes a 2023 Principal and Interest Account within the 2023 Second Lien Bonds Revenue Fund. Moneys on deposit in the 2023 Principal and Interest Account will be held by the Trustee for the sole and exclusive benefit of the Bonds and used for the purpose of paying the principal of and interest on such Bonds as it becomes due.

Second Lien Rate Covenant

In the Indenture, the City covenants that it will establish, maintain and collect at all times fees, charges and rates for the use and service of the Sewer System sufficient at all times to (a) pay Operation and Maintenance Costs, (b) produce Net Revenues Available for Bonds sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Senior Lien Bonds then Outstanding from time to time and to establish and maintain the Bond Principal and Interest Account and the Bond Debt Service Reserve Account as may be covenanted in ordinances authorizing the issuance of Senior Lien Bonds, which Net Revenues Available for Bonds shall in each Fiscal Year at least equal one hundred fifteen percent of the sum required to pay promptly when due the Bond Debt Service Requirement for the Fiscal Year on all Senior Lien Bonds then Outstanding, and (c) produce Second Lien Bond Revenues sufficient to pay the principal (at maturity or pursuant to mandatory sinking fund redemption) of and interest on all Second Lien Bonds then Outstanding from time to time, which Second Lien Bond Revenues shall in each Fiscal Year at least be equal to one hundred ten percent of the sum required to pay promptly when due the Second Lien Bonds Debt Service Requirement for the Fiscal Year on Second Lien Bonds. The amount of Net Revenues Available for Bonds that exceeds one hundred percent of the sum required to pay promptly when due the Bond Debt Service Requirement for any Fiscal Year on all Senior Lien Bonds Outstanding may be included in determining compliance with the requirements of clauses (b) and (c) of the preceding sentence for such Fiscal Year. The foregoing covenants are collectively referred to herein and heretofore defined as the "Rate Covenant."

The City will, prior to the end of each Fiscal Year, conduct a review to determine if it has been and will be in compliance with the Rate Covenant. Whenever the annual review indicates that projected Gross Revenues will not be sufficient to comply with the Rate Covenant, the City shall prepare or have prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the Rate Covenant and the Office of Budget and Management of the City and the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant.

Additional Second Lien Parity Bonds

Additional Second Lien Parity Bonds may be issued, as provided in the Indenture, for any lawful purpose of the Sewer System, including to refund Outstanding Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations, Commercial Paper Notes, or Line of Credit Notes, in each case upon compliance with certain

conditions set forth in the Indenture. See APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Additional Second Lien Parity Bonds.”

Additional Information

For an additional description of the requirements that must be satisfied for the City to issue Second Lien Parity Bonds and other terms of the Indenture, see APPENDIX B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Deficiencies and Excesses

In the event of a deficiency on any Interest Payment Date in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, any Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, the Second Lien Rebate Account, the Subordinate Lien Obligations Account or the Commercial Paper and Line of Credit Account, the City shall transfer an amount from the Residual Account in the amount of such deficiency for deposit into the related deficient account. In addition, the amount of any deficiency shall be included in the amount to be transferred from the Sewer Revenue Fund and deposited into such account during the next 12-month period or succeeding Fiscal Year, as required by this Indenture.

Cash and Investments

Any cash or investments in the Bond Debt Service Reserve Account and Senior Lien Rebate Account shall be held pursuant to depository agreements in separate bank accounts and in separately identifiable investments as described below under the heading “—Investment of Funds.” The remainder of all amounts in the Sewer Revenue Fund, including amounts for payment of debt service on the Bonds and any Senior Lien Parity Bonds and Second Lien Parity Bonds prior to their deposit in the Bond Principal and Interest Account or the Second Lien Bonds Account, is deposited in bank accounts and invested on a commingled basis with a variety of other funds of the City, including the General Fund. The amounts which are commingled and invested as described above are referred to as the City’s “consolidated cash.” Consolidated cash may be used for interfund borrowings among various funds of the City, including, but not limited to, the Sewer Revenue Fund, and such use reduces the need for external borrowing by the City to meet the needs of the Sewer Revenue Fund and other funds of the City. The City has maintained its consolidated cash, including interfund borrowing by the Sewer Revenue Fund, so as to meet the obligations of the Sewer Revenue Fund in a timely fashion.

The investment of City funds is governed by the City’s Municipal Code, which provides that neither the City Comptroller nor the City Treasurer has the authority, without City Council approval, to “... (i) invest in arrangements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities or (ii) borrow against or otherwise obligate City investments for the purpose of investment.” See APPENDIX C—“CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020, AND INDEPENDENT AUDITORS’ REPORT—Notes (1) and (2).” In the Bond Ordinance, the City Council granted such approval in connection with the plan of financing for the Bonds. In accordance with the requirements of the Public Funds Investment Act enacted by the State, the City Council has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the Office of the City Treasurer in the investment of City funds in accordance with the Municipal Code.

Investment of Funds

Funds in the accounts described above under the heading “Flow of Funds” and in the accounts established under the Indenture are required to be invested in Permitted Investments upon the direction of the Authorized Officer. Investments must be scheduled to mature before needed for the respective purposes of each of such accounts. All Investment Earnings on any such accounts so invested are credited to the Sewer Revenue Fund and

are considered Gross Revenues; provided, however, that earnings on the investment of amounts on deposit in the Senior Lien Rebate Accounts shall not be Investment Earnings, shall not be considered Gross Revenues, and will be retained in the respective Senior Lien Rebate Accounts, except to the extent no longer required for rebate purposes.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At December 31, 2022:

- The policyholders' surplus of AGM was approximately \$2,747 million.
- The contingency reserve of AGM was approximately \$855 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,134 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023 that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption **"BOND INSURANCE – Assured Guaranty Municipal Corp."** or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading **“BOND INSURANCE”**.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

OUTSTANDING DEBT AND ANNUAL DEBT SERVICE

Senior Lien and Second Lien Obligations

The outstanding indebtedness of the Sewer System consists of \$19.9 million aggregate principal amount of Senior Lien Bonds and, following the issuance of the Bonds and the refunding of the Refunded Bonds, approximately \$1.62 billion aggregate principal amount of Second Lien Bonds. The City has covenanted in the Indenture that it will not issue additional Senior Lien Bonds, which covenant will continue to remain effective once there are no longer any Senior Lien Bonds outstanding. The Subordinate Lien Obligations outstanding are described below. The debt service of the Senior Lien Bonds and the Second Lien Bonds, after the issuance of the Bonds, is as shown in the following table.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

SENIOR LIEN AND SECOND LIEN OUTSTANDING ANNUAL DEBT SERVICE⁽¹⁾

Fiscal Year	Outstanding Senior Lien Bonds*	Outstanding Second Lien Bonds ² *	2023A Bonds				2023B Bonds				Total Second Lien Debt Service	Total Debt Service Requirements ⁽³⁾
			Principal	Interest	Capitalized		Total	Principal	Interest	Total		
					Interest	Interest						
2023	\$13,695,000	\$106,481,620		\$8,791,646	\$8,791,646	\$0			\$6,148,347	\$112,629,967	\$126,324,967	
2024	595,000	120,095,183		13,760,838	13,760,838	0			9,623,500	129,718,683	130,313,683	
2025	24,680,000	95,405,061		13,760,838	13,760,838	0			9,623,500	105,028,561	129,708,561	
2026	24,680,000	95,485,476		13,760,838	13,760,838		13,749,390		9,623,500	118,858,366	143,538,366	
2027	24,680,000	95,549,985		13,760,838	13,760,838		13,760,838		9,623,500	118,934,323	143,614,323	
2028		105,418,546		13,760,838	13,760,838		13,760,838	\$14,385,000	9,623,500	143,187,884	143,187,884	
2029		105,396,952		13,760,838	13,760,838		13,760,838	15,105,000	8,904,250	143,167,040	143,167,040	
2030		105,200,845		13,760,838	13,760,838		13,760,838	15,860,000	8,149,000	142,970,683	142,970,683	
2031		105,174,458		13,760,838	13,760,838		13,760,838	16,650,000	7,356,000	142,941,296	142,941,296	
2032		104,787,589		13,760,838	13,760,838		13,760,838	17,480,000	6,523,500	142,551,927	142,551,927	
2033		104,544,217		13,760,838	13,760,838		13,760,838	18,360,000	5,649,500	142,314,554	142,314,554	
2034		104,122,497		13,760,838	13,760,838		13,760,838	19,275,000	4,731,500	141,889,834	141,889,834	
2035		103,670,519		13,760,838	13,760,838		13,760,838	20,235,000	3,767,750	141,434,106	141,434,106	
2036		93,992,749		13,760,838	13,760,838		13,760,838	21,255,000	2,756,000	131,764,587	131,764,587	
2037		98,474,087		13,760,838	13,760,838		13,760,838	17,315,000	1,693,250	131,243,175	131,243,175	
2038		83,364,075		13,760,838	13,760,838		13,760,838	16,550,000	827,500	114,502,413	114,502,413	
2039		61,058,185	\$6,960,000	13,760,838	13,760,838		20,720,838			81,779,023	81,779,023	
2040		30,332,138	7,325,000	13,395,438	13,395,438		20,720,438			51,052,575	51,052,575	
2041		30,355,088	7,710,000	13,010,875	13,010,875		20,720,875			51,075,963	51,075,963	
2042		30,369,450	8,115,000	12,606,100	12,606,100		20,721,100			51,090,550	51,090,550	
2043		30,395,200	8,545,000	12,180,063	12,180,063		20,725,063			51,120,263	51,120,263	
2044		10,872,950	8,990,000	11,731,450	11,731,450		20,721,450			31,594,400	31,594,400	
2045		10,871,950	9,465,000	11,259,475	11,259,475		20,724,475			31,596,425	31,596,425	
2046		10,871,700	9,960,000	10,762,563	10,762,563		20,722,563			31,594,263	31,594,263	
2047		10,871,200	10,485,000	10,239,663	10,239,663		20,724,663			31,595,863	31,595,863	
2048		10,873,800	11,035,000	9,689,200	9,689,200		20,724,200			31,598,000	31,598,000	
2049		10,872,000	11,615,000	9,109,863	9,109,863		20,724,863			31,596,863	31,596,863	
2050		10,875,400	12,225,000	8,500,075	8,500,075		20,725,075			31,600,475	31,600,475	
2051		10,873,200	12,865,000	7,858,263	7,858,263		20,723,263			31,596,463	31,596,463	
2052			13,540,000	7,182,850	7,182,850		20,722,850			20,722,850	20,722,850	
2053			14,250,000	6,472,000	6,472,000		20,722,000			20,722,000	20,722,000	
2054			15,000,000	5,723,875	5,723,875		20,723,875			20,723,875	20,723,875	
2055			15,785,000	4,936,375	4,936,375		20,721,375			20,721,375	20,721,375	
2056			16,615,000	4,107,663	4,107,663		20,722,663			20,722,663	20,722,663	
2057			17,490,000	3,235,375	3,235,375		20,725,375			20,725,375	20,725,375	
2058			9,700,000	2,317,150	2,317,150		12,017,150			12,017,150	12,017,150	
2059			10,235,000	1,783,650	1,783,650		12,018,650			12,018,650	12,018,650	
2060			10,800,000	1,220,725	1,220,725		12,020,725			12,020,725	12,020,725	
2061			11,395,000	626,725	626,725		12,021,725			12,021,725	12,021,725	
	\$88,330,000	\$1,896,656,119	\$260,105,000	\$396,914,459	\$36,324,768		\$620,694,690	\$192,470,000	\$104,624,097	\$297,094,097	\$2,814,444,907	

Note: The applicable footnotes for the preceding table are shown on the following page.

FOOTNOTES FOR THE PRECEDING TABLE ENTITLED "SENIOR LIEN AND SECOND LIEN OUTSTANDING ANNUAL DEBT SERVICE"

*Outstanding Senior Lien Bonds and outstanding Second Lien Bonds are governed by the terms of the respective trust indentures relating to such bonds on a parity basis.

- (1) Reflects the issuance of the Bonds and the Refunding of the Refunded Bonds. Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's wastewater transmission revenue bonds on July 1 of that year and January 1 of the following year. All of the City's outstanding wastewater transmission revenue bonds bear interest at a fixed rate.
- (2) Interest for each year includes the full amount of interest payable on the City's Series 2010B Second Lien Bonds without adjustment for certain direct payment subsidies expected by the City to be received from the U.S. Treasury.
- (3) Subordinate Lien Obligations are not included in this outstanding debt service table.

Totals may not add due to rounding.

Subordinate Obligations

The City has entered into loan agreements with the IEPA as shown in the following table, to fund Sewer System projects. Each loan constitutes a Subordinate Lien Obligation. It is anticipated that the City will enter into additional IEPA loans in the future. Subordinate Lien Obligations, including the IEPA loans, have a claim to payments from amounts in the Sewer Revenue Fund that is subordinate to the claim of the Bonds. As of April 1, 2023, there were \$412.1 million outstanding aggregate principal amount of Subordinate Lien Obligations in the form of loans from the IEPA.

IEPA SEWER REVENUE FUND LOANS OUTSTANDING⁽¹⁾

<u>IEPA Loans in Repayment</u>	<u>Final Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount of Loan Outstanding⁽²⁾</u>
L17-2509	8/28/2027	2.50	\$412,275
L17-3629	6/21/2031	0.00	6,502,925
L17-4565	12/30/2032	1.25	9,673,680
L17-4682	3/20/2033	1.25	9,538,901
L17-4863	3/4/2034	2.295	9,446,159
L17-5006	7/21/2035	1.93	37,045,631
L17-5224	8/18/2036	1.86	3,146,735
L17-5230	6/9/2036	1.995	41,263,413
L17-5323	11/3/2037	1.75	5,360,296
L17-5328	5/30/2023	1.86	51,552,907
L17-5396	11/7/2038	1.75	22,787,912
L17-5397	4/26/2039	1.76	15,143,569
L17-5398	1/15/2040	1.76	22,764,400
L17-5413	12/19/2038	1.76	51,667,626
L17-5560	4/9/2040	1.84	44,999,883
L17-5561	10/7/2040	1.84	27,391,735
L17-5653	8/9/2042	1.35	53,368,831

Total Outstanding Principal Balance	<u>\$412,066,878</u>
-------------------------------------	----------------------

(1) Outstanding principal amounts as of April 1, 2023.

The City has also signed initial loan agreements pertaining to an additional \$134.3 million of IEPA loans. Disbursements for these loans are ongoing and the final amounts of the loans may change based on project needs. The interest rates and expected maturity dates are shown as set out in the initial loan agreements, but may change when the final loan agreements are signed following the final disbursement of each loan.

IEPA SEWER REVENUE FUND LOANS WITH INITIAL LOAN AGREEMENTS

<u>IEPA Loans Still Disbursing</u>	<u>Expected Maturity</u>	<u>Expected Rate</u>	<u>Full Amount of Loan</u>
L17-5399	10/11/2042	2.00	\$11,447,442
L17-5400	5/27/2042	1.35	15,206,872
L17-5798	5/26/2043	1.11	18,207,459
L17-5799	10/30/2042	1.11	57,905,750
L17-5800	7/5/2041	1.11	<u>31,548,794</u>

Total Pending Loan Amounts	<u>\$134,316,317</u>
----------------------------	----------------------

The Series 2012 Bond Ordinance authorized the issuance from time to time of Commercial Paper Notes and Line of Credit Notes for the purposes of financing or refinancing capital improvements to the Sewer System or providing funds to meet the cash flow needs of the Sewer System, among others. The maximum aggregate principal amount of all Commercial Paper Notes and Line of Credit Notes outstanding at any one time may not exceed \$150,000,000, without further authorization from the City Council. The claim of any Commercial Paper Notes or Line of Credit Notes for payment from moneys in the Sewer Revenue Fund is subordinate to the claim of the Bonds. The City has no Commercial Paper Notes nor Line of Credit Notes outstanding pursuant to this authorization, however the City reserves its rights to issue Commercial Paper Notes and Line of Credit Notes in the future.

All interest rate swaps associated with the City's Second Lien Bonds have been terminated, however the City reserves its rights to enter into interest rate swaps in connection with Second Lien Bonds in the future.

DEPARTMENT OF WATER MANAGEMENT

The Department is an executive department of the City with responsibility for the operation, maintenance, repair, improvement and extension of the Water System and the Sewer System. Separate water and sewer funds are maintained to comply with legal requirements.

The budgeted employment level of the Department for 2023 for Sewer System employees was 432 (this represents the total number of Sewer System employees on the City's payroll and excludes leaves of absence and duty disability). The Department includes employees with professional qualifications in the fields of engineering, law, science, construction management, public sector management and financial management, as well as skilled technical personnel. Substantially all of the Department's employees are covered by collective bargaining agreements, whose terms expired on June 30, 2022, with the agreements remaining in effect while negotiations continue on successor agreements.

In 2023, the City undertook a salary compression analysis (the "Salary Study") as a managerial retention initiative. The Salary Study recommended the adjustment of certain non-represented managerial salaries, including Department non-represented managerial employees, to more accurately reflect executive functions, levels of supervision, and responsibilities. The ordinance authorizing the adjustment of managerial salaries according to the Salary Study was passed by City Council on April 19, 2023.

The Department is building efficiencies and cost savings for the City by coordinating the activities of the Sewer System with the work of other City agencies, the Office of the Mayor, other City departments and private utility providers. For example, the Department and other City agencies participate in regularly scheduled coordination meetings to review critical infrastructure requirements, share in the costs of administration, set program deadlines, work with tax-increment financing capital planning and ensure the Chicago Department of Transportation manages rights of way scheduling and construction.

The Department has increased its use of mapping and technology. Some of the key benefits from these programs include but are not limited to: (i) the ability to update existing systems like 311 from the field; (ii) the ease of integrating the Geographic Information System with other systems such as the Department's work order management system, metering system, and scheduling software; (iii) the ability to coordinate with field crews and off-site contractors directly; and (iv) having live data presented in a visual format that provides a full operational picture and true status updates. The Department pushes information out into the field using mobile devices so that the construction and maintenance crews can quickly and easily follow the plan and report back live information and progress of their work. In 2017, the City took an innovative approach and developed a citywide full-pipe model of the sewer system that accounts for the complex nature of Chicago's land and sewer features. Since then, the full-pipe model has been used to understand the hydraulic model performance of the existing system and evaluate options to improve it.

Organization and Staffing

The chief administrator of the Department is the Commissioner, who is appointed by the Mayor with the approval of the City Council. On May 26, 2021, Andrea R.H. Cheng was appointed by the Mayor as Commissioner. Under the direction of the Commissioner, the Department is organized into five bureaus and the Commissioner's office as follows:

Commissioner's Office: The office is responsible for the oversight and management of general and project-specific initiatives for the other bureaus. This office also includes security and safety.

Administrative Support: This bureau is responsible for the collection and dissemination of all financial information, procurement and contract administration, personnel, labor relations, information technology and payroll.

Operations and Distribution: This bureau is responsible for the maintenance, repair and installation of water and sewer mains and appurtenances, including valves, fire hydrants, manholes, catch basins and valve basins.

Water Supply: This bureau is responsible for the treatment, purification, pumping and monitoring the quality and purity of the water supply.

Engineering Services: This bureau is responsible for providing engineering and inspection support for the planning, design, expansion, rehabilitation, operating, monitoring and inspection of the Water and Sewer Systems.

Meter Service: This bureau is responsible for water meter installation, reading and repair.

The City maintains a self-insurance program, including casualty coverage, general liability coverage and workers' compensation for the Department. The City also maintains replacement-cost property insurance that covers the major facilities of the Sewer System.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

Description of Physical Facilities

The Sewer System consists of approximately 4,400 miles of sewers, ranging in size from six inches to over 21 feet in diameter. The tables below provide a profile of the transmission facilities of the Sewer System by size, age and length:

WASTEWATER TRANSMISSION AND COLLECTION FACILITIES

Size (in inches)	Length (in miles)	Percent of System
6-36	3,732	83.5%
42-84	538	12.0
Larger than 84	<u>201</u>	<u>4.5</u>
Total	<u>4,471</u>	<u>100.0%</u>

Years Placed in Service	Approximate Length (in miles)	Approximate Percent of System
2021-2022	23	0.5%
2011-2020	202	4.5
2001-2010	136	3.1
1991-2000	187	4.2
1981-1990	149	3.3
1961-1980	371	8.3
1941-1960	391	8.7
1921-1940	848	19.0
1901-1920	1,024	22.9
Prior to 1900	<u>1,141</u>	<u>25.5</u>
Total	<u>4,471</u>	<u>100.0%</u>

These wastewater collection and transmission facilities primarily operate as a gravity system.

Capital Improvement Program

The City, through the Department, continually improves and rehabilitates the Sewer System. To provide for future additions to the Sewer System, replacement of facilities and rehabilitation of existing facilities, and improvement of overall hydraulic capacity the Department most recently prepared a projected capital improvement program covering a five-year period from 2022 to 2026 (the "Capital Improvement Program"). Under the Capital Improvement Program, the City intends to construct 65 miles of sewer main, line 212 miles of existing sewers and rehabilitate 5,000 sewer structures.

The Capital Improvement Program follows the conclusion of the previous ten-year plan undertaken between 2012 to 2021 (the "2012 to 2021 CIP"), which was intended to address deferred maintenance and accelerate investment in sewer main replacement and lining. In total, the Department constructed 212 miles of sewer main, lined 546 miles of sewer main, and constructed 101,000 sewer structures.

The Sewer System's expenditures for 2017 through 2021 and projected expenditures for 2022 through 2026 of the Capital Improvement Program are summarized in the table below. The information presented in the table reflects the Department's expected allocations of resources to various projects, but does not necessarily represent an expectation of actual cash expenditures for these projects, which are subject to annual approval of the City of Chicago Office of Budget and Management. The primary sources of funds to undertake these projects are expected to be proceeds from contemplated debt issuances, including IEPA loans, as well as funding from current sewer revenue (also referred to as "Pay-Go"). In 2021 and 2022, as with other large infrastructure systems across the country, the Department experienced some project delays and increased costs due to shortages in supplies and manpower. The Department's CIP, as planned over the long term, will not be materially impacted by prior years' shortages.

HISTORICAL AND PROJECTED CAPITAL IMPROVEMENT PROGRAM FUNDING BY SOURCE*

<u>Funding Sources</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Bonds	\$65.7	\$81.1	\$35.6	\$46.5	\$1.6	107.5	\$125.8	\$180.6	\$166.5	\$163.9
Pay-Go	49.8	22.3	12.8	24.4	119.1	53.4	4.4	-	14.5	19.6
Grants	7.6	-	4.8	2.8	-	-	-	-	-	-
IEPA Loans	<u>49.5</u>	<u>99.4</u>	<u>116.6</u>	<u>41.7</u>	<u>36.5</u>	<u>116.1</u>	<u>93.1</u>	<u>51.2</u>	<u>51.2</u>	<u>51.2</u>
Total	<u>\$172.6</u>	<u>\$202.8</u>	<u>\$169.7</u>	<u>\$115.4</u>	<u>\$157.3</u>	<u>\$277.00</u>	<u>\$223.3</u>	<u>\$231.8</u>	<u>\$232.2</u>	<u>\$234.7</u>

*The amounts shown are in the millions. The amounts shown for years 2017-2021 are actual cash expenditures.

The Department has applied for and received funding from the IEPA Clean Water Initiative State Revolving Loan Fund Program. This program provides loans for a twenty-year repayment term in most instances with shorter repayment schedules negotiated under certain project circumstances. The loans, which are Subordinate Lien Obligations, are provided at simple interest and payback does not begin until the completion of the construction. Interest rates for the program are established annually and are calculated and applied at one-half the Bond Market Interest Rate, defined as the mean interest rate of the *Bond Buyer* 20 Bond General Obligation Index for the preceding fiscal year. The interest rate in effect at the time of origination remains fixed for the life of the loan. See "OUTSTANDING DEBT AND ANNUAL DEBT SERVICE-Subordinate Obligations."

Area 4 Regional Sewer Master Planning. The Department is advancing the Citywide Master Planning efforts to the southside Area 4 Watershed to address this region's flooding and local sewers surcharge and sewer backup problems. The Area 4 planning area or watershed stretches south of the 87th Street, between Cicero Avenue to the west, Lake Michigan to the east, and is located within City Wards 8, 9, 10, 19, and 21. This area serviced by the city's combined sewers is approximately 30 square miles which is about 15 percent of total service area of the City. The project includes regional sewer improvements for the entirety of Area 4 with verification and optimization of local sewer system as summarized in the previous Area 4 study reports. Detailed hydrologic & hydraulic modelling will be used for listing and verification/optimization of the size and location of various future connecting sewer projects to achieve a 5-year level of flood protection for the Area 4. The Area 4 Tunnel will add additional conveyance capacity and relief to existing trunk sewers that are generally 36-inch and larger in diameter.

Lead Service Line Replacement Program. There are approximately 387,000 lead service lines in the City, primarily in single-family and two-flat residences. Lead is a toxin that is harmful to human health. Developing fetuses, infants and young children are especially vulnerable. Due to the high concentration of lead service lines in the City, the City announced plans to replace every lead service line in the City. The City estimates that the full cost to replace all of the lead service lines in the City is \$8 to \$10 billion. Lead Service Line Replacement ("LSLR") consists of replacement of the water line running from the water main to the external water shut-off valve (sometimes called the "Buffalo-box" or "B-box") and replacement of the water line running from the external water shut-off valve into the home. On August 27, 2021, the Lead Service Line Replacement and

Notification Act, 415 ILCS 5/17.12 (the “Lead Service Line Replacement Act”), was signed into state law and became effective for Chicago on January 1, 2023. Among other things, the Lead Service Line Replacement Act requires the owners and operators of community water supplies in the State to develop, implement and maintain a comprehensive water lead service line replacement plan. The legislation provides no funding for the replacement. Under the Lead Service Line Replacement Act, the City has 50 years (with the possibility of up to 15 years of extensions) to complete the LSLR work. The 50-year replacement period for the City does not begin until April 15, 2027. The Lead Service Line Replacement Act requires full water service line replacement whenever any lead or galvanized iron lines are broken or disturbed, including for service line leaks and breaks and water or sewer main replacement. Therefore, any lead service lines that are disturbed as a result of the Capital Improvement Program will have to be replaced. Sewer Revenues may not be used to fund LSLR. Any costs to finance LSLR required as a result of the Capital Improvement Program will be paid from alternative funding sources.

US EPA

In 1975, the Water Reclamation District began the construction of its Tunnel and Reservoir Plan (“TARP”) project to address combined sewer overflows (“CSOs”) in the metropolitan Chicago area. Tunnel systems have been completed and TARP is the long term control plan to mitigate flooding in Chicago. The project will be completed upon the final completion of the reservoirs, which is expected to be in 2029. In 2004, the United States Environmental Protection Agency (“US EPA”) requested information from the Department concerning the City’s compliance with regulatory requirements under the Clean Water Act pertaining to CSOs in Chicago area waterways. Overflows may occur when the combined flow of storm water run-off and sanitary sewage exceeds the capacity of the Sewer System and the sewage collection and treatment facilities of the Water Reclamation District.

The Department receives requests for information from US EPA regarding CSOs and related issues from time to time, to which it responds. The Department and other City officials have been in conversations with US EPA and other interested environmental organizations on the renewal of the National Pollutant Discharge Elimination System (“NPDES”) permit for Chicago CSO outflows. Once the Department, other City officials, and other interested environmental organizations reach an accord, the City will work directly with the Illinois EPA on the issuance of the new NPDES permit.

SEWER SYSTEM

General

The Sewer System provides sewage and drainage collection and conveyance for a service area of roughly 230 square miles inhabited by approximately 2.7 million people.

The Sewer System was designed, constructed and continues to be a combined system to provide for collection and conveyance of both sanitary sewage and storm water run-off in common sewer conduits. The Sewer System is not responsible for, and does not include any facilities for, the treatment or disposal of sewage. It is limited to collecting and conveying wastewater to the interceptor sewers of the Water Reclamation District, an independent government entity with exclusive responsibility for sewage treatment, sewage disposal and flood control in the City and neighboring suburbs. The Water Reclamation District is charged with providing and managing the facilities for the collection (through a network of approximately 536 miles of intercepting sewers and force mains), treatment and subsequent disposal of sewage from the City and surrounding areas. The Water Reclamation District finances its operations primarily through the imposition of an ad valorem tax in the area that it serves.

The City is solely responsible for the Sewer System except with respect to direct connections to rivers and waterways, in which case approval must be obtained from the Water Reclamation District or the U.S. Army Corps of Engineers, and direct connections to the Water Reclamation District, in which case approval must be obtained from the Water Reclamation District.

There are no significant areas of the City without sewer service and, except for a very limited number of industrial users who have direct connections to the Water Reclamation District's interceptors, connection to the Sewer System is the only feasible means of wastewater disposal for nearly all City users. By regulation of the Department, all sewer work performed within the City or connecting to the Sewer System or to the City's waterways, whether on public or private property, is subject to approval by the Department. For additional economic and demographic information regarding the City and the Sewer System, see APPENDIX E – CITY OF CHICAGO ECONOMIC AND DEMOGRAPHIC INFORMATION.

The following table shows the population of the City for the past five decades:

SEWER SYSTEM SERVICE AREA POPULATION	
Year	Population
1970	3,369,357
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598
2020	2,746,388

Source: U.S. Census Bureau.

FINANCIAL OPERATIONS

Recent Sewer Service Rates

Revenues from sewer service charges provide funds for the operation, maintenance and debt service of the Sewer System. The Sewer Revenue Fund receives no share of any state or local property or income taxes.

Sewer service rates are set by ordinance. The sewer service charge is established in an amount designed to pay the costs of Sewer System operations and capital improvements, including any related debt service. The current charge for sewer service is an amount equal to 100 percent of the gross amount charged for water service, whether such water service is metered or nonmetered.

On June 1, 2023, the water rate will increase by 5.0 percent to \$4.55 per 1,000 gallons. By ordinance, the water rate is automatically adjusted by applying to the previous year's rate the rate of inflation, calculated based on the Consumer Price Index–Urban Wage Earners and Clerical Workers (Chicago All Items) published by the United States Bureau of Labor Statistics for the 365-day period ending on the most recent January 1 ("CPI"). Such increases do not require further action by the City Council. Any such automatic annual increase, however, shall be capped at 5 percent of the previous year's rate. Because the sewer rate is set as a percentage of the water rate, sewer rates also increase annually based on any increase in the CPI (which increase commenced June 1, 2016). The City Council may take action at any time to alter the then-current schedule of water or sewer rates. Under certain conditions, the Authorized Officer shall recommend appropriate action to the City Council to comply with the Rate Covenant. See "INTRODUCTION – Rate Covenant."

The historical sewer rates are shown in the following table.

HISTORICAL SEWER RATES

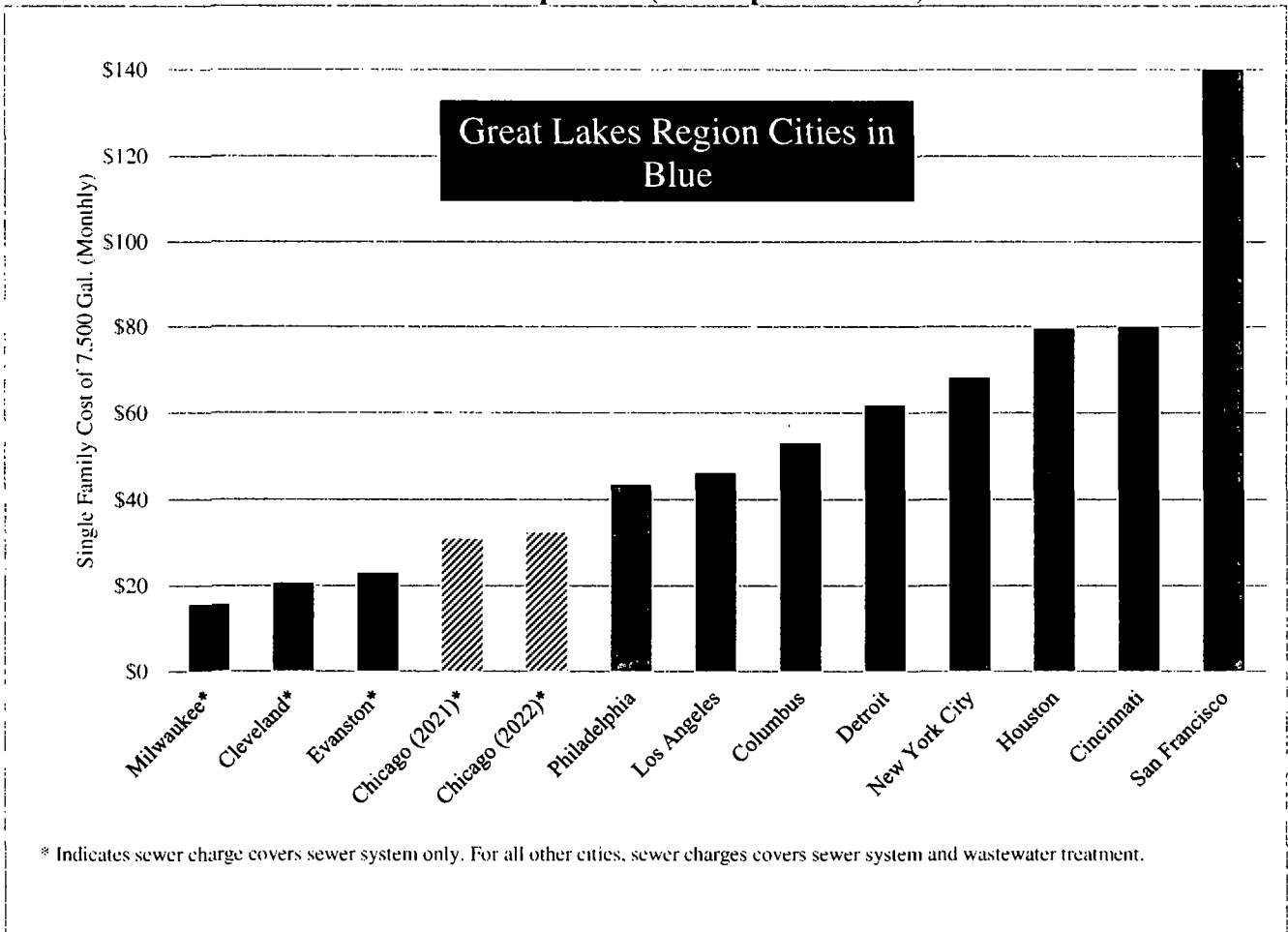
Effective Date	Gross Water Rate Per 1,000 Gallons	Water Rate Increases Approved by City Council	Percentage of Water Bill	Per 1,000 Gallons	Percentage Change
January 1, 2013	2.88	15%	92%	2.65	19%
January 1, 2014	3.31	15%	96%	3.18	20%
January 1, 2015	3.81	15%	100%	3.81	20%
June 1, 2016	3.81	-----	100%	3.81	-----
June 1, 2017	3.88	1.83%	100%	3.88	1.83%
June 1, 2018	3.95	1.54%	100%	3.95	1.54%
June 1, 2019	3.98	0.82%	100%	3.98	0.82%
June 1, 2020	4.08	2.45%	100%	4.08	2.45%
June 1, 2021	4.13	1.10%	100%	4.13	1.10%
June 1, 2022	4.33	5.00%	100%	4.33	5.00%

Sewer Rate Comparisons

The following chart compares the Sewer System's single family cost per 7,500 gallons of water to the rates charged for the same level of water usage by the water systems serving other selected U.S. cities. The amounts shown are intended to reflect comparable charges for similar service for comparison purposes only and are not intended to reflect all components of the rates and charges for the cities listed. The Sewer System rates for all accounts located within the City are a percentage of the Water System rates. Metered water rates are based on a dollar rate per thousand cubic feet. The assessment of non-metered users is based on a formula related to the size of the relevant property and other use-related factors. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

Sewer Rate Comparisons (as of September 2022)**



Source: City of Chicago, Department of Water Management

** The City's Department of Water Management does not operate any sewage treatment facilities. The rates shown for the City and Milwaukee reflect sewer charges that include wastewater transmission only. The rates shown for the other cities reflect sewer charges that include wastewater transmission and wastewater treatment.

Sewer Accounts

As of December 31, 2021, the Sewer System supplied 494,329 accounts. As shown in the table below, of these 494,329 accounts, 62,680 were exempt accounts, resulting in a total of 431,649 revenue paying sewer accounts. Senior citizens age 65 and older who reside in their own single-family residences with a separate water meter or water charge may apply for an exemption from payment of the sewer service charge. Senior citizens age 65 and older living in condominiums are eligible to apply for an annual rebate of \$50 on sewer service charges.

The following table reflects the total accounts of the Sewer System, nonmetered and metered, net of exempt accounts, for the years 2017 through 2021.

Water System and Sewer System Accounts					
Year Ended December 31	<u>Water Accounts</u>			<u>Sewer Accounts</u>	
	Non-metered	Metered	Total	Exempt	Revenue Paying Sewer Accounts
2017	190,276	303,877	494,153	66,995	427,158
2018	180,608	313,758	494,366	66,982	427,384
2019	178,348	316,262	494,610	66,889	427,721
2020	177,641	316,783	494,424	63,608	430,816
2021	176,931	317,398	494,329	62,680	431,649

During 2021, residential accounts represented approximately 66 percent of Sewer System revenues and industrial and commercial accounts represented approximately 24 percent of such revenues. The remaining 10 percent of revenues were derived from governmental and not-for-profit organizations. During the same period, residential non-metered accounts were approximately 30 percent of Sewer System revenues and residential metered accounts were approximately 70 percent of such revenues. All industrial and commercial accounts are metered. There are no large industrial or commercial users that account for more than five percent of Sewer System revenues. The five largest accounts of the Sewer System are shown on the following table.

Fiscal Year 2021 Five Largest Sewer Accounts by Revenue

Customer	Revenue (dollars in thousands)
City of Chicago Department of Aviation	\$3,343
CPD – Lincoln Park	1,679
University of Illinois at Chicago	1,383
Ford Motor Co	1,377
WR Grace and Company	1,322
Total of Top 5	\$9,104
% of Sewer Sales	2.4
<hr/>	
Total Billed Sewer Fees⁽¹⁾	\$378,566

Source: City of Chicago, Department of Water Management

(1) Actual amounts billed during calendar year; differs from Sewer Fund Basic Financial Statements which include charges accrued for calendar year regardless of year in which billed.

Collections and Delinquencies

The Department of Finance follows the same collection strategy for collecting water accounts and sewer accounts, as described below. The Department of Finance bills most large industrial, commercial and wholesale municipal accounts each month, with a few exceptions that are billed quarterly. Metered residential accounts and smaller accounts are generally billed once every two months, unless a customer enters into a payment arrangement or enrolls in the UBR Program (as defined below), in which case they are billed monthly. As of December 2020, non-metered accounts are billed monthly.

On September 14, 2016, the City Council approved a tax on the use or consumption of water in the City, and on the transfer of wastewater to the Sewer System from properties located in the City (subject to certain exceptions) (the “Chicago Water and Sewer Tax”). The Chicago Water and Sewer Tax revenues are not Gross Revenues of the Sewer System and will not be utilized for the operations of the Sewer System, and the Chicago Water and Sewer Tax revenues will not be pledged to the repayment of the Bonds. The Chicago Water and Sewer Tax current rate is \$1.255 per 1,000 gallons. The Chicago Water and Sewer Tax appears as a separately stated item on the Unified Bill (as defined below) for City-provided water, sewer and refuse collection services.

Chicago residents receiving both water and sewer service from the City, as well as refuse collection services provided by the City’s Department of Streets and Sanitation, are sent a unified utility bill which details the charges for each service (a “Unified Bill”). Pursuant to the City’s Municipal Code, payments on the Unified Bills are allocated pro rata among the charges shown on the bills, with oldest unpaid amounts being paid first. The first Unified Bills, which included refuse collection services, were sent between April and September 2016 to City residents. Beginning in March 2017, the Unified Bills also included the Chicago Water and Sewer Tax as a separate charge. To date, the allocation of partial payments on the Unified Bills to water accounts, Chicago Water and Sewer Tax and refuse collection services has not had a material adverse effect on the collection of sewer charges by the City.

Payments on both metered and non-metered accounts are due 21 days after the bills are issued. A late payment penalty assessed at a monthly rate of one and one-fourth percent is imposed on all charges in excess of \$10.00 for which payment in full is not received within 30 calendar days from the date the bill was issued.

