Office of the Chicago City Clerk

F2011-354

Office of the City Clerk

City Council Document Tracking Sheet

Meeting Date: 11/2/2011

Sponsor(s): Mendoza, Susana A. (Clerk)

Type: Communication

Title: Notification of Sale/2011 General Obligation Notes

Committee(s) Assignment:

DEPARTMENT OF FINANCE

CITY OF CHICAGO

November 1, 2011

Susana Mendoza
City Clerk
121 North LaSalle Street
Room 107
Chicago, Illinois 60602

RE: City of Chicago, Illinois
General Obligation Notes
Taxable Fixed Rate Series 2011
$70, 425,000

Dear Ms. Mendoza:

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 6(b) of the ordinance authorizing of the issuance of 2011 general obligation notes, inducement language and amendments to current financing, which was passed by the City Council on May 4, 2011.

Please direct this filing to the City Council.

Very Truly Yours,

Lois A. Scott
Chief Financial Officer

$70,425,000
CITY OF CHICAGO
GENERAL OBLIGATION NOTES
TAXABLE FIXED RATE SERIES 2011

NOTIFICATION OF SALE

To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in the Ordinance adopted by the City Council (the "City Council") of the City of Chicago (the "City") on May 4, 2011, authorizing the issuance of City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011, in an amount not to exceed $80,000,000 (the "Ordinance"), as the Chief Financial Officer I have determined it to be in the financial interests of the City to issue a separate series of General Obligation Notes in the amount of $70,425,000 (the "Notes") with interest thereon that is includable in the gross income of the owners thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended, to be designated "General Obligation Notes, Taxable Fixed Rate Series 2011." The Notes are being issued pursuant to a Note Purchase Agreement dated October 25, 2011 (the "Note Purchase Agreement") providing for the sale of $70,425,000 General Obligation Notes, Taxable Fixed Rate Series 2011 at an aggregate price of $70,425,000, entered into by me as the Chief Financial Officer, with the concurrence of the Chairman of the Committee on Finance of the City Council, and the purchasers of the Notes named on *Schedule I* attached hereto. The Notes (i) mature on December 5, 2012, (ii) bear interest at an initial rate which is a fixed rate to maturity and (iii) are not subject to redemption, all as set forth in Exhibit A and the Issuance Schedule attached hereto. The Notes are not subject to optional or mandatory tender. The Notes are secured by the Trust Indenture, dated as of November 1, 2011 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee and are issued without the benefit of a Credit Facility (as defined in Section 9 of the Ordinance). The compensation (including all fees) being paid to the Underwriters in connection with the sale of the Notes is approximately 0.16% of the principal amount being sold, or $109,387.63.

Pursuant to Section 6(a) of the Ordinance, Wells Fargo Bank, National Association and Gardner Rich LLC have been selected to serve as the underwriters of the Notes, and, pursuant to Section 7 of the Ordinance, Deutsche Bank National Trust Company has been selected to serve as the trustee for the Notes.

The Notes are being issued for the purpose of providing funds to pay amounts appropriated for the Chicago Public Library (Maintenance and Operation) Fund and the Chicago Public Library (Building and Sites) Fund. The proceeds of sale of the Notes shall be deposited in said Funds in the following amounts:

Fund	Amount
Chicago Public Library (Maintenance and Operation) Fund	$66,215,000.00
Chicago Public Library (Building and Sites) Fund	$4,210,000.00

Attached hereto as Exhibits A, B and C, respectively, are executed copies of the Indenture, the Note Purchase Agreement and the Official Statement, relating to the Notes.

Attached hereto is the Issuance Schedule setting forth the principal amount, the fixed interest rate to maturity, the maturity date, and the CUSIP number.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

Respectfully submitted this 1st day of November, 2011.