Delinquency notices, which were generated at an average rate of 6,564 per week in 2022, are sent to delinquent account holders when their balances are 30 days past due. A second delinquency notice is sent after 60 days. A third delinquency notice is sent after 90 days. After an active account reaches 365 days past due with a balance greater than \$1,000, the account is referred to an outside law firm for collections. Inactive accounts (those that do not currently have water or sewer service) that are 91 days past due with balances of \$200 or greater are referred to an outside law firm for collection. The outside law firm may pursue collection by obtaining a judgment at the City of Chicago Department of Administrative Hearings, by recording a lien against the property, or by additional legal collection actions. Additionally, by ordinance, when a property is transferred, a deed cannot be recorded with the Cook County Recorder of Deeds unless the Department of Finance certifies that all service charges and penalties due and owing on the Unified Bill for service to that property have been paid in full.

Utility Billing Relief Program

In 2019, the City implemented a moratorium on water shutoffs for non-payment. In April 2020, in order to address issues with water affordability for low-income residents, the City launched the Utility Billing Relief Program (the “UBR Program”). The UBR Program provides low-income City residents with a reduced rate on their water rate, sewer rate, and Chicago Water and Sewer Tax as well as debt relief for those who demonstrate they can manage the reduced rate bills for one year. Benefits for UBR participants include: a reduced rate on water rates, sewer rates, and Chicago Water and Sewer Tax, no late payment penalties or debt collection activity; and debt forgiveness after successfully completing one year with no past due balance. In order to be eligible for the UBR Program, an applicant must meet the income criteria for the Low Income Home Energy Assistance Program, which currently requires that the applicant must earn income at or below 200 percent of the federal poverty level and must own and reside in the single family home or 2-unit property with which the overdue bills are associated and for which relief is sought. As of December 2022, the UBR program has helped approximately 20,000 unique accountholders through reduced billing rates and an opportunity to forgive past utility debt.

The amount of annual net sewer charges and cash collected from current and prior years' billings are included in the table below.

ANNUAL NET SEWER CHARGES			
Year	Net Sewer Charges ⁽¹⁾⁽²⁾	Cash Collected During Year for Current Years ⁽¹⁾⁽³⁾	Percentage of Charges Collected
2012	\$259,605	\$237,392	91%
2013	279,274	266,172	95%
2014	330,616	306,139	93%
2015	384,946	356,314	97%
2016	367,532	349,388	95%
2017	367,533	349,388	95%
2018	369,932	355,535	96%
2019	363,709	348,079	96%
2020	338,123	324,999	96%
2021	363,216	348,091	96%
2022	384,818	357,530	93%

(1) Dollars in thousands.

(2) Actual amounts billed during calendar year; differs from Sewer Fund Basic Financial Statements which include charges accrued for calendar year regardless of year in which billed.

(3) Includes collections for sewer fees and other revenue related to sewer fees.

Sewer System Revenues Not Connected to the State of Illinois

The State of Illinois is obligated to make payments to the City in instances where it is a user of the Sewer System, except in situations and to the extent that the applicable State of Illinois property qualifies for an exemption. The revenue from the State as a user accounts for less than one percent (1%) of the Sewer System's annual operating revenues. No operating revenues from any users of the Sewer System flow through the State of Illinois. All such revenues are paid directly to the City.

Annual Budget Review and Implementation of Annual Budget

The Department's annual budget is developed and implemented as part of the City's annual budget and it is based upon an analysis of its historical Operation and Maintenance Costs. If projected Gross Revenues are not sufficient to satisfy the rate covenants contained in the ordinances authorizing the Bonds and Senior Lien Bonds and Second Lien Bonds, as determined by the City pursuant to its annual review of the Sewer System, the Department is required, after consultation with the Budget Director and, when appropriate, a qualified independent consulting engineer, to recommend appropriate action to the City Council to comply with the rate covenants. See "SECURITY FOR THE BONDS — Second Lien Rate Covenant." If necessary, proposed rate increases will be included in the Department's proposed annual budget.

Once the Department has prepared and finalized its proposed annual budget, the Budget Director considers the Department's proposed budget along with the proposed annual budgets recommended and submitted by all of the other departments and agencies whose budgets become part of the City's proposed annual budget. Following the Budget Director's approval, the budgets must be approved by the Mayor, the City Council's Committee on Budget and Governmental Operations and the City Council. After the City Council has approved the proposed annual budget as the City's annual appropriation ordinance, it is forwarded to the Mayor for approval.

Should the Mayor veto the approved annual appropriation ordinance, the City Council may override the veto with a two-thirds vote.

The City Council may also refuse to approve the Mayor's proposed annual budget. In such a case, the appropriate process for passage of the City budget may have to be judicially determined. By law, the City's budget must be approved by December 31 of the year preceding the budget year. The City's 2023 budget was approved by the City Council on November 7, 2022.

During each year, the Budget Director uses an allotment system to manage each department's expenditures against its respective annual appropriation. The Budget Director requires departments to submit quarterly allotment budgets which the Budget Director, in turn, monitors. Should any department's expenditures exceed its receipt of revenues, the Budget Director, through the quarterly budget allotment procedure, has the authority to institute economy measures against such department to ensure that its expenditures do not exceed or outpace its revenue collection. During 2022, there were no such restrictions in the Department's quarterly expenditures.

The Financial Policies of the Sewer System

The City has developed the following financial policies applicable to the Sewer System (the "Financial Policies"):

Segregation of Funds.

Since 2019, the City has maintained all cash and investments of the Sewer Fund in separate bank accounts from the City's general accounts, including those of the Corporate Fund of the City. Gross Revenues of the Sewer System are deposited directly in the segregated accounts after they are allocated from the Unified Bill. As part of the Financial Policies, the City intends to continue maintaining all cash and investment of the Sewer Fund in segregated bank accounts.

Days Cash on Hand.

In addition to the requirement in the Indenture that the City maintain amounts in the Sewer Rate Stabilization Account equal to at least 90 Days' Cash On Hand, the City also intends to maintain at least 270 Days' Cash On Hand. For the purpose of calculating Days' Cash On Hand under the Financial Policies, the balance in the Sewer Rate Stabilization Account will be included, along with any unrestricted cash and investments and any other restricted cash and investments available for the payment of debt service. The City calculates Sewer Fund Days' Cash On Hand as of December 31, 2021 to equal 575 days, and projects that Days' Cash On Hand for the projection period will remain at comparable levels.

The Financial Policies as described above are not a legal requirement to which the City is bound but represent practices that, as of the date of this Official Statement, the City intends to follow in connection with the financial operations of the Sewer System. Subject to compliance by the City with the requirements of the Indenture, the Financial Policies may be changed, terminated in whole or in part, or disregarded in whole or in part at the City's discretion. No assurance can be given regarding future compliance by the City with the Financial Policies.

Historical and Projected Operations

The Sewer Revenue Fund is separate, distinct and segregated from the City's General Fund and is not encumbered by any liens, claims, security interests or obligations of the City relating to its General Fund. Following are the Sewer Revenue Fund's Statements of Operations, including debt service requirements, as summarized from the audited financial statements of the Sewer Revenue Fund for the years ended December 31, 2017 through December 31, 2021, together with projected financial operations and projected debt service requirements for the years ending December 31, 2022 through December 31, 2026. The projected financial operations and debt service coverage calculations also include additional assumed issuances of debt through the end of the projection period. There is no assurance of the size or timing of such future transactions or whether they will occur at all. As available, the City also intends to dedicate approximately half of net revenues after payment of debt service for Pay-Go to offset debt issuance in future years. The Sewer Fund Financial Statements for the year ended December 31, 2022 are not expected to be published until June 30, 2023. Financial results for the fiscal year ended December 31, 2022 are categorized as projected for the purposes of this section and should not be considered to be reflective of actual financial results for the period.

The Sewer Revenue Fund's operating revenues for 2021 increased by \$32.3 million compared to prior year operating revenues, which is an increase of 8.8 percent. This increase is primarily due to increased consumption and a 1.1% increase in Sewer System rates that took effect on June 1, 2021.

The Sewer Revenue Fund's operating expenses before depreciation and amortization for 2021 increased \$20.6 million from the year ended 2020 due to an increase in pension expenses. For 2022, projected operating revenues are estimated to increase by 2.5%, primarily based on a sewer rate increase of 5% on June 1, 2022, based on 2021 growth in CPI subject to a 5% maximum increase. Because the Sewer System rates are calculated as a percentage of the Water System rates, Sewer System rates also increase when Water System rates increase. Rate increases are projected to be partially offset by marginal decreases in water consumption due to water conservation efforts. Therefore, operating revenues are projected to increase at a modest rate.

Projected operating expenses (excluding General Fund reimbursements and pension contributions) in 2022 through 2026 are reflective of an expected increase in expenses based on historical trends. Projected operating expenses also reflect an increase in each year based on growth in indirect costs being charged to the Sewer Revenue Fund as reimbursements to the General Fund. The methodology for charging these indirect costs to the Sewer Revenue Fund is prepared by a third party and is consistent with generally accepted accounting principles. The Sewer Revenue Fund has historically been charged for indirect costs properly allocable to that Fund. Direct pension contributions are budgeted at \$29.0 million and \$28.3 million in 2022 and 2023, respectively. Indirect pension contributions allocable to the Sewer Revenue Fund are budgeted to be \$14.5 million in 2022 and \$14.6 million in 2023. Pursuant to the Pension Funding Policy, the City budgeted the 2023 Advance Pension Contribution, of which the Water Fund's allocable shared was \$4.2 million. Future pension contributions are projected to grow from 2024 to 2026 based on the City's internal projections incorporating actual pension fund returns of 12.1% on average for 2022, assumed 0.0% returns in 2023, and an anticipated reduction in the discount rate used by MEABF from 7.00% to 6.75% beginning in 2023.

Water usage in the City, upon which sewer charges are based, is assumed to marginally decline throughout the projection period due to ongoing water conservation efforts. In addition to rate increases, the City could achieve compliance with its Rate Covenant in some other manner, including any combination of rate increases, decreases in operating expenses, changes in its capital improvement program or in the timing and amounts of future borrowings or changes in net transfers to or from the Sewer Rate Stabilization Account and the Residual Account.

The City has prepared the projections discussed herein and summarized in the table below. The City believes that the underlying assumptions provide a reasonable basis for the projections, and that the projections present, to the best of the City's knowledge and belief, the City's expected course of action. However, some of the assumptions upon which the projections are based inevitably will not materialize and unanticipated events and circumstances may occur. The management of the City has prepared the projected financial information set forth below to present the expected financial performance of the Sewer System.

The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but in the view of the City's management was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Sewer System. Accordingly, these projections are not fact and should not be relied on as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the projected operations of the Sewer System which are contained herein.

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

CITY OF CHICAGO SEWER SYSTEM
Historical and Projected Financial Operations (Dollars in Thousands) ⁽¹⁾

	Actual					Projected				
	(Year Ended December 31)					(Year Ended December 31)				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Revenues										
Sewer sales ⁽²⁾⁽³⁾	\$377,286	\$380,822	\$373,902	\$356,267	\$377,514	\$386,317	\$404,304	\$421,930	\$435,976	\$446,356
Less: provision for bad debt ⁽⁴⁾	(20,813)	(12,611)	(23,849)	(22,792)	(12,297)	(12,543)	(12,794)	(13,050)	(13,311)	(13,577)
Other operating revenues	1,150	1,492	1,023	484	1,052	1,000	1,000	1,000	1,000	1,000
Total Operating Revenues	357,623	369,703	351,076	333,959	366,269	374,774	392,511	409,881	423,666	433,779
Operating Expenses ⁽⁵⁾										
Repairs	\$41,881	\$43,654	\$41,614	\$47,398	\$44,066	\$46,269	\$48,583	\$50,769	\$52,343	\$53,547
Maintenance	24,660	24,909	22,958	24,405	25,861	27,154	28,512	29,795	30,718	31,425
Administrative and general	12,591	13,472	12,367	12,320	13,891	14,586	15,315	16,004	16,500	16,880
Engineering	2,466	3,664	3,515	4,776	5,328	5,594	5,874	6,138	6,329	6,474
General Fund reimbursements ⁽⁶⁾	47,522	51,188	53,688	54,467	55,937	37,658	37,213	38,888	40,093	41,015
Direct pension contributions	34,397	18,938	3,266	(23,853)	(4,979)	29,018	28,307	30,977	31,984	32,252
Advance pension contributions	-	-	-	-	-	-	-	4,176	5,900	5,524
Indirect pension contributions	-	-	-	-	-	14,529	14,577	15,548	15,787	15,810
Total Operating Expenses	\$163,517	\$155,825	\$137,408	\$119,513	\$140,104	\$174,808	\$182,556	\$194,172	\$199,653	\$202,927
Nonoperating Revenues ⁽⁷⁾	4,354	7,446	11,737	12,128	2,165	4,134	13,185	13,185	13,185	13,185
Net Revenues	\$198,460	\$221,324	\$225,405	\$226,574	\$228,330	\$204,100	\$223,139	\$228,894	\$237,198	\$244,038
Plus: Pension expense other than contribution ⁽⁸⁾	24,921	6,191	(12,572)	(40,972)	(24,917)	-	-	-	-	-
Transfer from (to) Sewer Rate Stabilization Account	(1,281)	-	-	-	-	-	(2,888)	(1,937)	(2,904)	(1,370)
Other Available Funds ⁽⁹⁾	200,990	221,509	234,799	255,980	263,437	207,660	207,660	207,660	207,660	207,660
Net Revenues Available for Bonds	\$423,090	\$449,024	\$447,632	\$441,582	\$466,850	\$411,760	\$427,911	\$434,617	\$441,954	\$450,328
Sewer Rate Stabilization Account Year-End Balance	\$32,196	\$36,902	\$36,902	\$40,814	\$40,814	\$40,814	\$43,702	\$45,639	\$48,543	\$49,913
Net Revenues Available for Bonds ⁽¹⁰⁾	\$423,090	\$449,024	\$447,632	\$441,582	\$466,850	\$411,760	\$427,911	\$434,617	\$441,954	\$450,328
Debt Service Requirements: ⁽¹¹⁾⁽¹²⁾										
Senior Lien Debt Service Requirement	-	-	\$10,525	\$13,654	\$13,720	\$13,670	\$13,695	\$595	\$24,680	\$24,680
Senior Lien Debt Service Coverage (1.15 Required)	-	-	42.53x	32.34x	34.03x	30.12x	31.25x	730.45x	17.91x	18.25x
Second Lien Debt Service Requirement	\$131,500	\$134,343	\$124,556	\$123,522	\$117,094	\$123,689	\$98,656	\$113,261	\$95,155	\$101,846
Combined Senior and Second Lien Debt Service Requirements	\$131,500	\$134,343	\$135,081	\$137,176	\$130,814	\$137,359	\$112,351	\$113,856	\$119,835	\$126,526
Combined Senior and Second Lien Debt Service Coverage (1.0 Required)	3.22x	3.34x	3.31x	3.22x	3.57x	3.00x	3.81x	3.82x	3.69x	3.56x
ILIPA Loans Subordinate Lien Debt Service Requirement	\$10,612	\$12,933	\$18,117	\$21,727	\$27,387	\$33,234	\$42,574	\$42,574	\$42,574	\$42,574
Combined Senior, Second & Subordinate Lien Debt Service Requirement ⁽¹³⁾	\$142,112	\$147,276	\$153,198	\$158,903	\$158,201	\$170,593	\$154,925	\$156,430	\$162,409	\$169,100
Combined Senior, Second & Subordinate Lien Debt Service Coverage (1.15 required)	2.98x	3.05x	2.92x	2.78x	2.95x	2.41x	2.76x	2.78x	2.72x	2.66x

Note: The applicable footnotes for the preceding table are shown on the following page.

FOOTNOTES FOR THE PRECEDING TABLE ENTITLED "CITY OF CHICAGO SEWER SYSTEM - Historical and Projected Financial Operations"

- (1) Totals may not add due to rounding.
- (2) 2022 sewer sales are preliminarily estimated to grow by 2.3%. Projections in 2023 to 2026 are based on projected inflationary trends as published by the Federal Reserve.
- (3) Projected annual Sewer Sales reflect gross billings and not collections, which is in accordance with generally accepted accounting principles. Prior year collections have averaged 95.0% of gross billings.
- (4) Projected provision for bad debt is preliminarily estimated to increase by 2% in 2022 through 2026.
- (5) Non-pension operating expenditure growth is preliminarily estimated to increase by 5.0% in 2022, and projected to increase based on projected inflationary trends as published by the Federal Reserve.
- (6) General Fund reimbursements in 2017 through 2021 include indirect pension contributions. For 2022 and 2023, General Fund reimbursements are based on budgeted amount. For 2024 through 2026, General Fund reimbursements are projected to grow based on projected inflationary trends as published by the Federal Reserve. Direct, indirect, and advance pension contributions in 2022 and 2023 are based on budgeted amounts.
- (7) In 2023 through 2026, includes projected Build America Bond Federal Subsidy receipts (net of assumed 6.2% sequestration) from the U.S. Treasury, which the City expects to receive in connection with its Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B. The Indenture permits such Federal Subsidies to be included in Gross Revenues, provided the City's Budget Director designates such amounts to be deposited in the Sewer Revenue Fund and subject to the lien of this Indenture. The City has not yet designated the Build America Bond Federal Subsidy receipts to be deposited into the Sewer Revenue Fund. The City expects to make such designation in Fiscal Year 2023, but there is no assurance that such designation will be made in Fiscal Year 2023 or in future years.
- (8) Of the \$(5.0) million of pension expense for 2021, \$19.9 million is the portion of the City's pension contribution payable in 2021 to the pension funds and allocable to the Sewer Fund. The remaining portion of the pension expense for 2021 (i.e. \$(24.9) million) is recognized on the income statement of the Sewer Fund for 2021 pursuant to GASB 68 but is not due and payable by the City during 2021; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratio.
- (9) Other Available Funds are equal to total current unrestricted assets net of total current liabilities included in the annual Basic Financial Statements – Statements of Net Position as of December 31 of the prior year.
- (10) As provided in the Ordinance, Gross Revenues remaining in any period after providing sufficient funds for Operations and Maintenance Costs, for paying required debt service on all bonds and notes secured by Sewer System revenues, for paying any required amounts into any other accounts established for any bonds or notes secured by Sewer System revenues and to make any deposits into the Sewer Rate Stabilization Account ("Other Available Funds"), can be applied to debt service for any future period. Other Available Funds is equal to total current unrestricted assets net of total current liabilities included in the annual Basic Financial Statements - Statements of Net Position as of December 31 of the prior period. From 2023 through 2026, Other Available Funds are projected to be \$207.7 million per year.
- (11) Reflects the issuance of the Bonds and the refunding of the Refunded Bonds. Also assumes future defeasances that are not expected to be completed by the date of the issuance of the Bonds, future refundings of callable bonds with certain interest rate assumptions, and future issuance of bonds to fund capital expenditures. There can be no assurance that any future defeasances, refundings, or capital financings will be completed when assumed, or at all.
- (12) Principal and interest (including the amount of interest that has accreted on capital appreciation bonds) for each year includes amounts payable on the City's wastewater transmission revenue bonds on July 1 of that year and January 1 of the following year.
- (13) Debt service includes IEPA loan debt service. Interest for each year also includes the full amount of interest payable on the City's Series 2010B Second Lien Bonds without adjustment for certain direct payment subsidies expected by the City to be received from the U.S. Treasury. The direct payment subsidies are rather included in Gross Revenues as noted above.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

Pension Costs

Determination of Pension Contributions

Pension costs paid out of the Sewer Revenue Fund constitute Operation and Maintenance Costs for purposes of determining Net Revenues Available for Bonds and for the City's compliance with its covenants (including the Rate Covenant) under the Bond Ordinance and the Indenture. See "INTRODUCTION – Rate Covenant."

The City participates in four single-employer defined-benefit pension plans for City employees: the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"), the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF," and together with MEABF, the "Municipal and Laborers' Funds"), the Policemen's Annuity and Benefit Fund ("PABF"), and the Firemen's Annuity and Benefit Fund ("FABF," and together with PABF, the "Public Safety Funds," which, together with the Municipal and Laborers' Funds, are referred to herein as the "Retirement Funds"). Sewer System employees participate in the Municipal and Laborers' Funds.

Certain of the annual comprehensive financial reports of the Retirement Funds and certain of the actuarial valuations of the Retirement Funds may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org; www.labfchicago.org; www.chipabf.org; and www.fabf.org); provided, however, that the contents of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

Members of each Retirement Fund are eligible (individually, an "Eligible Member," and collectively, "Eligible Members") for an annual annuity payment (the "Annuity Benefits") if they meet certain age, years of service and prior service credit requirements (the "Eligibility Factors"). Benefits to each Eligible Member are statutorily established based on a combination of the Eligibility Factors and the Eligible Member's average annual salary for certain years prior to retirement (the "Annuity Factors").

Annuity Benefits for each of the Retirement Funds are funded from three sources: (i) contributions from the City (the "City Contributions") which are funded from the proceeds of a property tax levy (the "Pension Levy") on all taxable property located within the City or other available funds ("Other Pension Available Funds"), including payments from the Department on behalf of Sewer System employees, (ii) contributions from Eligible Members (the "Employee Contributions," and together with the City Contributions, the "Contributions"), and (iii) investment returns. The Department has historically contributed its pro rata share of City Contributions to the Retirement Systems (the "Department Portion") based on the Annuity Factors for the number of Sewer System employees who are Eligible Members. See APPENDIX C—"CITY OF CHICAGO, ILLINOIS SEWER FUND BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020, AND INDEPENDENT AUDITOR'S REPORT—Notes to Basic Financial Statements – 6. Pension Plans." Pension liabilities are not recorded at the fund level for the Sewer Revenue Fund.

The City Contributions and Employee Contributions are each established by the Illinois Pension Code (the "Pension Code"). Historically, the Contributions required under the Pension Code do not relate to, and in prior years were substantially less than, the contribution amounts that would have been required if the Retirement Funds were funded based on actuarial determinations of the contribution amounts necessary to fully fund the Annuity Benefits to Eligible Members of each Retirement Fund over an extended period. See "INVESTMENT CONSIDERATIONS – Unfunded Pensions" herein. In an effort to improve the funded status of the Retirement Funds, the Illinois General Assembly passed Public Act 96-1495 ("P.A. 96-1495"), which modified provisions of the Pension Code with respect to PABF and FABF, and Public Act 100-23 ("P.A. 100-23") which modified provisions of the Pension Code with respect to MEABF and LABF.

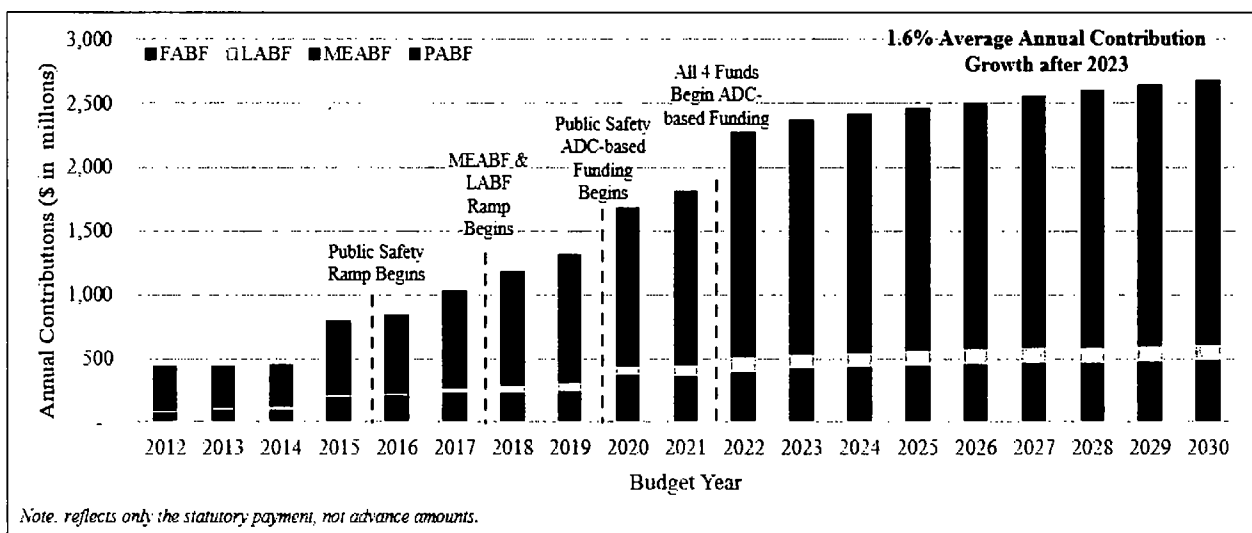
P.A. 96-1495, as later amended by Public Act 99-506, provides for the City to contribute the actuarially determined amounts necessary to achieve a 90 percent funded ratio in the Public Safety Funds by 2055, but made no changes to the Annuity Benefits for Eligible Employees hired before January 1, 2011 and established Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits tied to the lesser of 3.0 percent or the consumer price index. Additionally, for Eligible Members hired on or after January 1, 2011, P.A. 96-1495 reduced a survivor's Annuity Benefit equal to 2/3 of the Annuity Benefits that the deceased Eligible Member was receiving at the time of his or her death.

The Pension Code establishes Annuity Benefits for Eligible Members of the Municipal and Laborers' Funds hired prior to January 1, 2011 based on the Annuity Factors, subject to 3 percent automatic annual increases after the Eligible Members' first full year of retirement and Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits are tied to the consumer price index. Further, the Pension Code establishes the Employee Contribution for MEABF and LABF Eligible Members hired prior to January 1, 2017 at 8.5 percent of the salary of each employee on an annual basis. Pursuant to P.A. 100-23, MEABF and LABF Eligible Members hired on or after January 1, 2017 ("New Members") will contribute 11.5 percent of their salaries to their respective Retirement Funds and will be eligible for benefits at age 65 (as opposed to age 67 for Eligible Members hired between January 1, 2011 and January 1, 2017) ("Tier II Member"). In addition, Tier II Members of MEABF and LABF will be eligible to receive benefits at age 65 provided that such Tier II Members agree to contribute an additional 3.0 percent of their salaries to their respective Retirement Funds.

P.A. 100-23 requires that the City contribute the actuarially determined amounts required to achieve a 90 percent funded ratio in each of MEABF and LABF by 2058.

The City increased aggregate pension contributions by \$2.2 billion from 2014 to the 2023 budgeted contributions, and by \$1.3 billion from 2019 to 2023 budgeted contributions, including \$242 million contributed under the Pension Funding Policy. Aggregate contributions are expected to grow approximately 1.6% annually after 2023.

HISTORICAL AND PROJECTED BUDGETED PENSION CONTRIBUTIONS



2023 Budgeted Contributions

The City's Fiscal Year 2023 budget includes the following contributions to the Retirement Funds (as indicated by total annual contribution and the Sewer Revenue Fund's proportional share): (i) \$1,077.7 million for MEABF, of which \$17.9 million, or less than two percent, is the Sewer Revenue Fund's proportional share; and (ii) \$124.1 million for LABF, of which \$14.6 million, or 11.8 percent, is the Sewer Revenue Fund's proportional share. In addition, the 2023 Sewer Fund budget includes \$14.8 million for indirect pension contributions chargeable to the Water Fund, and \$4.2 million pursuant to the Pension Funding Policy. These 2023 budgeted contributions include the advance pension contribution described below.

New Pension Funding Policy

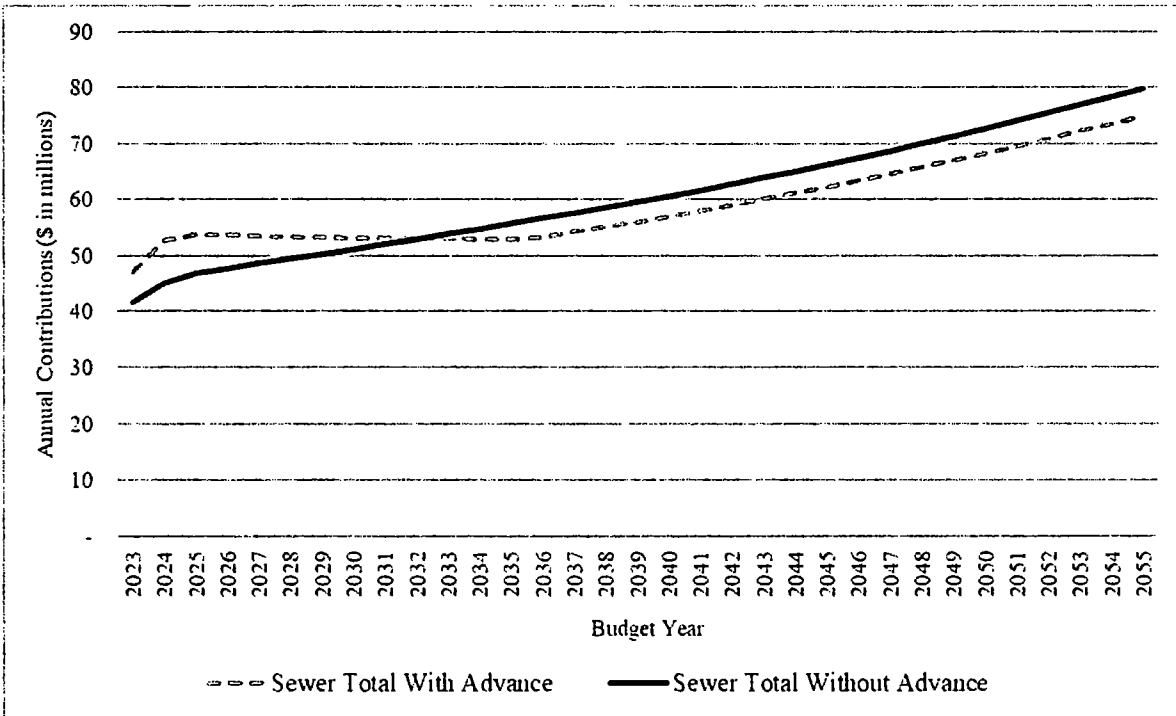
With the 2023 Budget year, the City published a new debt and pension management policy (the "**Pension Funding Policy**") that states: "Starting in fiscal year 2023, the City will annually budget for an advance pension contribution which, in addition to the statutorily required contribution, and in the determination of the CFO, will not increase the total net pension liability of the City's four pension funds based on best efforts projections and information available at the time of budget. This total net pension liability calculation will be based on the GASB 67/68 calculation of net pension liability included annually in the City's Annual Comprehensive Financial Report and will include components of said calculation including interest cost derived from unfunded liability, normal cost, administrative costs, employee contributions and market value of the assets of the fund." It also provides that the advance contribution shall be paid on the first business day of the year in which such contributions are budgeted.

The first of these advance pension contributions, for \$242.0 million, is included in the 2023 Budget adopted by the City Council on November 7, 2022 (the "**2023 Advance Pension Contribution**"). The 2023 Advance Pension Contribution, in addition to preventing an increase in the City's net pension liability, also avoids an estimated \$30 million in market losses due to asset liquidations. In accordance with the Pension Funding Policy, the 2023 Advance Pension Contribution was paid on the first business day of the 2023 fiscal year (January 3, 2023). The 2023 Advance Pension Contribution is included in the figures cited above under "2023 Budgeted Contributions." As part of the Pension Funding Policy, the Sewer Revenue Fund pays its proportionate share of the Advance Pension Contribution. For Budget Year 2023, that payment was approximately \$2.8 million for MEABF and \$1.4 million for LABF.

2023 ADVANCE PENSION CONTRIBUTION BY RETIREMENT FUND (\$ IN MILLIONS)

<u>Retirement Fund</u>	<u>Amount</u>
MEABF	\$101.6
LABF	12.1
PABF	89.5
FABF	<u>38.7</u>
Total:	<u>\$242.0</u>

**PROJECTED CONTRIBUTIONS UNDER EXISTING STATUTORY REQUIREMENT
AND PENSION FUNDING POLICY**



The City intends to include the investment losses and gains in line with the current practices for the statutory contribution. In 2022, a 12.1% investment loss is projected to increase the 2024 pension contribution by cost \$141 million and such losses may be included in the Fiscal Year 2024 Budget and are included in the current City's out-year financial planning. The City projects that the pension contribution that will be included as part of the 2024 Budget will increase by \$174 million over 2023, including a \$33 million increase in the advance pension contributions calculated based on the the Pension Funding Policy. Projections of future pension contributions also incorporate assumed 0.0% returns in 2023, and an anticipated reduction in the discount rate used by MEABF from 7.00% to 6.75% beginning in 2023.

Under the Pension Funding Policy, the City projects that it may contribute advance funding amounts of \$1.2 billion through 2030, resulting in reduced required contributions of \$3.8 billion from 2031 to 2058, resulting in a net reduction in total future pension contributions of \$2.6 billion overall and of \$60 million in Sewer Fund contributions. These advance contributions to all four funds will stabilize the overall level of the City's total net pension liability and prevent significant liquidation losses.

During calendar year 2022, due to the negative investment returns experienced by the Retirement Funds combined with delays in the collection and distribution of the Pension Levy by the County, each of the Retirement Funds considered the liquidation of assets in order to make benefit payments to members. To avoid such asset sales, beginning in September 2022, the City began making monthly advance contributions to each of the Retirement Funds. Such advance contributions were made by the City in each of September, October and November 2022 (except that the City did not advance funds to LABF in September 2022) in a total amount of \$512.7 million. The advances to PABF (in an aggregate amount of \$220.0 million), \$30.1 million of the total FABF advances (the aggregate amount of which were \$77.7 million), and \$25.4 million of the total LABF advances (the aggregate amount of which were \$28.0 million) were advances on the City's required contributions to such Retirement Funds for Fiscal Year 2022. The City will reimburse itself by the amount of such advances from the proceeds of the Pension Levy upon disbursement thereof from the Cook County Treasurer. The balance

of the LABF advances (\$2.6 million), the balance of the FABF advances (\$47.6 million) and all of the MEABF advances (in the amount of \$187.0 million) represent advances of the portion of the City's Fiscal Year 2023 contribution to such Retirement Funds funded from Other Pension Available Funds, payable in February 2023. None of the advance pension contributions described in this paragraph are part of or related to the Pension Funding Policy or the 2023 Advance Pension Contribution, both of which are described in the preceding paragraphs.

The Pension Funding Policy as described above is not a legal requirement to which the City is bound but represents practices that, as of the date of this Official Statement, the City intends to follow in connection with advance pension contributions. Subject to compliance by the City with the requirements of the Indenture and with applicable statutory requirements, the Pension Funding Policy may be changed, terminated in whole or in part, or disregarded in whole or in part at the City's discretion. In addition, any advance pension contributions in 2024 and later years contemplated by the Pension Funding Policy would be subject to approval and appropriation by the City Council. No assurance can be given regarding future compliance by the City with the Pension Funding Policy.

COVID-19 Pandemic

The COVID-19 pandemic has had certain economic and operational impacts on governmental entities, including the City and the Sewer System. Notwithstanding such impacts, the COVID-19 pandemic did not have a material adverse impact on the revenues and expenses of the Sewer Fund and the operations of the Sewer System for actual fiscal years 2020 and 2021 and projected fiscal years 2022 – 2026. See "FINANCIAL OPERATIONS – Historical and Projected Financial Operations." Further, the City continues to experience a robust economic recovery from the COVID-19 pandemic (see APPENDIX E – INFORMATION REGARDING THE CITY OF CHICAGO ECONOMY AND DEMOGRAPHICS) and the City does not expect that the COVID-19 pandemic will have any material adverse impact on the security for the Bonds, the Second Lien Bond Revenues or the ability of the City to pay the debt service on the Bonds.

INVESTMENT CONSIDERATIONS

The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Bonds or, ultimately, a payment default on the Bonds. There can be no assurance that other factors not discussed herein will not become material in the future.

Effect of Potential Future Ratings Downgrades

The City does not anticipate that any potential ratings downgrades would affect collection or availability of Net Revenues Available for Bonds in any material respect. However, such events could have an adverse effect on the Sewer System because the City funds ongoing capital improvement projects to the Sewer System, in part, through the sale of indebtedness of the Sewer System. Downgrades could increase the cost, or decrease the availability, or both, of such borrowing. If this occurred, additional pressure may be placed on sewer rates or capital funding. Additionally, ratings downgrades may have an adverse effect on the market value or liquidity of the Bonds.

Unfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios. The City's required contributions to the Retirement Funds are projected to increase in future years as set forth under "FINANCIAL OPERATIONS - Pension Costs." Future required contribution increases may require the City to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the services provided by the City or limit the City's ability to generate additional revenues in the future.

Environmental Regulations

The City is subject to state and federal environmental laws and regulations applicable to the Sewer System's overflows into Chicago area waterways. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such changing laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. In addition, the City may be required to remediate contamination on properties owned or operated by the City or on properties owned by others, but contaminated as a result of City operations.

Sewer services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Clean Water Act and similar state laws, and federal and state regulations issued under these laws by the EPA and IEPA. These laws and regulations establish, among other things, criteria and standards for wastewater and for discharges into the waters of the United States and nearby states. Pursuant to these laws, the Department is required to obtain various environmental permits for operations. Violations or noncompliance could result in fines or other sanctions by regulators and/or such violations or noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While the Department has budgeted for future capital and operating expenditures to comply with these laws and permitting requirements, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise operating costs.

Operational Security and Cybersecurity of the Sewer System

Operational Security of the Sewer System

The physical damage to the Sewer System resulting from vandalism, sabotage, natural disasters or terrorist activities may adversely affect the operations of the Sewer System. While the Department maintains robust procedures and capabilities to ensure the physical security of the System, including (i) collaboration with the City's Office of Emergency Management and Communications (OEMC), which provides the Department with access to the citywide network of video cameras to allow 24/7 surveillance of the Sewer System, (ii) as part of the Department's ongoing partnership with law enforcement agencies, including the Chicago Police Department, the US Coast Guard, the FBI and the Department of Homeland Security, and (iii) elevated enhancement of physical security of the Sewer System and sewer access points in advance of large-scale public events and/or in response to any intelligence received indicating a potential threat, there can be no complete assurance that the City's comprehensive security, emergency preparedness and response plans will completely prevent or mitigate all such potential physical damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Cybersecurity of the Sewer System

The Department relies on information technology systems with respect to customer service and billing and accounting. In addition, the Department relies on these systems to track utility assets and to manage maintenance and construction projects, materials and supplies. A loss of these systems, or major problems with the operation of these systems, could have a material adverse effect on the financial condition and the operating condition of the Department. Information technology systems may be vulnerable to damage or interruption from the following types of cybersecurity attacks or other events:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data;

- computer viruses, cyber security attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events; and
- difficulties in the implementation of upgrades or modification to information technology systems.

Although the Department does not believe that its systems are at a materially greater risk of cybersecurity attacks than other similar utilities, its information technology systems may be vulnerable to damage or interruption from the types of cybersecurity attacks or other events listed above or other similar actions, and such incidents or other events may be unprecedented and may go undetected for a period of time.

Water Conservation

Decreased customer water consumption as a result of water conservation efforts may adversely affect demand for sewer services and may reduce revenues and earnings. There may be declines in water usage per customer as a result of an increase in conservation awareness, and the structural impact of an increased use of more efficient plumbing fixtures and appliances. Difficulty obtaining future rate increases to offset decreased customer water consumption to cover investments and expenses, may adversely affect the business, financial condition, and results of operations of the Department.

Limited Obligations

The Bonds are limited obligations of the City payable solely from Second Lien Bond Revenues. The Bonds are not secured by a lien upon any physical properties of the Sewer System, nor has the City established a debt reserve account with respect to the Bonds.

Second Lien Status of Bonds

The Bonds are secured by a junior lien on Net Revenues Available for Bonds. Therefore, the security for the payment of the principal of and interest on the Bonds could be adversely affected by the amount of debt service payable with respect to Senior Lien Bonds.

Issuance of Additional Bonds

Subject to certain financial tests and limitations contained in the Indenture, the City may issue Wastewater Transmission Revenue Bonds on a parity with the Bonds. The debt service requirements for the payment of any such additional Wastewater Transmission Revenue Bonds may be substantial.

The financial tests that must be satisfied to permit the issuance of additional bonds are based on certain assumptions concerning future revenue and debt service requirements. Actual debt service requirements may exceed assumed requirements and result in lower debt service coverage on the Bonds.

No Assurance of Secondary Market

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

Adverse Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City's ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, regulations and provisions. Any

such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition.

Interest on the Bonds could become subject to federal and/or State income tax as a result of changes in tax laws. For example, recent legislative tax proposals in the U.S. Congress would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds. The Bonds will not be subject to mandatory redemption, and the interest rates on the Bonds will not be subject to adjustment, in the event of any change in the tax treatment of interest on the Bonds. In such event, the market value of and ability of owners to sell the Bonds could be adversely affected. No assurance can be provided, and no predictions can be made, as to whether there will be any change in tax laws relating to state and local government bonds, including the Bonds, or to what effect.

Investors in the Bonds should consult their own financial and tax advisors in connection with their purchase of the Bonds.

Bankruptcy

Under federal law, municipalities, including the City, are ineligible for bankruptcy unless specifically authorized to be a debtor in bankruptcy by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy. State law does not currently permit municipalities, including the City, to be debtors in bankruptcy, and therefore municipalities, including the City, are currently ineligible for bankruptcy.

As with all State law, the current prohibition on municipal bankruptcies is subject to review or change by State government. From time to time, legislation has been introduced in the Illinois General Assembly, which, if enacted, would permit Illinois municipalities to be debtors in bankruptcy. The City is unable to predict whether the Illinois General Assembly will adopt any such legislation or the form of such legislation if enacted.

In the event of a change in State law to provide that the City is eligible to be a debtor in bankruptcy, and that authority is acted upon, there is no guarantee that the bankruptcy court would consider the Bondholders to have a secured claim under the Bankruptcy Code with respect to Second Lien Bond Revenues and amounts on deposit in the Second Lien Construction Accounts that are derived from the remittance of Gross Revenues into the City's Sewer Revenue Fund. The Sewer Revenue Fund is not held by the Trustee, and is not subject to a statutory lien in favor of the Bondholders. In addition, the Second Lien Bond Revenues may not be "special revenues" as defined in the Bankruptcy Code.

Uncertain Enforcement Remedies

The remedies available to bondholders upon nonpayment of principal of or interest on the Bonds are uncertain and in many respects dependent upon discretionary judicial actions. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Remedies."

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a default in the payment of principal of and interest on the Bonds when due.

Force Majeure Events

Certain unanticipated events beyond the City's control, such as the COVID-19 pandemic, could have a material adverse effect on the Department's and City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, pandemic, epidemic, adverse health conditions or other unavoidable

casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes and unanticipated events. No assurance can be provided that such events will not occur, and, if any such events were to occur, the effect of such event or events on the Department's and City's operations and financial condition on the Net Revenues Available for Bonds cannot be predicted.

Other Considerations

Debt Covenants. The City is obligated to comply with the Rate Covenant. Failure to comply with the Rate Covenant, if not cured or waived, could result in the City being required to repay or finance the related borrowings before their due date, limit future borrowings, cause cross-default issues, and increase borrowing costs. If forced to repay or refinance (on less favorable terms) these borrowings, the Department's business, financial condition, and results of operations could be adversely affected by increased costs and rates.

Sewer Rates. While there is currently no State statute regulating Sewer rates, future State statutes or court decisions could limit or otherwise adversely affect the City's ability to set sewer rates. See "—Adverse Change in Laws" above.

Forward-Looking Statements

This Official Statement contains certain statements relating to future results that are forward-looking statements. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LITIGATION

There are no pending legal proceedings to which the City is a party or to which any of its property is subject that may materially affect the City's ability to pay the principal of and interest on the Bonds when they become due.

The City, like other large municipalities, is involved in various litigation relating principally to claims arising from contracts, personal injury, property damage, tax claims, police conduct and other matters. However, there is neither litigation pending nor, to the best of the City's knowledge, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds, or except as disclosed herein, materially adversely affecting the collection, pledge or application of any moneys or security provided for the payment of the Bonds.

Farmer v. City of Chicago. This case is a putative class action in the Circuit Court of Cook County, Illinois challenging the reasonableness of the City's water rates and sewer rates. In particular, the plaintiff alleges that the various exemptions for hospitals, certain government organizations and non-profits cause non-exempt customers to pay more, causing their rates to be unreasonable. The plaintiff seeks, on behalf of a class of City water and sewer customers, "disgorgement" of the excess charges in the period 2016 to the present. The City has filed a motion to dismiss. The motion has been briefed and argued and a decision is pending. The City is vigorously defending this case.

RATINGS

The Bonds are rated “A+” (stable outlook) by S&P, “A” (positive outlook) by Fitch, and “AA-” (stable outlook) by Kroll. The Bonds are expected to be assigned ratings of “AA” (stable outlook) and “AA+” (stable outlook) by S&P and Kroll, respectively, based upon the issuance of the Policy for the Bonds by AGM (defined herein) at the time of delivery of the Bonds. The City did not request a rating from any other rating service for the Bonds. Any explanation of the significance of such ratings may be obtained only from the respective Rating Agencies. Certain information and materials concerning the Bonds, the City and the Sewer System were furnished to the Rating Agencies by the City and others. There is no assurance that any of the ratings will be maintained for any given period of time or that any of them may not be raised, lowered or withdrawn entirely by the respective Rating Agency, if, in its judgment, circumstances so warrant. Any change in or withdrawal of any rating may have an adverse effect on the price at which the Bonds may be resold.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the separate approving opinions of ArentFox Schiff LLP, Chicago, Illinois and Golden Holley James, LLP, Chicago, Illinois, Co-Bond Counsel. The proposed form of their respective opinions are included herein as APPENDIX D–“PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL.”

Certain legal matters will be passed on for the City by (i) its Acting Corporation Counsel, and (ii) in connection with the preparation of this Official Statement, Charity & Associates, P.C., Chicago, Illinois, and BurgherGray LLP, Chicago, Illinois, Co-Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriters by Chico & Nunes, P.C., Chicago, Illinois.

INDEPENDENT AUDITORS

The basic financial statements of the City of Chicago, Illinois Sewer Fund as of and for the years ended December 31, 2021 and 2020 and included as APPENDIX C to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

CO-FINANCIAL ADVISORS AND INDEPENDENT REGISTERED MUNICIPAL ADVISORS

The City has engaged PFM Financial Advisors LLC and Sycamore Advisors LLC as its financial advisors (the “Co-Financial Advisors”) in connection with the issuance and sale of the Bonds. The Co-Financial Advisors have provided advice on the plan of finance and structure of the Bonds and have reviewed certain documents, including this Official Statement, with respect to financial matters. The Co-Financial Advisors have not independently verified the factual information contained in this Official Statement but have relied on the information provided by the City and other sources. The Co-Financial Advisors are “municipal advisors” as defined in SEC Rule 15Ba1-1 (the “SEC Rule”).

The City has retained six firms (Acacia Financial Group; PFM Financial Advisors LLC; Public Alternative Advisors, LLC; RSI Group, LLC and Sycamore Advisors, LLC) to serve as a pool of independent registered municipal advisors (the “IRMAs”) as defined in the SEC Rule to evaluate financing proposals and recommendations in connection with the City’s various bond issuance programs and other financing ideas being considered by the City; however, the IRMAs will not advise on the investment of City funds held by the Office of the City Treasurer. The IRMAs’ compensation is not dependent on the issuance of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, as representative on behalf of itself and the other underwriters listed on the cover of this Official Statement (the “Underwriters”) has agreed, subject to certain conditions, to purchase the Bonds at a price equal to \$501,119,577.47 (which represents the aggregate principal amount of the Bonds, plus an original issue premium of \$51,406,740.60, less an Underwriters’ discount of \$2,862,163.13).

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in a Bond Purchase Agreement between the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public.

The Underwriters and their respective affiliates are full service financial institutions engage in various activities, which may include sales and trading, commercial investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

PNC Capital Markets LLC may offer to sell the Bonds to its affiliate, PNC Investments, LLC (“PNCI”). Securities in PNC Capital Markets LLC’s inventory for resale to PNCI’s customers may include securities such as those offered by the City.

Valdés & Moreno Inc. (“V&M”) has entered into a formal distribution agreement with Rockfleet Financial Services, Inc. (“Rockfleet”), a woman-owned business enterprise, whereby V&M can potentially distribute municipal securities to retail and institutional investors through Rockfleet. As part of this agreement, V&M will compensate Rockfleet part of the takedown for its selling efforts with respect to the Bonds.

TAX MATTERS

Federal Income Tax

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

In the respective opinions of Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus is exempt from present Federal income taxes based upon gross income. Interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, except as may arise for certain corporations under the corporate minimum tax provisions of the Inflation Reduction Act of 2022. The opinions

described in this paragraph assume the accuracy of certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the issuance of the Bonds and continuing compliance by the City and others with the above-referenced covenants.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations operating branches in the United States), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond Counsel will express no opinion with respect to any such collateral consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the collateral consequences arising with respect to the Bonds described in this paragraph.

Discount and Premium

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased the Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers of the Bonds should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond for a price in excess of its stated principal amount at maturity. (Such Bond is referred to as a "Premium Bond"). Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Owners of Bonds who dispose of Bonds prior to their stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering at a price different from their issue price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors as to the federal, state or local tax consequences of such dispositions or purchases.

State and Local Taxes

Interest on the Bonds is not exempt from present Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel will express no opinion with respect to any such state and local tax consequences with respect to the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any state and local tax consequences arising with respect to the Bonds.

Basis of Bond Counsel Opinions

The respective opinions of Co-Bond Counsel to be delivered concurrently with the delivery of the Bonds and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the market value or liquidity or the tax treatment of ownership of the Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

The opinion of Bond Counsel expresses the professional judgment of the attorneys rendering the opinion on the legal issues explicitly addressed in the opinion. By rendering a legal opinion, the opinion giver does not undertake to be an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Rendering an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

In rendering their opinions, Co-Bond Counsel will receive and rely upon certifications and representations of facts, calculations, estimates and expectations furnished by the City and others which Co-Bond Counsel will not have verified independently.

Risk of Audit

The Internal Revenue Service ("IRS") conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the Bonds cannot be predicted. If the IRS begins an audit of the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer subject to the audit and the holders of the Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the Bonds is pending could adversely affect the liquidity or market price of the Bonds until the audit is concluded even if the result of the audit is favorable.

Legislation

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section, or adversely affect the market price or liquidity of tax-exempt bonds of the character of the Bonds. In some cases, these proposals have included provisions that had a retroactive effective date. It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

Backup Withholding

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

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the “Undertaking”) for the benefit of the Beneficial Owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “MSRB”) to enable the Underwriters to meet the requirements of Section (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the SEC under the Exchange Act. The MSRB has designated its Electronic Municipal Market Access system, known as “EMMA,” as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Bonds, the Indenture or the Bond Ordinance, and Beneficial Owners of the Bonds are limited to the remedies described in the Undertaking. See “—Consequences of Failure of the City to Provide Information” under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate to EMMA its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB, commencing with the Audited Financial Statements for the fiscal year ended December 31, 2022, prepared in accordance with generally accepted accounting principles applicable to government units (as described below).

“Annual Financial Information” means financial information and statistical data generally consistent with that contained in this Official Statement (i) under the caption “SEWER SYSTEM — General,” the table captioned “Sewer System Service Area Population,” (ii) under the caption “DEPARTMENT OF WATER MANAGEMENT,” the table captioned “Historical and Projected Capital Improvement Program Funding by Source” (only with respect to the total amounts for the previous five years), and (iii) under the caption “FINANCIAL OPERATIONS,” the table captioned “Historical Sewer Rates” (only with respect to the previous five years and only the “Per 1,000 Gallons” column), the table captioned “Water System and Sewer System Accounts,” (only with respect to the Sewer System accounts for the previous five years), the table captioned “Annual Net Sewer Charges” (only with respect to the previous five years) and the table captioned “Historical and Projected Financial Operations” (only with respect to the previous five years).

“Audited Financial Statements” means the audited basic financial statements of the Sewer Revenue Fund prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

Annual Financial Information exclusive of Audited Financial Statements (commencing with the Audited Financial Statements for the fiscal year ended December 31, 2023) will be provided to the MSRB on EMMA, not more than 210 days after the last day of the Sewer System’s fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days after occurrence, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to all Series of the Bonds, are:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the respective Series of Bonds, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the respective Series of Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the City (considered to have occurred in the following instances: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if the jurisdiction of the City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the Sewer System, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a "financial obligation" of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect holders of the respective Series of Bonds, if material; or

(p) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

The term “financial obligation” as used in paragraphs (o) and (p) of the Reportable Events above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of any of the foregoing. The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the City to comply with any provision of the Undertaking with respect to a Series of Bonds, the Beneficial Owner of any Bond may seek mandamus or specific performance by court order to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Bonds, the Bond Ordinance, or the Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance.

Amendments; Waiver

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, if:

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

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

(iii) the amendment or waiver does not materially impair the interests of the Beneficial Owners of the Bonds, as determined by a party unaffiliated with the City (such as Co-Bond Counsel), or by approving vote of the Beneficial Owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment or waiver; or

(b) the amendment or waiver is otherwise permitted by the Rule.

EMMA

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance or the Indenture.

Additional Information

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

Corrective Action Related to Certain Bond Disclosure Requirements

The City failed to comply with certain continuing disclosure undertakings previously entered into by it pursuant to the Rule as described below. Such non-compliance may or may not be material.

The City failed to file on a timely basis certain Annual Financial Information for the years 2018, or 2021, with respect to the City's Tax Increment Allocation Revenue Refunding Bonds (Pilsen Redevelopment Project), Series 2014A and Series 2014B (the "**Pilsen Series 2014AB Bonds**"). However, the Pilsen Series 2014 AB Bonds have since matured. The City filed on EMMA the 2021 annual information for the Pilsen bonds on July 29, 2022.

In July 2019, the City filed on EMMA on a timely basis the City's 2018 audited financial statements for the General Fund for all then-outstanding general obligation bonds of the City, except with respect to the City's General Obligation Bonds, Library Series 2008D (the "**Series 2008D Bonds**"). On December 17, 2019, those financial statements were filed on EMMA with respect to the Series 2008D Bonds, and the City filed on EMMA a notice regarding its failure to file on a timely basis the 2018 audited financial statements with respect to the Series 2008D Bonds.

On September 14, 2020, the City filed on EMMA a notice regarding its failure to file on a timely basis a certain capital improvements table for the years 2018 and 2019, among others, in connection with the City's General Obligation Bonds, Project and Refunding Series 2014A and Taxable Project and Refunding Series 2014B (the "**Series 2014AB Bonds**"). In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2018 and 2019, among others, with respect to the Series 2014AB Bonds.

On September 14, 2020, the City filed on EMMA a notice regarding its failure to file on a timely basis a certain capital improvements table for the years 2018 and 2019 in connection with the City's Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A and Refunding Series 2017B (the "**Series 2017AB Bonds**"). In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the years 2018 and 2019 with respect to the Series 2017AB Bonds.

On July 8, 2021, S&P Global Ratings upgraded the rating of the City's Motor Fuel Tax Revenue Refunding Bonds, Series 2013 (Issue of June 2014), including the Riverwalk Transportation Infrastructure Finance and Innovation Act draw-down loan, from "BB+" to "BBB-." On July 27, 2021, the City filed with EMMA an event notice relating to this rating upgrade.

On November 12, 2021, the City filed a notice regarding its failure to file on a timely basis certain Annual Financial Information including certain capital improvements tables for the year 2020 and certain third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds. In connection with such notice filing, the City also filed on EMMA such capital improvements tables for the year 2020 and Tables 4 and 9 of the third-party sourced Retirement Fund tables with respect to the Series 2014AB Bonds. On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information in connection with the Series 2014AB Bonds and the City's General Obligation Bonds, Series 2021A and Series 2021B (the "**Series 2021 Bonds**"). In connection with such notice filing, the City filed Tables 1-10 on EMMA in connection with the Series 2014AB Bonds and the Series 2021 Bonds.

On August 9, 2022, the City filed on EMMA a notice regarding its failure to file on a timely basis certain Annual Financial Information in connection with the City's Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A and Refunding Series 2017B. In connection with such notice filing, the City also filed on EMMA a table titled "Historical Capital Improvement Program Funding by Source," including data from 2018 to 2021, among other years.

CERTAIN VERIFICATIONS

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the "Verifier"), upon delivery of the Bonds, will deliver to the City, Co-Bond Counsel and the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the investment in the Defeasance Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds, as described under "ESTIMATED SOURCES AND USES OF FUNDS – Refunding of Refunded Bonds" and (ii) the yields on the Bonds and on the Defeasance Obligations.

The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Bonds. The computations verified by the Verifier are intended in part to support conclusions of the City and Co-Bond Counsel concerning the federal income tax status of the Bonds.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bond Ordinance and the Indenture and all references to other materials not purporting to be quoted in full, are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of these documents may be obtained from the office of the Chief Financial Officer.

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

Any statements made in this Official Statement involving matters of opinion, projection or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections or estimates will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract with the Owners or Beneficial Owners of the Bonds.

CITY OF CHICAGO

By: /s/ Jennie Huang Bennett
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A
GLOSSARY OF CERTAIN TERMS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

GLOSSARY OF CERTAIN TERMS

The following are definitions of certain terms used in the Bond Ordinance, the Indenture and this Official Statement. This glossary is provided for the convenience of the reader and does not purport to be comprehensive or definitive.

“Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to 100 percent of Aggregate Second Lien Debt Service with respect to such Bond Year or other specified 12-month period with respect to the Second Lien Bonds of all Series and all Section 2.8 Obligations and Section 2.9 Obligations, provided that for purposes of Section 4.6 under the Indenture, “Aggregate Second Lien Bonds Requirement” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, 100 percent of Annual Second Lien Debt Service with respect to such Bond Year or other specified 12-month period, and for purposes of calculating interest payable during such Bond Year or other specific 12-month period in respect of any Variable Rate Bonds, the rate of interest shall be assumed to equal the rate of interest paid with respect to such Variable Rate Bonds on the Interest Payment Date immediately preceding the date of calculation.

“Aggregate Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate amounts required by the provisions of all Supplemental Indentures creating series of Second Lien Bonds and all instruments creating Section 2.8 Obligations and Section 2.9 Obligations to be deposited from Second Lien Bond Revenues in all sub-funds, accounts and subaccounts created under such Supplemental Indentures in such Bond Year or other specified 12-month period.

“Aggregate Senior Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate of the amounts of Annual Senior Lien Debt Service with respect to such Bond Year or other specified 12-month period and to the Senior Lien Bonds of all series.

“Annual Second Lien Debt Service” means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.8 Obligations or Section 2.9 Obligations, an amount of money equal to the sum of (a) all interest, costs or fees payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.8 Obligations and Section 2.9 Obligations Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Second Lien Bonds of said series, such Section 2.8 Obligations and Section 2.9 Obligations Outstanding on said date of computation, all calculated on the assumption that such Second Lien Bonds, Section 2.8 Obligations and Section 2.9 Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Indenture and the Supplemental Indenture creating such series or the instrument creating such Section 2.8 Obligations or Section 2.9 Obligations of Principal Installments payable at or after said date of computation.

“Annual Senior Lien Debt Service” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to Senior Lien Bonds of a particular series, an amount of money equal to the sum of (a) all interest payable during such Bond Year or other specified 12-month period on all Senior Lien Bonds of said series Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Senior Lien Bonds of said series Outstanding on said date of computation, all calculated on the assumption that Senior

Lien Bonds will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Senior Lien Bond Ordinances of Principal Installments payable at or after said date of computation.

“Annual Subordinate Lien Debt Service” means, as of any particular date of computation and with respect to a particular Fiscal Year or other specified 12-month period and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the sum of (a) all interest payable during such Fiscal Year or other specified 12-month period on all Subordinate Lien Obligations of said series Outstanding on said date of computation and (b) all Principal Installments payable during such Fiscal Year or other specified 12-month period with respect to all Subordinate Lien Obligations of said series Outstanding on said date of computation, all calculated on the assumption that Subordinate Lien Obligations will after said date of computation cease to be Outstanding by reason, but only by reason, of the payment when due and application in accordance with the Subordinate Lien Obligation Ordinances of Principal Installments payable at or after said date of computation.

“Authorized Denomination” means \$5,000 and any integral multiple of \$5,000.

“Authorized Officer” means (a) the Chief Financial Officer of the City or, if the position of Chief Financial Officer is vacant or if the Chief Financial Officer so determines and designates, the City Comptroller as long as such designation is effective, and (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office.

“Beneficial Owner” means the owner of a beneficial interest in Second Lien Bonds issued under the Indenture registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

“Bond Counsel” means one or more firms of nationally recognized bond counsel designated by the Corporation Counsel of the City.

“Bond Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on the Outstanding Senior Lien Bonds required to be paid in that Fiscal Year. Any Outstanding Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates. If the City has entered into an Interest Rate Hedge Agreement with respect to all or any portion of the Outstanding Senior Lien Bonds, the interest payable on such Senior Lien Bonds shall be deemed to be the amount payable under the Interest Rate Hedge Agreement for the years in which the Interest Rate Hedge Agreement is in effect. If the City is to pay a variable rate pursuant to the Interest Rate Hedge Agreement, the variable rate calculation shall be made as follows: for purposes of computing the interest payable on any Outstanding Senior Lien Bonds issued as Variable Rate Bonds in any future Fiscal Year or other specified future 12-month period, the rate of interest shall be assumed to equal the highest monthly average rate of interest paid with respect to such Variable Rate Bonds during the 12 months preceding the date of such calculation, plus 0.5 percent, or if such Variable Rate Bonds were not Outstanding during the entire 12-month period preceding the date of calculation, the highest monthly average rate of interest paid with respect to comparable debt obligations having a comparable interest rate determination method, interest rate period and rating during such 12-month period, plus 0.5 percent.

“Bond Debt Service Reserve Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in the Bond Ordinance.

“Bond Debt Service Reserve Account Credit Enhancement Instrument Coverage” means, with respect to any Credit Enhancement Instrument for the Bond Debt Service Reserve Account on any date of determination, the amount available to pay principal of and interest on the Senior Lien Bonds under that Credit Enhancement

Instrument, including amounts owed pursuant to an Interest Rate Hedge Agreement with respect to such Senior Lien Bonds to the extent such amounts constitute interest.

“Bond Debt Service Reserve Requirement” means, as of any date of computation, an amount equal to the sum of (i) that amount established in the Senior Lien Bond Ordinance authorizing the Outstanding Senior Lien Bonds, not to exceed the least of (A) the highest future Bond Debt Service Requirement of the Outstanding Senior Lien Bonds in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of the Outstanding Senior Lien Bonds (less any original issue discount); or (C) 125 percent of the average annual Bond Debt Service Requirement for the Outstanding Senior Lien Bonds. Outstanding Senior Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

“Bondholder” or *“Owner”* means the person in whose name any Second Lien Bond is registered on the registration books of the City kept by the Trustee.

“Bond Principal and Interest Account” means the separate account of that name previously established for the Senior Lien Bonds in the Sewer Revenue Fund and described in the Bond Ordinance.

“Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A and the the Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B, authorized by the Bond Ordinance and issued under the Indenture.

“Business Day” means any day of the year on which banks located in the city, or cities, respectively, in which are located the designated corporate trust office of the Trustee, the principal office of any Remarketing Agent and the office of the provider of a Credit Enhancement Instrument at which drawings under the Credit Enhancement Instrument are to be made, are not required or authorized to remain closed and on which The New York Stock Exchange, Inc. is not closed.

“Capital Appreciation Obligation” means a Second Lien Bond bearing interest that is compounded on an initial date and semiannually thereafter, and is payable at maturity.

“Cash on Hand” means the sum of cash, cash equivalents, liquid investments and marketable securities in the Sewer Revenue Fund (excluding any such items in the Senior Lien Rebate Accounts, Second Lien Bonds Account, Subordinate Lien Obligations Account, Commercial Paper Account or Line of Credit Notes Account).

“Certificate” means an instrument of the City in writing signed by an Authorized Officer. Any such instrument in writing and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instruments, opinion or representation, and the two or more so combined shall be read and construed so as to form a single instrument. Any Certificate may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, respectively, unless the Authorized Officer signing such Certificate knows that the opinion or representation with respect to the matters upon which such Certificate may be based is erroneous. The same Authorized Officer, or the same counsel or accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture or any Supplemental Indenture, but different officers, counsel, accountants or other persons may certify to different facts, respectively.

“Chief Financial Officer” means the Chief Financial Officer of the City appointed by the Mayor or, in the event no person is at the time then so appointed and acting, the City Comptroller of the City.

“City” means the City of Chicago.

“City Clerk” means the duly elected and qualified person serving as the City Clerk of the City.

“City Council” means the City Council of the City.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and to sections of the Code shall include relevant final, temporary or proposed Regulations as in effect from time to time and, with reference to any series of Second Lien Bonds, as applicable to obligations issued on the date of issuance of such series.

“Commercial Paper and Line of Credit Account” means the separate account of that name previously established in the Sewer Revenue Fund by prior Second Lien Bond Ordinances.

“Commercial Paper Notes” means obligations commonly described as “commercial paper” issued by the City from time to time payable from the Commercial Paper and Line of Credit Account pursuant to the Series 2012 Bond Ordinance.

“Compound Accreted Value” means, with respect to any Capital Appreciation Obligation, as of any date of calculation, its original principal amount plus the appreciation in its principal amount to that date calculated as provided in the related Second Lien Bond Determination Certificate.

“Costs of Issuance” means any item of expense payable or reimbursable, directly or indirectly, by the City and related to the authorization, offering, sale, issuance and delivery of Second Lien Bonds, including but not limited to travel and other expenses of any officer or employee of the City in connection with the authorization, offering, sale, issuance and delivery of such Second Lien Bonds, printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and disbursements of financial advisors, accountants and engineers, initial fees and charges of the Trustee, legal fees and disbursements, fees and disbursements of other consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of such Second Lien Bonds, application fees and premiums on municipal bond insurance, surety bond and credit facility charges and costs.

“Counsel’s Opinion” means a written opinion of counsel selected by the City (who may be the Corporation Counsel for the City).

“CP/Line of Credit Notes Revenues” means all sums, amounts, funds or monies which are deposited to the Commercial Paper and Line of Credit Account pursuant to the Indenture.

“Credit Enhancement Instrument” means, with respect to all or a portion of a series of Second Lien Bonds issued under the Indenture, a letter of credit, a line of credit, a standby purchase agreement, a financial guaranty insurance policy, a surety bond, or a similar instrument providing credit support and/or liquidity support with respect to such Second Lien Bonds.

“Days’ Cash on Hand” means Cash on Hand, divided by the quotient of (i) operating expenses, as shown on the most recent audited financial statements of the Sewer Revenue Fund, and (ii) 365.

“Defeasance Obligations” means (i) cash, (ii) United States Treasury bills, notes and bonds or certificates of indebtedness the principal of and interest on which are unconditionally guaranteed by, the United States of America; (iii) trust receipts or other certificates of ownership evidencing an ownership interest in the principal of or interest on, or both principal of and interest on, obligations described in clause (ii) of this definition, which obligations are held in trust by a bank described in clause (d) of “Permitted Investments,” provided that such bank holds such obligations separate and segregated from all other funds and accounts of the City and of such bank and that a perfected first security interest under the Illinois Uniform Commercial Code, or under book entry procedures

prescribed at 31 C.F.R. 306.0 et seq. or 31 C.F.R. 350.0 et seq. (or other similar book entry procedures prescribed by federal law or regulations adopted after the date of adoption of this Indenture), has been created in such obligations for the benefit of the applicable account in the Sewer Revenue Fund or, to the extent permitted, in any irrevocable trust or escrow established to make provision for the payment and discharge of the indebtedness on all obligations which are payable from Net Revenues; and (iv) obligations, participation or other instruments of or issued by a federal agency or United States government-sponsored enterprise or instrumentality, including but not limited to Fannie Mae, the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank.

“Deputy City Clerk” means the duly appointed and qualified person serving as the Deputy City Clerk of the City.

“Depository” means any bank, trust company, national banking association, savings bank or other banking association selected by the Authorized Officer as a depository of moneys and securities held in any Second Lien Construction Account and in the Bond Principal and Interest Account, the Bond Debt Service Reserve Account, the Senior Lien Rebate Account, the Second Lien Bonds Account, the Second Lien Bonds Debt Service Reserve Account, and the Second Lien Rebate Account under the provisions of the Senior Lien Bond Ordinance, the Second Lien Bond Ordinances for the Outstanding Second Lien Bonds, and the Indenture.

“Determination Certificate” means a Certificate of an Authorized Officer with respect to one or more series of Second Lien Bonds filed with the office of the City Clerk, addressed to the City Council, as provided in the applicable Second Lien Bond Ordinance or Second Lien Bond Ordinances.

“DTC” means The Depository Trust Company, New York, New York, its successors and assigns.

“Electronic Means” shall mean the following communications methods: e-mail, fac-simile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“Event of Default” means an Event of Default under the Indenture.

“Federal Subsidies” means (a) the direct payments by the Treasury to the City of a portion of the interest payable by the City on Series 2010B Second Lien Bonds and (b) to the extent available to the City after the effectiveness of this Indenture, payments by the Treasury to the City resulting from subsidies, tax credits or other incentives or benefits to state and local governments in connection with the issuance of debt obligations by such governments.

“Fiscal Year” means the period beginning January 1 and ending December 31 of any year.

“Governmental Obligations” means obligations described in clauses (ii), (iii), and (iv) of the definition of the term “Defeasance Obligations.”

“Gross Revenues” means all income and receipts from any source which under generally accepted accounting principles are properly recognized as being derived from the operation of the Sewer System, including without limitation (a) charges imposed for sewer service and usage, (b) charges imposed for inspections and permits for connection to the Sewer System, (c) grants (excluding grants received for capital projects) and (d) Investment Earnings. Gross Revenues do not include (a) amounts credited to customers on their bills, such as for the purchase price paid to such customers for capital assets of the sewer system or (b) Federal Subsidies unless the Chief Financial Officer designates such Federal Subsidies as amounts to be deposited into the Sewer Revenue Fund and subject to the lien of this Indenture.

“Hedge Counterparty” means the person or persons with which the City enters into an Interest Rate Hedge Agreement.

“IEPA” means the Illinois Environmental Protection Agency, and its successors and assigns, or in the case of IEPA Loans made pursuant to the IEPA Program, the authorized lender under such Program.

“IEPA Loan” means, collectively, the borrowing or borrowings by the City from the IEPA under the IEPA Program and evidenced by one or more loan agreements between the City and the IEPA setting forth the terms of an IEPA Loan.

“IEPA Program” means the Water Pollution Control Loan Program or any successor program administered by the State, and any similar program through which funds are authorized by the federal government, including the United States Environmental Protection Agency, and administered by the State or any federally authorized agency.

“Indenture” means the Master Indenture of Trust from the City to the Trustee, dated as of May 1, 2023, with respect to the Bonds, as supplemented by the First Supplemental Indenture from the City to the Trustee, dated as of May 1, 2023, and as amended or supplemented in accordance with the terms thereof, providing for the issuance of the Bonds.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, or any successor act and the regulations promulgated thereunder.

“Interest Payment Date” means, with respect to a series of Second Lien Bonds, January 1 and July 1 of each year, for Outstanding Second Lien Bonds, on the date specified in the applicable bond ordinance, trust indenture or Determination Certificate and, for the Series 2023 Second Lien Bonds and other Second Lien Parity Bonds issued under the Indenture, on the date specified in the applicable Supplemental Indenture.

“Interest Rate Hedge Agreement” means an interest rate exchange, hedge or similar agreement, with a Hedge Counterparty entered into in order to hedge or manage the interest payable on all or a portion of any series of Outstanding Senior Lien Bonds or any series of Second Lien Bonds, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent. Obligations of the City under an Interest Rate Hedge Agreement shall not constitute indebtedness of the City for which its full faith and credit are pledged or for any other purpose.

“Investment Earnings” means interest plus net profits and less net losses derived from investments made with any portion of the Gross Revenues or with any money in the accounts in the Sewer Revenue Fund (other than the rebate accounts established and held for the Senior Lien Bonds and Second Lien Bonds) described in the Senior Lien Bond Ordinance, applicable Second Lien Bond Ordinance or related Determination Certificate or Determination Certificates, or in the Indenture. Investment Earnings do not include interest or earnings on investments of moneys on deposit in any Senior Lien Construction Account, Second Lien Construction Account, or Subordinate Lien Construction Account.

“Line of Credit Notes” means the Line of Credit Notes defined in and authorized by the Series 2012 Bond Ordinance, payable from the Commercial Paper and Line of Credit Account.

“Mayor” means the Mayor of the City.

“Municipal Code” means the Municipal Code of Chicago, as from time to time amended.

“Net Revenues” means that portion of the Gross Revenues remaining in any period after providing sufficient funds for Operation and Maintenance Costs.

“Net Revenues Available for Bonds” means that portion of the Net Revenues remaining in any period, minus any amounts deposited during that period in the Sewer Rate Stabilization Account plus the amounts allocated from the Sewer Rate Stabilization Account as provided in the Indenture plus the amounts allocated from the Residual Account at the direction of the Chief Financial Officer as provided in the Indenture.

“Operation and Maintenance Costs” means all expenses reasonably incurred by the City in connection with the operation, maintenance, renewal, replacement and repair of the Sewer System that under generally accepted accounting principles are properly chargeable to the Sewer System and not capitalized, including, without limitation, salaries, wages, taxes, pensions and pension-related expenses, contracts for services, costs of materials and supplies, purchase of power, fuel, insurance, reasonable repairs and extensions necessary to render efficient service, the costs related to any Interest Rate Hedge Agreements, trustee’s and paying agents’ fees and all incidental expenses, but excluding any provision for depreciation or for interest on Senior Lien Bonds, Second Lien Bonds or other obligations for borrowed money payable from the Net Revenues Available for Bonds.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding” means, when used with reference to any series or subseries of Second Lien Bonds, all of such obligations that are outstanding and unpaid, provided that such term does not include:

- (a) Second Lien Bonds canceled at or prior to such date or delivered to or acquired by the trustee or paying agent for such Second Lien Bonds at or prior to such date for cancellation;
- (b) matured or redeemed Second Lien Bonds which have not been presented for payment in accordance with the provisions of the trust indenture or ordinance authorizing such series of Second Lien Bonds and for the payment of which the City has deposited funds with the trustee or paying agent for such Second Lien Bonds;
- (c) Second Lien Bonds for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Second Lien Bonds;
- (d) Second Lien Bonds in lieu of or in exchange or substitution for which other Second Lien Bonds shall have been authenticated and delivered pursuant to the trust indenture or ordinance authorizing such series of Second Lien Bonds; and
- (e) Second Lien Bonds owned by the City.

When used with respect to Senior Lien Bonds or Subordinate Lien Obligations, *“Outstanding”* shall have the meaning ascribed to such term in the Senior Lien Bond Ordinance or the related Subordinate Lien Obligation Ordinances, as applicable.

Outstanding Bonds” means, collectively, the Outstanding Senior Lien Bonds and the Outstanding Second Lien Bonds.

“Outstanding Second Lien Bond Indentures” means, collectively, the Series 2001 Indenture, the Series 2008A Indenture, the Series 2008C Indenture, the Series 2010 Indenture, the Series 2012 Indenture, the Series 2014 Indenture, the Series 2015 Indenture and the Series 2017 Indenture.

“Outstanding Second Lien Bonds” means, collectively, the Outstanding Series 2001 Second Lien Bonds, the Outstanding Series 2008 Second Lien Bonds, the Outstanding Series 2010 Second Lien Bonds, the Outstanding Series 2012 Second Lien Bonds, the Outstanding Series 2014 Second Lien Bonds, the Outstanding Series 2015 Second Lien Bonds and the Outstanding Series 2017 Second Lien Bonds.

“Outstanding Senior Lien Bonds” means the Outstanding Series 1998A Senior Lien Bonds.

“Paying Agent” means such banking institution as may be appointed by the Chief Financial Officer as paying agent for a series of Second Lien Bonds, or any successor to it in that capacity appointed by the Chief Financial Officer and any co-paying agent separately appointed by the Chief Financial Officer.

“Payment Date” means any date on which a Principal Installment or interest on any series of Second Lien Bonds is payable in accordance with its terms and, in the case of Outstanding Second Lien Bonds, the terms of the applicable bond ordinance, trust indenture or Determination Certificate, in the case of the Series 2023 Second Lien Bonds and other Second Lien Parity Bonds, the terms of the Indenture and the Supplemental Indenture creating such series and, in the case of any Section 2.8 Obligations or amounts which are payable under any Section 2.9 Obligations, in accordance with the terms of the instrument creating such Section 2.8 Obligations or such Section 2.9 Obligations.

“Permitted Investments” means any of the following:

- (a) United States Treasury bills, notes and bonds or certificates of indebtedness, the principal of and interest on which are unconditionally guaranteed by, the United States of America;
- (b) obligations, participations or other instruments of or issued by a federal agency or United States government-sponsored enterprise or instrumentality, including but not limited to Fannie Mae, the Federal Home Loan Mortgage Corporation, the United States Postal Service, the Government National Mortgage Association and the Federal Financing Bank;
- (c) debt obligations of any state of the United States or any other political or governmental subdivision of any state of the United States rated, at the time of purchase, no less than A-, or equivalent rating, by at least two accredited Rating Agencies, or have an equivalent credit enhancement instead of a second rating;
- (d) fully collateralized at least 100% by a combination of bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States, of any US State, or any political subdivision of a US State, which are rated at least AA, or equivalent rating, by at least two accredited ratings agencies and maintaining such rating during the term of such investments;
- (e) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally-recognized statistical rating organization and maintaining such rating during the term of such investment;
- (f) fully collateralized at least 100% by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank’s short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term deposit;
- (g) repurchase agreements with banks described in clause (d) of this definition or with government bond dealers reporting to, trading with, and recognized as primary dealers by a Federal

Reserve Bank, provided (i) that the underlying securities are obligations described in clauses (a) or (c) of this definition and required to be continuously maintained at a market value not less than the amount so invested, (ii) the City has received an opinion of counsel to the effect that a custodian for the City has possession of the underlying securities as collateral and has a perfected first security interest in the collateral, and (iii) the collateral is in the opinion of such counsel free and clear of claims by third parties;

(h) obligations of any state of the United States of America or any political subdivision of a state or any agency or instrumentality of a state or political subdivision which are, at the time of purchase, rated by at least two Rating Agencies or have an equivalent credit enhancement instead of a second rating;

(i) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated as investment grade by at least two Rating Agencies, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, in their highest rating category (if not rated by at least two Rating Agencies then a rating by a single Rating Agency shall be satisfactory), for comparable types of debt obligations;

(j) repurchase agreements and investment agreements (including forward purchase agreements pursuant to which the City agrees to purchase securities of the type described in clauses (a), (b), (c), (f), (g) and (i) of this definition of "Permitted Investments"), with any bank, trust company, national banking association (which may include any Paying Agent or Bond Registrar), insurance company or any other financial institution which at the date of the agreement has an outstanding, unsecured, uninsured and unguaranteed debt issue rated by at least two Rating Agencies in one of their three highest respective long-term rating categories, without regard to any refinement or gradation of rating categories by numerical modifier or otherwise, or if such institution is not so rated, that the agreement is secured by such securities as are described in clauses (a) through (d) above, inclusive, having a market value at all times (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount invested pursuant to the agreement, provided that (i) a custodian for the City (which custodian is not the entity with which the City has the repurchase or investment agreement) has a perfected first security interest in the collateral and the City has received an opinion of counsel to that effect, (ii) the custodian or an agent of the custodian (which agent is not the entity with which the City has the repurchase or investment agreement) has possession of the collateral, and (iii) such obligations are in the opinion of such counsel free and clear of claims by third parties;

(k) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated by at least two Rating Agencies in its two highest short-term rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise;

(l) certificates of deposit of national banks that are either fully collateralized at least 110 percent by marketable U.S. government securities marked to market at least monthly or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, without regard to any refinement or gradation of rating category by numerical modifier or otherwise, as rated by at least one Rating Agency and maintaining such rating during the term of such investment;

(m) shares of a money market fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, as amended (including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise).

(n) supranational debt instruments of international institutions established or chartered by multiple countries or other international institutions, rating, at the time of purchase, no less than A-, or equivalent rating, by at least two accredited rating agencies, or have an equivalent credit enhancement instead of a second rating;

(o) Structured Investment Vehicles backed or guaranteed by US Government Sponsored Enterprises or the United States Government; an

(p) any other suitable investment instrument permitted by state laws governing municipal investments or City Municipal Code, subject to the reasonable exercise of prudence in investing public funds.