CITY OF CHICAGO

Lois A. Scott,
Chief Financial Officer

NOTIFICATION OF SALE

ACKNOWLEDGMENT OF FILING

The Notification of Sale of General Obligation Notes, Taxable Fixed Rate Series 2011 in the aggregate principal amount shown above (including all exhibits thereto) was filed in the Office of the City Clerk of the City of Chicago, this 1st day of November, 2011.

Susana A. Mendoza

Susana A. Mendoza,
City Clerk

[SEAL]

NOTIFICATION OF SALE

SCHEDULE I

Note Purchasers

Wells Fargo Bank, National Association,

Gardner Rich LLC

EXHIBITS A, B and C

CITY OF CHICAGO

to

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Trustee

TRUST INDENTURE

Dated as of November 1, 2011

Securing

City of Chicago
General Obligation Notes,
Taxable Fixed Rate Series 2011

TABLE OF CONTENTS

TRUST INDENTURE

THIS TRUST INDENTURE, dated as of November 1, 2011, from the CITY OF CHICAGO (the "City"), a municipal corporation and home rule unit of local government organized and existing under the laws of the State of Illinois, to DEUTSCHE BANK NATIONAL TRUST COMPANY, a banking association organized and existing under the laws of the United States of America, having a corporate trust office in the City of Chicago, Illinois, as trustee (said bank, and any successor or successors as trustee hereunder, being herein referred to as the "Trustee"),

W I T N E S S E T H:

WHEREAS, by virtue of Article VII of the Illinois Constitution of 1970 and pursuant to an ordinance duly adopted by the City Council of the City on May 4, 2011 (the "Note Ordinance"), the City is authorized to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done; and

WHEREAS, the execution and delivery of this Indenture have been in all respects duly and validly authorized by the City Council; and

WHEREAS, the Note Ordinance authorized the issuance of notes of the City in one or more series at such fixed or variable rates established in accordance with the Note Ordinance and the provisions of a related indenture; and

WHEREAS, pursuant to the Note Ordinance, the Chief Financial Officer has determined to issue a series of notes that will bear interest at a fixed rate from their date of issuance until their maturity date; and

WHEREAS, the issuance and sale by the City of its General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes") hereunder will provide the funds needed to pay amounts appropriated for the Corporate Fund, Chicago Public Library (Maintenance and Operation) Fund and the Chicago Public Library (Building and Sites) Fund purposes for the year 2011; and

WHEREAS, the execution and delivery of the Notes and this Indenture have in all respects been duly authorized, and all things necessary to make such Notes, when executed by the City and authenticated by the Trustee, the valid and binding legal obligations of the City, and to make this Indenture a valid and binding agreement, have been done;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure all Notes issued and Outstanding under this Indenture, the payment of the principal thereof and interest thereon, the rights of the Noteholders and the performance and observance of all of the covenants contained in the Notes and herein, and for and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Notes by the Noteholders, from time to time, and of the acceptance by the Trustee of the trusts hereby created, and intending to be legally bound hereby, the City does hereby sell, assign, transfer, set over and pledge unto the Trustee, its successors in trust and its assigns forever, and grant to the Trustee, its successors in trust and its assigns forever a security interest in any moneys, revenues, receipts, income, assets or funds of the City legally available for such purposes, all to the extent provided in this Indenture.

TO HAVE AND TO HOLD the same and any other revenues, property, contracts or contract rights, chattel paper, instruments, general intangibles or other rights and the proceeds thereof, which may, by delivery, assignment or otherwise, be subject to the lien and security interest created by this Indenture.

IN TRUST, NEVERTHELESS, first, for the equal and ratable benefit and security of all present and future holders of Notes issued and to be issued under this Indenture, without preference, priority or distinction (except as otherwise specifically provided herein) of any one Note over any other Note.

PROVIDED, HOWEVER, that if the City, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of and interest on the Notes due or to become due thereon, at the times and in the manner set forth in the Notes according to the true intent and meaning thereof, and shall cause the payments to be made on the Notes as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon, 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 hereof to the extent provided herein, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture shall remain in full force and effect.