“Principal Installment” means:

(a) as of any particular date of computation and with respect to Outstanding Senior Lien Bonds of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Senior Lien Bonds of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Senior Lien Bonds which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Senior Lien Bond Ordinance of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Senior Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Senior Lien Bonds of such series, and for all purposes of the Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment;

(b) as of any particular date of computation and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 2.8 Obligation, an amount of money equal to the aggregate of (i) the principal amount of Second Lien Bonds of said series or of Section 2.8 Obligations which mature on a single future date, reduced by the aggregate principal amount of such Second Lien Bonds which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Indenture, with respect to the Series 2023 Second Lien Bonds or any Second Lien Parity Bonds, or the ordinance or trust indenture creating any other series of Second Lien Bonds, or the instrument creating such Section 2.8 Obligations, of Sinking Fund Payments payable at or before said future date for the retirement of such Second Lien Bonds, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of such Second Lien Bonds (including Section 2.8 Obligations), and for all purposes of the Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.; and

(c) as of any particular date of computation and with respect to Subordinate Lien Obligations of a particular series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Subordinate Lien Obligations of said series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Subordinate Lien Obligations which would at or before said future date be retired by reason of the payment when due and the application in accordance with the Subordinate Lien Obligation Ordinance authorizing the issuance of each series of Subordinate Lien Obligations of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Subordinate Lien Obligations, plus (ii) the amount of any Sinking Fund Payments payable on said future date for the retirement of any Outstanding Subordinate Lien Obligations of such series, and for all purposes of the Indenture, said future date shall be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

“Principal Office” means, with respect to the Trustee, its principal office in Chicago, Illinois.

“Projects” means the program of improvement, extension and rehabilitation of the Sewer System consisting of the construction and acquisition of flood relief sewers, the rehabilitation and replacement of existing sewers, the expansion of operational facilities, services and equipment to protect and enhance the safety, integrity and security of the Sewer System, and any project eligible for funding by the IEPA through the IEPA Program.

“Project Bonds” means a series of Second Lien Bonds the proceeds of which are used for Project Costs.

“Project Costs” means the costs of acquiring, constructing and equipping the Projects, including, without limitation, acquisition of necessary interests in property, engineering fees or costs of the City, restoration costs, and legal and other professional fees or costs of the City.

“Qualified Collateral” means:

- (a) Governmental Obligations;
- (b) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than “AA” or “Aa” or their equivalents by any Rating Agency; and
- (c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

“Rating Agency” means any nationally recognized securities rating agency.

“Record Date” means June 15 and December 15 of each year.

“Redemption Price” means, with respect to any series of Second Lien Bonds, the principal amount of such Second Lien Bonds plus the applicable premium, if any, payable upon redemption of such Second Lien Bonds pursuant to the provisions of such Second Lien Bonds or the applicable Second Lien Bond Ordinance or trust indenture or Supplemental Indenture creating such Series of Second Lien Bonds, or such other redemption price or tender price as may be specified in such Second Lien Bonds or applicable Second Lien Bond Ordinance or trust indenture or Supplemental Indenture.

“Refunding Obligations” means all Second Lien Bonds whether issued in one or more series, authenticated and delivered on original issuance for the purpose of the refunding of Senior Lien Bonds or Second Lien Bonds or Subordinate Lien Obligations of any series. The refunding effectuated by the issuance of Refunding Obligations may be accomplished through a tender offer for any of the Outstanding Bonds or through an exchange of Refunding Obligations for any of the Outstanding Bonds.

“Regulations” means the Income Tax Regulations (26 CFR Part I) promulgated under and pursuant to the Code.

“Residual Account” means the account of the name created by the Indenture.

“Second Lien Bond Ordinance” means the ordinance or ordinances of the City authorizing one or more series of Second Lien Bonds.

“Second Lien Bond Revenues” means any Net Revenues Available for Bonds deposited into the Second Lien Bonds Account pursuant to (i) the ordinances authorizing the Outstanding Second Lien Bonds, (ii) the Indenture, (iii) the Supplemental Indenture authorizing the Series 2023 Bonds, and (iv) the Supplemental Indentures authorizing any Second Lien Parity Bonds.

“Second Lien Bonds” means the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds, the Series 2023 Second Lien Bonds, and all Second Lien Parity Bonds.

“Second Lien Bonds Account” means the separate account of that name previously established for the Second Lien Bonds in the Sewer Revenue Fund by prior Second Lien Bond Ordinances and expressly continued by the Indenture.

“Second Lien Bonds Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on the Second Lien Bonds then Outstanding required to be paid in that Fiscal Year. Any Second Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for these purposes as being due on the date they are required to be redeemed and not on their stated maturity dates. If the City has entered into an Interest Rate Hedge Agreement with respect to all or any portion of the Second Lien Bonds, the interest payable on such Second Lien Bonds shall be deemed to be the amount payable under the Interest Rate Hedge Agreement for the years in which the Interest Rate Hedge Agreement is in effect. If the City is to pay a variable rate pursuant to the Interest Rate Hedge Agreement, the variable rate calculation shall be made as follows: for purposes of computing the interest payable on any Second Lien Bonds issued as Variable Rate Bonds in any future Fiscal Year or other specified future 12-month period, the rate of interest shall be assumed to equal the highest monthly average rate of interest paid with respect to such Variable Rate Bonds during the 12 months preceding the date of such calculation, plus 0.5 percent, or if such Variable Rate Bonds were not Outstanding during the entire 12-month period preceding the date of calculation, the highest monthly average rate of interest paid with respect to comparable debt obligations having a comparable interest rate determination method, interest rate period and rating during such 12-month period, plus 0.5 percent.

“Second Lien Bonds Debt Service Reserve Account” means the separate account of that name previously established for the Second Lien Bonds with a Depository designated by the Authorized Officer by prior Second Lien Bond Ordinances and described in Section 3.3(e) of the Indenture.

“Second Lien Bonds Debt Service Reserve Account Credit Enhancement Instrument Coverage” means, with respect to any Credit Enhancement Instrument for the Second Lien Bonds Debt Service Reserve Account on any date of determination, the amount available to pay principal of and interest on the Second Lien Bonds under that Credit Enhancement Instrument, including amounts owed pursuant to an Interest Rate Hedge Agreement with respect to such Second Lien Bonds to the extent such amounts constitute interest.

“Second Lien Bonds Debt Service Reserve Requirement” means, as of any date of computation and with respect to each series of Second Lien Bonds beginning with the Series 2023 Second Lien Bonds, the amount, if any, established in the Supplemental Indenture authorizing such series of Second Lien Bonds, not to exceed the least of (A) the highest future Second Lien Bonds Debt Service Requirement of such series in any Fiscal Year including the Fiscal Year in which the date of computation falls; (B) 10 percent of the original principal amount of such series (less any original issue discount); or (C) 125 percent of the average annual Second Lien Bonds Debt Service Requirement for the Outstanding Second Lien Bonds of such series. Outstanding Second Lien Bonds required to be redeemed pursuant to a mandatory sinking fund redemption shall be treated for purposes of this definition as being due on the dates they are required to be redeemed and not on their stated maturity dates.

“Second Lien Bonds Ordinances” means Ordinances of the City authorizing the issuance of Second Lien Parity Bonds.

“Second Lien Construction Accounts” means (i) an account, if any, established for construction purposes by the Series 2001 Bond Ordinance, the Series 2008 Bond Ordinance, the Series 2010 Bond Ordinance, the Series 2012 Bond Ordinance, the Series 2014 Bond Ordinance, the Series 2015 Bond Ordinance, the Series 2017 Bond Ordinance, the Supplemental Indenture authorizing the Series 2023 Second Lien Bonds, or the Supplemental Indenture authorizing any Second Lien Parity Bonds, and (ii) any account established to pay costs of issuance of Second Lien Bonds.

“Second Lien Parity Bonds” means obligations other than the Series 2001 Second Lien Bonds, the Series 2008 Second Lien Bonds, the Series 2010 Second Lien Bonds, the Series 2012 Second Lien Bonds, the Series 2014 Second Lien Bonds, the Series 2015 Second Lien Bonds, the Series 2017 Second Lien Bonds, and the Series 2023 Second Lien Bonds, which are payable from Second Lien Bond Revenues on an equal and ratable basis with all other Outstanding Second Lien Bonds.

“Second Lien Rebate Account” means the account of that name provided for in the Indenture.

“Section 2.8 Obligations” means any obligations incurred by the City to reimburse or otherwise make payments to the issuer or issuers of one or more Credit Enhancement Instruments (including Qualified Reserve Account Credit Instruments) securing all or any portion of one or more series of Second Lien Bonds, including any fees or other amounts payable to the issuer of any such Credit Enhancement Instruments, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such Credit Enhancement Instruments, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof.

“Section 2.9 Obligations” means any obligations incurred by the City to any one or more Hedge Counterparties, including any fees or amounts payable by the City under each related Interest Rate Hedge Agreement or agreement described in the Indenture.

“Senior Lien Bond Ordinance” means, to the extent applicable, Parts A and D of the Series 1998 Bond Ordinance.

“Senior Lien Bonds” means the Series 1998 Senior Lien Bonds.

“Senior Lien Construction Accounts” means (i) the account, if any, established for construction purposes by the Senior Lien Bond Ordinance, and (ii) any account established to pay costs of issuance of Senior Lien Bonds.

“Senior Lien Rebate Account” means the account of that name provided for in the Senior Lien Bond Ordinance and in the Indenture.

“Series 1998 Bond Ordinance” means the ordinance passed by the City Council on December 10, 1997, as amended by the City Council on February 5, 1998, authorizing the issuance of the Series 1998 Senior Lien Bonds.

“Series 1998 Senior Lien Bonds” means the Wastewater Transmission Revenue Bonds, Refunding Series 1998A, of the City authorized by and issued pursuant to the Series 1998 Bond Ordinance.

“Series 2001 Bond Ordinance” means the ordinance passed by the City Council on March 7, 2001 authorizing the issuance of the Series 2001 Second Lien Bonds.

“Series 2001 Indenture” means the Trust Indenture dated as of December 1, 2001 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2001 Second Lien Bonds.

“Series 2001 Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2001, of the City authorized pursuant to the Series 2001 Bond Ordinance and issued pursuant to the Series 2001 Indenture.

“Series 2008 Bond Ordinance” means the ordinance passed by the City Council on May 14, 2008 authorizing the issuance of the Series 2008 Second Lien Bonds.

“Series 2008 Second Lien Bonds” means the Series 2008A Second Lien Bonds and the Series 2008C Second Lien Bonds.

“Series 2008A Indenture” means the Trust Indenture dated as of November 1, 2008 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2008A Second Lien Bonds.

“Series 2008A Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2008A, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008A Indenture, consisting of the \$167,635,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2008A.

“Series 2008C Indenture” means the Amended and Restated Trust Indenture from the City to Amalgamated Bank of Chicago, as trustee, dated as of December 1, 2011, amending and restating the original Trust Indenture, dated as of October 1, 2008, from the City to Amalgamated Bank of Chicago, as trustee, as such Amended and Restated Trust Indenture has been amended by the First Amendment dated as of March 1, 2012, the Second Amendment dated as of December 1, 2014, the Third Amendment dated as of August 19, 2015, the Fourth Amendment dated as of September 1, 2015, and the Fifth Amendment dated as of October 1, 2015, providing for the issuance of the Series 2008C Second Lien Bonds.

“Series 2008C Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2008C, of the City authorized pursuant to the Series 2008 Bond Ordinance and issued pursuant to the Series 2008C Indenture, consisting of the \$332,230,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2008C.

“Series 2010 Bond Ordinance” means the ordinance passed by the City Council on July 28, 2010, authorizing the issuance of the Series 2010 Second Lien Bonds.

“Series 2010 Indenture” means the Trust Indenture dated as of November 1, 2010 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2010 Second Lien Bonds.

“Series 2010 Second Lien Bonds” means the Series 2010A Second Lien Bonds and the Series 2010B Second Lien Bonds.

“Series 2010A Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt), of the City authorized pursuant to the Series 2010 Bond Ordinance and issued pursuant to the Series 2010 Indenture, consisting of the \$25,865,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Refunding Bonds, Series 2010A (Tax-Exempt).

“Series 2010B Second Lien Bonds” means the Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment), of the City authorized pursuant to the Series 2010 Bond Ordinance and issued pursuant to the Series 2010 Indenture, consisting of the \$250,000,000 in

original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Series 2010B (Build America Bonds—Direct Payment).

“*Series 2012 Bond Ordinance*” means the ordinance passed by the City Council on May 9, 2012, authorizing the issuance of the Series 2012 Second Lien Bonds.

“*Series 2012 Indenture*” means the Trust Indenture dated as of September 1, 2012 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2012 Second Lien Bonds.

“*Series 2012 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012, of the City authorized pursuant to the Series 2012 Bond Ordinance and issued pursuant to the Series 2012 Indenture, consisting of the \$276,470,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012.

“*Series 2014 Bond Ordinance*” means the ordinance passed by the City Council on April 30, 2014, authorizing the issuance of the Series 2014 Second Lien Bonds.

“*Series 2014 Indenture*” means the Trust Indenture dated as of September 1, 2014 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2014 Second Lien Bonds.

“*Series 2014 Second Lien Bonds*” means the Wastewater Transmission Revenue Project Bonds, Series 2014, of the City authorized pursuant to the Series 2014 Bond Ordinance and issued pursuant to the Series 2014 Indenture, consisting of the \$292,405,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Project Bonds, Series 2014.

“*Series 2015 Bond Ordinance*” means the ordinance passed by the City Council on September 24, 2015, authorizing the issuance of the Series 2015 Second Lien Bonds.

“*Series 2015 Indenture*” means the Trust Indenture dated as of October 1, 2015 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2015 Second Lien Bonds.

“*Series 2015 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable) of the City authorized pursuant to the Series 2015 Bond Ordinance and issued pursuant to the Series 2015 Indenture, consisting of the \$87,080,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Series 2015 (Taxable).

“*Series 2017 Bond Ordinance*” means the ordinance passed by the City Council on January 13, 2016, authorizing the issuance of the *Series 2017 Second Lien Bonds*.

“*Series 2017 Indenture*” means the Trust Indenture dated as of June 1, 2017 from the City to Amalgamated Bank of Chicago, as trustee, providing for the issuance of the Series 2017 Second Lien Bonds.

“*Series 2017 Second Lien Bonds*” means the Second Lien Wastewater Transmission Revenue Bonds, Series 2017 of the City authorized pursuant to the Series 2017 Bond Ordinance and issued pursuant to the Series 2017 Indenture, consisting of the \$180,590,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Project Series 2017A, and the \$215,485,000 in original aggregate principal amount of Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2017B.

“*Series 2023 Bond Ordinance*” means an ordinance duly adopted by the City Council on June 27, 2018, as such ordinance was modified and amended by an ordinance duly adopted by the City Council on October 27,

2021, and an ordinance duly adopted by the City Council on November 7, 2022, authorizing the issuance of the Series 2023 Second Lien Bonds.

“Series 2023 Second Lien Bonds” means the \$452,575,000 Second Lien Wastewater Transmission Revenue Project and Refunding Bonds, Series 2023, of the City authorized pursuant to the Series 2023 Bond Ordinance and issued pursuant to the Indenture and the Series 2023 Supplemental Indenture.

“Series 2023 Supplemental Indenture” means the Supplemental Indenture authorizing the Series 2023 Second Lien Bonds.

“Sewer Rate Stabilization Account” means the separate account of that name previously established by the City in the Sewer Revenue Fund and described in the Indenture.

“Sewer Revenue Fund” means the separate fund designated the “Sewer Revenue Fund of the City of Chicago” previously established by the City pursuant to the Municipal Code and prior Second Lien Bond Ordinances and described in the Indenture.

“Sewer System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for sewer and wastewater transmissions and any and all further extensions, improvements and additions to the Sewer System.

“Short Term Obligations” means the Line of Credit Notes and the Commercial Paper Notes.

“Sinking Fund Payment” means:

(a) as of any particular date of determination and with respect to the Outstanding Senior Lien Bonds, the amount required by the Senior Lien Bond Ordinance to be paid by the City on a single future date for the retirement of Senior Lien Bonds of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Senior Lien Bond;

(b) as of any particular date of determination and with respect to the Outstanding Second Lien Bonds of any series or consisting of any Section 2.8 Obligations, the amount required by the prior Second Lien Bond Ordinance or the Supplemental Indenture creating such series or the instrument creating such Section 2.8 Obligations to be paid by the City on a single future date for the retirement of such Second Lien Bonds (including Section 2.8 Obligations) which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Second Lien Bond; and

(c) as of any particular date of determination and with respect to the Outstanding Subordinate Lien Obligations of any series, the amount required by a Subordinate Lien Obligation Ordinance to be paid in any event by the City on a single future date for the retirement of Subordinate Lien Obligations of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Subordinate Lien Obligation.

“State” means the State of Illinois.

“Subordinate Lien Construction Accounts” means (i) the various accounts established for construction purposes by Subordinate Lien Obligation Ordinances, and (ii) any account established to pay costs of issuance of Subordinate Lien Obligations.

“Subordinate Lien Debt Service Requirement” means, for any Fiscal Year, the principal of and interest on Subordinate Lien Obligations required to be paid in that Fiscal Year.

“Subordinate Lien Obligation Ordinances” means ordinances of the City authorizing the issuance of Subordinate Lien Parity Obligations.

“Subordinate Lien Obligation Revenues” means all sums, amounts, funds or monies which are deposited to the Subordinate Lien Obligations Account pursuant to the Indenture.

“Subordinate Lien Obligations” means obligations, including Subordinate Lien Parity Obligations, that are payable from sums, amounts, funds or monies which are deposited to the Subordinate Lien Obligations Account or Subaccounts pursuant to the Subordinate Lien Obligation Ordinances.

“Subordinate Lien Obligations Account” means the separate account of that name previously established in the Sewer Revenue Fund by prior Second Lien Bond Ordinances and expressly continued by the Indenture.

“Subordinate Lien Parity Obligations” means Subordinate Lien Obligations issued on or after the date of the Indenture.

“Supplemental Indenture” means any indenture modifying, altering, amending, supplementing or confirming the Indenture duly entered into in accordance with the terms of the Indenture.

“Tax-Exempt Second Lien Bonds” means Second Lien Bonds, the interest on which, as of their date of issuance, is not includable in gross income for federal income tax purposes under the federal income tax laws in effect from time to time.

“Taxable Second Lien Bonds” means Second Lien Bonds, the interest on which, as of their date of issuance, is includable in gross income for federal income tax purposes under the federal income tax laws in effect from time to time

“Treasury” means the United States Treasury Department.

“Trust Estate” means as provided in the granting clauses of the Indenture.

“Trustee” means Amalgamated Bank of Chicago, as Trustee under the Indenture, and its successors and assigns.

“Undertaking” means the City’s Continuing Disclosure Undertaking related to the one or more series of Second Lien Bonds, as amended from time to time, if required by law.

“Variable Rate Bonds” means any Senior Lien Bonds or Second Lien Bonds the interest rate on which is not established at the time of their issuance at a single numerical rate for their entire term of such Senior Lien Bonds or Second Lien Bonds.

“Water System” means all property, real, personal or otherwise, owned or to be owned by the City or under the control of the City and used for water supply, distribution or collection purposes, and any and all further extensions, improvements and additions to the Water System.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture not summarized elsewhere in this Official Statement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, a copy of which is on file with the Trustee.

Source of Payment; Pledge of Second Lien Bond Revenues

The provisions of the Indenture constitute a contract among the City, the Trustee and the Owners of the Bonds. The Bonds are legal, valid and binding limited obligations of the City payable solely from Second Lien Bond Revenues and certain other moneys and securities held by the Trustee under the Indenture. The Bonds, together with any other Second Lien Bonds, also are secured by and payable from any amounts on deposit in the Second Lien Construction Accounts. The Bonds and the interest thereon do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation as to indebtedness and shall have no claim to be paid from taxes of the City. The Bonds are secured by a pledge of the Second Lien Bond Revenues and funds and accounts held by the Trustee under the Indenture. The Bonds have a claim for payment from Second Lien Bond Revenues and from amounts on deposit in the Second Lien Construction Accounts on a parity with the claim of any other Second Lien Bonds that may be Outstanding from time to time.

Additional Second Lien Parity Bonds

(a) As long as there are any Outstanding Second Lien Bonds, the City may issue Second Lien Parity Bonds for any lawful purpose of the Sewer System, including to refund Outstanding Senior Lien Bonds, Second Lien Bonds, Subordinate Lien Obligations or obligations payable from revenues of the Sewer System on a basis subordinate to the Second Lien Bonds and Subordinate Lien Obligations, upon compliance with the following conditions:

(i) the funds required to be transferred to the Second Lien Bonds Account and its sub-funds, accounts and subaccounts shall have been transferred in full up to the date of delivery of such Second Lien Parity Bonds; and

(ii) Net Revenues Available for Bonds for the last completed Fiscal Year prior to the issuance of the Second Lien Parity Bonds (as shown by the audit of an independent certified public accountant), or Net Revenues Available for Bonds for such last completed Fiscal Year, adjusted as described below, shall equal at least 110 percent of the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a pro forma basis assuming (w) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or trust indenture authorizing their issuance, sale and delivery and (x) any projected withdrawal from or deposits into the Sewer Rate Stabilization Account of such amounts as shall be estimated by the Authorized Officer in the current or any future fiscal year. Net Revenues Available for Bonds may be adjusted as follows for purposes of this paragraph (ii):

(1) if prior to the issuance of such Second Lien Parity Bonds, the City shall have enacted an increase in the rates of the Sewer System from the rates in effect for such last completed Fiscal Year, Net Revenues Available for Bonds may be adjusted to reflect the Net Revenues Available for Bonds for such last completed Fiscal Year as they would have been had the increased rates been in effect during all of that last completed Fiscal Year; and

(2) if prior to the issuance of such Second Lien Parity Bonds the City shall have enacted an increase in the rates of the Sewer System scheduled to take effect in a future Fiscal Year, such rate increase may be reflected in Net Revenues Available for Bonds for purposes of calculating debt service coverage for such completed Fiscal Year;

Any such adjustment shall be evidenced by a certificate of the Authorized Officer.

If during the first six months of a Fiscal Year, an audit of the Sewer System for the preceding Fiscal Year by an independent certified public accountant is not available, the conditions of paragraph (a)(ii)(1) shall be deemed to have been satisfied if both (A) Net Revenues Available for Bonds for the second preceding Fiscal Year (as shown by the audit of an independent certified public accountant), adjusted as described in paragraph (a)(ii)(1), and (B) Net Revenues Available for Bonds for the preceding Fiscal Year (as estimated by the Authorized Officer), adjusted as described in paragraph (a)(ii)(1), shall equal at least 110 percent of the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Bonds Requirement and the Aggregate Subordinate Lien Debt Service in each Fiscal Year following the issuance of the proposed Second Lien Parity Bonds, computed on a pro forma basis assuming (y) the issuance of the proposed Second Lien Parity Bonds and the application of the proceeds of any Second Lien Parity Bonds as provided in the ordinance or trust indenture authorizing their issuance, sale and delivery and (z) any projected withdrawal from or deposits into the Sewer Rate Stabilization Account of such amounts as shall be estimated by the Authorized Officer in the current or any future fiscal year.

(b) The City may issue Second Lien Parity Bonds without complying with either of the requirements of paragraph (a)(ii) above:

(i) to pay, redeem or refund Senior Lien Bonds or Second Lien Bonds if in the judgment of the City there will be no money available to make payments of interest on or principal of those Senior Lien Bonds or Second Lien Bonds (at maturity or on Sinking Fund Payment dates) as such amounts become due; of

(ii) to pay, redeem or refund any Senior Lien Bonds or Second Lien Bonds if (A) the sum of the Aggregate Senior Lien Debt Service, the Aggregate Second Lien Debt Service and the Aggregate Subordinate Lien Debt Service in each Fiscal Year in which there was to be any Aggregate Senior Lien Debt Service, Aggregate Second Lien Debt Service or Aggregate Subordinate Lien Debt Service on Bonds after the issuance of the Second Lien Parity Bonds and the payment, redemption or refunding of such Bonds will not be in excess of (B) the sum of the Aggregate Senior Lien Debt Service, Aggregate Second Lien Debt Service and Aggregate Subordinate Lien Debt Service prior to the issuance of the Second Lien Parity Bonds in each such Fiscal Year.

(c) Other obligations, including Subordinate Lien Obligations, may be issued payable from Net Revenues Available for Bonds on a basis subordinate to the Second Lien Bonds.

Covenant Against Pledge of Second Lien Bond Revenues

The City agrees in the Indenture not to issue any bonds, notes or other evidences of indebtedness secured by the pledge contained in the Indenture, other than Second Lien Parity Bonds, and not to create or cause to be created any lien or charge on Net Revenues Available for Bonds, or on any amounts pledged for the benefit of Owners of Bonds under the Indenture, other than the pledge contained in the Indenture, provided that the Indenture does not prevent the City from (a) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, Net Revenues Available for Bonds to be derived on and after such date as the pledge contained in the Indenture shall be discharged and satisfied as provided in the Indenture, (b) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, or secured by, the pledge of amounts

which may be withdrawn from the Second Lien Bonds Account so long as such pledge is expressly junior and subordinate to the pledge contained in the Indenture, (c) issuing Subordinate Lien Obligations.

Punctual Payment

The City covenants in the Indenture that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on all Second Lien Bonds, including, without limitation, Section 2.8 Obligations, in strict conformity with the terms of such Second Lien Bonds and of this Indenture, the Supplemental Indentures creating the Second Lien Bonds of each series and the Outstanding Second Lien Bond Indentures and the instruments creating Section 2.8 Obligations or Section 2.9 Obligations, and that it will faithfully observe and perform all the conditions, covenants and requirements of this Indenture, each such Supplemental Indenture and instrument and of the Second Lien Bonds issued or incurred under such Supplemental Indenture..

Other Covenants

In addition to the covenants referred to above, the City has covenanted under the Indenture, so long as any of the Bonds are Outstanding, as follows:

(a) To maintain the Sewer System in good repair and working order, to operate it continuously on a Fiscal Year basis, and to perform punctually all duties with respect to the Sewer System required by the Constitution and laws of the State.

(b) So long as the Second Lien Bonds are Outstanding, to continue to operate the Sewer System as a revenue-producing system so as to produce Net Revenues sufficient to satisfy the covenants of the Indenture.

(c) Prior to the end of each Fiscal Year, to conduct a review to determine whether it has been and will be in compliance with the requirement described above under the subcaption "SECURITY FOR THE BONDS — Second Lien Rate Covenant" and, whenever this annual review indicates that the projected Gross Revenues will not be sufficient to comply with the rate covenant, to prepare or cause to be prepared a rate study for the Sewer System identifying the rate changes necessary to comply with the rate covenant, and the Budget Director and the Authorized Officer shall recommend appropriate action to the City Council to comply with the rate covenant. See "FINANCIAL OPERATIONS — Annual Budget Review and Implementation of Annual Budget."

(d) To make all necessary and proper repairs, replacements, additions and betterments to the Sewer System so that it may at all times be operated efficiently, economically and properly. When any necessary equipment or facility becomes worn out, destroyed or otherwise is insufficient for proper use, it shall promptly be replaced so that the value and efficiency of the Sewer System will be at all times fully maintained.

(e) To establish such rules and regulations for the control and operation of the Sewer System as are necessary for the safe, lawful, efficient and economical operation of the Sewer System.

Additionally, for so long as any of the Bonds continue to bear interest (whether or not they are Outstanding) and after the Bonds cease to bear interest (but only within such subsequent period as shall be required for the City to comply with the covenants described in this paragraph), the City agrees:

(a) Not to direct or permit any action which (or fail to take any action the failure of which) would cause any Bond to be an "arbitrage bond" within the meaning of the Code, as amended from time to time and as applicable to the Bonds.

(b) To (i) take all actions that are necessary to be taken (and avoid taking any action that it is necessary to avoid being taken) so that interest on the Bonds will not be or become subject to federal income taxation under present law, and (ii) will take all actions reasonably within its power to take that are necessary to be taken (and avoid taking any actions that are reasonably within its power to avoid taking and that it is necessary to avoid) so that interest on the Bonds will not be or become includable in gross income for federal income tax purposes under the federal income tax laws as in effect from time to time.

(c) To, without limitation, (i) to the extent required by the Code, restrict the yield on investments of amounts received upon the sale of the Bonds and other amounts, and (ii) timely rebate to the United States of America certain amounts that may be received as interest or other investment earnings on accounts of the Sewer Revenue Fund, all as shall be necessary to comply with paragraph (a) above. The City shall also make or cause to be made identifiable investments of amounts allocable to the Bonds as shall be necessary or appropriate to be able to ascertain the amounts that may be required so to be rebated to the United States of America. The City shall from time to time determine the amounts in accounts of the Sewer Revenue Fund that shall be subject so to be rebated and those amounts from time to time shall be held by the City in a rebate account for the Bonds and shall be rebated to the United States of America in the amounts and at the times as required. Such amounts so subject from time to time so to be rebated shall not be available for the other purposes for which the Sewer Revenue Fund and its accounts and sub-accounts established by the Indenture may be applied, and, for purposes of computing the balance in the Sewer Revenue Fund and such various accounts shall be disregarded.

(d) Not to take any of the following actions without in each such event obtaining the Opinion of Bond Counsel (which may represent the City from time to time in other matters) that such action will not contravene any covenant of the Indenture and will not make compliance with those covenants impossible: (i) defease any Bonds; (ii) sell, lease or otherwise dispose of any material portion of the Sewer System; (iii) enter into or amend any short-term or long-term contract for sewer service by the City other than pursuant to general rates charged to the general public; or (iv) enter into or amend any contract or arrangement for persons other than its employees to manage the Sewer System.

The provisions of described in paragraphs (a) through (d) above shall not be interpreted to impose upon the City any obligation to redeem or to purchase any Bonds other than with proceeds or other amounts available under the Indenture.

Remedies

Any Owner of a Second Lien Bond may proceed by civil action to compel performance of all duties required by the Indenture, including the establishment and collection of sufficient fees, charges and rates for the services supplied by the Sewer System, and the application of Gross Revenues as provided in the Indenture.

Amendments Without Bondholder Consent

The City and the Trustee, from time to time and at any time, without the consent of or notice to the Bondholders, may amend the Indenture as follows:

(a) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on, the issuance of Second Lien Bonds or other evidences of indebtedness;

(b) to add to the covenants and agreements of the City in the Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(c) to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in this Indenture;

(e) to create a series of Second Lien Bonds and, in connection with such creation, to specify and determine the matters and things referred to in Article II and also any other matters and things relative to such Second Lien Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance of such Second Lien Bonds;

(f) to, confirm, as further assurance, the pledge under the Indenture and the subjection of additional properties, Second Lien Bond Revenues or other collateral to any lien, claim or pledge created or to be created by this Indenture;

(g) to modify any of the provisions of the Indenture in any respect whatever, provided that such modification shall be, and shall be expressed to be, effective only after all Second Lien Bonds Outstanding at the date of the execution and delivery of such Supplemental Indenture shall cease to be Outstanding;

(h) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

(i) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; and

(j) to provide additional duties of the Trustee under the Indenture.

Before the City and the Trustee may amend the Indenture as described above, there shall be delivered to the Trustee an Opinion of Bond Counsel stating that such amendment (i) is authorized or permitted by the Indenture, (ii) complies with the terms of the Indenture, (iii) upon the adoption of the Indenture, will be valid and binding upon the City in accordance with its terms, and (iv) will not adversely affect the exclusion of interest on any Bonds from the gross income of the owners of Bonds for federal income tax purposes under the Code, and the Trustee may rely conclusively upon such opinion as to such matters.

Amendments with Bondholder Consent

Except for any amendment described above, subject to the terms and provisions described below and not otherwise, the City and the Trustee may, from time to time, with the written consent of the Owners of a majority in principal amount of the Second Lien Bonds then Outstanding (excluding therefrom any Second Lien Bonds then owned by the City), enter into any Supplemental Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided that, unless approved in writing by the Owners of all the Second Lien Bonds then Outstanding, nothing in the Indenture shall permit, or be construed as permitting: (i) a change in the times, amounts or currency of payment of the principal of or interest on any Second Lien Bond then Outstanding, or a reduction in the principal amount of any Second Lien Bond then Outstanding, or the rate of interest on such Second Lien Bonds; or (ii) a preference or priority of any Second Lien Bond or Second Lien

Bonds over any other second Lien Bond or Second Lien Bonds; or (iii) a reduction in the aggregate principal amount of Second Lien Bonds, the consent of the Owners of which is required for any such amendment.

Defeasance

If the City pays or causes to be paid to the Owners of all Second Lien Bonds, the principal of and interest to and Redemption Price, if any, to become due on such Second Lien Bonds, at the times and in the manner stipulated in the Second Lien Bonds, the Indenture, and the applicable Supplemental Indentures creating such Second Lien Bonds and the instruments creating Section 2.8 Obligations and Section 2.9 Obligations, then the pledge of any moneys, securities, funds and property pledged by the Indenture and all other rights granted by the Indenture shall be discharged and satisfied. In such event, the Trustee, upon the request of the City, shall execute and deliver to the City all such instruments as are desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver all moneys or securities held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds theretofore surrendered for such payment or redemption. If the City pays or causes to be paid, or there otherwise is paid, to the Owners of any Outstanding Bonds the principal of, redemption premium, if any, and interest due or to become due on such Bonds, at the times and in the manner stipulated in such Bonds and in the Indenture, such Bonds shall cease to be entitled to any benefit or security under the Indenture and all covenants, agreements and obligations of the City to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Second Lien Bonds shall, prior to the maturity or redemption date of such Second Lien Bonds, be deemed to have been paid as meant and with the effect expressed above if: (i) in case any of said Second Lien Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee or an escrow agent in form satisfactory to it irrevocable instructions to give notice of redemption as provided in the Indenture on said date of such notice, (ii) there has been deposited with or held by the Trustee or any escrow agent either moneys in an amount which are sufficient, or noncallable, nonprepayable Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee or escrow agent at the same time, shall be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on said Second Lien Bonds on and prior to the maturity date or redemption date of such Second Lien Bonds, as the case may be, as certified by an independent certified public accountant acceptable to the Trustee, provided that such certification may be made by the Trustee, escrow agent or an investment banking firm in connection with a current refunding, and (iii) if any Second Lien Bonds do not mature and are not by their terms subject to redemption within the next succeeding 60 days, the City has given the Trustee or escrow agent in form satisfactory to it irrevocable instructions to provide Notice by Mail, as soon as practicable, to the Owners of such Second Lien Bonds that the deposit required by clause (ii) above has been made with the Trustee or escrow agent and that said Second Lien Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, redemption premium, if any, and interest on said Second Lien Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee or escrow agent pursuant to the Indenture nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of, redemption premium, if any, the principal of and interest on said Second Lien Bonds and such Second Lien Bonds not so defeased shall have no right to such moneys and Defeasance Obligations; but any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee or escrow agent, if not then needed for such purpose, shall to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on said Second Lien Bonds on and prior to such redemption date or maturity date of such Second Lien Bonds, as the case may be, and interest earned from such reinvestments shall be paid over to the City free and clear of any trust, lien or pledge.

Payment, Registration and Transfer Provisions

Details of payments of the Second Lien Bonds when in the book-entry form and the book-entry only system are described above under the subcaption "DESCRIPTION OF THE BONDS — Book-Entry Only System." The following provisions of the Indenture apply to the Second Lien Bonds upon the discontinuation of the DTC or any other book-entry registration system for the Second Lien Bonds.

The principal and redemption price of each Second Lien Bond is payable upon surrender of such Second Lien Bond at the Principal Office of the Trustee. Payments of principal of the Second Lien Bonds shall be payable in clearinghouse funds except as provided in the Indenture. Such payments shall be made to the Owner of the Second Lien Bond so surrendered, as shown on the registration books maintained by the Trustee on the applicable Record Date.

All payments of interest on the Second Lien Bonds shall be paid to the persons entitled to such payments by the Trustee on the Interest Payment Date or special interest payment date, as applicable, (A) upon request of any Owner of such Second Lien Bonds in the principal amount of \$1,000,000 or more, by federal funds wire on the Interest Payment Date to any address in the continental United States, if such Owner provides the Trustee with written notice of such wire transfer address at least 15 days prior to the applicable Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless or until changed or revoked by subsequent notice), or (B) if no instructions are given as aforesaid, by clearinghouse funds check or draft mailed on the Interest Payment Date to the persons entitled to such payment at such address appearing on the registration books of the Trustee or such other address as has been furnished to the Trustee in writing by such person.

The transfer of any Second Lien Bond shall be registered upon the books of the Trustee at the written request of the Owner or its attorney duly authorized in writing, upon surrender of such Second Lien Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or its attorney duly authorized in writing.

The City and the Trustee may deem and treat the Owner as the absolute owner of such Second Lien Bond, whether such Second Lien Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Second Lien Bond and for all other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary. All such payments so made to any such Owner shall be valid and effectual to satisfy and discharge the liability upon such Second Lien Bond to the extent of the sum or sums so paid.

Any Second Lien Bond, upon surrender of such Second Lien Bond at the Principal Office of the Trustee, together with an assignment executed by the Owner or its duly authorized agent, at the option of the Owner, may be exchanged for an equal aggregate principal amount of Second Lien Bond or Second Lien Bonds of any Authorized Denomination of the same series, interest rate and maturity as the Second Lien Bond being surrendered.

In all cases in which the privilege of exchanging Second Lien Bonds or registering the transfer of Second Lien Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver Second Lien Bonds in accordance with the provisions of the Indenture. For every such exchange or registration of transfer of Second Lien Bonds, whether temporary or definitive, the Trustee may make a charge in an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer.

Neither the Trustee nor the City shall be required to register the transfer of any Second Lien Bond during the 15 days next preceding an interest payment date or, in the case of a proposed redemption of Second Lien Bonds, after they have been selected by the Trustee for redemption.

Payments or Actions Required on Days Other Than Business Days

If (a) the date for making any payment or (b) the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment may be made or such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

The Trustee

The City has appointed Amalgamated Bank of Chicago, Chicago, Illinois, as Trustee, for the purposes and upon the express terms and conditions set forth in the Indenture.

The Trustee need perform only those duties that are specifically set forth in the Indenture and no others. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture or for anything whatsoever in connection with the trust created by the Indenture, except only for its own negligence or bad faith. Under the Indenture, the Trustee is required to exercise such of the rights and powers vested in it by the Indenture and use the same degree of skill and care in its exercise as a prudent person would use and exercise under the circumstances in the conduct of his or her own affairs; *provided* that the Trustee is under no obligation to take any action in respect of the execution or enforcement of any of the trusts created by the Indenture, or to institute, appear in or defend any suit or other proceeding in connection with such execution or enforcement, unless requested in writing so to do by Bondholders of at least a majority in aggregate principal amount of the Bonds then Outstanding, and, if in its opinion such action may tend to involve it in expense or liability, unless furnished from time to time as often as it may require, with security and indemnity satisfactory to it; but the foregoing provision is intended only for the protection of the Trustee.

The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required under the Indenture by or through attorneys, agents or receivers, and is entitled to, and may rely upon, written advice of counsel concerning all matters of trust and duty under the Indenture, and the Trustee is not answerable for the negligence or misconduct of any such attorney or agent selected by it with reasonable care.

The Trustee may buy, sell, own, hold and deal in any of the Bonds for its own account or that of any other person, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity under the Indenture. The Trustee, either as principal or agent, also may engage in or be interested in any financial or other transaction with the City and may act as depository, trustee or agent for any committee or body of Bondholders secured by the Indenture or other obligations of the City as freely as if it did not act in any capacity under the Indenture.

Resignation or Removal of Trustee

The Trustee may resign and be discharged of the trusts created by the Indenture by executing an instrument in writing resigning such trusts and specifying the date when such resignation shall take effect, and filing the same with the City, not fewer than 45 days before the date specified in such instrument when such resignation shall take effect, and by giving Notice by Mail of such resignation, not fewer than 21 days prior to such resignation date, to the Owners of Outstanding Bonds. Such resignation shall take effect on the day specified in such instrument and notice, but only if a successor Trustee has been appointed and has accepted the duties of the Trustee. If the successor Trustee shall not have been appointed within a period of 90 days following the giving

of such notice, then the Trustee is authorized to petition any court of competent jurisdiction to appoint a successor Trustee.

The Trustee may be removed by the City at any time by filing with the Trustee an instrument or instruments in writing executed by the City, appointing a successor. Such removal shall be effective 30 days (or such longer period as may be set forth in such instrument) after delivery of the instrument; *provided* that no such removal shall be effective until the successor Trustee executes, acknowledges and delivers to the City an instrument accepting such appointment.