ARTICLE I

Definitions

Section 1.01. Definitions. The terms defined in this Section shall, for all purposes of this Indenture, have the meanings herein specified, unless the context clearly requires otherwise:

"Affiliate" means, when used to indicate a relationship with a specified person or entity, 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.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Beneficial Owner" means the owner of a beneficial interest in Notes registered in the name of Cede & Co., as nominee of DTC (or a successor nominee therefor).

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

"Business Day" means any day of the year on which banks located in the city in which is located the Principal Office of the Trustee are not required or authorized to remain closed and on which The New York Stock Exchange, Inc. is not closed.

"Chief Financial Officer" means the Chief Financial Officer of the City appointed by the Mayor; should the office of the Chief Financial Officer be vacant, "Chief Financial Officer" shall mean the City Comptroller.

"City" means the City of Chicago.

"City Council" means the governing body of the City as from time to time constituted.

"City Tax Limitation Ordinance" means the Chicago Tax Limitation Ordinance adopted by the City Council on March 8, 1993.

"Code" means the Internal Revenue Code of 1986, as amended.

"DTC" means The Depository Trust Company, New York, New York, or any successor securities depository.

"Event of Default" means any of the events described in Section 7.01 hereof.

"Government Obligations" means direct obligations of the United States of America.

"Indenture" means this Trust Indenture as amended or supplemented in accordance with the terms hereof.

"Interest Payment Date" means June 5, 2012, and the maturity date of the Notes.

"Interest Period" means a period from any Interest Payment Date through the day preceding the next succeeding Interest Payment Date.

"Interest Rate" means the interest rate established for the Notes pursuant to Section 2.02 hereof.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City in its place by notice to the Trustee.

"Notes" means the Notes issued pursuant to this Indenture, as more fully described in Article II hereof.

"Note Fund" means the fund created by Section 5.01 hereof.

"Noteholder," "Owner" or "holder" means the person in whose name any Note is registered on the registration books of the City kept by the Trustee.

"Note Ordinance" means the ordinance duly adopted by the City Council on May 4, 2011 authorizing the issuance, sale and delivery of the Notes.

"Notice by Mail" means a written notice mailed by first class mail to Noteholders at their addresses as shown on the registration books kept pursuant to Section 2.09 hereof.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding," when used in reference to the Notes, means, at any particular date, the aggregate of all Notes authenticated and delivered under this Indenture except:

(a) Notes cancelled at or prior to such date or delivered to or acquired by the Trustee at or prior to such date for cancellation;

(b) matured or redeemed Notes which have not been presented for payment in accordance with the provisions of this Indenture and for the payment of which the City has deposited funds with the Trustee;

(c) Notes purchased by the City for cancellation pursuant to Section 3.01 hereof; and

(d) Notes in lieu of or in exchange or substitution for which other Notes shall have been authenticated and delivered pursuant to this Indenture.

"Permitted Investments" means any of the following obligations or securities permitted under State law:

(a) interest-bearing general obligations of the United States, the State or the City;

(b) United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

(c) short-term discount obligations of the United States Government or United States Government agencies;

(d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly, or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State 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;

(e) banker's acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two rating categories by two national rating agencies and maintaining such rating during the term of such investment;

(f) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;

(g) domestic money market mutual funds, including those offered by the Trustee or an affiliate thereof, in good standing with the Securities and Exchange Commission; or

(h) 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.

All securities so purchased, excepting tax anticipation warrants, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within two years from the date of purchase.

"Principal Office" means with respect to the Trustee, its designated office in Chicago, Illinois.

"Rating Agency" means Moody's or S&P, as applicable.

"Record Date" means the fifteenth day preceding each Interest Payment Date.

"State" means the State of Illinois.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City in its place by notice to the Trustee.

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

"Treasurer" means the duly acting Treasurer of the City.

"Trustee" means Deutsche Bank National Trust Company, as Trustee under this Indenture, and its successors and assigns.