Appointment and Qualifications of Successor Trustee; Automatic Succession in Certain Events

If at any time the Trustee is removed, or is dissolved, or if its property or affairs are taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, and if the Trustee shall resign, then the office of the Trustee shall be vacant immediately and a successor may be appointed by the City. After any such appointment, the City must cause notice of such appointment to be given to the predecessor Trustee and the successor Trustee, and must cause Notice by Mail to be given to all Bondholders. No such appointment will be effective until the successor Trustee has accepted such appointment.

If the Trustee resigns and no appointment of a successor Trustee is made pursuant to the provisions of the Indenture described above within 90 days following the giving of notice of resignation, the retiring Trustee may immediately apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee meeting the qualifications set forth in the Indenture.

Each successor Trustee must be a commercial bank with trust powers or a trust company (a) duly organized under the laws of the United States or any state or territory of the United States, (b) authorized under such laws to perform all the duties imposed upon it by the Indenture and the laws of the State, (c) capable of meeting its obligations under the Indenture, (d) subject to supervision or examination by Federal or state authority, and (e) with combined capital and surplus of at least \$50,000,000. If the Trustee publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of the Indenture the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Trustee is merged or converted or with which it is consolidated, or any corporation resulting from any merger or consolidation to which any Trustee is a party, or any company to which all or substantially all of the corporate trust business of the Trustee is sold or transferred, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

Certain Rights of Bond Insurer

The issuer of a municipal bond insurance policy with respect to Series 2023 Second Lien Bonds is deemed to be the sole Owner of the Series 2023 Second Lien Bonds for purposes of approving amendments to the Indenture (other than certain amendments that require the consent of each affected Owner or the consent of the Trustee), exercising remedies upon the occurrence of a default under the Indenture, providing specific approvals, consents or waivers or instruments of similar purpose, and to the extent the bond insurer is deemed to be the sole Owner for such purposes, the rights of the Owners of the Series 2023 Second Lien Bonds will be abrogated.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

**CITY OF CHICAGO, ILLINOIS SEWER FUND
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020, AND INDEPENDENT AUDITOR'S REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Chicago, Illinois Sewer Fund

Basic Financial Statements as of and for the
Years Ended December 31, 2021 and 2020,
Required Supplementary Information, Statistical
Information, and Independent Auditor's Report

CITY OF CHICAGO, ILLINOIS SEWER FUND

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4–12
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position as of December 31, 2021 and 2020	13
Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended December 31, 2021 and 2020	14
Statements of Cash Flows for the Years Ended December 31, 2021 and 2020	15–16
Notes to Basic Financial Statements as of and for the Years Ended December 31, 2021 and 2020	17–41
REQUIRED SUPPLEMENTARY INFORMATION:	42
Schedule of Changes in the Net Pension Liability and Related Ratios	43–44
Schedule of Contributions	45–46
STATISTICAL DATA:	47
Statistical Data	48
Net Position by Component, Ten Years Ended December 31, 2012–2021	49
Changes in Net Position, Ten Years Ended December 31, 2012–2021	50
Historical Financial Operations, Ten Years Ended December 31, 2012–2021	51
Five Largest Customers	52
Customers by Component	53
Recent Sewer Service Rates	54
Sewer System Accounts, Ten Years Ended December 31, 2012–2021	55
Revenue Bond Coverage, Ten Years Ended December 31, 2012–2021	56

CITY OF CHICAGO, ILLINOIS SEWER FUND

TABLE OF CONTENTS

	Page
Long-Term Debt, Ten Years Ended December 31, 2012–2021	57
Capital Improvement Program, 2022–2026	58
Full Time Equivalent Sewer Fund Employees by Function, Ten Years Ended December 31, 2012–2021	59
Operating Indicators by Function	60
Capital Asset Statistics by Function	61
Population of Service Area, Last Six Census Periods	62
Principal Employers (Nongovernment), Current Year and Nine Years Ago	63
Population and Income Statistics	64

INDEPENDENT AUDITOR'S REPORT

To the Honorable Lori Lightfoot, Mayor
And Members of the City Council
City of Chicago, Illinois

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of the Sewer Fund ("Sewer Fund"), an enterprise fund of the City of Chicago, Illinois (the "City"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Sewer Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Sewer Fund, as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Sewer Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the basic financial statements present only the Sewer Fund, an enterprise fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sewer Fund's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sewer Fund's basic financial statements. The additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audits and the reports of other auditors, the Combining and Individual Fund Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the basic financial statement. The other information is comprised of the statistical section but does not include the basic financial statements and our auditor's report thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

June 29, 2022

CITY OF CHICAGO, ILLINOIS SEWER FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Chicago, Illinois (the "City"), Sewer Fund's (the "Sewer Fund") financial performance provides an introduction and overview of the Sewer Fund's basic financial activities for the fiscal years ended December 31, 2021 and 2020. Please read this discussion in conjunction with the Sewer Fund's basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

2021

- Gross operating revenues for 2021 increased by \$21.8 million (6.1%). This increase is primarily due to increase in pumpage and a rate increase of 1.10% during 2021.
- Operating expenses before depreciation and amortization increased by \$20.6 million (17.2%) as compared to 2020 primarily due to a decrease in the change of deferred inflows and due to changes in assumptions. The increase in operating expenses is also due to a slight increase in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise funds, as well as current year recognition of deferred outflows due to differences between expected and actual experience and changes of assumptions at the Municipal Employees' Annuity and Benefit Fund of Chicago and due to changes of assumptions at the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago.
- The Sewer Fund's total net position for 2021 increased by \$89.5 million, or 11.6% compared to 2020 due to an excess of revenues over expenses.
- The Sewer Fund's net position at December 31, 2021, was \$863.2 million. This increase of \$89.5 million is due to an increase of revenues as the provision of doubtful accounts decreased due to the full year implementation of the Utility Billing Relief Program, which provides financial relief to low income households, as well as an increase in revenue collections.
- Utility plant additions in 2021 were \$100.6 million, due to the continuing capital improvement program.

2020

- Operating gross revenues for 2020 decreased by \$17.6 million (4.7%). This decrease is primarily due to decrease in pumpage and penalty relief from the Utility Billing Relief program as compared to prior-year gross operating revenues. There was a rate increase of 2.45% during 2020.
- Operating expenses before depreciation and amortization decreased by \$17.9 million (13.0%) as compared to 2019 primarily due to a decrease in pension expense due to changes in assumptions and reduction in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.
- The Sewer Fund's total net position for 2020 increased by \$96.3 million, or 14.2% compared to 2019 due to an excess of revenues over expenses

- The Sewer Fund's total assets and deferred outflows were greater than total liabilities by \$773.7 million (net position) at December 31, 2020. Net position comprises \$931.0 million of net investment in capital assets, \$205.7 million of restricted for capital projects, and (\$363.0) million of unrestricted.
- Depreciable capital asset additions, net, for 2020 were \$300.4 million, primarily due to the completion of sewer construction and rehabilitation projects.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Sewer Fund's basic financial statements. The Sewer Fund's basic financial statements comprise the basic financial statements and the notes to basic financial statements. In addition to the basic financial statements, this report also presents statistical data after the notes to basic financial statements.

The statements of net position present all of the Sewer Fund's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. The difference between assets, deferred outflows, liabilities and deferred inflows is reported as net position. The increase or decrease in net position may serve as an indicator, over time, whether the Sewer Fund's financial position is improving or deteriorating. However, the consideration of other nonfinancial factors may be necessary in the assessment of overall financial position and health of the Sewer Fund.

The statements of revenues, expenses, and changes in net position present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net position.

The statements of cash flows report how cash and cash equivalents were provided and used by the Sewer Fund's operating, capital and related financing, and investing activities. These statements present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year, and the cash and cash equivalents balance at year-end.

The notes to basic financial statements are an integral part of the basic financial statements; accordingly, such disclosures are essential for a full understanding of the information provided in the basic financial statements.

The required supplementary information section presents the schedule of changes in the net pension liability and related ratios and the schedule of contributions.

In addition to the basic financial statements, this report includes statistical data. The statistical data section presents debt-service coverage calculations and includes certain information related to the Sewer Fund's historical financial and nonfinancial operating results and capital activities.

FINANCIAL ANALYSIS

At December 31, 2021, the Sewer Fund's financial position continues to be strong with total assets and deferred outflows of \$3,650.3 million, total liabilities and deferred inflows of \$2,787.1 million, and net position of \$863.2 million. A comparative condensed summary of the Sewer Fund's net position at December 31, 2021, 2020, and 2019, is as follows:

(In thousands)	Net Position		
	2021	2020	2019
Current assets	\$ 548,961	\$ 548,532	577,848
Restricted and other assets—noncurrent	950	43,684	55,212
Utility plant—net	<u>3,085,400</u>	<u>2,994,162</u>	<u>2,889,843</u>
Total assets	3,635,311	3,586,378	3,522,903
Deferred outflows	<u>14,973</u>	<u>18,511</u>	<u>22,259</u>
Total assets and deferred outflows	<u>\$ 3,650,284</u>	<u>\$ 3,604,889</u>	<u>\$ 3,545,162</u>
Current liabilities	\$ 340,917	\$ 284,190	\$ 319,181
Pension liability	432,335	426,455	460,173
Long-term liabilities	<u>1,965,471</u>	<u>2,038,330</u>	<u>1,997,305</u>
Total liabilities	2,738,723	2,748,975	2,776,659
Deferred inflows	<u>48,369</u>	<u>82,204</u>	<u>91,092</u>
Total liabilities and deferred inflows	<u>\$ 2,787,092</u>	<u>\$ 2,831,179</u>	<u>\$ 2,867,751</u>
Net position:			
Net investment in capital assets	\$ 1,062,584	\$ 931,047	\$ 862,065
Restricted for capital projects	171,985	205,696	139,618
Unrestricted	<u>(371,377)</u>	<u>(363,033)</u>	<u>(324,272)</u>
Total net position	<u>\$ 863,192</u>	<u>\$ 773,710</u>	<u>\$ 677,411</u>

2021

Current assets remained the same with a slight increase of \$0.4 million (0.08%) which was primarily due to a slight decrease in cash and cash equivalents as payments to vendors were processed more rapidly compared to the prior year, and a slight increase in accounts receivable, which was offset by a decrease in investments and due from other funds as more liquid assets were moved to investments to obtain a higher long-term interest rate. Noncurrent restricted investments and other assets decreased by \$42.7 million (97.8%) and utility plant—net increased by \$91.2 million (3.1%) due primarily to capital activities for sewer construction and rehabilitation projects funded by the restricted investments. During 2021, the Sewer Fund lined an additional 48.8 miles of sewers.

Current liabilities increased by \$56.7 million (20.0%), which was primarily due to a decrease in accounts payable as payments were processed more expeditiously, offset by an increase in accrued liabilities and due to other funds and current portion of long-term debt due to planned increases in activity in the capital

program, which increased debt service payments. Long term debt decreased by \$72.9 million (3.6%) due to the issuance of Illinois Environmental Protection Agency (IEPA) loans. Net pension liability in the amount of \$432.3 million increased \$5.9 million (1.4%) compared to 2020 primarily as a result of changes in assumptions and increase in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.

Deferred outflows decreased by \$3.5 million (19.1%) and deferred inflows decreased by \$33.8 million (41.2%) during 2021 compared with 2020 due to amortization and the changes in assumptions during 2020.

As of December 31, 2021, total net position was \$863.2 million, an increase of \$89.5 million (11.6%) from 2020.

2020

Current assets decreased by \$29.3 million (5.1%) due to a decrease in cash and cash equivalents and accounts receivable, which was offset by an increase in investments and due from other funds as more liquid assets were moved to investments to achieve better investment returns. Noncurrent restricted investments and other assets decreased by \$11.5 million (20.9%) and utility plant—net increased by \$104.3 million (3.6%) due primarily to capital activities for sewer construction and rehabilitation projects funded by the restricted investments. During 2020, the Sewer Fund lined an additional 30.7 miles of sewers.

Current liabilities decreased by \$35.0 million (11.0%), which was primarily due to a decrease in unearned revenue, accounts payable, accrued liabilities offset by due to other funds and current portion of long-term debt. Long term debt increased by \$41.0 million (2.1%) due to the issuance of Illinois Environmental Protection Agency (IEPA) loans. Net pension liability in the amount of \$426.5 million decreased \$33.7 million (7.3%) compared to 2019 primarily as a result of changes in assumptions and reduction in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.

Deferred outflows decreased by \$3.7 million (16.8%) and deferred inflows decreased by \$8.9 million (9.8%) compared with 2019 due to the difference between 2020 projected and actual earnings on pension plan investments.

As of December 31, 2020, total net position was \$773.7 million, an increase of \$96.3 million (14.2%) from 2019.

A summary of revenues, expenses, and changes in net position for the years ended December 31, 2021, 2020, and 2019, is as follows:

(In thousands)	Revenues, Expenses, and Changes in Net Position		
	2021	2020	2019
Revenues:			
Operating revenues:			
Sewer service—net	\$ 365,217	\$ 333,475	\$ 350,053
Other operating revenues	<u>1,052</u>	<u>484</u>	<u>1,023</u>
Total operating revenues	<u>366,269</u>	<u>333,959</u>	<u>351,076</u>
Operating expenses:			
Repairs	44,066	47,398	41,614
General Fund reimbursements	55,937	54,467	53,688
Pension expense (Note 6)	(4,979)	(23,853)	3,266
Maintenance	25,861	24,405	22,958
Engineering	5,328	4,776	3,515
Administrative and general	13,891	12,320	12,367
Depreciation and amortization	<u>55,749</u>	<u>53,140</u>	<u>52,933</u>
Total operating expenses	<u>195,853</u>	<u>172,653</u>	<u>190,341</u>
Operating income	<u>170,416</u>	<u>161,306</u>	<u>160,735</u>
Nonoperating revenues	2,165	12,128	11,737
Nonoperating expenses	<u>(83,099)</u>	<u>(80,466)</u>	<u>(80,112)</u>
Total nonoperating expenses/revenues	<u>(80,934)</u>	<u>(68,338)</u>	<u>(68,375)</u>
Income before capital grants	89,482	92,968	92,360
Capital grants	<u>-</u>	<u>3,331</u>	<u>(5)</u>
Change in net position	89,482	96,299	92,355
Net position beginning of year	<u>773,710</u>	<u>677,411</u>	<u>585,056</u>
Net position end of year	<u>\$ 863,192</u>	<u>\$ 773,710</u>	<u>\$ 677,411</u>

2021

Net sewer service revenues for the years ended 2021 and 2020 were \$365.2 million and \$333.5 million, respectively. Other revenue, which consists primarily of inspection fees and house drain fees, for the years ended 2021 and 2020 was \$1.1 million and \$0.5 million, respectively. The increase in 2021 net sewer service revenue of \$31.7 million is primarily due to an increase in pumpage and decrease in calculation for provision for doubtful accounts due to the full year implementation of the Utility Billing Relief (UBR) Program, which provides financial relief to low-income households through payment plans and allows the ability to write off legacy accounts receiving upon completion of the Program. In addition, a rate increase of 1.10% during 2021 based on the annual CPI adjustment.

Pension expense decreased to negative \$5.0 million in 2021 from a negative \$23.9 million in 2020 associated with an increase in the pension expense due to changes in assumptions and increase in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.

Nonoperating revenues decreased \$13.3 million compared to 2020 primarily as a result of the completion of the Community Development Block Grant – Disaster Recovery Program related to the 2013 flooding.

2020

Net sewer service revenues for the years ended 2020 and 2019 were \$333.5 million and \$350.1 million, respectively. Other revenue, which consists primarily of inspection fees and house drain fees, for the years ended 2020 and 2019 was \$484 thousand and \$1.0 million, respectively. The decrease in 2020 net sewer service revenue of \$17.6 million is primarily due to decrease in pumpage and penalty relief from the Utility Billing Relief program. There was a rate increase of 2.45% during 2020.

Pension expense decreased to negative \$23.9 million in 2020 from \$3.3 million in 2019 associated with a decrease in the pension expense due to changes in assumptions and reduction in the allocation of pension costs to the Sewer Fund compared to the Governmental and certain Enterprise Funds.

Nonoperating revenues increased \$3.7 million compared to 2019 primarily as a result of proceeds from community development block grant.

A comparative summary of the Sewer Fund's operating expenses, as classified in the basic financial statements, for the years ended December 31, 2021, 2020, and 2019, is as follows:

(In thousands)	Operating Expenses		
	2021	2020	2019
Repairs	\$ 44,066	\$ 47,398	\$ 41,614
Pension	(4,979)	(23,853)	3,266
General Fund reimbursements	55,937	54,467	53,688
Maintenance	25,861	24,405	22,958
Engineering	5,328	4,776	3,515
Administrative and general	<u>13,891</u>	<u>12,320</u>	<u>12,367</u>
Operating expenses before depreciation and amortization	140,104	119,513	137,408
Depreciation and amortization	<u>55,749</u>	<u>53,140</u>	<u>52,933</u>
Total operating expenses	<u>\$ 195,853</u>	<u>\$ 172,653</u>	<u>\$ 190,341</u>

2021

Overall, operating expenses before depreciation and amortization for 2021 increased by \$20.6 million 17.2% in 2021 primarily due to increase in pension expense as discussed above. Depreciation and amortization slightly increased due to an increase in utility plant assets.

2020

Overall, operating expenses before depreciation and amortization for 2020 decreased by \$17.9 million (13.0%) in 2020 primarily due to reduction in pension expense as discussed above. Depreciation and amortization slightly increased due to an increase in utility plant.

A comparative summary of the Sewer Fund's cash flows for the years ended December 31, 2021, 2020, and 2019, is as follows:

(In thousands of dollars)	Cash Flows		
	2021	2020	2019
Cash from activities:			
Operating	\$ 241,058	\$ 210,506	\$ 203,191
Capital and related financing	(283,993)	(257,940)	(233,675)
Noncapital financing activities	-	-	-
Investing	<u>51,721</u>	<u>40,065</u>	<u>(80,551)</u>
Net change in cash and cash equivalents	8,786	(7,369)	(111,035)
Cash and cash equivalents:			
Beginning of year	<u>128,239</u>	<u>135,608</u>	<u>246,643</u>
End of year	<u>\$ 137,025</u>	<u>\$ 128,239</u>	<u>\$ 135,608</u>

2021

As of December 31, 2021, the Sewer Fund's unrestricted and restricted cash and cash equivalents of \$137.0 million represented an increase of \$8.8 million from December 31, 2020, as compared to the decrease of \$7.4 million from December 31, 2019 to December 31, 2020, primarily due to investment related activities in 2021. Total unrestricted cash and cash equivalents at December 31, 2021 and 2020, was \$26.5 million and \$4.8 million, respectively.

2020

As of December 31, 2020, the Sewer Fund's unrestricted and restricted cash and cash equivalents of \$128.2 million represented a decrease of \$7.4 million from December 31, 2019, as compared to the decrease of \$111.0 million from December 31, 2018 to December 31, 2019, primarily due to investment related activities in 2020. Total unrestricted cash and cash equivalents at December 31, 2020 and 2019, was \$4.8 million and \$11.8 million, respectively.

UTILITY PLANT AND DEBT ADMINISTRATION

2021

At the end of 2021 and 2020, the Sewer Fund had net utility plant of \$3,085.4 million and \$2,994.2 million, respectively. During 2021, the Sewer Fund had capital additions being depreciated of \$100.6 million, and completed projects totaling \$41.5 million were transferred from construction in progress to applicable facilities and structures capital accounts.

2020

At the end of 2020 and 2019, the Sewer Fund had net utility plant of \$2,994.2 million and \$2,889.8 million, respectively. During 2020, the Sewer Fund had capital additions being depreciated of \$300.4 million, and completed projects totaling \$169.6 million were transferred from construction in progress to applicable facilities and structures capital accounts.

The Sewer Fund's net utility plant at December 31, 2021, 2020, and 2019, is summarized as follows:

(In thousands)	Net Utility Plant at Year-End		
	2021	2020	2019
Utility plant not depreciated:			
Land and land rights	\$ 560	\$ 560	\$ 560
Construction in progress	<u>138,006</u>	<u>72,682</u>	<u>196,790</u>
Total utility plant not depreciated	<u>138,566</u>	<u>73,242</u>	<u>197,350</u>
Utility plant being depreciated:			
Facilities and structures	3,726,958	3,645,972	3,367,515
Furniture and equipment	<u>33,668</u>	<u>33,757</u>	<u>33,810</u>
Total utility plant being depreciated	<u>3,760,626</u>	<u>3,679,729</u>	<u>3,401,325</u>
Less accumulated depreciation:			
Facilities and structures	(784,722)	(731,358)	(683,150)
Furniture and equipment	<u>(29,070)</u>	<u>(27,451)</u>	<u>(25,682)</u>
Total accumulated depreciation	<u>(813,792)</u>	<u>(758,809)</u>	<u>(708,832)</u>
Utility plant being depreciated—net	<u>2,946,834</u>	<u>2,920,920</u>	<u>2,692,493</u>
Utility plant—net	<u>\$ 3,085,400</u>	<u>\$ 2,994,162</u>	<u>\$ 2,889,843</u>

The Sewer Fund's capital activities are funded through Sewer Fund revenue bonds, Illinois Environmental Protection Agency Loans, and Sewer Fund revenues. Additional information on the Sewer Fund's capital assets is presented in Note 5 of the notes to basic financial statements.

The Sewer Fund's outstanding debt at December 31, 2021, 2020, and 2019, is summarized as follows:

(In thousands)	Long-Term Outstanding Debt at Year-End		
	2021	2020	2019
Revenue bonds	\$ 1,895,795	\$ 1,953,134	\$ 1,895,495
Add interest accretion on Series 1998 capital appreciation bonds	68,806	73,356	75,114
Unamortized net bond discount/premium	<u>81,926</u>	<u>89,361</u>	<u>97,004</u>
Outstanding debt—net	<u>\$ 2,046,527</u>	<u>\$ 2,115,851</u>	<u>\$ 2,067,613</u>

The Sewer Fund's revenue bonds at December 31, 2021, have underlying credit ratings with each of the three major rating agencies as follows:

	Moody's Investor Services	Standard & Poor's	Fitch Ratings	Kroll
Senior Lien Wastewater Revenue Bonds	Baa2	A+	NR	NR
Junior Lien Wastewater Revenue Bonds	Baa3	A	A-	AA-

Additional information on the Sewer Fund's long term debt is presented in Note 4 of the notes to the basic financial statements.

At December 31, 2021, the Sewer Fund was in compliance with the debt covenants as stated within the bond ordinances. Additional information on certain of the Sewer Fund's debt covenants is presented in Note 4 of the notes to the basic financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Sewer Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Department of Finance.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATEMENTS OF NET POSITION AS OF DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020		2021	2020
ASSETS			LIABILITIES		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents (Note 2)	\$ 26,480	\$ 4,822	Accounts payable	\$ 3,965	\$ 2,389
Investments (Note 2)	196,379	233,885	Due to other City funds	82,739	47,589
Accounts receivable—net of allowance for doubtful accounts of approximately \$151,940 in 2021 and \$144,651 in 2020			Accrued liabilities unrestricted	57,737	53,252
Due from other City funds	109,904	98,578	Liabilities payable from restricted assets:		
Inventories	18,303	28,528	Accounts payable	31,917	47,832
Cash and cash equivalents—restricted (Note 2)	1,035	854	Accrued liabilities	43,177	14,345
Investments—restricted (Note 2)	110,545	123,417	Current portion of long-term debt (Note 4)	81,056	77,521
Interest receivable—restricted (Note 2)	85,432	57,543	Interest payable	40,326	41,262
	883	905			
Total current assets	548,961	548,532	Total current liabilities	340,917	284,190
NONCURRENT ASSETS:			NONCURRENT LIABILITIES:		
Investments—restricted (Note 2)	-	42,682	Net pension liability (Note 6)	432,335	426,455
Other assets	950	1,002	Long-term debt—net of current maturities (Note 4)	1,965,471	2,038,330
Utility plant (Note 5):			Total noncurrent liabilities	2,397,806	2,464,785
Land and land rights	560	560	Total liabilities	2,738,723	2,748,975
Facilities and structures	3,726,959	3,645,972			
Furniture and equipment	33,668	33,757			
Construction in progress	138,006	72,682			
Total utility plant	3,899,193	3,752,971			
Less accumulated depreciation	(813,793)	(758,809)			
Utility plant—net	3,085,400	2,994,162			
Total noncurrent assets	3,086,350	3,037,846			
Total assets	3,635,311	3,586,378			
	14,973	18,511			
DEFERRED OUTFLOWS (Note 9)					
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$3,650,284	\$3,604,889			
			TOTAL	\$3,650,284	\$3,604,889

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
OPERATING REVENUES:		
Sewer service:		
Sewer service—gross	\$377,514	\$356,267
Less—provision for doubtful accounts	<u>(12,297)</u>	<u>(22,792)</u>
Sewer service—net	365,217	333,475
Other	<u>1,052</u>	<u>484</u>
Total operating revenues	<u>366,269</u>	<u>333,959</u>
OPERATING EXPENSES:		
Repairs	44,066	47,398
General Fund reimbursements	55,937	54,467
Pension expense (Note 6)	(4,979)	(23,853)
Maintenance	25,861	24,405
Engineering	5,328	4,776
Administrative and general	<u>13,891</u>	<u>12,320</u>
Total operating expenses before depreciation and amortization	140,104	119,513
Depreciation and amortization	<u>55,749</u>	<u>53,140</u>
Total operating expenses	<u>195,853</u>	<u>172,653</u>
OPERATING INCOME	<u>170,416</u>	<u>161,306</u>
NONOPERATING REVENUE (EXPENSES):		
Investment income (loss)	(733)	8,381
Interest expense	(82,979)	(80,346)
Other	<u>2,898</u>	<u>3,747</u>
Total nonoperating expenses—net	<u>(80,814)</u>	<u>(68,218)</u>
TRANSFERS OUT	<u>(120)</u>	<u>(120)</u>
CAPITAL GRANTS	<u>-</u>	<u>3,331</u>
CHANGE IN NET POSITION	89,482	96,299
TOTAL NET POSITION—Beginning of year	<u>773,710</u>	<u>677,411</u>
TOTAL NET POSITION—End of year	<u>\$863,192</u>	<u>\$773,710</u>

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from customers	\$ 354,944	\$ 329,434
Transactions with other city funds	(30,621)	(38,244)
Payments to vendors	(29,443)	(29,509)
Payments to employees	(53,822)	(51,175)
Net cash provided by operating activities	<u>241,058</u>	<u>210,506</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(130,995)	(225,715)
Proceeds from issuance of bonds	10,742	121,325
Interest paid on revenue bonds	(95,658)	(86,048)
Proceeds from Community Development Block Grant	-	3,331
Principal paid on bonds	(68,082)	(70,833)
Net cash provided in capital and related financing activities	<u>(283,993)</u>	<u>(257,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and purchases of investments—net	48,877	33,123
Investment interest	2,844	6,942
Net cash provided by (used in) investing activities	<u>51,721</u>	<u>40,065</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,786	(7,369)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>128,239</u>	<u>135,608</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 137,025</u>	<u>\$ 128,239</u>

(Continued)

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In thousands)

	2021	2020
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET POSITION:		
Unrestricted	\$ 26,480	\$ 4,822
Restricted	<u>110,545</u>	<u>123,417</u>
TOTAL	<u>\$ 137,025</u>	<u>\$ 128,239</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 170,416	\$ 161,306
Adjustments to reconcile:		
Depreciation and amortization	55,749	53,140
Pension expense other than contribution	(24,917)	(40,972)
Provision for uncollectible accounts	12,297	22,792
Changes in assets and liabilities:		
Due from other City funds	10,225	(5,863)
Accounts receivable	(23,622)	(14,355)
Inventories	(180)	(122)
Accrued liabilities	4,486	9,094
Accounts payable and due to other City funds	36,604	38,448
Unearned revenue	<u>-</u>	<u>(12,962)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 241,058</u>	<u>\$ 210,506</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:

Property additions in 2021 and 2020 of \$75,094 and \$62,177, respectively, have outstanding accounts payable and accrued liabilities.

The accretion adjustment of Series 1998 capital appreciation bonds for the years ended December 31, 2021 and 2020, were \$4,948 and \$5,390, respectively.

The fair value adjustment gain (loss) to investments for 2021 and 2020 were \$400.6 thousand and \$2,889 million, respectively.

See notes to basic financial statements.

(Concluded)

CITY OF CHICAGO, ILLINOIS SEWER FUND

NOTES TO BASIC FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In thousands)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Sewer Fund (the “Sewer Fund”) collects and transmits wastewater to the treatment facilities of the Metropolitan Water Reclamation District of Greater Chicago. The Sewer Fund is included in the City of Chicago, Illinois (the “City”), reporting entity as an enterprise fund.

The accompanying basic financial statements present only the Sewer Fund and are not intended to present the financial position of the City or the results of its operations and cash flows.

Basis of Accounting—The accounting policies of the Sewer Fund are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Sewer Fund are reported using the flow of economic resources measurement focus.

The Sewer Fund uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Annual Appropriated Budget—The Sewer Fund has a legally adopted annual budget that is not required to be reported.

Management’s Use of Estimates—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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments—Cash, cash equivalents, and investments generally are held with the City Treasurer as required by the Municipal Code of Chicago (the “Code”). Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly.

The Code permits deposits only to City Council-approved depositories, which must be organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments are limited to those authorized by the Code. Investments authorized by the Code include, but are not limited to, interest-bearing general obligations of the City, the State of Illinois (the “State”), and the U.S. government; U.S. Treasury bills and other non-interest-bearing general obligations of the

U.S. government purchased in the open market below face value; domestic money market funds regulated by and in good standing with the Securities and Exchange Commission; and tax anticipation warrants issued by the City (see Note 2). The City is prohibited by ordinance from investing in derivative instruments, as defined, without City Council approval.

The Sewer Fund values its investments at fair value or amortized cost, as applicable. U.S. government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities pledged to secure these agreements have a fair value equal to the cost of the repurchase agreement, plus accrued interest.

Investments, generally, may not have a maturity in excess of 30 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of applicable bond ordinances.

Cash equivalents include investments with maturities of three months or less when purchased.

Accounts Receivable—The Sewer Fund accounts receivable is comprised of billings and collections for sewer services processed by the Department of Water Management. Management has provided an allowance for amounts recorded at year-end that may be uncollectible. In 2021, the Sewer Fund fully implemented the UBR Program, providing financial relief to low-income households by establishing payment plans and writing off past due legacy accounts receivable balances upon completion of the Program. The impact of this program was realized in 2021, resulting in a decrease in the provision of doubtful accounts.

Transactions with the City—The City's General Fund provides services to all other funds. The amounts allocated to other funds for these services are treated as operating expenses by the Sewer Fund and consist mainly of employee benefits, self-insured risks, and administrative expenses.

Inventories—Inventories, composed mainly of materials and supplies, are stated at cost, determined principally on the first-in, first-out method.

Utility Plant—Utility plant is recorded at cost or, for donated assets at acquisition cost. Utility plant is defined by the Sewer Fund as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased. Depreciation is provided using the straight-line method and begins in the year following the year of acquisition or completion. Estimated useful lives are as follows:

Facilities and structures	75 years
Furniture and equipment	5–20 years
Sewer rehabilitation	50 years

Costs of repairs and maintenance that do not significantly extend the useful life of assets are charged to operations.

Deferred Outflows—Deferred outflows represent unamortized loss on bond refundings, differences between estimated and actual investment earnings related to pensions, and changes in actuarial assumptions related to pensions, and other pension related changes.

Deferred Inflows—Deferred inflows represent the differences between projected and actual actuarial experience and changes in assumptions related to pensions.

Net Position—Net position is composed of net earnings from operating and nonoperating revenues, expenses, and capital grants. Net position is displayed in three components: net investment in capital assets, restricted for capital projects, and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt, net of debt service reserve, and unspent bond proceeds. Restricted for capital projects consists of assets on which constraints are placed by external parties (such as lenders and grantors) and laws, regulations, and enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted consists of the net amount of all other assets, deferred outflows, liabilities, and deferred inflows not categorized as either of the above.

Employee Benefits—Employee benefits are granted for vacation and sick leave, workers' compensation, and health care. Unused vacation leave is accrued and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered by third-party administrators who maintain the investment portfolio. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State.

Bond Insurance Costs, Bond Premiums Discounts, and Refunding Transactions—Bond insurance costs and bond premiums discounts are deferred and amortized over the term of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

Capitalized Interest—The Sewer Fund prospectively adopted GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89") as of January 1, 2021. Prior to the adoption of GASB 89, interest expense was capitalized during construction of those capital projects that were paid for from the bond proceeds and were being amortized over the depreciable life of the related assets on a straight-line basis. Subsequent to the adoption of GASB 89, interest expense on construction bond proceeds was expensed as incurred.

Capital Grants—Capital grants are reported as contributed revenue in the statements of revenues, expenses, and changes in net position and are recognized when the related capital expenditure is incurred.

Revenue Recognition—Sewer service revenue is billed as 100% of the City's water billings and is recorded as revenue when the water is consumed by the customers. Of the accounts receivable balances, \$34.0 million and \$31.2 million represent revenue recognized on sewer service that had not

yet been billed to customers at December 31, 2021 and 2020, respectively. In 2020, the Sewer Fund changed its billing for unmetered accounts from billing every 6 months in advance to monthly billing, which eliminated the recording of unearned revenue.

Revenues and Expenses—The Sewer Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Sewer Fund’s principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, pension expense, administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Debt—Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include leases, except for contracts reported as financed purchase of the underlying asset, or accounts payable.

Adopted Accounting Standards—

GASB Statement	Impact
GASB Statement No. 89, <i>Accounting for Interest Cost Incurred before the End of a Construction Period</i> (“GASB 89”)	Establishes accounting requirements for interest cost incurred before the end of a construction period. The Sewer Fund adopted GASB 89 as of and for the year ended December 31, 2021. There was no material impact to the basic financial statements upon adoption.
GASB Statement No. 92, <i>Omnibus 2020</i> (“GASB 92”)	Clarifies multiple financial reporting topics included in multiple GASB statements. The Sewer Fund adopted GASB 92 as of and for the year ended December 31, 2021. There was no material impact to the basic financial statements upon adoption.
GASB Statement No. 99, <i>Omnibus 2022</i> (“GASB 99”)	Clarifies multiple financial reporting topics included in multiple GASB statements. Certain portions of the statement are effective and implemented for the year ended December 31, 2021 including: extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. There was no material impact to the basic financial statements upon adoption. The remainder of the statement is applicable to the years ended December 31, 2023 and December 31, 2024 as noted below.

Upcoming Accounting Standards—GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of the Sewer Fund upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Accounting Standard	Required Year of Adoption
GASB Statement No. 87, <i>Leases</i> ("GASB 87")	2022
GASB Statement No. 91, <i>Conduit Debt Obligations</i> ("GASB 91")	2022
GASB Statement No. 93, <i>Replacement of Interbank Offered Rates</i> ("GASB 93")	2022
GASB Statement No. 94, <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i> ("GASB 94")	2023
GASB Statement No. 96, <i>Subscription-based Information Technology Arrangements</i> ("GASB 96")	2023
GASB Statement No. 97, <i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i> ("GASB 97")- Remaining provision	2022
GASB Statement No. 99, <i>Omnibus 2022</i> ("GASB 99") – Remaining provisions	2023 & 2024
GASB Statement No. 100, <i>Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62</i>	2024
GASB Statement No. 101, <i>Compensated Absences</i>	2024

2. RESTRICTED AND UNRESTRICTED CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents and Investments—As of December 31, 2021, the Sewer Fund had the following cash equivalents and investments (in thousands):

	Maturities (in Years)				Fair Value
	Less than 1	1–5	6–10	More than 10	
Agency Bonds	\$ -	\$ 45,301	\$ 2,880	\$ -	\$ 48,181
Commercial paper	107,716	-	-	-	107,716
Corporate bonds	-	747	57,881	-	58,628
Money Market Funds	103,864	-	-	-	103,864
Municipal Bonds	22,651	26,219	-	-	48,870
Supernational Bonds	-	49,944	-	-	49,944
Total	<u>\$ 234,231</u>	<u>\$ 122,211</u>	<u>\$ 60,761</u>	<u>\$ -</u>	<u>\$ 417,203</u>

As of December 31, 2020, the Sewer Fund had the following cash equivalents and investments (in thousands):

	Maturities (in Years)				Fair Value
	Less than 1	1–5	6–10	More than 10	
Agency Bonds	\$ -	\$ -	\$ 10,813	\$ -	\$ 10,813
Commercial paper	146,557	-	-	-	146,557
Corporate bonds	30,044	29,838	-	-	59,882
Money Market Funds	110,401	-	-	-	110,401
Municipal Bonds	33,414	86,221	-	-	119,635
US Government	14,994	-	-	-	14,994
Total	\$ 335,410	\$ 116,059	\$ 10,813	\$ -	\$ 462,282

U.S. agencies include investments in government-sponsored enterprises, such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation.

Investment Fair Value Measurements—The Sewer Fund categorizes the fair value measurements of its investments based the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation techniques used to measure fair value.

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets

Level 2—Observable inputs other than quoted market prices, and

Level 3—Unobservable Inputs

The investments measured at fair value as of December 31, 2021 and 2020, were (dollars in thousands):

	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Supernational Bonds	\$ -	\$ 49,944	\$ -	\$ -	\$ -	\$ -
Corporate bonds	-	58,628	-	-	59,882	-
Municipal bonds	-	48,870	-	-	115,685	-
Agency bonds	-	48,181	-	-	10,813	-
Total investments at fair value	\$ -	\$ 205,623	\$ -	\$ -	\$ 186,380	\$ -

Investments that are valued through other observable inputs (Level 2), are valued using methods that include, but are not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for Sewer are \$211.6 million and \$275.9 million as of December 31, 2021 and 2020, respectively.

Interest Rate Risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of 30 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk—With regard to credit risk, the Code limits the investments in securities to:

- (1) Interest-bearing general obligations of the United States and the State of Illinois;
- (2) United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
- (3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City;
- (4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;
- (5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;
- (6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in Custodial Credit Risk—Cash and Certificates of Deposit below;
- (7) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;
- (8) Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
- (9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;
- (10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
- (11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;

- (12) Bonds of companies organized in the United States with assets exceeding \$500,000,000 that, at the time of purchase, are rated investment grade by at least two accredited ratings agencies;
- (13) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating, or equivalent rating. For purposes of this subsection, an “international financial institution” means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;
- (14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;
- (15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions;
- (16) Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;
- (17) Bonds, notes, debentures, or other similar obligations of agencies of the United States rated.

Total holdings across all funds held by the Sewer Fund shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. A schedule summarizing the Sewer Fund’s exposure to credit risk as of December 31, 2021 and 2020, is as follows (in thousands):

Quality Rating	2021	2020
Aaa/AAA	\$ 202,735	\$ 125,930
A-1/P-1	43,027	126,485
A-2/P-2	64,689	35,065
Aa/AA	48,870	126,734
A/A	11,427	32,169
BBB	46,455	15,823
Not Rated	-	76
Total	<u>\$ 417,203</u>	<u>\$ 462,282</u>

Custodial Credit Risk—Cash and Certificates of Deposit—This is the risk that in the event of a bank failure, the City’s Deposits may not be returned. The City’s Investment Policy states that in order to protect the City’s public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

For certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance or demand deposits in banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 100% by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 100% by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit or deposit.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

The bank balance of cash and certificates of deposit with the City's various municipal depositories was \$107.1 million. 96.6% of the bank balance was either insured or collateralized with securities held by City agents in the City's name. \$3.6 million was uncollateralized at December 31, 2021, and thus was subject to custodial credit risk.

A schedule summarizing the investments reported in the basic financial statements as of December 31, 2021 and 2020, is as follows (in thousands):

	2021	2020
Per Note 2:		
Investments—Sewer Fund	\$ 417,203	\$ 462,282
Investments—City Treasurer pooled fund	-	-
	<u>\$ 417,203</u>	<u>\$ 462,282</u>
Per financial statements:		
Restricted investments—current	\$ 85,432	\$ 57,543
Restricted investments—noncurrent	-	42,682
Unrestricted investments	196,379	233,885
Investments included as cash and cash equivalents on the statements of net position	<u>135,392</u>	<u>128,172</u>
	<u>\$ 417,203</u>	<u>\$ 462,282</u>

3. RESTRICTED ASSETS AND ACCOUNTS

Sewer service revenues are pledged to pay outstanding Wastewater Revenue Bonds. The ordinances authorizing the issuance of outstanding Wastewater Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds to be credited, are as follows:

Wastewater Revenue Bonds, 1998A Wastewater Capital Appreciation Bonds and the Senior Lien Bonds.

Bond Principal and Interest Account—No later than 10 days prior to each principal or interest payment date, an amount to pay principal; premium, if any; and interest becoming due, whether upon maturity, redemption, or otherwise.

Debt Service Reserve Account—For each series, an amount equal to the least of (i) the maximum annual debt service requirement; (ii) 10% of the original principal amount, less original issue discount; or (iii) 125% of the average annual debt service requirement. The required balance in this account was met by the purchase of surety bonds.

Construction Account—Proceeds of the Senior Lien Bonds were deposited in this account for the purpose of paying construction costs of projects as defined in the ordinance.

Wastewater Revenue Bonds, Series 2017, 2015, 2014, 2012, 2010, 2008, 2001 (the “Second Lien Bonds”).

Bond Principal and Interest Account—No later than the business day immediately preceding January 1 and July 1, an amount to pay principal; redemption premium, if any; and interest on the bonds. The City is also required to make deposits in the Second Lien Bonds’ account to meet other payment obligations under the indenture authorizing Second Lien Parity Bonds.

Debt Service Reserve Account—For each series, an amount equal to the least of (i) the highest future debt service requirement; (ii) 10% of the original principal amount, less original issue discount; or (iii) 125% of the average annual debt service requirement. The required balance in this account was met by the purchase of a surety bond.

Sewer Rate Stabilization Account—Any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred to the sewer rate stabilization account upon the direction of the City to be used for any lawful purpose of the Sewer Fund.

For accounts established by ordinances with balances, the amounts as of December 31, 2021 and 2020, are as follows (in thousands):

	2021	2020
Construction	\$ 33,781	\$ 64,045
Bond principal and interest	121,382	118,783
Sewer rate stabilization	<u>40,814</u>	<u>40,814</u>
Total	<u>\$ 195,977</u>	<u>\$ 223,642</u>

The 2021 and 2020 Sewer rate stabilization balance above includes a fair value adjustment of \$400.6 thousand and \$2,889 thousand, respectively.

At December 31, 2021 and 2020, management was not aware of any instances of noncompliance with the above terms of the ordinances.

4. LONG-TERM DEBT

As of December 31, 2021 and 2020, long-term debt consisted of the following (in thousands):

	2021	2020
\$62,423 Series 1998A Wastewater Transmission Revenue Bonds issued April 7, 1998, due through 2028; interest at 4.55% to 5.0%	\$ 27,634	\$ 31,792
\$73,100 Series 2001 Wastewater Transmission Revenue Bonds issued December 6, 2001, due through 2030; interest at 4.0% to 5.5%	37,525	37,755
\$332,230 Series 2008C Wastewater Transmission Revenue Bonds (2004A Refunded) issued October 16, 2008, due through 2039; interest rate at 4.0% to 5.0%	257,790	271,630
\$250,000 Series 2010B Wastewater Transmission Revenue Bonds issued November 16, 2010, due through 2040; interest 6.9%	250,000	250,000
\$1,546 Illinois Environmental Protection Agency Loan Agreement signed May 28, 2008, due through 2027; interest at 2.50%	545	630
\$276,470 Series 2012 Wastewater Transmission Revenue Bonds issued September 13, 2012, due through 2042; interest at 3.0% to 5.0%	232,185	238,590
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed January 20, 2010, due through 2031; interest at 0%	7,268	8,033
\$17,812 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2010, due through 2032; interest at 1.25%	10,576	11,468
\$17,564 Illinois Environmental Protection Agency Loan Agreement signed September 22, 2011, due through 2033; interest at 1.25%	10,870	11,744
\$15,000 Illinois Environmental Protection Agency Loan Agreement signed October 2, 2012, due through 2034; interest at 2.295%	10,506	11,192
\$292,405 Series 2014 Wastewater Transmission Revenue Bonds issued September 22, 2014, due through 2044; interest at 3.0% to 5.0%	260,510	266,455
\$87,080 Series 2015 Bonds issued October 19, 2015 due through January 1, 2039; interest at 2.59% to 6.04%	77,540	80,060
\$54,170 Illinois Environmental Protection Agency Loan Agreement signed October 22, 2013, due through 2035; interest at 1.93%	40,923	43,446
\$56,198 Illinois Environmental Protection Agency Loan Agreement signed October 8, 2014, due through 2036; interest at 1.99%	43,902	46,489
\$4,291 Illinois Environmental Protection Agency Loan Agreement signed January 22, 2016, due through 2036; interest at 1.86%	3,450	3,648
\$6,703 Illinois Environmental Protection Agency Loan Agreement signed November 4, 2016, due through 2037; interest at 1.75%	5,670	5,975
\$180,590 Series 2017A Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2052; interest at 4.0% to 5.25%	175,970	178,335
\$215,485 Series 2017B Wastewater Transmission Revenue Bonds issued June 21, 2017, due through 2044; interest at 5.0%	183,175	195,340

(Continued)

	2021	2020
\$63,808 Illinois Environmental Protection Agency Loan Agreement signed May 17, 2016, due through 2038; interest at 1.86%	\$ 54,398	\$ 57,191
\$27,370 Illinois Environmental Protection Agency Loan Agreement signed May 16, 2017, due through 2038; interest at 1.75%	24,012	25,215
\$17,942 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	16,181	16,694
\$59,960 Illinois Environmental Protection Agency Loan Agreement signed Apr 5, 2018, due through 2039; interest at 1.76%	54,441	57,166
\$26,084 Illinois Environmental Protection Agency Loan Agreement signed May 25, 2018 due through 2039; interest at 1.76%	24,466	25,573
\$30,490 Illinois Environmental Protection Agency Loan Agreement signed March 18, 2019 due through 2040; interest at 1.84%	29,364	29,781
\$58,706 Illinois Environmental Protection Agency Loan Agreement signed December 14, 2020 due through 2040; interest at 1.84%	<u>56,894</u>	<u>48,932</u>
Total revenue bonds	1,895,795	1,953,134
Add accretion of Series 1998A Capital Appreciation Bonds	68,806	73,356
Add unamortized net bond premium (discount)	81,926	89,361
Less current portion (payable from restricted assets)	<u>(81,056)</u>	<u>(77,521)</u>
Long-term portion—net	<u>\$1,965,471</u>	<u>\$2,038,330</u>

(Concluded)

Long-term debt during the years ended December 31, 2021 and 2020, changed as follows (dollars in thousands):

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due within One Year
Revenue bonds and loans	\$ 1,953,134	\$ 10,742	\$ (68,081)	\$ 1,895,795	\$ 71,300
Accretion of Series 1998 capital appreciation bonds	73,356	4,948	(9,498)	68,806	9,756
Unamortized net discount/premium	<u>89,361</u>	<u>-</u>	<u>(7,435)</u>	<u>81,926</u>	<u>-</u>
Total revenue bonds and loans	<u>\$ 2,115,851</u>	<u>\$ 15,690</u>	<u>\$ (85,014)</u>	<u>\$ 2,046,527</u>	<u>\$ 81,056</u>
	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due within One Year
Revenue bonds and loans	\$ 1,895,495	\$ 121,325	\$ (63,686)	\$ 1,953,134	\$ 68,023
Accretion of Series 1998 capital appreciation bonds	75,114	5,390	(7,148)	73,356	9,498
Unamortized net discount/premium	<u>97,004</u>	<u>-</u>	<u>(7,643)</u>	<u>89,361</u>	<u>-</u>
Total revenue bonds and loans	<u>\$ 2,067,613</u>	<u>\$ 126,715</u>	<u>\$ (78,477)</u>	<u>\$ 2,115,851</u>	<u>\$ 77,521</u>

Interest expense includes amortization of the loss on bond refunding for 2021 and 2020 of \$.5 million and \$2.1 million; less amortization of net bond discount/premium of \$7.4 million and \$7.6 million, respectively; and accretion of Series 1998A capital appreciation bonds of \$4.9 million and \$5.4 million, respectively.

As defined in the ordinances, net revenues are pledged for the payment of principal and interest on the bonds. The ordinances require that net revenues available for bonds equal 115% of the senior lien debt service requirement and that net revenues available for bonds equal the sum of 100% of the aggregate annual senior lien debt service requirement and 100% of the aggregate annual second lien debt service requirement and 115% of the annual subordinate lien debt service requirement and annual debt service requirement for the fiscal year on aggregate outstanding debt service on any outstanding IEPA loans, wastewater line of credit and commercial paper notes. The above requirements were met for 2021 and 2020.

Rate Increases—Sewer service rates are set by ordinance. The sewer service charge is established in an amount designed to pay the costs of Sewer Fund operations and capital improvements, including any related debt service. During 2021, the charge for sewer service was increased and was an amount equal to 100% of the gross amount charged for water service, whether such water service is metered or nonmetered. The rate charged for water effective June 1, 2021 increased to \$30.79 per 1,000 cubic feet.

Issuance of Debt—A loan agreement was signed on December 14, 2020, with the Illinois Environment Protection Agency of a 5-year rehabilitation program conducted throughout the city. Approximately 26,900 lineal feet of 12-to-60-inch diameter sewer main will replace existing, aging sewer main as part of the continuation of the city's 3-year sewer lining contract which was awarded in 2016. Activities associated with this loan consist of lining approximately 42 miles of sewer main throughout the city. The amount drawn from this loan agreement by the Sewer fund in 2021 and 2020 was \$9.8 million and \$48.9 million, respectively. Total funds drawn from this loan are \$58.7 million. The loan agreement has an interest rate of 1.84% with a maturity from April 9, 2021 to April 9, 2040.

A loan agreement was signed on March 18, 2019, with the Illinois Environment Protection Agency as part of a 5-year rehabilitation program conducted throughout the city. Approximately 9 miles of 12-to-60-inch diameter sewer main will be replaced existing, aging sewer main. The amount drawn from this loan agreement by the Sewer fund in 2021 and 2020 was \$.7 million and \$29.8 million, respectively. Total funds drawn from this loan are \$30.5 million. The loan agreement has an interest rate of 1.84% with a maturity from April 7, 2021 to October 7, 2040.

A loan agreement was signed on April 5, 2018, with the Illinois Environment Protection Agency as part of a 5 year rehabilitation program conducted throughout the city. Approximately 26,900 lineal feet of 12 to 60 inch diameter sewer main will be replaced existing, aging sewer main. The amount drawn from the loan agreement by the Sewer fund in 2020 and 2019 was \$1.1 million and \$16.5 million, respectively. In 2021, the Sewer Fund drew an additional \$.3 million. Total funds drawn from this loan are \$17.9 million. The loan agreement has an interest rate of 1.76% with a maturity from October 26, 2019 to April 26, 2039.

Following is a schedule of debt service requirements to maturity (in thousands):

December 31	Principal	Interest	Total Debt Service
2022	\$ 71,300	\$ 93,513	\$ 164,813
2023	73,864	90,995	164,859
2024	76,531	88,367	164,898
2025	89,666	75,333	164,999
2026	74,283	90,633	164,916
2027–2031	427,926	349,823	777,749
2032–2036	517,104	205,104	722,208
2037–2041	401,571	82,804	484,375
2042–2046	106,635	21,065	127,700
2047–2051	46,460	6,933	53,393
2052–2053	<u>10,455</u>	<u>209</u>	<u>10,664</u>
Total	<u>\$ 1,895,795</u>	<u>\$ 1,104,779</u>	<u>\$ 3,000,574</u>

Debt Covenants—The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, shall each fiscal year be at least equal to: (A) 115% of the aggregate debt service requirement for the fiscal year on the outstanding senior lien bonds, plus (B) the sum of the aggregate annual debt service requirements for the fiscal year on the outstanding second lien bonds, plus (C) 115% of the aggregate outstanding debt service requirements for the fiscal year on the outstanding IEPA loans, plus (D) annual debt service requirement for the fiscal year on aggregate outstanding debt service on any outstanding wastewater line of credit and commercial paper notes. This requirement was met at December 31, 2021.

5. UTILITY PLANT

During the years ended December 31, 2021 and 2020, utility plant changed as follows (in thousands):

	Balance January 1, 2021	Additions	Disposals and Transfers	Balance December 31, 2021
Utility plant not depreciated:				
Land and land rights	\$ 560	\$ -	\$ -	\$ 560
Construction in progress	<u>72,682</u>	<u>106,851</u>	<u>(41,527)</u>	<u>138,006</u>
Total utility plant not depreciated	<u>73,242</u>	<u>106,851</u>	<u>(41,527)</u>	<u>138,566</u>
Utility plant being depreciated:				
Facilities and structures	3,645,972	100,580	(19,594)	3,726,958
Furniture and equipment	<u>33,757</u>	<u>-</u>	<u>(89)</u>	<u>33,668</u>
Total utility plant being depreciated	<u>3,679,729</u>	<u>100,580</u>	<u>(19,683)</u>	<u>3,760,626</u>
Less accumulated depreciation:				
Facilities and structures	(731,358)	(53,788)	424	(784,722)
Furniture and equipment	<u>(27,451)</u>	<u>(1,619)</u>	<u>-</u>	<u>(29,070)</u>
Total accumulated depreciation	<u>(758,809)</u>	<u>(55,407)</u>	<u>424</u>	<u>(813,792)</u>
Utility plant being depreciated—net	<u>2,920,920</u>	<u>45,173</u>	<u>(19,259)</u>	<u>2,946,834</u>
Utility plant—net	<u>\$ 2,994,162</u>	<u>\$ 152,024</u>	<u>\$ (60,786)</u>	<u>\$ 3,085,400</u>

	Balance January 1, 2020	Additions	Disposals and Transfers	Balance December 31, 2020
Utility plant not depreciated:				
Land and land rights	\$ 560	\$ -	\$ -	\$ 560
Construction in progress	<u>196,790</u>	<u>66,432</u>	<u>(190,540)</u>	<u>72,682</u>
Total utility plant not depreciated	<u>197,350</u>	<u>66,432</u>	<u>(190,540)</u>	<u>73,242</u>
Utility plant being depreciated:				
Facilities and structures	3,367,515	300,426	(21,969)	3,645,972
Furniture and equipment	<u>33,810</u>	<u>-</u>	<u>(53)</u>	<u>33,757</u>
Total utility plant being depreciated	<u>3,401,325</u>	<u>300,426</u>	<u>(22,022)</u>	<u>3,679,729</u>
Less accumulated depreciation:				
Facilities and structures	(683,150)	(49,195)	987	(731,358)
Furniture and equipment	<u>(25,682)</u>	<u>(1,769)</u>	<u>-</u>	<u>(27,451)</u>
Total accumulated depreciation	<u>(708,832)</u>	<u>(50,964)</u>	<u>987</u>	<u>(758,809)</u>
Utility plant being depreciated—net	<u>2,692,493</u>	<u>249,462</u>	<u>(21,035)</u>	<u>2,920,920</u>
Utility plant—net	<u>\$ 2,889,843</u>	<u>\$ 315,894</u>	<u>\$ (211,575)</u>	<u>\$ 2,994,162</u>

6. PENSION PLANS

Plan Description—Eligible Sewer Fund employees participate in one of two single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees’ Annuity and Benefit Fund of Chicago (Municipal Employees’); and the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (Laborers’). The Plans are administered by individual retirement boards of trustees comprised of City officials or their designees and of trustees elected by plan members. Certain employees of the Chicago Board of Education participate in the Municipal Employees’ Fund or the Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund. Each plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.meabf.org and www.labfchicago.org.

Benefits Provided—The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced retirement age minimum formula annuity based on a combination of years of service and age of retirement. Employees may also receive a reduced retirement age minimum formula annuity if they do not meet the age and service requirements for the unreduced retirement age annuity. The requirements of age and service are different for employees depending on when they first became members of their respective Plans. For all the Plans, employees who became members before January 1, 2011, are considered Tier 1 Employees. For those employees who became members on or after January 1, 2011, but before July 6, 2017, are considered Tier 2 Employees. For those employees who became members on or after July 6, 2017, are considered Tier 3 Employees. Public Act 100-0023 (P.A. 100-0023), which established the requirements for Tier 3 employees, includes a provision for Tier 2 employees to elect to be considered as Tier 3 employees. The annuity is computed by multiplying

the final average salary by a percentage ranging from 2.2% to 2.5% per year of credited service. The final average salary is the employee's highest average annual salary for any four consecutive years within the last 10 years of credited service for participants who are Tier 1 Employees and any eight consecutive years within the last 10 years of credited service for participants who are Tier 2 Employees or Tier 3 Employees.

Benefit terms provide for annual adjustments to each employee's retirement allowance subsequent to the employees' retirement date. For Tier 1 Employees, the annual adjustments for Municipal Employees' and Laborers' are 3.0%, compounded, for annuitants born before January 1, 1966, and 1.5%, simple, born after January 1, 1966, or later. For Tier 2 Employees and Tier 3 Employees, the annual adjustments are equal to the lesser of 3.0% and 50% of CPI-U of the original benefit.

Employees Covered by Benefit Terms—At December 31, 2021, the following City employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Total
Inactive employees or beneficiaries currently receiving benefits	25,683	3,568	29,251
Inactive employees entitled to but not yet receiving benefits	21,304	1,473	22,777
Active employees	<u>32,925</u>	<u>2,602</u>	<u>35,527</u>
Total number of members	<u>79,912</u>	<u>7,643</u>	<u>87,555</u>

Contributions—For the Municipal Employees' and Laborers' Plans, Public Act 100-0023 (P.A. 100-0023) was enacted on July 6, 2017. P.A. 100-0023 requires the City to contribute specific amounts to the Municipal Employees' and the Laborers' Plans in the aggregate amounts as follows: in payment year 2019, \$392.0 million; in payment year 2020, \$481.0 million; in payment year 2021, \$571.0 million; and in payment year 2022, \$660.0 million. Additionally, P.A. 100-0023 requires that beginning in payment year 2023, the City's annual contributions to MEABF and LABF each be an amount actuarially determined to be sufficient to produce a funding level of 90% by the year end of 2058.

The City's contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City's contributions are then paid to the pension funds in the following year (which is when the levy property taxes are collected and paid to the City by the Cook County Treasurer). The Sewer Fund's proportion of the contribution was determined based on the rates of Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2021 and 2020.

The contribution to the two pension plans from the Sewer Fund was \$19.9 million and \$17.1 million for the years ended December 31, 2021 and 2020, respectively.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2021 and 2020, the Sewer Fund reported a liability of \$432.3 million and \$426.5 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in Actuarial Assumptions—Changes in the municipal bond rate resulted in a decrease in the single discount rate for Laborers'. See discount rate section below.

The change in the single discount rate and other assumptions increased the net pension liability by \$2.5 million for Laborers'. These changes are being amortized into expense/(benefit) over a 4 year period for Laborers'.

The Sewer Fund's proportion of the net pension liability was determined based on the rates of budgeted Sewer Fund's salaries within each corresponding pension plan to the total budgeted salaries for 2021 and 2020. At December 31, 2021 and 2020, the Sewer Fund's proportion was 1.8% and 1.8% of the Municipal Employees' Plan and 11.5% and 11.3%, respectively, of the Laborers' Plan.

For the years ended December 31, 2021 and 2020, the Sewer Fund recognized pension expense/(benefit) of (\$5.0) million and (\$23.9) million, respectively.

At December 31, 2021 and 2020, the Sewer Fund reported total deferred outflows of resources of \$8.7 million and \$8.4 million, respectively, and deferred inflows of resources of \$20.9 million and \$42.3 million, respectively, related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,181	\$ -	\$ 2,316	\$ 638
Changes of assumptions	-	-	-	26,687
Net difference between projected and actual earnings on pension plan investments	-	4,649	-	1,825
Total	<u>\$ 3,181</u>	<u>\$ 4,649</u>	<u>\$ 2,316</u>	<u>\$ 29,150</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Municipal Employees' pensions will be recognized in pension expense/(benefit) as follows:

**Years Ended
December 31**

2022	\$ 873
2023	(1,244)
2024	(232)
2025	(865)
2026	-
Total	<u>\$ (1,468)</u>

Laborers' (dollars in thousands):

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78	\$ 4,073	\$ 487	\$ 2,124
Changes of assumptions	5,434	61	5,640	379
Net difference between projected and actual earnings on pension plan investments	-	12,096	-	10,690
Total	<u>\$ 5,512</u>	<u>\$ 16,230</u>	<u>\$ 6,127</u>	<u>\$ 13,193</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Laborers' pensions will be recognized in pension benefit as follows:

**Years Ended
December 31**

2022	\$ (852)
2023	(5,190)
2024	(3,399)
2025	(1,277)
2026	-
Total	<u>\$ (10,718)</u>

Deferred Inflows and Related to Changes in Proportionate Share of Contributions—For the years ended December 31, 2021 and 2020, the Sewer Fund reported pension charge/(benefit) of (\$7.9 million) (\$8.1 million), respectively, related to changes in proportionate share of contributions. As of December 31, 2021 and 2020, the Sewer Fund reported deferred inflows of \$27.5 million and \$39.9 million, respectively, and deferred outflows of \$2.5 million and \$5.8 million, respectively, related to changes in its proportionate share of contributions. This deferred amount will be recognized as a pension charge/(benefit) over a period of four years.

Actuarial Assumptions—The total pension liability in the December 31, 2021 and 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'	Laborers'
Inflation	2.50 %	2.25 %
Salary increases	3.5 %–7.75 % (a)	3.00 % (b)
Investment rate of return	7.00 % (c)	7.25 % (c)

(a) (1.50%–6.5% for 2020–2022), varying by years of service

(b) Plus a service—based increase in the first 9 years

(c) Net of investment expense

Pension Plan		Mortality Table Name	Mortality Improvement
<i>Municipal Employees'</i>	<i>Post Retirement</i>	<i>RP-2014 Healthy Annuitant Mortality Table</i>	<i>Generational—Scale MP-2016</i>
	<i>Pre-Retirement</i>	<i>RP-2014 Employee Mortality Table</i>	<i>Generational—Scale MP-2016</i>
<i>Laborers'</i>	<i>Post Retirement</i>	<i>Pub-2010 Amount-weighted Below-median Income General Healthy Retiree Mortality Tables, Sex Distinct</i>	<i>Generational—Scale MP-2020 2-dimensional</i>
	<i>Pre-Retirement</i>	<i>Pub-2010 Amount-weighted Below-median Income General Employee Mortality Tables, Sex Distinct</i>	<i>Generational—Scale MP-2020 2-dimensional</i>

The actuarial assumptions used in the December 31, 2021, valuation were adjusted based on the results of actuarial experience study for the periods:

Municipal Employees'—January 1, 2012–December 31, 2016

Laborers'—January 1, 2017–December 31, 2019

The long term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2021 and 2020, are summarized in the following table:

	Target Allocation		Long-Term Expected Real Rate of Return	
	Municipal Employees'	Laborers'	Municipal Employees'	Laborers'
2021				
Asset class:				
Domestic equity	26.0 %	- %	7.4 %	- %
U.S. equity	-	25.0	-	5.3
Non U.S. equity	-	20.0	-	5.3
Global equity	5.0	-	6.8	-
Global low volatility equity	-	5.0	- .0	4.3
Infrastructure	2.0	-	7.0	-
International equity	17.0	-	7.4	-
Fixed income	25.0	20.0	2.0	(0.8)
Hedge funds	10.0	10.0	5.6	2.8
Private debt	-	3.0	- .0	7.1
Private equity	5.0	4.0	11.4	8.8
Real estate	10.0	10.0	5.8	4.2
Other Investments	-	3.0	-	4.7
Total	<u>100.0 %</u>	<u>100.0 %</u>		

2020	Target Allocation		Long-Term Expected Real Rate of Return	
	Municipal Employees'	Laborers'	Municipal Employees'	Laborers'
Asset class:				
Domestic equity	26.0 %	- %	7.3 %	- %
U.S. equity	-	25.0	-	5.3
Non U.S. equity	-	20.0	-	5.3
Global equity	5.0	-	7.5	-
Global low volatility equity	-	5.0	-	4.2
Infrastructure	2.0	-	7.3	-
International equity	17.0	-	7.5	-
Fixed income	25.0	20.0	2.3	(1.2)
Hedge funds	10.0	10.0	5.5	2.8
Private debt	-	3.0	-	7.4
Private equity	5.0	4.0	10.8	9.1
Real estate	10.0	10.0	6.0	3.4
Private real assets	-	3.0	-	4.9
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate

Municipal Employees'—The Single discount rate used to measure the total pension liability as of December 31, 2021 and 2020, was 7%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by Public Act 100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Laborers'—A Single Discount Rate of 6.77% and 6.84% was used to measure the total pension liability as of December 31, 2021 and 2020, respectively. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25% as of December 31, 2021 and 2020, and a municipal bond rate of 1.84% and 2.00% as of December 31, 2021 and 2020, respectively (based on the rate closest to but not later than the measurement date of the "20-Year Municipal GO AA Index" rate from Fidelity Index). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2074 (for the 2021 valuation) and the year 2073 (for the 2020 valuation). As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2074 (for the 2021 valuation) and the year 2073 (for the 2020 valuation, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Sewer Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Municipal Employees’—The following presents the Sewer Fund’s allocated share of the net pension liability as of December 31, 2021 and 2020, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2021	Current		
	1% Decrease	Discount Rate	1% Increase
Municipal Employees’ discount rate	6.00 %	7.00 %	8.00 %
Municipal Employees’ net pension liability	\$ 292,746	\$ 252,089	\$ 218,288

Net Pension Liability December 31, 2020	Current		
	1% Decrease	Discount Rate	1% Increase
Municipal Employees’ discount rate	6.00 %	7.00 %	8.00 %
Municipal Employees’ net pension liability	\$ 286,215	\$ 246,437	\$ 213,378

Laborers’—The following presents the Sewer Fund’s allocated share of the net pension liability as of December 31, 2021 and 2020, calculated using the discount rate of 6.77% and 6.84%, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2021	Current		
	1% Decrease	Discount Rate	1% Increase
Laborers’ discount rate	5.77 %	6.77 %	7.77 %
Laborers’ net pension liability	\$ 219,703	\$ 180,246	\$ 147,127

Net Pension Liability December 31, 2020	Current		
	1% Decrease	Discount Rate	1% Increase
Laborers’ discount rate	5.84 %	6.84 %	7.84 %
Laborers’ net pension liability	\$ 218,535	\$ 180,018	\$ 147,702

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued Pension Plan’s financial reports.

7. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the General Fund of the City and certain other funds for services provided by other City departments, employee fringe benefits, and certain payments made on behalf of the Sewer Fund. Such reimbursements amounted to \$50.9 million and \$30.6 million in 2021 and 2020, respectively.

8. COMMITMENTS AND CONTINGENCIES

The Sewer Fund has certain contingent liabilities resulting from litigation, claims, or commitments incident to the ordinary course of business. Management expects that final resolution of these contingencies will not have a material adverse effect on the financial position or results of operations of the Sewer Fund.

The Sewer Fund provides workers' compensation benefits and employee health benefits under self-insurance programs administered by the City and by a third-party administrator for workers' compensation. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the basic financial statements.

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. Changes in the claims liability amount for the years ended December 31, 2021 and 2020, are as follows (in thousands):

	2021	2020
Balance—January 1	\$ 30,757	\$ 23,183
Claims incurred on current and prior-year events	15,755	21,532
Claims paid on current and prior-year events	<u>(12,791)</u>	<u>(13,958)</u>
Balance—December 31	<u>\$ 33,721</u>	<u>\$ 30,757</u>

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities; accordingly, no liability is reported for those claims. Property and casualty risks for the Sewer Fund are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years.

At December 31, 2021 and 2020, the Sewer Fund entered into contracts with outstanding commitments of approximately \$78.6 million and \$256.9 million, respectively, for construction projects.

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

	2021	2020
	(In thousands)	
Deferred outflows of resources:		
Deferred outflows from pension activities	\$ 8,694	\$ 8,443
Changes in proportionate share of pension contribution	2,465	5,754
Unamortized deferred bond refunding costs	<u>3,814</u>	<u>4,314</u>
Total deferred outflows of resources	<u>\$ 14,973</u>	<u>\$ 18,511</u>
Deferred inflows of resources:		
Deferred inflows from pension activities	\$ (20,880)	\$ (42,344)
Changes in proportionate share of pension contribution	<u>(27,489)</u>	<u>(39,860)</u>
Total deferred inflows of resources	<u>\$ (48,369)</u>	<u>\$ (82,204)</u>

Please refer to Note 6 Pension Plans—Deferred Outflows related to activities and changes in proportionate share of contributions sections.

10. SUBSEQUENT EVENTS

The Sewer Fund has evaluated subsequent events through June 29, 2022, the date the basic financial statements were available to be issued and concluded no subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollars in thousands)**

Municipal Employees'	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:							
Service cost*	\$ 246,066	\$ 236,302	\$ 228,465	\$ 223,528	\$ 572,534	\$ 619,743	\$ 226,816
Interest	1,228,905	1,190,694	1,159,253	1,123,348	915,711	878,369	909,067
Benefit changes	-	-	-	-	-	-	2,140,009
Differences between expected and actual experience	121,988	100,938	16,676	95,540	(177,755)	(127,119)	(109,835)
Assumption changes	-	-	-	-	(7,431,191)	(578,920)	8,711,755
Benefit payments including refunds	(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
Net change in total pension liability	586,768	554,456	451,742	526,218	(7,008,875)	(67,599)	11,051,776
Total pension liability—beginning	17,814,812	17,260,356	16,808,614	16,282,396	23,291,271	23,358,870	12,307,094
Total pension liability—ending ^(a)	18,401,580	17,814,812	17,260,356	16,808,614	16,282,396	23,291,271	23,358,870
PLAN FIDUCIARY NET POSITION:							
Contributions—employer	573,198	496,992	418,269	349,574	261,764	149,718	149,225
Contributions—employee	163,411	157,798	146,645	138,400	134,765	130,391	131,428
Net investment income (loss)	498,299	335,403	560,940	(204,975)	610,515	281,419	114,025
Benefit payments including refunds of employee contribution	(1,010,191)	(973,478)	(952,652)	(916,198)	(888,174)	(859,672)	(826,036)
Administrative expenses	(6,687)	(7,118)	(6,740)	(6,639)	(6,473)	(7,056)	(6,701)
Other	-	-	-	-	5,394	-	-
Net change in plan fiduciary net position	218,030	9,597	166,462	(639,838)	117,791	(305,200)	(438,059)
Plan fiduciary net position—beginning	4,090,239	4,080,642	3,914,180	4,554,018	4,436,227	4,741,427	5,179,486
Plan fiduciary net position—ending ^(b)	4,308,269	4,090,239	4,080,642	3,914,180	4,554,018	4,436,227	4,741,427
NET PENSION LIABILITY—Ending ^{(a) - (b)}	\$ 14,093,311	\$ 13,724,573	\$ 13,179,714	\$ 12,894,434	\$ 11,728,378	\$ 18,855,044	\$ 18,617,443
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>23.41 %</u>	<u>22.96 %</u>	<u>23.64 %</u>	<u>23.29 %</u>	<u>27.97 %</u>	<u>19.05 %</u>	<u>20.30 %</u>
ALLOCATED COVERED PAYROLL **	<u>\$ 35,795</u>	<u>\$ 33,432</u>	<u>\$ 36,266</u>	<u>\$ 35,136</u>	<u>\$ 34,446</u>	<u>\$ 32,293</u>	<u>\$ 32,146</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>704.25 %</u>	<u>737.13 %</u>	<u>731.07 %</u>	<u>743.37 %</u>	<u>695.41 %</u>	<u>1,144.85 %</u>	<u>1,132.81 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 252,089</u>	<u>\$ 246,437</u>	<u>\$ 265,128</u>	<u>\$ 261,188</u>	<u>\$ 239,542</u>	<u>\$ 369,711</u>	<u>\$ 364,150</u>
ALLOCATED PERCENTAGE	<u>1.79 %</u>	<u>1.80 %</u>	<u>2.01 %</u>	<u>2.03 %</u>	<u>2.04 %</u>	<u>1.96 %</u>	<u>1.96 %</u>

* Includes pension plan administrative expense

** Allocated covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll during fiscal year

*** The Schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise Fund

Note. Beginning with fiscal year 2015, the City will accumulate ten years of data

(Continued)

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollars in thousands)**

Laborers'	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:							
Service cost	\$ 40,411	\$ 39,216	\$ 38,522	\$ 40,801	\$ 80,232	\$ 82,960	\$ 38,389
Interest	192,343	191,099	188,347	183,135	154,047	150,166	153,812
Benefit changes					150	-	384,033
Differences between expected and actual experience	(31,083)	(18,992)	(8,820)	15,143	(62,178)	(30,428)	(46,085)
Assumption changes	21,870	44,034	32,846	(11,788)	(1,074,754)	(62,905)	1,175,935
Benefit payments including refunds	(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
Pension plan administrative expense	(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
Net change in total pension liability	47,190	82,685	82,245	63,297	(1,063,538)	(18,970)	1,549,710
Total pension liability—beginning	<u>2,858,334</u>	<u>2,775,649</u>	<u>2,693,404</u>	<u>2,630,107</u>	<u>3,693,645</u>	<u>3,712,615</u>	<u>2,162,905</u>
Total pension liability—ending ^(a)	<u>2,905,524</u>	<u>2,858,334</u>	<u>2,775,649</u>	<u>2,693,404</u>	<u>2,630,107</u>	<u>3,693,645</u>	<u>3,712,615</u>
PLAN FIDUCIARY NET POSITION:							
Contributions—employer	84,969	73,744	59,346	47,844	35,457	12,603	12,412
Contributions—employee	17,637	18,064	18,143	17,837	17,411	17,246	16,844
Net investment income (loss)	138,105	163,057	184,027	(75,219)	207,981	57,997	(22,318)
Benefit payments including refunds of employee contribution	(172,514)	(169,056)	(164,959)	(160,061)	(157,050)	(154,683)	(152,530)
Administrative expenses	(3,837)	(3,616)	(3,691)	(3,933)	(3,985)	(4,080)	(3,844)
Other	-	-	-	661	-	-	-
Net change in plan fiduciary net position	64,360	82,193	92,866	(172,871)	99,814	(70,917)	(149,436)
Plan fiduciary net position—beginning	<u>1,269,742</u>	<u>1,187,549</u>	<u>1,094,683</u>	<u>1,267,554</u>	<u>1,167,740</u>	<u>1,238,657</u>	<u>1,388,093</u>
Plan fiduciary net position—ending ^(b)	<u>1,334,102</u>	<u>1,269,742</u>	<u>1,187,549</u>	<u>1,094,683</u>	<u>1,267,554</u>	<u>1,167,740</u>	<u>1,238,657</u>
NET PENSION LIABILITY—Ending ^{(a) - (b)}	<u>\$ 1,571,422</u>	<u>\$ 1,588,592</u>	<u>\$ 1,588,100</u>	<u>\$ 1,598,721</u>	<u>\$ 1,362,553</u>	<u>\$ 2,525,905</u>	<u>\$ 2,473,958</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>45.92 %</u>	<u>44.42 %</u>	<u>42.78 %</u>	<u>40.64 %</u>	<u>48.19 %</u>	<u>31.61 %</u>	<u>33.36 %</u>
ALLOCATED COVERED PAYROLL ^{**}	<u>\$ 24,331</u>	<u>\$ 23,479</u>	<u>\$ 25,989</u>	<u>\$ 25,462</u>	<u>\$ 23,415</u>	<u>\$ 24,328</u>	<u>\$ 24,808</u>
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF ALLOCATED COVERED PAYROLL	<u>740.81 %</u>	<u>766.71 %</u>	<u>750.49 %</u>	<u>755.96 %</u>	<u>653.68 %</u>	<u>1,213.47 %</u>	<u>1,208.15 %</u>
ALLOCATED NET PENSION LIABILITY	<u>\$ 180,246</u>	<u>\$ 180,018</u>	<u>\$ 195,045</u>	<u>\$ 192,479</u>	<u>\$ 153,060</u>	<u>\$ 295,214</u>	<u>\$ 299,722</u>
ALLOCATED PERCENTAGE	<u>11.47 %</u>	<u>11.33 %</u>	<u>12.28 %</u>	<u>12.04 %</u>	<u>11.23 %</u>	<u>11.69 %</u>	<u>12.22 %</u>

* Includes pension plan administrative expense.

** Allocated Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll during fiscal year

*** The Schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise Fund.

Note. Beginning with fiscal year 2015, the City will accumulate ten years of data

(Concluded)

CITY OF CHICAGO, ILLINOIS SEWER FUND

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS (Dollars in thousands)

Municipal Employees'		Contributions in Relation to the			Contributions as a percentage of Covered Payroll
Years Ended December 31	Actuarially Determined Contributions	Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll [*]	
2012	\$ 690,823	\$148,859	\$541,964	\$1,590,794	9.36 %
2013	820,023	148,197	671,826	1,580,289	9.38
2014	839,039	149,747	689,292	1,602,978	9.34
2015	677,200	149,225	527,975	1,643,481	9.08
2016	961,770	149,718	812,052	1,646,939	9.09
2017	1,005,457	261,764	743,693	1,686,533	15.52
2018	1,049,916	349,574	700,342	1,734,596	20.15
2019	1,117,388	418,269	699,119	1,802,790	23.20
2020	1,167,154	496,992	670,162	1,861,905	26.69
2021	1,218,361	573,198	645,163	2,001,181	28.64

^{*} Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

The Schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise Fund.

Laborers'		Contributions in Relation to the			Contributions as a percentage of Covered Payroll
Years Ended December 31	Actuarially Determined Contributions [*]	Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll ^{**}	
2012	\$ 77,566	\$ 11,853	\$ 65,713	\$ 198,790	5.96 %
2013	106,199	11,583	94,616	200,352	5.78
2014	106,019	12,161	93,858	202,673	6.00
2015	79,851	12,412	67,439	204,773	6.06
2016	117,033	12,603	104,430	208,155	6.05
2017	124,226	35,457	88,769	208,442	17.01
2018	129,247	47,844	81,403	211,482	22.62
2019	148,410	59,346	89,064	211,608	28.05
2020	155,794	73,744	82,050	207,195	35.59
2021	155,245	84,969	70,276	212,122	40.06

^{*} The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using dollar payments and a 30 year open amortization period.

^{**} Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

The Schedule of contribution amounts are presented City-wide, as the statutory requirement for contribution is for the City of Chicago and not the individual Enterprise Fund.

(Continued)

CITY OF CHICAGO, ILLINOIS SEWER FUND

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS

Actuarial Methods and Assumptions	Municipal Employees'	Laborers'
Actuarial valuation date	December 31, 2021 (a)	December 31, 2021 (b)
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:		
Inflation	2.50 %	2.25 %
Salary increases	3.50-7.75% (c)	3.00 % (d)
Investment rate of return	7.0 % (e)	7.25 % (f)
Retirement age	(g)	(h)
Mortality	(i)	(j)
Other information	(k)	(l)
(a) Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the end of the year.		
(b) Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the end of the fiscal year in which contributions are reported.		
(c) (1.50%–6.50% for 2021–2023), varying by years of service.		
(d) Plus a service-based increase consistent with bargaining contracts.		
(e) Net of investment expense.		
(f) Net of investment expense, including inflation.		
(g) For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (effective December 31, 2017). For employees first hired on or after January 1, 2011 and before July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective December 31, 2011). For employees first hired on or after July 6, 2017, rates of retirement for each age from 60 to 80 were used (effective December 31, 2018).		
(h) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2020, valuation pursuant to an experience study of the period January 1, 2017 through December 31, 2019.		
(i) Post Retirement Mortality: scaling factors of 109% for males and 108% for females of the Pub-2010 amount-weighted below me income general healthy retiree mortality tables, sex distinct, with generational mortality improvement using MP-2020 2 - dime morality improvement scales recently released by the SOA. This assumption provides a margin for mortality improvements. Pre Retirement Mortality: Scaling factors of 111% for males, and 115% for females of the PUB 2010 amount weighted below me income General Employee Mortality Tables, sex distinct, with generational mortality improvement using MP-2020 2-dimensionior mortality improvement scales recently released by SOA. This assumption provides a margin for mortality improvements.		
(k) Other Assumptions: Same as those used in December 31, 2021, actuarial funding valuations.		
(l) The actuarial valuation is based on the statutes in effect as of December 31, 2021.		