Section 1.02. Construction. This Indenture, except where the context by clear implication shall otherwise require, 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 Notes, for the purposes of this Indenture, shall be computed on the basis of the Notes Outstanding at the time the computation is made or is required to be made hereunder.

(d) Headings of sections herein are solely for convenience of reference and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) Unless otherwise expressly provided, all times specified herein shall mean New York City time.

(f) The words "hereof," "herein," "hereto," "hereby" and "hereunder" (except in the form of the Note) refer to the entire Indenture.

ARTICLE II

The Notes

Section 2.01. Authorization of Notes.

(a) Upon the execution and delivery of this Indenture, the City shall execute the Notes and deliver them to the Trustee for authentication. At the direction of the City, the Trustee shall authenticate the Notes and deliver them to the purchasers thereof. The Notes shall be designated "City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011." The Notes shall be dated as provided in Section 2.02(e) hereof.

(b) The Notes shall be issued in the aggregate principal amount of $70,425.000, shall mature on December 5, 2012, shall bear interest from their date at the rate of eighty hundredths of one percent (0.80%) per annum, payable on each Interest Payment Date and on the maturity date of the Notes and shall not be subject to redemption.

(c) The Notes are issued for the purpose of providing funds to pay amounts appropriated for Chicago Public Library (Maintenance and Operation) Fund and Chicago Public Library (Building and Sites) Fund purposes for the year 2011.

(d) The total aggregate principal amount of Notes that may be issued under this Indenture is expressly limited to that authorized by Section 2.01(b) hereof.

Section 2.02. Form, Payment and Dating of Notes; Authorized Denominations. (a) The Notes and the certificate of authentication to be executed on the Notes by the Trustee are to be in substantially the form thereof set forth in Exhibit A hereto, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

(b) The Notes shall be issuable only as fully registered Notes in Authorized Denominations. Notes shall be numbered from 1 consecutively upwards and shall contain an appropriate prefix to such numbers to identify such Notes.

(c) The principal of each Note shall be payable upon surrender of such Note at the Principal Office of the Trustee. Payments of principal of the Notes shall be payable in immediately available funds except as provided in paragraph (d)(iv) below. Such payments shall be made to the Owner of the Note so surrendered, as shown on the registration books maintained by the Trustee on the applicable Record Date.

(d) Each Note shall bear interest on the unpaid portion of the principal thereof, and be payable as to interest, as follows:

(i) Each Note shall bear interest from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid, or from the last preceding Interest Payment Date to which interest has been paid (or the date of original issuance of the Notes if no interest thereon has been paid) in all other cases.

(ii) Subject to the provisions of subparagraph (iii) below, the interest due on any Note on any Interest Payment Date shall be paid to the Noteholder of such Note as shown on the registration books kept by the Trustee on the applicable Record Date. The amount of interest so payable on any Interest Payment Date shall be computed by the Trustee on the basis of a 360-day year of twelve 30-day months.

(iii) If the available funds under this Indenture are insufficient on any Interest Payment Date to pay the interest then due, the regular applicable Record Date shall no longer be applicable with respect to the Notes. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a special interest payment date for the payment of the overdue interest and a special record date (which shall be a Business Day) for determining the Noteholders entitled to such payments. Notice of each date so established shall be mailed by the Trustee to each Noteholder at least 10 days prior to the special record date, but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Noteholders, as shown on the registration books kept by the Trustee as of the close of business on the special record date.

(iv) All payments of interest on the Notes shall be paid to the persons entitled thereto pursuant to Section 2.02(d)(ii) or (iii) above by the Trustee on the Interest Payment Date or special interest payment date, as applicable, (x) upon instructions to the Trustee from such person entitled to payment in immediately available funds (by federal funds check or by deposit to the account of the Owner of Notes if such Owner maintains an account with the Trustee or, upon request of any Owner of Notes in the principal amount of $1,000,000 or more, by federal funds wire) on the Interest Payment Date or special interest payment date, as applicable, according to such instructions, or (y) if no instructions are given as aforesaid, by clearinghouse funds check or draft mailed on the Interest Payment Date or special interest payment date, as applicable, to the persons entitled thereto 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.