(Concluded)

STATISTICAL DATA

STATISTICAL DATA

The statistical data section includes selected financial and operating information, generally presented on a multiyear basis. The statistical section information is presented in five categories: financial trends, revenue capacity, debt capacity, operating information, and demographic and economic information. Schedules in the statistical section are the following:

Financial Trends—These schedules contain trend information to help the reader understand how the Sewer Fund's financial performance and well-being have changed over time.

Revenue Capacity—These schedules contain information to help the reader assess the Sewer Fund's most significant revenue source and sewer sales charge.

Debt Capacity—These schedules present information to help the reader assess the affordability of the Sewer Fund's current levels of outstanding debt and the Sewer Fund's ability to issue additional debt in the future.

Operating Information—These schedules contain service and infrastructure data to help the reader understand how the information in the Sewer Fund's financial report relates to the services the Sewer Fund provides and the activities it performs.

Demographic and Economic Information—These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA NET POSITION BY COMPONENT TEN YEARS ENDED DECEMBER 31, 2012–2021 (In thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NET POSITION:										
Net investment in capital assets	\$ 448,414	\$ 481,946	\$ 520,627	\$ 559,715	\$ 648,644	\$ 735,564	\$ 827,773	\$ 862,065	\$ 931,047	\$ 1,062,584
Restricted for capital projects	50,014	73,858	111,333	116,107	117,295	116,376	115,576	139,618	205,696	171,985
Unrestricted	60,436	78,509	102,794	(299,584)	(353,467)	(364,239)	(358,293)	(324,272)	(363,033)	(371,377)
TOTAL	\$ 558,864	\$ 634,313	\$ 734,754	\$ 376,238	\$ 412,472	\$ 487,701	\$ 585,056	\$ 677,411	\$ 773,710	\$ 863,192
		*			**					

* Amounts were restated due to the implementation of GASB 65.

** Amounts were restated due to the implementation of GASB 68.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA CHANGES IN NET POSITION TEN YEARS ENDED DECEMBER 31, 2012-2021 (in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUES:										
Sewer sales	\$ 252,943	\$ 291,110	\$ 337,657	\$ 390,924	\$ 384,140	\$ 377,286	\$ 380,822	\$ 373,902	\$ 356,267	\$ 377,514
Provision for doubtful accounts	-	(12,461)	(16,557)	(16,154)	(16,320)	(20,813)	(12,611)	(23,849)	(22,792)	(12,297)
Other operating revenues	969	1,180	1,128	1,107	1,146	1,150	1,492	1,023	484	1,052
Total operating revenues	253,912	279,829	322,228	375,877	368,966	357,623	369,703	351,076	333,959	366,269
OPERATING EXPENSES:										
Repairs	35,708	38,910	40,435	42,131	36,408	41,881	43,654	41,614	47,398	44,066
General Fund reimbursements	31,709	32,144	36,740	40,007	50,760	47,522	51,188	53,688	54,467	55,937
Pension expense	-	-	-	187,593	104,864	34,397	18,938	3,266	(23,853)	(4,979)
Maintenance	21,819	23,004	24,374	25,322	21,941	24,660	24,909	22,958	24,405	25,861
Engineering	3,085	3,267	3,336	3,299	2,158	2,466	3,664	3,515	4,776	5,328
Administrative and general	21,254	12,008	14,394	12,337	11,801	12,591	13,472	12,367	12,320	13,891
Total operating expenses before depreciation and amortization	113,575	109,333	119,279	310,689	227,932	163,517	155,825	137,408	119,513	140,104
Depreciation and amortization	27,735	31,280	36,701	40,444	40,734	48,171	48,504	52,933	53,140	55,749
Total operating expenses	141,310	140,613	155,980	351,133	268,666	211,688	204,329	190,341	172,653	195,853
OPERATING INCOME	112,602	139,216	166,248	24,744	100,300	145,935	165,374	160,735	161,306	170,416
NON-OPERATING REVENUES (EXPENSES):										
Interest income	1,021	(4,965)	2,984	2,600	1,025	4,348	2,436	11,663	8,381	(733)
Interest expense	(54,601)	(63,513)	(69,620)	(83,656)	(81,722)	(81,359)	(77,619)	(79,992)	(80,346)	(82,979)
Other	(192)	2,173	791	1,321	112	6	5,010	74	3,747	2,898
Transfer outs	-	-	-	-	(120)	(120)	(120)	(120)	(120)	(120)
Grants	2,500	2,500	-	-	16,639	6,419	2,274	(5)	3,331	-
Swap termination fee	38	38	38	(70,243)	-	-	-	-	-	-
CHANGE IN NET POSITION	(51,234)	(63,767)	(65,807)	(149,978)	(64,066)	(70,706)	(68,019)	(68,380)	(65,007)	(80,934)
TOTAL NET POSITION—Beginning of year	61,368	75,449	100,441	(125,234)	36,234	75,229	97,355	92,355	96,299	89,482
TOTAL NET POSITION—End of year	504,277	558,864	634,313	501,472	376,238	412,472	487,701	585,056	677,411	773,710
	\$ 565,645	\$ 634,313	\$ 734,754	\$ 376,238	\$ 412,472	\$ 487,701	\$ 585,056	\$ 677,411	\$ 773,710	\$ 863,192

* Amounts were restated due to the implementation of GASB 65

** Amounts were restated due to the implementation of GASB 68

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA HISTORICAL FINANCIAL OPERATIONS TEN YEARS ENDED DECEMBER 31, 2012-2021 (In thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING REVENUES:										
Sewer sales	\$252,943	\$291,110	\$337,657	\$390,924	\$384,140	\$377,286	\$380,822	\$373,902	\$356,267	\$377,514
Less provision for bad debt	-	(12,461)	(16,557)	(16,154)	(16,320)	(20,813)	(12,611)	(23,849)	(22,792)	(12,297)
Other operating revenue	969	1,180	1,128	1,107	1,146	1,150	1,492	1,023	484	1,052
Total operating revenues	<u>253,912</u>	<u>279,829</u>	<u>322,228</u>	<u>375,877</u>	<u>368,966</u>	<u>357,623</u>	<u>369,703</u>	<u>351,076</u>	<u>333,959</u>	<u>366,269</u>
OPERATING EXPENSES:										
Repairs	35,708	38,910	40,435	42,131	36,408	41,881	43,654	41,614	47,398	44,066
Maintenance	21,819	23,004	24,374	25,322	21,941	24,660	24,909	22,958	24,405	25,861
Administrative and general	21,254	12,008	14,394	12,337	11,801	12,591	13,472	12,367	12,320	13,891
General Fund reimbursements ⁽¹⁾	31,709	32,144	36,740	227,600	155,624	81,919	70,126	56,954	30,614	50,958
Engineering	<u>3,085</u>	<u>3,267</u>	<u>3,336</u>	<u>3,299</u>	<u>2,158</u>	<u>2,466</u>	<u>3,664</u>	<u>3,515</u>	<u>4,776</u>	<u>5,328</u>
Total operating expenses	<u>113,575</u>	<u>109,333</u>	<u>119,279</u>	<u>310,689</u>	<u>227,932</u>	<u>163,517</u>	<u>155,825</u>	<u>137,408</u>	<u>119,513</u>	<u>140,104</u>
NONOPERATING REVENUES										
	<u>867</u>	<u>(2,754)</u>	<u>3,813</u>	<u>3,921</u>	<u>1,137</u>	<u>4,354</u>	<u>7,446</u>	<u>11,737</u>	<u>12,128</u>	<u>2,165</u>
NET REVENUES—As defined	<u>\$141,204</u>	<u>\$167,742</u>	<u>\$206,762</u>	<u>\$ 69,109</u>	<u>\$142,171</u>	<u>\$198,460</u>	<u>\$221,324</u>	<u>\$225,405</u>	<u>\$226,574</u>	<u>\$228,330</u>

Source: City of Chicago Comptroller's Office.

Note 1:

⁽¹⁾ Of the \$(5.0) million of pension expense for 2021, \$19.9 million is the portion of the City's pension contribution payable in 2021 to the pension funds and allocable to the Sewer Fund. The remaining portion of the pension expense for 2021 (i.e. \$(24.9) million) is recognized on the income statement of the Sewer Fund for 2021 pursuant to GASB 68. Accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratio.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA FIVE LARGEST CUSTOMERS (In thousands)

	Amount of Sales									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Department of Aviation	\$1,927	\$2,165	\$1,857	\$3,634	\$4,498	\$4,025	\$4,504	\$5,198	\$3,138	\$3,343
Humboldt Park	1,179	1,393	1,307	-	-	759	-	-	-	-
WR Grace and Company	-	-	-	-	-	-	589	-	1,314	1,322
Calumet Park	-	635	652	-	-	-	-	-	-	-
CPD—Lincoln Park	745	1,418	-	1,344	1,267	1,325	675	771	1,169	1,679
Cook County Sheriff	-	1,141	-	-	846	-	-	-	-	-
University of Chicago—HCC	1,428	-	-	-	-	-	-	-	-	-
Uniquema	-	-	680	551	-	-	-	622	590	-
Ford Motor Co	-	-	695	928	912	995	1,311	1,304	1,499	-
University of Illinois at Chicago	-	-	-	-	-	-	-	-	-	1,377
Chicago Hometown	1,647	-	-	834	-	-	-	-	-	1,383
	-	-	-	-	546	551	560	567	-	-
	<u>\$6,926</u>	<u>\$6,752</u>	<u>\$5,191</u>	<u>\$7,291</u>	<u>\$8,069</u>	<u>\$7,655</u>	<u>\$7,639</u>	<u>\$8,462</u>	<u>\$7,710</u>	<u>\$9,104</u>

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
CUSTOMERS BY COMPONENT
(In thousands)**

	Amount of Sales									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	\$178,399	\$195,542	\$233,830	\$266,878	\$246,997	\$242,899	\$248,622	\$243,311	\$242,255	\$250,148
Industrial/ commercial	57,598	74,696	82,811	95,473	109,655	99,620	98,054	93,167	84,473	91,412
Governmental	<u>17,915</u>	<u>22,052</u>	<u>22,318</u>	<u>29,680</u>	<u>28,634</u>	<u>35,917</u>	<u>35,638</u>	<u>38,447</u>	<u>30,023</u>	<u>37,006</u>
	<u>\$253,912</u>	<u>\$292,290</u>	<u>\$338,959</u>	<u>\$392,031</u>	<u>\$385,286</u>	<u>\$378,436</u>	<u>\$382,314</u>	<u>\$374,925</u>	<u>\$356,751</u>	<u>\$378,566</u>

Source: City of Chicago Department of Water Management.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA RECENT SEWER SERVICE RATES

Effective Date	Gross Water Rate per 1,000 Gallons	Gross Water Rate per 1,000 Cubic Feet	Sewer Rate Percent of Water Bill	Per 1000 Cubic Feet
January 1, 2011	\$ 2.01	\$ 15.00	86 %	13
January 1, 2012	2.51	18.75	89	17
January 1, 2013	2.88	21.56	92	20
January 1, 2014	3.31	24.80	96	24
January 1, 2015	3.81	28.52	100	29
January 1, 2016	3.81	28.52	100	29
June 1, 2017	3.88	29.04	100	29
June 1, 2018	3.95	29.49	100	29
June 1, 2019	3.98	29.73	100	30
June 1, 2020	4.08	30.46	100	30
June 1, 2021	4.13	30.79	100	30

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
SEWER SYSTEM ACCOUNTS
TEN YEARS ENDED DECEMBER 31, 2012–2021
(Unaudited)**

Years Ended December 31	Water Accounts			Exempt	Sewer Accounts
	Non- Metered	Metered	Total		
2012	290,863	205,097	495,960	61,502	434,458
2013	273,426	220,759	494,185	62,393	431,792
2014	250,304	241,304	491,608	62,856	428,752
2015	227,801	266,284	494,085	64,781	429,304
2016	206,913	287,351	494,264	67,130	427,134
2017	190,276	303,877	494,153	66,995	427,158
2018	180,608	313,758	494,366	66,982	427,384
2019	178,348	316,262	494,610	66,889	427,721
2020	177,641	316,783	494,424	63,608	430,816
2021	176,931	317,398	494,329	62,680	431,649

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
REVENUE BOND COVERAGE
TEN YEARS ENDED DECEMBER 31, 2012-2021
(In thousands)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Combined Senior Lien and Second Lien Debt Service Calculation										
REVENUES AVAILABLE FOR BONDS										
Net revenues—as defined	\$ 141,204	\$ 167,742	\$ 206,762	\$ 69,109	\$ 142,171	\$ 198,460	\$ 221,324	\$ 225,405	\$ 226,574	\$ 228,330
Pension expense other than contribution (Note 1)	-	-	-	183,165	100,447	24,921	6,191	(12,572)	(40,972)	(24,917)
Transfer to sewer rate stabilization account	5,000	3,000	-	-	-	1,281	-	-	-	-
Other available funds (Note 2)	19,215	65,298	103,864	108,498	133,501	200,990	221,509	234,799	255,980	263,437
Net revenues available for bonds	<u>155,419</u>	<u>230,040</u>	<u>310,626</u>	<u>360,772</u>	<u>376,119</u>	<u>423,090</u>	<u>449,024</u>	<u>447,632</u>	<u>441,582</u>	<u>466,850</u>
PRIOR LIEN DEBT SERVICE REQUIREMENT	-	-	-	-	-	-	-	-	-	-
NET REVENUES AVAILABLE FOR BONDS	<u>155,419</u>	<u>230,040</u>	<u>310,626</u>	<u>360,772</u>	<u>376,119</u>	<u>423,090</u>	<u>449,024</u>	<u>447,632</u>	<u>441,582</u>	<u>466,850</u>
DEBT SERVICE REQUIREMENTS										
Senior lien debt service requirement	9,231	-	-	-	-	-	-	10,525	13,654	13,720
Senior lien debt service coverage (1.15 required)	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>32</u>	<u>34</u>
DEBT SERVICE REQUIREMENTS										
2000 second lien bonds	5,036	6,923	6,935	6,942	6,947	6,951	6,957	6,964	2,304	2,304
2001 second lien bonds	1,886	-	-	-	-	-	-	-	-	-
2001A second lien bonds	17,301	26,910	27,102	27,242	-	-	-	-	-	-
2004A and B second lien bonds	15,184	15,201	15,210	12,358	12,364	2,734	4,421	4,448	-	-
2006A and B second lien bonds	11,537	8,650	11,536	11,534	11,535	8,031	32,023	24,375	30,775	24,445
2008A second lien bonds	2,732	2,786	3,346	14,725	31,907	31,809	12,933	18,117	21,727	27,387
2008C second lien bonds	665	866	2,916	3,309	4,934	10,612	12,933	18,117	17,250	17,250
IEPA Loans	21,036	21,039	21,054	21,627	21,646	21,654	21,785	17,245	17,482	17,482
2010A & B second lien bonds	-	17,485	17,486	17,483	17,485	17,480	17,482	17,477	17,482	17,482
2012A & B second lien bonds	-	-	3,292	19,127	19,180	19,188	19,192	19,192	19,215	19,215
2014 second lien bonds	-	-	-	-	-	6,902	6,849	6,810	7,012	6,915
2015 second lien bonds	-	-	-	-	-	16,751	25,634	28,045	29,484	29,483
2017A & B second lien bonds	-	-	-	-	-	142,112	147,276	142,673	145,249	144,481
Second lien debt service requirement	<u>75,377</u>	<u>99,860</u>	<u>108,877</u>	<u>134,347</u>	<u>125,999</u>	<u>142,112</u>	<u>147,276</u>	<u>153,198</u>	<u>158,903</u>	<u>158,201</u>
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE REQUIREMENTS	<u>\$ 84,608</u>	<u>\$ 99,860</u>	<u>\$ 108,877</u>	<u>\$ 134,347</u>	<u>\$ 125,999</u>	<u>\$ 142,112</u>	<u>\$ 147,276</u>	<u>\$ 153,198</u>	<u>\$ 158,903</u>	<u>\$ 158,201</u>
COMBINED SENIOR AND SECOND LIEN DEBT SERVICE COVERAGE (1.15 REQUIRED)	<u>1.84</u>	<u>2.30</u>	<u>2.85</u>	<u>2.69</u>	<u>2.99</u>	<u>2.98</u>	<u>3.05</u>	<u>2.92</u>	<u>2.78</u>	<u>2.95</u>
SEWER RATE STABILIZATION ACCOUNT YEAR-END BALANCE										
Total population served	2,695,598	2,695,598	2,695,598	2,695,598	2,695,598	2,695,598	2,695,598	2,695,598	2,695,598	2,746,388
Total revenue bonds and notes	\$ 1,363,774	\$ 1,369,459	\$ 1,638,935	\$ 1,686,178	\$ 1,692,820	\$ 1,861,381	\$ 1,893,561	\$ 1,895,495	\$ 1,953,134	\$ 1,895,795
Total debt per customer served	<u>\$ 506</u>	<u>\$ 508</u>	<u>\$ 608</u>	<u>\$ 626</u>	<u>\$ 628</u>	<u>\$ 691</u>	<u>\$ 702</u>	<u>\$ 703</u>	<u>\$ 725</u>	<u>\$ 690</u>
Source: City of Chicago Comptroller's Office										

Note
(1) Of the \$15.0 million of pension expense for 2021, \$19.9 million is the portion of the City's pension contribution payable in 2021 to the pension funds and allocable to the Sewer Fund. The remaining portion of the pension expense for 2021 (i.e. \$(24.9) million) is recognized on the income statement of the Sewer Fund for 2021 pursuant to GASB 68 but is not due and payable by the City during 2021, accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratio.
(2) As provided in the Ordinance, Gross Revenues remaining in any period after providing sufficient funds for Operations and Maintenance Costs, for paying required debt service on all bonds and notes secured by Sewer System revenues, for paying any required amounts into any other accounts established for any bonds or notes secured by Sewer System revenues and to make any deposits into the Sewer Rate Stabilization Account ("Other Available Funds"), can be applied to debt service for any future period.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
LONG-TERM DEBT
TEN YEARS ENDED DECEMBER 31, 2012-2021
(In thousands)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
First lien	\$ 43,928	\$ 35,168	\$ 35,168	\$ 35,168	\$ 35,168	\$ 35,168	\$ 35,168	\$ 35,168	\$ 31,792	\$ 27,634
Second lien	1,290,296	1,284,355	1,541,690	1,592,010	1,548,696	1,660,490	1,527,810	1,562,610	1,518,165	1,474,695
Subordinate lien—IEPA loan	29,550	49,936	62,077	59,000	108,956	165,723	330,583	297,717	403,177	393,466
Total revenue bonds and notes	<u>1,363,774</u>	<u>1,369,459</u>	<u>1,638,935</u>	<u>1,686,178</u>	<u>1,692,820</u>	<u>1,861,381</u>	<u>1,893,561</u>	<u>1,895,495</u>	<u>1,953,134</u>	<u>1,895,795</u>
Unamortized premium (discount)	37,701	34,707	61,306	83,551	77,642	113,074	104,893	97,004	89,361	81,926
Unamortized deferred loss	-	-	-	-	-	-	-	-	-	-
Accretion of Series 1998 CAB	41,151	45,272	49,615	54,194	59,018	64,105	69,465	75,114	73,356	68,806
Sub-total	<u>78,852</u>	<u>79,979</u>	<u>110,921</u>	<u>137,745</u>	<u>136,660</u>	<u>177,179</u>	<u>174,358</u>	<u>172,118</u>	<u>162,717</u>	<u>150,732</u>
Total revenue bonds payable—net of unamortized premium (discount)	<u>\$ 1,442,626</u>	<u>\$ 1,449,438</u>	<u>\$ 1,749,856</u>	<u>\$ 1,823,923</u>	<u>\$ 1,829,480</u>	<u>\$ 2,038,560</u>	<u>\$ 2,067,919</u>	<u>\$ 2,067,613</u>	<u>\$ 2,115,851</u>	<u>\$ 2,046,527</u>

Source: City of Chicago Comptroller's Office.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
CAPITAL IMPROVEMENT PROGRAM
2022–2026
(In thousands)**

Years	Amount
2022	\$ 280,998
2023	227,292
2024	235,842
2025	236,231
2026	<u>238,669</u>
Total	<u>\$ 1,219,032</u>

Note: The information presented in the table above reflects the Sewer Fund's expected allocation of resources to various projects, but does not necessarily represent an expectation of actual cash expenditures for these projects.

Source: City of Chicago Department of Water Management.

CITY OF CHICAGO, ILLINOIS

SEWER FUND

STATISTICAL DATA

FULL-TIME EQUIVALENT SEWER FUND EMPLOYEES BY FUNCTION

TEN YEARS ENDED DECEMBER 31, 2012–2021

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Agency management	4	4	4	4	4	4	5	5	4	4
Capital design and construction services	23	24	26	24	24	25	26	26	27	26
Inspection services	18	18	16	18	24	24	24	24	24	24
System installation	8	8	8	9	9	8	8	8	8	8
System maintenance and evaluations	523	523	521	521	515	426	412	412	368	358
Communications and coordination	<u>17</u>	<u>16</u>	<u>16</u>	<u>15</u>	<u>15</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>8</u>	<u>8</u>
	<u>593</u>	<u>593</u>	<u>591</u>	<u>591</u>	<u>591</u>	<u>500</u>	<u>488</u>	<u>488</u>	<u>439</u>	<u>428</u>

The Sewer Fund intends to provide ten years of information as it becomes available.

Source: City of Chicago's 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, Program and Budget Summary.

Note: Schedule includes only Department of Water Management employees.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
OPERATING INDICATORS BY FUNCTION**

	2019	2020	2021
Catch basins repaired	<u>2,686</u>	<u>1,742</u>	<u>1,974</u>

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
CAPITAL ASSET STATISTICS BY FUNCTION
(In miles)**

	2019	2020	2021
Sewers lined	64.6	30.7	48.8
New construction	26.5	17.8	12.3

Source: City of Chicago Department of Water Management.

**CITY OF CHICAGO, ILLINOIS
SEWER FUND**

**STATISTICAL DATA
POPULATION OF SERVICE AREA
LAST SIX CENSUS PERIODS**

Years	Population
1970	3,369,357
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598
2020	2,746,388

Source: U.S. Department of Commerce—Census Bureau.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA PRINCIPAL EMPLOYERS (NONGOVERNMENT) CURRENT YEAR AND NINE YEARS AGO

Employer	2021 ⁽¹⁾			2012 ⁽¹⁾		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Amazon.Com, Inc.	27,050	1	2.17 %			
Advocate Aurora Health Care	25,906	2	2.08			
Northwestern Memorial Healthcare	24,053	3	1.93			
University of Chicago	20,781	4	1.67			
Walmart Inc	18,500	5	1.48			
Walgreens Boots Alliance Inc.	16,817	6	1.35	2,789	10	0.26 %
JPMorgan Chase & Co ⁽⁴⁾	14,583	7	1.17	8,168	1	0.76
United Continental Holdings Inc. ⁽⁵⁾	13,171	8	1.06	7,521	2	0.70
Amita Health	13,051	9	1.05	-		-
Jewel-Osco ⁽⁶⁾	10,892	10	0.87	4,572	5	0.43
Accenture LLP	-		-	5,590	3	0.52
Northern Trust	-		-	5,448	4	0.51
Ford Motor Company	-		-	4,187	6	0.39
Bank of America NT & SA ⁽⁷⁾	-		-	3,811	7	0.36
ABM Janitorial Midwest, INC	-		-	3,398	8	0.32
American Airlines	-		-	3,078	9	0.29

NOTES:

⁽¹⁾ Source: Reprinted with permission from the February 21, 2022, issue of Crain's Chicago Business.

© 2022 Crain Communications Inc. All Rights Reserved.

⁽²⁾ Source: Bureau of Labor Statistics data used in calculation of Total City Employment.

⁽³⁾ Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.

Prior to 2014, the source for information was the City of Chicago, Bureau of Revenue Tax-Division report which is no longer available.

⁽⁴⁾ JP Morgan & Co. formerly known as J.P. Morgan Chase

⁽⁵⁾ United Continental Holdings Inc. formerly known as United Airlines

⁽⁶⁾ Jewel-Osco formerly know as Jewel Food Stores, Inc.

⁽⁷⁾ Bank of America NT & SA formerly known as Bank of America NT.

CITY OF CHICAGO, ILLINOIS SEWER FUND

STATISTICAL DATA POPULATION AND INCOME STATISTICS

Year	Population ⁽¹⁾	Median Age ⁽²⁾	Number of Households ⁽²⁾	City Employment	Unemployment Rate ⁽³⁾	Per Capita Income ⁽⁴⁾	Total Income
2012	2,695,598	33.2	1,054,488	1,144,896	8.9	\$48,305	\$ 130,210,861,390
2013	2,695,598	33.5	1,062,029	1,153,725	8.3	49,071	132,275,689,458
2014	2,695,598	33.9	1,031,672	1,264,234	5.7	50,690	136,639,862,620
2015	2,695,598	34.2	1,053,229	1,273,727	5.7	53,886	145,254,993,828
2016	2,695,598	34.4	1,053,986	1,282,117	5.4	55,621	149,931,856,358
2017	2,695,598	34.6	1,047,695	1,289,325	4.7	58,315	157,193,797,370
2018	2,695,598	34.9	1,077,886	1,288,755	4.0	61,089	164,671,386,222
2019	2,695,598	35.2	1,080,345	1,286,484	3.2	65,306	176,038,722,988
2020	2,695,598	34.8	1,081,143	1,165,441	8.2	67,671	182,413,812,258
2021	2,746,388	N/A ⁽⁵⁾	N/A ⁽⁵⁾	1,247,060	4.1	N/A ⁽⁵⁾	N/A ⁽⁵⁾

Notes:

⁽¹⁾ Source: U.S. Census Bureau.

⁽²⁾ Source: U. S. Census Bureau—American Community Survey data estimates.

Data not available for 2021

Due to Covid-19 protocols the U.S. Census Bureau - American Community Survey (ACS), 1-year data for Median Age and Number of Households are not available for 2020. The reported values above are from the AC 5-year data.

⁽³⁾ Source: Bureau of Labor Statistics 2021, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.

⁽⁴⁾ Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area.

⁽⁵⁾ N/A means not available at time of publication.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

[LETTERHEAD OF ARENTFOX SCHIFF LLP]
[LETTERHEAD OF GOLDEN HOLLEY JAMES LLP]

May 11, 2023

City of Chicago
Chicago, Illinois

The Underwriters listed on Annex I hereto

Amalgamated Bank of Chicago,
as trustee under the Indenture defined below
Chicago, Illinois

Re: CITY OF CHICAGO SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS,
PROJECT SERIES 2023A AND REFUNDING SERIES 2023B

Ladies and Gentlemen:

We have served as Co-Bond Counsel to the City of Chicago (the “**City**”) in connection with the issuance by the City of its (i) \$260,105,000 Second Lien Wastewater Transmission Revenue Bonds, Project Series 2023A (the “**Series 2023A Bonds**”) and (ii) \$192,470,000 Second Lien Wastewater Transmission Revenue Bonds, Refunding Series 2023B (the “**Series 2023B Bonds**”) and, together with the Series 2023A Bonds, the “**Series 2023 Bonds**”).

The Series 2023 Bonds are being issued pursuant to the constitutional home rule powers of the City. The Series 2023 Bonds were authorized under an ordinance duly adopted by the City Council of the City (the “**City Council**”) on June 27, 2018, as amended by an ordinance duly adopted by the City Council on October 27, 2021, and as amended by an ordinance duly adopted by the City Council on November 7, 2022 (as so amended, the “**Bond Ordinance**”). The Series 2023 Bonds are being issued under a Master Indenture of Trust, dated as of May 1, 2023 (the “**Master Indenture**”), securing City of Chicago Second Lien Wastewater Transmission Revenue Bonds, and a First Supplemental Indenture, dated as of May 1, 2023 (the “**First Supplemental Indenture**”) and, together with the Master Indenture, the “**Indenture**”), each by and between the City and Amalgamated Bank of Chicago, as trustee (the “**Trustee**”). Capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the Indenture.

The proceeds from the sale of the Series 2023A Bonds are expected to be used to (i) finance or reimburse the City for certain programs and projects for the Sewer System, (ii) pay capitalized interest on the Series 2023A Bonds and (iii) pay costs of issuance of the Series 2023A Bonds. The proceeds from the sale of the Series 2023B Bonds are expected to be used to (i) refund certain Outstanding Second Lien Wastewater Transmission Revenue Bonds of the City and (ii) pay costs of issuance of the Series 2023B Bonds.

The Series 2023 Bonds are dated the date of this opinion letter and bear interest from their date of delivery and mature on January 1 and bear interest, payable beginning on January 1, 2024, and semiannually thereafter on January 1 and July 1, in each of the years and at the respective principal amounts and rates per annum set forth in the First Supplemental Indenture. The Series 2023 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as provided in the First Supplemental Indenture.

—

In our capacity as Co-Bond Counsel, we have examined a certified copy of the record of proceedings of the City relating to the issuance of the Series 2023 Bonds, together with certificates of certain officers of the City, the Trustee and the purchasers of the Series 2023 Bonds as to various factual matters and such other certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

Based upon this examination, and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The Bond Ordinance has been duly and lawfully adopted by the City, is in full force and effect and is valid and binding upon the City.

2. The Indenture has been duly authorized, executed and delivered by the City. Assuming the due authorization, execution and delivery of the Indenture by the Trustee, the Indenture is in full force and effect and is valid and binding upon the City.

3. The Series 2023 Bonds are valid and legally binding limited obligations of the City. The Series 2023 Bonds, together with the City's Outstanding Second Lien Bonds and any Second Lien Parity Bonds which may be issued from time to time in the future, have a claim for payment, as to principal, redemption premium, if any, and interest, solely from the Second Lien Bond Revenues that are derived from the Net Revenues Available for Bonds in the City's Sewer Revenue Fund derived by the City from its ownership and operation of the Sewer System. The Second Lien Bond Revenues have been irrevocably pledged to the payment of the Series 2023 Bonds on a parity with the Outstanding Second Lien Bonds and any Second Lien Parity Bonds that the City may issue from time to time in the future in accordance with the applicable provisions of the Indenture. The Series 2023 Bonds, together with the City's Outstanding Second Lien Bonds and any Second Lien Parity Bonds issued from time to time in the future, are also secured by and payable from any amounts on deposit in the Second Lien Construction Account. The Series 2023 Bonds do not have a claim for payment from taxes of the City.

4. The Bond Ordinance and the Indenture create a valid pledge of the Trust Estate, including Second Lien Bond Revenues and moneys and securities held in the Second Lien Bonds Account, subject to application of such moneys and securities in the manner provided in the Bond Ordinance and the Indenture.

5. Interest on the Series 2023 Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to the compliance by the City with its covenant in the Indenture to comply with all requirements which must be met in order for interest on the Series 2023 Bonds not to be included in gross income for federal income tax purposes under present law. The City has the power to comply with its covenant. If the City were to fail to comply with these requirements, interest on the Series 2023 Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2023 Bonds are issued. Interest on the Series 2023 Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals under present law. For taxable years beginning after December 31, 2022, interest on the Series 2023 Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations. Ownership of the Series 2023 Bonds may result

in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2023 Bonds.

6. Interest on the Series 2023 Bonds is not exempt from present State of Illinois income taxes.

The opinions contained in paragraphs 1, 2 and 3 above are qualified to the extent that the rights of registered owners of the Series 2023 Bonds and the enforceability of the Bond Ordinance, the Indenture and the Series 2023 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization, receivership, arrangements, fraudulent conveyances or other laws affecting creditors' rights generally or as to the availability of any particular remedy. Enforcement of provisions of the Bond Ordinance, the Indenture or the Series 2023 Bonds by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other federal, state, local or foreign tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2023 Bonds. Furthermore, we express no opinion as to any federal, state, local or foreign tax consequences with respect to the Series 2023 Bonds, or the interest thereon, if any action is taken with respect to Series 2023 Bonds or the proceeds thereof upon the advice or approval of other counsel. We have not undertaken any obligation to assist the City in complying with those requirements described in paragraph 5 above which the City must meet after the date of this opinion in order for interest on the Series 2023 Bonds not to be included in gross income for federal income tax purposes under present law.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of any offering materials relating to the Series 2023 Bonds, and we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or other offering materials relating to the Series 2023 Bonds.

The opinions expressed herein may be relied upon by the addressees and may not be relied upon by any other person without our prior written consent. The opinions expressed herein represent our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinions and are not a guaranty of a result. The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement such opinions 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,

ANNEX I

Stifel, Nicolaus & Company, Incorporated
Chicago, Illinois

PNC Capital Markets LLC
Philadelphia, Pennsylvania

ANNEX I

Stifel, Nicolaus & Company, Incorporated
1 North Wacker Drive, 34th Floor
Chicago, Illinois 60606

PNC Capital Markets LLC
1600 Market Street, 21st Floor
Philadelphia, Pennsylvania 19103

J

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E
INFORMATION REGARDING THE CITY OF CHICAGO
ECONOMY AND DEMOGRAPHICS

Set forth in this Appendix E is certain economic and demographic information regarding the City. Sources of information are set forth in footnotes. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

ECONOMY

The Chicago metropolitan area has a population of approximately 9.5 million people, with over 4.9 million employees.^{1|2} The City's workforce is spread across a diverse array of industries. With \$770 billion GDP (up 10.3% since 2020 according to the U.S. Bureau of Economic Analysis), Chicago metro area economy is 19th largest in the world, exceeding Sweden, Turkey and Poland's economies.

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities; professional and business services; education and health services; government; leisure and hospitality; and manufacturing.³ The regional economy is extremely diverse with no employment sector representing greater than 20% of the total.

TABLE 1. CHICAGO AREA EMPLOYMENT BY SECTOR (IN THOUSANDS) (FEBRUARY, 2023)⁴

Sector	Employees	Change from February 2022	
		Number	Percent
TOTAL NONFARM	4,673.1	93.0	2.0%
Mining and Logging	1.5	0.1	7.1
Construction	163.6	4.5	2.8
Manufacturing	408.8	6.7	1.7
Trade, Transportation and Utilities	958.4	10.1	1.1
Information	77.9	-1.1	-1.4
Financial Activities	312.5	-2.0	-0.6
Professional and Business Services	834.5	-6.6	-0.8
Education and Health Services	752.6	31.9	4.4
Leisure and Hospitality	446.4	39.7	9.8
Other Services	193.7	6.3	3.4
Government	523.2	3.4	0.7

POPULATION

Chicago is home to more than 2.7 million people who live in more than one million households.⁵ According to the 2020 Census, the City's population is up 1.9 percent compared to the 2010 Census, increasing as a percent of the State population, which has a positive impact on certain revenue streams including water and wastewater revenue, local utility taxes, recreation taxes, PPRT, and business taxes.⁶ The population of the United States, the State of Illinois, Cook County and the City for the census years 1980 to 2020 is shown in Table 2.

¹ U.S. Census Bureau, "Metropolitan and Micropolitan Statistical Areas Population Totals and Components of Change: 2020-2021," <https://www.census.gov/data/datasets/time-series/demo/popest/2020s-total-metro-and-micro-statistical-areas.html>.

² U.S. Bureau of Labor Statistics, "Civilian labor force and unemployment by state and metropolitan area," <https://www.bls.gov/news.release/metro.t01.htm> (update released April 5, 2023).

³ U.S. Bureau of Labor Statistics, "Chicago Area Economic Summary. Updated October 4, 2022," https://www.bls.gov/regions/midwest/summary/blssummary_chicago.pdf.

⁴ U.S. Bureau of Labor Statistics, "Chicago Area Employment" https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm; released April 5, 2023.

⁵ U.S. Census Bureau. "Resident population from decennial census."

⁶ See Footnote 5.

TABLE 2. POPULATION (1980-2020)¹

Year	United States	State of Illinois	Cook County	Chicago
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2020	331,449,281	12,812,508	5,275,541	2,746,388

Among the seven most populous cities in the U.S., Chicago has the highest share of residents age 25 and over with a college degree at 41.7%. during the period from 2017 to 2021.²

PER CAPITA INCOME AND WAGES

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (the “**Chicago MSA**”) is set forth in Table 3, for the years 2012 through 2021.³

¹ See Footnote 5.

² www.census.gov/quickfacts/fact/table/chicagocityillinois,US/PST045221.

³ The Chicago MSA comprises the following counties:

- Illinois: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry and Will Counties;
- Indiana: Jasper, Lake, Newton and Porter Counties; and
- Wisconsin: Kenosha County.

TABLE 3. PER CAPITA INCOME (2012-2021)¹

Year	United States ²	State of Illinois ³	Chicago MSA ⁴	Cook County ⁵
2012	44,548	46,029	48,804	45,697
2013	44,798	47,047	49,647	48,198
2014	46,887	49,238	52,501	49,399
2015	48,725	51,443	55,170	52,956
2016	49,613	52,036	55,800	55,700
2017	51,550	53,611	57,586	56,137
2018	53,786	56,536	60,938	57,966
2019	56,250	58,438	63,024	61,972
2020	59,763	62,139	66,474	63,971
2021	64,117	67,165	71,992	67,558

Median household income in the Chicago MSA in 2021 was \$78,166, compared to \$72,205 in the State of Illinois and \$69,717 in the United States.⁶

EMPLOYMENT

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2012 through 2022 is set forth in Table 4.

¹ U.S. Bureau of Economic Analysis, Local Area Personal Income last updated: November 16, 2022 <https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas>. On November 14, 2019, the U.S. Bureau of Economic Analysis revised the statistics for 1998 through 2017. The figures presented here reflect the revised data and thus are not consistent with the City's past disclosure documents for its general obligation bonds.

² U.S. Bureau of Economic Analysis, Table SAINC1, https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=3&State=00000&Area=00000&TableId=21&Statistic=3&Drill=1.

³ U.S. Bureau of Economic Analysis, Table SAINC1, https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=3&State=00000&Area=17000&TableId=21&Statistic=3&Drill=1.

⁴ U.S. Bureau of Economic Analysis, Table CAINC1, https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=5&State=17000&Area=16980&TableId=20&Statistic=3&Drill=1.

⁵ U.S. Bureau of Economic Analysis, Table CAINC1, https://apps.bea.gov/itable/index.html?appid=70&stepnum=40&Major_Area=4&State=17000&Area=17031&TableId=20&Statistic=3&Drill=1.

⁶ U.S. Census Bureau, https://data.census.gov/table?g=0100000US_0400000US17_310XX00US16980&tid=ACSDT1Y2021.B19013&tp=true

TABLE 4. EMPLOYMENT (2012-2022) (IN THOUSANDS)¹

Year	State of Illinois ²	Chicago MSA ³	Cook County ⁴	Chicago ⁵
2012	5,989	4,447	2,406	1,232
2013	5,961	4,466	2,418	1,238
2014	6,052	4,541	2,456	1,257
2015	6,120	4,597	2,481	1,271
2016	6,173	4,649	2,500	1,282
2017	6,238	4,731	2,551	1,312
2018	6,282	4,766	2,561	1,320
2019	6,309	4,793	2,579	1,331
2020	5,781	4,386	2,351	1,216
2021	5,936	4,507	2,412	1,247
2022	6,142	4,701	2,526	1,306

The annual unemployment rates for the United States, the State of Illinois, Cook County, the Chicago MSA and the City are set forth in Table 5 for the years 2012 through 2022.

TABLE 5. ANNUAL UNEMPLOYMENT RATES (2012-2022)⁶

Year	United States ⁷	State of Illinois	Chicago MSA	Cook County	Chicago
2012	8.1	9.0	9.1	9.7	10.0
2013	7.4	9.1	9.1	9.7	10.1
2014	6.2	7.2	7.2	7.6	7.9
2015	5.3	6.0	6.0	6.3	6.7
2016	4.9	5.9	5.8	6.2	6.5
2017	4.4	4.9	4.9	5.1	5.4
2018	3.9	4.4	4.1	4.2	4.4
2019	3.7	4.0	3.9	3.9	4.1
2020	8.1	9.2	9.5	10.4	11.2
2021	5.4	6.1	6.2	7.1	7.6
2022	3.8	4.8	4.7	5.2	5.4

¹ U.S. Bureau of Labor Statistics, "Local Area Unemployment Statistics," data expressed as average of 12-month data, except for 2022, which is an average of January - August 2022.

² U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUST1700000000000003>.

³ U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUMT1716980000000003>.

⁴ U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUCN1703100000000003>.

⁵ U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LAUCT1714000000000003>.

⁶ See Footnote 15.

⁷ U.S. Bureau of Labor Statistics, <https://data.bls.gov/timeseries/LNU04000000>.