(e) All Notes will be dated the date of their original issuance.

(f) Interest on the Notes will accrue and be payable during the periods and at the times provided for in the form of the Notes.

Section 2.03. Execution of Notes. Each of the Notes shall be signed and executed on behalf of the City by the manual or facsimile signature of the Mayor and the manual or facsimile signature of the Chief Financial Officer and attested by the manual or facsimile signature of its City Clerk, and the corporate seal of the City shall be impressed, printed or lithographed on each Note. The Notes bearing the manual or facsimile signatures of individuals who were at the time of the execution thereof the proper officers of the City shall bind the City notwithstanding that such individuals shall cease to hold such offices prior to the registration, authentication or delivery of such Notes or shall not have held such offices at the dated date of such Notes.

Section 2.04. Delivery and Registration. No Note shall be entitled to any right or benefit under this Indenture, or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided in Exhibit A hereto, executed by the Trustee by manual signature, and such certificate upon any such Note shall be conclusive evidence that such Note has been duly authenticated, registered and delivered.

Section 2.05. Lost, Destroyed, Improperly Cancelled or Undelivered Notes. If any Note, whether in temporary or definitive form, is lost (whether by reason of theft or otherwise), destroyed (whether by mutilation, damage or otherwise) or improperly cancelled, the Trustee may authenticate a new Note of like series, date and denomination and bearing a number not contemporaneously outstanding; provided that (a) in the case of any mutilated Note, such mutilated Note shall first be surrendered to the Trustee and (b) in the case of any lost Note or Note destroyed in whole, there shall be first furnished to the Trustee evidence of such loss or destruction, together with indemnification satisfactory to the City and the Trustee. In the event any lost, destroyed or improperly cancelled Note shall have matured or is about to mature, instead of issuing a duplicate Note, the Trustee shall pay the same without surrender thereof if there shall be first furnished to the Trustee evidence of such loss, destruction or cancellation, together with indemnification satisfactory to the City and the Trustee. Upon the issuance of any substitute Note, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. The Trustee may charge the Noteholder reasonable fees and expenses in connection with any transaction described in this Section 2.05, except for improper cancellation by the Trustee.

All Notes shall be owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of lost, destroyed or improperly cancelled Notes, notwithstanding any law or statute now existing or hereafter enacted.

Section 2.06. Transfer, Registration and Exchange of Notes. The Trustee shall maintain and keep, at its Principal Office, books for the registration and transfer of Notes, which at all reasonable times shall be open for inspection by the City.

The transfer of any Note shall be registered upon the books of the Trustee at the written request of the Noteholder or its attorney duly authorized in writing, upon surrender thereof at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Noteholder or its duly authorized attorney.

The City and the Trustee may deem and treat the Noteholder as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note 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 Noteholder shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

Any Note, upon surrender thereof at the Principal Office of the Trustee may, at the option of the Noteholder, be exchanged for an equal aggregate principal amount of Note or Notes of any Authorized Denomination of the same series and bearing interest pursuant to the same Interest Rate Determination Method as the Note being surrendered.

In all cases in which the privilege of exchanging Notes or registering the transfer of Notes is exercised, the City shall execute and the Trustee shall authenticate and deliver Notes in accordance with the provisions of this Indenture (subject to any limitations thereon set forth in the Notes). For every such exchange or registration of transfer of Notes, 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.