The percentage of total (non-farm) employment by major industry sector for the Chicago Metropolitan Division, State of Illinois and the United States for January 2023 is shown in Table 6. Note that totals may not sum due to rounding.

TABLE 6. PERCENTAGE OF TOTAL NON-FARM EMPLOYMENT
BY MAJOR INDUSTRY SECTOR (JANUARY 2023)

Sector	United States ¹	Illinois ²	Chicago Metropolitan Division ³
Trade, Transportation and Utilities	18.6%	20.0%	20.4%
Education and Health Services	16.1	15.6	16.5
Professional and Business Services	14.7	16.0	18.9
Government	14.5	13.2	10.7
Leisure and Hospitality	10.6	9.7	9.5
Manufacturing	8.4	9.4	7.4
Financial Activities	5.9	6.6	7.3
Construction	5.1	3.8	3.2
Other Services	3.8	4.1	4.2
Information	2.0	1.5	1.9
Mining and Logging	0.4	0.1	0.0
TOTAL	100.0%	100.0%	100.0%

¹ U.S. Bureau of Labor Statistics, "Current Employment Statistics (National)," <http://www.bls.gov/web/empsit/cescebl1a.htm>.

² U.S. Bureau of Labor Statistics, <http://www.bls.gov/regions/midwest/illinois.htm>.

³ U.S. Bureau of Labor Statistics, http://www.bls.gov/regions/midwest/il_chicago_md.htm. The Chicago Metropolitan Division is a Census-defined area within the Chicago MSA. As of 2021, the Chicago Metropolitan Division consists of Cook, DuPage, McHenry, Will, Kendall, and Grundy counties. Kane County is part of the Elgin Metropolitan Division, Lake (IN), Porter, Jasper, and Newton counties are part of the Gary Metropolitan Division, and Lake (IL) and Kenosha counties are part of Kenosha-Lake County Metropolitan Division.

EMPLOYERS

The Chicago MSA has thirty-five Fortune 500 and thirty-two S&P 500 headquarters, as shown in Table 7. The list is based on the 2022 Fortune 500 list and the current S&P 500 listing.

TABLE 7. FORTUNE 500 AND S&P 500
COMPANIES HEADQUARTERED IN THE CHICAGO MSA (2022)¹

Fortune Rank	S&P Rank	Company	Headquarters Location
18	249	Walgreens Boots Alliance	Deerfield, IL
38	142	Archer Daniels Midland	Chicago, IL
60	78	Boeing	Chicago, IL
63	19	AbbVie	North Chicago, IL
66	211	Allstate	Northbrook, IL
73	-	Caterpillar	Deerfield, IL
86	33	Abbott Laboratories	Abbott Park, IL
99	211	Exelon	Chicago, IL
117	-	US Foods Holding	Rosemont, IL
121	87	Mondelez International	Chicago, IL
139	244	Kraft Heinz	Chicago, IL and Pittsburgh, PA
146	398	United Airlines Holdings	Chicago, IL
152	31	McDonald's	Chicago, IL
166	275	CDW	Lincolnshire, IL
185	-	Jones Lang LaSalle	Chicago, IL
202	-	Tenneco	Lake Forest, IL
252	115	Illinois Tool Works	Glenview, IL
281	250	Discover Financial Services	Riverwoods, IL
283	388	LKQ	Chicago, IL
284	263	W.W. Grainger	Lake Forest, IL
292	256	Baxter International	Deerfield, IL
331	349	Conagra Brands	Chicago, IL
352	445	Molson Coors Beverage	Chicago, IL
369	-	Univar Solutions	Downers Grove, IL
376	-	Old Republic International	Chicago, IL
402	292	Ulta Beauty	Bolingbrook, IL
422	183	Arthur J. Gallagher	Rolling Meadows, IL
423	170	Motorola Solutions	Chicago, IL
433	323	Dover	Downers Grove, IL
441	423	Packaging Corp. of America	Lake Forest, IL
444	474	Fortune Brands Home & Security	Deerfield, IL
475	-	Camping World Holdings	Lincolnshire, IL
476	-	Ingredion	Westchester, IL
492	315	CF Industries Holdings	Deerfield, IL
493	329	Northern Trust	Chicago, IL
553	395	Zebra Technologies	Lincolnshire, IL
636	119	CME Group	Chicago, IL
711	345	Ventas	Chicago, IL
753	412	CBOE Global Markets	Chicago, IL
887	347	IDEX	Northbrook, IL

In 2020, there were 327 corporate facility investment projects in the Chicago MSA; in 2021, there were 441 such projects.²

¹ All data other than S&P 500 Rankings from *Fortune Magazine*: <https://fortune.com/fortune500>. S&P 500 rankings from Slickcharts: <https://www.slickcharts.com/sp500>. Kraft Heinz maintains co-headquarters, one of which is located in the City.

² Site Selection Magazine, issues ranking Chicago MSA the “Top Metro” for new and expanded corporate facilities.

Of particular note, in 2021 and 2022, four Fortune 500 companies, the Kimberly-Clark Corporation (“**Kimberly-Clark**”), Discover Financial Services (“**Discover**”), the Kellogg Company (d.b.a. Kellogg’s) (“**Kellogg’s**”), and Alphabet Inc. subsidiary, Google LLC (“**Google**”), announced significant expansions in the Chicago metropolitan area.

- In 2021, Kimberly-Clark announced the relocation of their North American commercial center to the City’s Fulton Market. The relocation is expected to add 250 jobs to the 90 jobs Kimberly-Clark already had in the City.¹
- In 2021, Discover opened a call center in the City’s Southside neighborhood of Chatham in a redeveloped, formerly abandoned Target shopping center. The call center, which currently employs approximately 500, is expected to house 1,000 employees by 2024. The Discover Chatham facility, which is expected to hire most workers from within a 5-mile radius of the facility, has received the highest customer ratings among call centers in Discover’s operation since opening.²
- In June 2022, Kellogg’s announced they would be splitting their company into three business units, with its snack division being globally headquartered in the City. The snack division is Kellogg’s largest business unit, generating \$11.4 billion of the company’s \$14.2 billion of revenue in 2021.³
- In July 2022, Google announced it will move into the Thompson Center, occupying its full 1.2 million square feet. This expansion builds on their current footprint in Fulton Market, where they employ nearly 2,000 people. Thousands of new Google jobs are expected to be located at the Thompson Center over time, with redevelopment expected to be completed by 2026.⁴

In addition to the Fortune 500 and S&P 500 companies headquartered in the Chicago MSA, there are many companies not on those two lists that are located in or near the City. World Business Chicago (“**WBC**”), the City’s public-private economic development agency, notes that there are more than 400 major corporate headquarters, offices or facilities located in the Chicago MSA.⁵ Furthermore, WBC calculates that there were 173 pro-Chicago decisions (either corporate relocations or expansions) in 2021, and 145 in 2022 as of November 3, 2022, which brought nearly 20,000 jobs, that in turn have created an additional 30,000 jobs.⁶

¹ <https://www.chicagotribune.com/columns/ryan-ori/ct-biz-kimberly-clark-adding-250-jobs-ryan-ori-20210414-sc3ofe3lcvgr7l2c44usnebzpy-story.html>.

² <https://news.wttw.com/2022/11/12/one-year-discover-s-chatham-customer-care-center-still-banking-community>; <https://blockclubchicago.org/2022/08/02/closed-target-store-in-chatham-re-opens-as-a-discover-customer-center-with-a-promise-of-1000-jobs/>; <https://chicago.suntimes.com/business/2021/9/20/22676556/discover-chatham-call-center-highest-customer-service-ratings-financial-company-credit-cards>.

³ <https://news.wttw.com/2022/06/21/kellogg-split-3-companies-corporate-hq-high-growth-snacks-company-coming-chicago>.

⁴ <https://news.wttw.com/2022/07/27/google-buys-thompson-center-will-preserve-much-loved-loathed-loop-landmark>; <https://www.wbez.org/stories/google-to-buy-renovate-chicagos-thompson-center/24cf61cb-466e-4728-a646-50df996a6cb1>.

⁵ World Business Chicago. <http://www.worldbusinesschicago.com>.

⁶ <https://worldbusinesschicago.com/app/uploads/2022/11/Dashboard-v90.3.pdf>.

In addition, the City has been recognized with the following accolades or rankings:

- #1 most diversified economy of the largest U.S. metros by employment;¹
- Named “Top Metro” for 9th year in a row by Site Selection Magazine (2021);
- #1 startup ecosystem for female founders and the largest percentage of women-founded startups in the world;²
- #1 city for highest venture capital multiple on invested capital (\$9.8 billion in growth capital in 2021, nearly \$7 billion which is venture capital, double that of 2020);³
- #2 largest transportation and logistics sector in the country;⁴
- #2 host to top 250 conventions in 2022;⁵
- #1 U.S. city for foreign direct investment and #1 U.S. city for corporate expansion and growth per IBM Global Location Trends for 8 and 9 consecutive years, respectively;
- #2 largest metropolitan statistical area in the U.S. as of July 2022 in terms of employees in manufacturing occupations with 417,000 employees;⁶
- #2 ranking in “The 53 Best Cities in the World in 2022” by Time Out Media;⁷
- Voted “Best Big City in the U.S.” for 6th year in a row by Condé Nast (2022);⁸ and
- McCormick Place is the largest convention center in North America.⁹

¹ <https://infograph.venngage.com/pl/e9UPAnsIJ0Q>.

² <https://startupgenome.com/fr/articles/chicago-top-ecosystem-for-female-founders>.

³ World Business Chicago.

⁴ <https://worldbusinesschicago.com/app/uploads/2022/10/April-2022-Logistics-Tech-WBC-Chicago-Business-Bulletin.pdf>.

⁵ <https://www.simpleviewinc.com/blog/stories/post/destinations-to-host-the-mint-top-250-conventions-in-2022/>.

⁶ https://www.bls.gov/regions/midwest/news-release/areaemployment_chicago.htm.

⁷ <https://www.timeout.com/chicago/news/chicago-is-officially-the-2nd-best-city-in-the-world-071222>.

⁸ <https://www.cntraveler.com/gallery/best-cities-us>;
<https://www.marketwatch.com/story/this-big-city-is-americas-favorite-for-a-sixth-straight-year-says-conde-nast-traveler-11664912813>.

⁹ <https://www.mccormickplace.com/>.

The non-governmental employers employing the greatest number of workers in the Chicago MSA as of the end of 2020 are set forth in Table 8.

TABLE 8. LARGEST NON-GOVERNMENTAL EMPLOYERS IN CHICAGO MSA (2020)¹

Employer	Number of Employees	Percentage of Total Employment
Amazon.com Inc	27,050	2.17%
Advocate Aurora Healthcare	25,906	2.08
Northwestern Memorial Healthcare	24,053	1.93
University of Chicago	20,781	1.67
Walmart Inc	18,500	1.48
Walgreens Boots Alliance Inc	16,817	1.35
JPMorgan Chase & Co	14,583	1.17
United Continental Holdings Inc.	13,171	1.06
Amita Health	13,051	1.05
Jewel-Osco	10,892	0.87

¹ Reprinted with permission from the February 21, 2021 issue of *Crain's Chicago Business*, © 2022 Crain Communications Inc. All Rights Reserved.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F
THE REFUNDED BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

The following table sets forth the maturity, interest rate, principal amount, redemption date and price for each maturity of the Refunded Bonds.

Prior Bond Issue	Maturity (January 1)	Interest Rate	Principal Amount of Prior Bonds Refunded	Redemption Date	Redemption Price	CUSIP*
Series 2012	2024	5.000%	\$7,375,000	June 12, 2023	100%	167727TL0
Series 2012	2025	5.000%	\$7,740,000	June 12, 2023	100%	167727TM8
Series 2012	2026	5.000%	\$8,130,000	June 12, 2023	100%	167727TN6
Series 2012	2027	5.000%	\$8,535,000	June 12, 2023	100%	167727UE4
Series 2012	2028	5.000%	\$8,960,000	June 12, 2023	100%	167727TP1
Series 2012	2029	5.000%	\$9,410,000	June 12, 2023	100%	167727TQ9
Series 2012	2030	5.000%	\$9,880,000	June 12, 2023	100%	167727TR7
Series 2012	2031	4.000%	\$10,375,000	June 12, 2023	100%	167727TS5
Series 2012	2032	4.000%	\$10,790,000	June 12, 2023	100%	167727TT3
Series 2012	2033	4.000%	\$11,220,000	June 12, 2023	100%	167727UF1
Series 2012	2034	4.000%	\$11,670,000	June 12, 2023	100%	167727UG9
Series 2012	2035	4.000%	\$12,135,000	June 12, 2023	100%	167727UH7
Series 2012	2037*	5.000%	\$25,875,000	June 12, 2023	100%	167727UJ3
Series 2012	2042*	4.000%	\$20,000,000**	June 12, 2023	100%	167727TU0
Series 2012	2042*	5.000%	\$51,365,000	June 12, 2023	100%	167727UK0

*Term Bonds; Final Maturity.

**Reflects a partial refunding, as the sinking fund installment of \$5,000,000 due January 1, 2038 is not being refunded.

* CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness as included herein.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

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

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

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

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

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)



EXHIBIT E

WRITTEN ORDER OF THE CHIEF FINANCIAL OFFICER

[Attached]

\$452,575,000
CITY OF CHICAGO
SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS

consisting of:

\$260,105,000
PROJECT SERIES 2023A

\$192,470,000
REFUNDING SERIES 2023B

WRITTEN ORDER
OF THE CHIEF FINANCIAL OFFICER OF THE CITY OF CHICAGO

May 11, 2023

Amalgamated Bank of Chicago,
as Trustee
30 North LaSalle Street, 38th Floor
Chicago, Illinois 60602

Ladies and Gentlemen,

The undersigned, Jennie Huang Bennett, certify that I am the duly appointed and qualified Chief Financial Officer (the “**Chief Financial Officer**”) of the City of Chicago (the “**City**”), and, as such official, I am delivering this Written Order to you, pursuant to Section 2.6(c) of the Master Indenture of Trust, dated as of May 1, 2023 (the “**Master Indenture**”), from the City to Amalgamated Bank of Chicago, as trustee (the “**Trustee**”). All capitalized terms used and not otherwise defined herein have the respective meanings assigned thereto in the Master Indenture.

1. **Request and Authorization to Authenticate the Series 2023 Bonds; Purchase Price.** The City has heretofore caused to be delivered to you, duly executed, the (i) \$260,105,000 CITY OF CHICAGO SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A (the “**Series 2023A Bonds**”) and (ii) \$192,470,000 CITY OF CHICAGO SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B (the “**Series 2023B Bonds**”) and, together with the Series 2023A Bonds, the “**Series 2023 Bonds**”).

The Series 2023 Bonds are authorized to be issued pursuant to the Master Indenture and the First Supplemental Trust Indenture, dated as of May 1, 2023 (the “**First Supplemental Indenture**”) and, together with the Master Indenture, the “**Indenture**”), from the City to the Trustee.

As Trustee under the Indenture, you have received the documents required by the Master Indenture to be received by you as conditions precedent to the delivery of the Series 2023 Bonds.

	Series 2023A Bonds	Series 2023B Bonds	SERIES 2023 BONDS
Principal Amount:	\$260,105,000.00	\$192,470,000.00	\$452,575,000.00
Plus: Original Issue Premium	24,452,685.55	26,954,055.05	51,406,740.60
Bond Proceeds:	284,557,685.55	219,424,055.05	503,981,740.60
Less: Underwriter's Discount	\$ 1,701,949.89	\$ 1,160,213.24	\$ 2,862,163.13
Contract Price:	\$282,855,735.66	\$218,263,841.81	\$501,119,577.47

3. **Serial Bonds and Term Bonds.** The Series 2023A Bonds maturing January 1 in the years 2040 through 2043, inclusive, shall be issued as serial bonds. The Series 2023A Bonds maturing January 1, 2048, January 1, 2053, January 1, 2058 and January 1, 2062 shall be issued as term bonds. The Series 2023B Bonds shall be issued as serial bonds.

4. **Dated Date, Maturities, Principal Amounts and Interest Rates.** The Series 2023A Bonds shall be dated their date of delivery and shall mature on January 1 in each of the years and in the respective principal amounts set forth below and shall bear interest at the respective rates per annum set forth below.

GHJ 4857-8876-6816 v.5

\$42,130,000 5.50% Term Bond Due January 1, 2062

The Series 2023B Bonds shall be dated their date of delivery and shall mature on January 1 in each of the years and in the respective principal amounts set forth below and shall bear interest at the respective rates per annum set forth below.

<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Due January 1,</u>	<u>Amount</u>	<u>Interest Rate</u>
2029	\$14,385,000	5.00%	2035	\$19,275,000	5.00%
2030	15,105,000	5.00	2036	20,235,000	5.00
2031	15,860,000	5.00	2037	21,255,000	5.00
2032	16,650,000	5.00	2038	17,315,000	5.00
2033	17,480,000	5.00	2039	16,550,000	5.00
2034	18,360,000	5.00			

5. Redemption Prior to Maturity.

(a) ***Series 2023A Bonds.*** The Series 2023A Bonds are subject to optional and mandatory Sinking Fund redemption, as described below:

(i) ***Optional Redemption.*** The Series 2023A Bonds maturing on and after January 1, 2040, through and including January 1, 2048, are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

The Series 2023A Bonds maturing on and after January 1, 2053 are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2053, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

(ii) ***Mandatory Sinking Fund Redemption.*** The Series 2023A Bonds maturing on January 1, 2048, on January 1, 2053, on January 1, 2058 and on January 1, 2062 are subject to mandatory sinking fund redemption on January 1 in each of the respective years and in the respective amounts set forth below, at a redemption price equal to the principal amount to be redeemed.

Series 2023A Term Bond Maturing January 1, 2048

<u>Year</u>	<u>Sinking Fund Installment</u>
2044	\$ 8,545,000
2045	8,990,000
2046	9,465,000
2047	9,960,000
2048 [†]	10,485,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2053

<u>Year</u>	<u>Sinking Fund Installment</u>
2049	\$11,035,000
2050	11,615,000
2051	12,225,000
2052	12,865,000
2053 [†]	13,540,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2058

<u>Year</u>	<u>Sinking Fund Installment</u>
2054	\$14,250,000
2055	15,000,000
2056	15,785,000
2057	16,615,000
2058 [†]	17,490,000

[†] Final maturity.

Series 2023A Term Bond Maturing January 1, 2062

<u>Year</u>	<u>Sinking Fund Installment</u>
2059	\$ 9,700,000
2060	10,235,000
2061	10,800,000
2062 [†]	11,395,000

[†] Final maturity.

If the City redeems Series 2023A Bonds of a maturity, identified above as subject to mandatory redemption, pursuant to optional redemption, or purchases such Series 2023A Bonds and cancels the same, then an amount equal to the principal amount of the Series

2023A Bonds of such maturity so redeemed or purchased shall be deducted from the mandatory redemption requirements as provided for such Series 2023A Bonds of such maturity in such order as the Authorized Officer of the City shall determine or, in the absence of such determination, shall be credited against the unsatisfied balance of the applicable Sinking Fund Payments in inverse order of their payment dates.

(b) **Series 2023B Bonds.** The Series 2023B Bonds are subject to optional redemption, as described below:

(i) **Optional Redemption.** The Series 2023B Bonds maturing on and after January 1, 2033 are subject to redemption prior to maturity at the option of the City, at any time on or after January 1, 2032, as a whole or in part, at any time, and if in part, in such order of maturity as the City shall determine and within any maturity by lot, in Authorized Denominations, at a price of par plus accrued interest to the redemption date.

(c) **Selection of Series 2023 Bonds to be Redeemed.** In the event of the redemption of fewer than all of the Series 2023 Bonds of the same maturity, the particular Series 2023 Bonds or portion of Series 2023 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided that the portion of any Series 2023 Bond of a denomination of more than the minimum Authorized Denomination shall be in the principal amount of an Authorized Denomination, and provided that, in selecting portions of such Series 2023 Bonds for redemption, the Trustee shall treat each such Series 2023 Bond as representing that number of Series 2023 Bonds of the minimum Authorized Denomination which is obtained by dividing the principal amount of such Series 2023 Bond to be redeemed in part by the minimum Authorized Denomination. So long as The Depository Trust Company, New York, New York (“DTC”), or its nominee is the registered owner of the Series 2023 Bonds, if fewer than all of the Series 2023 Bonds are called for redemption, the particular Series 2023 Bonds or portions of Series 2023 Bonds to be redeemed will be selected by lot by DTC in such manner as DTC may determine.

6. **Interest.** Interest on the Series 2023 Bonds will be payable on each January 1 and July 1, commencing January 1, 2024. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each.

7. **Record Date.** In accordance with the Indenture, with respect to any Interest Payment Date, the Record Date for the Series 2023 Bonds shall be June 15 and December 15 of each year.

8. **Book-Entry Bonds.** The Series 2023 Bonds initially will be issued through a book-entry only system operated by DTC.

9. **Authorized Denominations, Lettering and Numbering.** The Series 2023 Bonds shall be in fully registered form and shall be in denominations of \$5,000 each or any integral multiple thereof. The Series 2023A Bonds shall be lettered and numbered 2023A R- followed by the number of Series 2023A Bonds. The Series 2023B Bonds shall be lettered and numbered 2023B R- followed by the number of Series 2023B Bonds. All Series 2023 Bonds shall be numbered consecutively from one upward in order of issuance.

10. **Forms of Series 2023 Bonds.** The form and provisions of the Series 2023A Bonds and the Trustee's certificate of authentication thereon shall be substantially as set forth in Exhibit A attached hereto. The form and provisions of the Series 2023B Bonds and the Trustee's certificate of authentication thereon shall be substantially as set forth in Exhibit B attached hereto.

11. **Transaction Documents.** The following documents, certificates, directions and deposits have been furnished to you as the Trustee under the Indenture pursuant to the respective provisions of such documents: (i) a certified copy of an Ordinance adopted by the City Council of the City (the "**City Council**") on June 27, 2018, as amended by an Ordinance adopted by the City Council on October 27, 2021, and as further amended by an Ordinance adopted by the City Council on November 7, 2022, authorizing the issuance and delivery by the City of the Series 2023 Bonds and the execution and delivery by the City of the Master Indenture; (ii) the Master Indenture; (iii) the First Supplemental Indenture; (iv) a General Tax Certificate of the City relating to the Series 2023 Bonds, dated as of May 11, 2023; (v) an Omnibus Certificate of the Chief Financial Officer certifying no Event of Default under the Master Indenture, evidencing compliance with the rate covenant set forth in the Master Indenture, evidencing compliance with the additional bonds test set forth in the Master Indenture and certifying satisfaction of the conditions precedent to the issuance of the Series 2023 Bonds set forth in the Master Indenture; and (vi) the opinion of Acting Corporation Counsel of the City.

12. **Application of Proceeds.** Upon receipt of the proceeds of the Series 2023 Bonds, the Trustee shall apply the proceeds thereof in accordance with Paragraph 2 hereof and as set forth below.

You are hereby directed to make the following deposits from the proceeds of the sale of the Series 2023A Bonds (in the amount of \$284,557,685.55):

- (a) \$246,466,597.02 in the Project Fund Account; \$24,300,000.00 of said sum shall be used to reimburse the City in respect of prior capital expenditures;
- (a) \$34,194,705.79 in the Capitalized Interest Account;
- (b) \$1,314,038.92 transferred to Assured Guaranty Municipal Corp. to pay for the Bond Insurance Policy premium; and
- (c) \$2,582,343.82 in the Costs of Issuance Fund. Said sum shall be used to pay, or reimburse the City in respect of, the Costs of Issuance of the Series 2023A Bonds, including legal fees, Underwriters' discount and associated costs relating to the issuance of the Series 2023A Bonds.

You are hereby directed to make the following deposits from the proceeds of the sale of the Series 2023B Bonds (in the amount of \$219,424,055.05):

- (a) \$217,019,685.69 in the Refunding Escrow Account, pursuant to the Escrow Agreement, dated May 11, 2023 (the "**Escrow Agreement**"), by and between the City and Amalgamated Bank of Chicago, as escrow agent with respect to the hereinafter-defined Series 2012 Bonds, to be applied to the defeasance of certain outstanding City of Chicago

Second Lien Wastewater Transmission Revenue Project Bonds, Series 2012 (the “**Series 2012 Bonds**”), as further described in the Escrow Agreement;


(b) \$594,188.19 transferred to Assured Guaranty Municipal Corp. to pay for the Bond Insurance Policy premium; and

(c) \$1,810,181.17 in the Costs of Issuance Fund. Said sum shall be used to pay, or reimburse the City in respect of, the Costs of Issuance of the Series 2023B Bonds, including legal fees, Underwriters’ discount and associated costs relating to the issuance of the Series 2023B Bonds.

[SIGNATURE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, I have executed and delivered this Written Order of the Chief Financial Officer of the City of Chicago in the name and on behalf of the City of Chicago as of the 11th day of May, 2023.

CITY OF CHICAGO

By: 
Name: Jennie Huang Bennett
Title: Chief Financial Officer

[SIGNATURE PAGE – WRITTEN ORDER OF THE CHIEF FINANCIAL OFFICER]

[SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, PROJECT SERIES 2023A
SECOND LIEN WASTEWATER TRANSMISSION REVENUE BONDS, REFUNDING SERIES 2023B]

SCHEDULE I

UNDERWRITERS OF THE SERIES 2023 BONDS

Stifel, Nicolaus & Company, Incorporated
Chicago, Illinois
Senior Manager and Representative of the Underwriters

PNC Capital Markets LLC
Philadelphia, Pennsylvania
Co-Senior Manager

Siebert Williams Shank & Co., LLC
Chicago, Illinois
Co-Senior Manager

Cabrera Capital Markets LLC
Chicago, Illinois
Co-Senior Manager

Stinson Securities, LLC
San Francisco, California
Co-Manager

Valdés & Moreno Inc.
Chicago, Illinois
Co-Manager

Blaylock Van, LLC
Chicago, Illinois
Co-Manager

EXHIBIT A

FORM OF SERIES 2023A BONDS

[Attached]

Exhibit A
Form of Series 2023A Second Lien Bond

UNITED STATES OF AMERICA

STATE OF ILLINOIS

CITY OF CHICAGO

SECOND LIEN WASTEWATER REVENUE BONDS

PROJECT SERIES 2023A

Number RA-____ \$ _____

MATURITY DATE	INTEREST RATE	ISSUE DATE	CUSIP
January 1, 20__	_____%	May 11, 2023	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ Dollars

The City of Chicago (the “City”), a municipal corporation and home rule unit of local government duly organized and existing under the laws of the State of Illinois, for value received, promises to pay (but only out of the sources provided below) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above upon presentation and surrender of this Series 2023A Second Lien Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the issue date specified above, or from and including the most recent Interest Payment Date with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

The Series 2023A Second Lien Bonds are limited obligations of the City and shall not constitute an indebtedness of the City or a loan of its credit within the meaning of any Constitutional or statutory provision or limitation as to indebtedness. The Series 2023A Second Lien Bonds do not have a claim for payment from any taxes of the City. Neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the principal of the Series 2023A Second Lien Bonds, or the interest or any premium on the Series 2023A Second Lien Bonds. The Series 2023A Second Lien Bonds are payable solely from the Trust Estate (as defined in the First Supplemental Indenture) pledged to such payment under the Indenture and certain other monies held by or on behalf of the Trustee.

The principal of and premium, if any, on this Series 2023A Second Lien Bond shall be payable at the designated corporate trust office of the Trustee or upon presentation and surrender of this Series 2023A Second Lien Bond.

Interest on this Series 2023A Second Lien Bond shall be paid by check mailed on the Interest Payment Date to the person appearing on the Bond Register as the Registered Owner of this Series 2023A Second Lien Bond as of the close of business of the Trustee on the Record Date at the address of such Registered Owners as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner not later than the Record Date. Payment of interest on this Series 2023A Second Lien Bond shall be made to a Registered Owner of One Million Dollars (\$1,000,000) or more in aggregate principal amount of Series 2023A Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on this Series 2023A Second Lien Bond shall be paid in arrears on each Interest Payment Date. Interest on this Series 2023A Second Lien Bond shall be computed upon the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

Definitions. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture (as defined below).

General. This Series 2023A Second Lien Bond is one of an authorized series of bonds limited in aggregate principal amount to \$260,105,000 (the "Series 2023A Second Lien Bonds") issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and related ordinances of the City Council of the City, and executed under a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023 (the "Master Indenture"), and as supplemented by a First Supplemental Indenture, dated as of May 1, 2023 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), each from the City to Amalgamated Bank of Chicago, as trustee (the "Trustee"), for any one or more of the purposes of (i) paying Project Costs, (ii) funding capitalized interest on the Series 2023A Second Lien Bonds and (iii) paying Costs of Issuance of the Series 2023A Second Lien Bonds. The Series 2023A Second Lien Bonds and the interest on them are payable from Second Lien Bond Revenues deposited into the 2023A Second Lien Bonds Subaccount and pledged to the payment of the Series 2023A Second Lien Bonds under the Indenture and certain other monies held by or on behalf of the Trustee and from any other monies held by the Trustee under the Indenture for such purpose.

As provided in the Indenture, additional bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Master Indenture. The aggregate principal amount of bonds that may be issued pursuant to the Indenture is not limited, except as provided in the Indenture and ordinances authorizing those

additional bonds, and all bonds issued and to be issued pursuant to the Indenture, including the Series 2023A Second Lien Bonds, are and will be equally secured by the pledges and covenants made in the Series 2023 Second Lien Bonds, except as otherwise provided or permitted in the Master Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Series 2023A Second Lien Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Registered Owners of the Series 2023A Second Lien Bonds and the limitations on such rights and remedies.

The Series 2023A Second Lien Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as provided in the First Supplemental Indenture.

Limited Obligation. The Series 2023A Second Lien Bonds are issued pursuant to ordinances adopted by the City Council of the City, which ordinances authorize the execution and delivery of the Indenture. The Series 2023A Second Lien Bonds are limited obligations of the City payable solely from the Trust Estate pledged therefor under the Indenture.

No recourse shall be had for the payment of the principal of premium, if any, or interest on any of the Series 2023A Second Lien Bonds or for any claim based on the Series 2023A Second Lien Bonds or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee or agent, or member of the City Council, of the City, or any successor to the City, as such, either directly or through the City, or any successor to the City, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the City Council, as such, is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Series 2023A Second Lien Bonds.

Registration. This Series 2023A Second Lien Bond is transferable by the Registered Owner of this Series 2023A Second Lien Bond in person or by such Registered Owner's attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture.

Defeasance. Provision for payment of all or any portion of the Series 2023A Second Lien Bonds may be made, and the Indenture may be discharged, prior to payment of the Series 2023A Second Lien Bonds in the manner provided in the Indenture.

Miscellaneous. The Registered Owner of this Series 2023A Second Lien Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants or the Indenture, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect to the Indenture, except as provided in the Indenture.

IT IS CERTIFIED, RECITED AND DECLARED that all acts and conditions required to be performed or to exist precedent to and in the execution and delivery of the Indenture and the

issuance of this Series 2023A Second Lien Bond exist or have been performed in due time, form and manner as required by law, and that the issuance of this Series 2023A Second Lien Bond and the series of which it forms a part does not exceed or violate any constitutional or statutory limitation.

This Series 2023A Second Lien Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused this Series 2023A Second Lien Bond to be executed in its name by the manual or facsimile signature of its Mayor and the manual or facsimile of its corporate seal to be printed on this Series 2023A Second Lien Bond and attested by the manual or facsimile signature of its City Clerk.

CITY OF CHICAGO

By: _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Series 2023A Second Lien Bond is one of the Series 2023A Second Lien Bonds described in the within-mentioned Indenture.

Authentication Date: _____

AMALGAMATED BANK OF CHICAGO,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

Ten. Com. -- as tenants in common

Ten. Ent. -- as tenants by the entireties

Jt. Ten. -- as joint tenants with right of survivorship and not as tenants in common

Unif. Gift Min. Act _____ Custodian _____
(Cust.) (Minor)

under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used, though not in the above list.

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

this Series 2023A Second Lien Bond of the City of Chicago and irrevocably constitutes and appoints _____, attorney to transfer said Series 2023A Second Lien Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature: _____

Signature Guaranteed:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of this Series 2023A Second Lien Bond in every particular, without alteration or enlargement or any change whatever.

STATEMENT OF INSURANCE

[TO BE INCLUDED ON INSURED BONDS ONLY]

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Series 2023A Second Lien Bonds (the "Insured Series 2023A Second Lien Bonds") to Amalgamated Bank of Chicago, Illinois, or its successor, as paying agent for the Insured Series 2023A Second Lien Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy and the Indenture.

EXHIBIT B

FORM OF SERIES 2023B BONDS

[Attached]

Form of Series 2023B Second Lien Bond

UNITED STATES OF AMERICA

STATE OF ILLINOIS

CITY OF CHICAGO

SECOND LIEN WASTEWATER REVENUE BONDS

REFUNDING SERIES 2023B

Number RB-____ \$ _____

MATURITY DATE

January 1, 20____

INTEREST RATE

_____%

ISSUE DATE

May 11, 2023

CUSIP

REGISTERED OWNER:

Cede & Co.

PRINCIPAL AMOUNT:

Dollars

The City of Chicago (the “City”), a municipal corporation and home rule unit of local government duly organized and existing under the laws of the State of Illinois, for value received, promises to pay (but only out of the sources provided below) to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above upon presentation and surrender of this Series 2023B Second Lien Bond, the Principal Amount specified above, and to pay (but only out of the sources provided below) interest on the balance of said Principal Amount from time to time remaining unpaid from and including the issue date specified above, or from and including the most recent Interest Payment Date (as defined in the First Supplemental Indenture, as such term is defined below) with respect to which interest has been paid or duly provided for, until payment of said Principal Amount has been made or duly provided for.

The Series 2023B Second Lien Bonds are limited obligations of the City and shall not constitute an indebtedness of the City or a loan of its credit within the meaning of any Constitutional or statutory provision or limitation as to indebtedness. The Series 2023B Second Lien Bonds do not have a claim for payment from any taxes of the City. Neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois is pledged to the payment of the principal of the Series 2023B Second Lien Bonds, or the interest or any premium on the Series 2023B Second Lien Bonds. The Series 2023B Second Lien Bonds are payable solely from the Trust Estate (as defined in the First Supplemental Indenture) pledged to such payment under the Indenture and certain other monies held by or on behalf of the Trustee.

The principal of and premium, if any, on this Series 2023B Second Lien Bond shall be payable at the designated corporate trust office of the Trustee or upon presentation and surrender of this Series 2023B Second Lien Bond.

Interest on this Series 2023B Second Lien Bond shall be paid by check mailed on the Interest Payment Date to the person appearing on the Bond Register as the Registered Owner of this Series 2023B Second Lien Bond as of the close of business of the Trustee on the Record Date at the address of such Registered Owners as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by such Registered Owner not later than the Record Date. Payment of interest on this Series 2023B Second Lien Bond shall be made to a Registered Owner of One Million Dollars (\$1,000,000) or more in aggregate principal amount of Series 2023B Second Lien Bonds as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date by wire transfer to such Registered Owner on such Interest Payment Date upon written notice from such Registered Owner containing the wire transfer address within the United States to which such Registered Owner wishes to have such wire directed, which written notice is received not later than the Business Day next preceding the Record Date.

Interest accrued on this Series 2023B Second Lien Bond shall be paid in arrears on each Interest Payment Date. Interest on this Series 2023B Second Lien Bond shall be computed upon the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months.

General. This Series 2023B Second Lien Bond is one of an authorized series of bonds limited in aggregate principal amount to \$192,470,000 (the "Series 2023B Second Lien Bonds") issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and related ordinances of the City Council of the City, and executed under a Master Indenture of Trust Securing Second Lien Wastewater Revenue Bonds, dated as of May 1, 2023 (the "Master Indenture"), and as supplemented by a First Supplemental Indenture, dated as of May 1, 2023 (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), from the City to Amalgamated Bank of Chicago, as trustee (the "Trustee"), for any one or more of the purposes of (i) refunding in advance of maturity such portion of the Outstanding Series 2012 Second Lien Bonds as shall be determined by the Authorized Officer ("Refunding Purposes") and (ii) paying Costs of Issuance of the Series 2023B Second Lien Bonds. The Series 2023B Second Lien Bonds and the interest on them are payable from Second Lien Bond Revenues (as defined in the Indenture) deposited into the 2023 Second Lien Bonds Subaccount and pledged to the payment of the Series 2023 Second Lien Bonds under the Indenture and certain other monies held by or on behalf of the Trustee and from any other monies held by the Trustee under the Indenture for such purpose.

As provided in the Indenture, additional bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the Master Indenture. The aggregate principal amount of bonds that may be issued pursuant to the Indenture is not limited, except as provided in the Indenture and ordinances authorizing those additional bonds, and all bonds issued and to be issued pursuant to the Indenture, including the Series 2023B Second Lien Bonds, are and will be equally secured by the pledges and covenants

made in the Series 2023 Second Lien Bonds, except as otherwise provided or permitted in the Master Indenture.

Copies of the Indenture are on file at the principal corporate trust office of the Trustee, and reference to the Indenture and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Series 2023B Second Lien Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Registered Owners of the Series 2023B Second Lien Bonds and the limitations on such rights and remedies.

The Series 2023B Second Lien Bonds are subject to optional redemption prior to maturity as provided in the First Supplemental Indenture.

Limited Obligation. The Series 2023B Second Lien Bonds are issued pursuant to ordinances adopted by the City Council of the City, which ordinances authorize the execution and delivery of the Indenture. The Series 2023B Second Lien Bonds are limited obligations of the City payable solely from the Trust Estate pledged therefor under the Indenture.

No recourse shall be had for the payment of the principal of premium, if any, or interest on any of the Series 2023B Second Lien Bonds or for any claim based on the Series 2023B Second Lien Bonds or upon any obligation, covenant or agreement in the Indenture contained, against any past, present or future officer, employee or agent, or member of the City Council, of the City, or any successor to the City, as such, either directly or through the City, or any successor to the City, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officer, employee or agent, or member of the City Council, as such, is hereby expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of any of the Series 2023B Second Lien Bonds.

Registration. This Series 2023B Second Lien Bond is transferable by the Registered Owner of this Series 2023B Second Lien Bond in person or by such Registered Owner's attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture.

Defeasance. Provision for payment of all or any portion of the Series 2023B Second Lien Bonds may be made, and the Indenture may be discharged, prior to payment of the Series 2023B Second Lien Bonds in the manner provided in the Indenture.

Miscellaneous. The Registered Owner of this Series 2023B Second Lien Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants, the Indenture, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect to the Indenture, except as provided in the Indenture.

IT IS CERTIFIED, RECITED AND DECLARED that all acts and conditions required to be performed or to exist precedent to and in the execution and delivery of the Indenture and the issuance of this Series 2023B Second Lien Bond exist or have been performed in due time, form and manner as required by law, and that the issuance of this Series 2023B Second Lien Bond and

the series of which it forms a part does not exceed or violate any constitutional or statutory limitation.

This Series 2023B Second Lien Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture unless and until the certificate of authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, the City of Chicago has caused this Series 2023B Second Lien Bond to be executed in its name by the manual or facsimile signature of its Mayor and the manual or facsimile of its corporate seal to be printed on this Series 2023B Second Lien Bond and attested by the manual or facsimile signature of its City Clerk.

CITY OF CHICAGO

By: _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Series 2023B Second Lien Bond is one of the Series 2023B Second Lien Bonds described in the within-mentioned Indenture.

Authentication Date: _____

AMALGAMATED BANK OF CHICAGO,
as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

Ten. Com. -- as tenants in common

Ten. Ent. -- as tenants by the entireties

Jt. Ten. -- as joint tenants with right of survivorship and not as tenants in common

Unif. Gift Min. Act _____ Custodian _____
(Cust.) (Minor)

under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used, though not in the above list.

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

this Series 2023B Second Lien Bond of the City of Chicago and irrevocably constitutes and appoints _____, attorney to transfer said Series 2023B Second Lien Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature: _____

Signature Guaranteed:

Notice: The signature to this assignment must correspond with the name as it appears upon the face of this Series 2023B Second Lien Bond in every particular, without alteration or enlargement or any change whatever.

STATEMENT OF INSURANCE

[TO BE INCLUDED ON INSURED BONDS ONLY]

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on the Series 2023B Second Lien Bonds (the "Insured Series 2023B Second Lien Bonds") to Amalgamated Bank of Chicago, Illinois, or its successor, as paying agent for the Insured Series 2023B Second Lien Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy and the Indenture.