Section 2.07. Temporary Notes. Pending the preparation of definitive Notes, the City may execute and the Trustee shall authenticate and deliver temporary Notes. Temporary Notes may be issuable as Notes of any Authorized Denomination and substantially in the form of the definitive Notes but with omissions, insertions and variations as may be appropriate for temporary Notes, all as may be approved by the City, as evidenced by the execution and delivery thereof. Temporary Notes may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Note shall be executed by the City and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Notes. As promptly as practicable the City shall execute and shall furnish definitive Notes and thereupon temporary Notes may be surrendered in exchange therefor without charge at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Notes a like aggregate principal amount of definitive Notes of Authorized Denominations. Until so exchanged the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.08. Cancellation of Notes. All Notes which shall have been surrendered to the Trustee for payment, and all Notes which shall have been surrendered to the Trustee for exchange or registration of transfer, shall be cancelled by the Trustee and cremated or otherwise destroyed, and counterparts of a certificate of destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the City. The Trustee shall furnish to the City a certificate evidencing any such cancellation and specifying such Notes by number.

Section 2.09. Book-Entry Provisions. (a) Except as provided in paragraph (c) below, the Noteholder of all of the Notes shall be DTC, and the Notes shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest for any Note registered in the name of Cede & Co. shall be made by wire transfer of immediately available funds to the account of Cede & Co. on the applicable Interest Payment Date for the Notes at the address indicated for Cede & Co. in the registration books of the City kept by the Trustee.

(b) The Trustee and the City may treat DTC (or its nominee) as the sole and exclusive Noteholder of the Notes registered in its name for the purposes of payment of the principal of or interest on the Notes, selecting the Notes or portions thereof to be redeemed, giving any notice permitted or required to be given to Noteholders under this Indenture, registering the transfer of Notes, obtaining any consent or other action to be taken by Noteholders and for all other purposes whatsoever; and neither the Trustee nor the City shall be affected by any notice to the contrary. Except as otherwise provided in paragraph (c) below, no Beneficial Owner shall receive an authenticated Note. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Indenture with respect to transfers of Notes, the words "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) In the event the Noteholder of all the Notes shall be DTC and the City determines to discontinue DTC's book-entry system, the City may notify DTC and the Trustee, whereupon DTC will notify its participating organizations (the "Participants") of the availability through DTC of certificated Notes. In such event, the Trustee shall issue, transfer and exchange Note certificates as requested by DTC in appropriate amounts in accordance with the provisions of this Indenture. DTC may determine to discontinue providing its services with respect to the Notes at any time by giving written notice to the City and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City and the Trustee shall be obligated (at the sole cost and expense of the City) to make available for delivery Note certificates as described in this Indenture. Whenever DTC requests the City and the Trustee to do so, the City will direct the Trustee (at the sole cost and expense of the City) to cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Notes to any Participant having Notes credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Notes.

(d) So long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such Note and all notices with respect to such Note shall be made and given, respectively, to DTC or its nominee as provided in the City's representation letter to DTC.

(e) In connection with any notice or other communication to be provided to Noteholders pursuant to this Indenture by the City or the Trustee, or by the Trustee with respect to any consent or other action to be taken by Noteholders, the City or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not fewer than 15 calendar days in advance of such record date to the extent possible. Such notice to DTC or its nominee shall be given only when DTC is the sole Noteholder.

(f) Neither the City nor the Trustee will have any responsibility or obligation to the Participants or the Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal of or interest on the Notes, (iii) the delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of this Indenture to be given to Noteholders, or (iv) any consent given or other action taken by DTC as Noteholder.

(g) So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the Noteholders or holders of the Notes or Owners of Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes.

(h) So long as Cede & Co. is the registered owner of the Notes:

(i) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Noteholders under this Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Notes through DTC or its Participants; and

(ii) nothing contained in this Indenture shall limit or restrict the ability of the Trustee to effect the provisions of this Section 2.09 by or through one or more agents selected by the Trustee in the exercise of its reasonable discretion; provided, however, the retention of one or more agents for such purpose shall not relieve the Trustee of any duty or responsibility contained in this Indenture.

Section 2.10. Application of Proceeds of the Notes. The proceeds of the sale of the Notes shall be deposited with the Treasurer and used to make deposits into the following funds of the City in the following amounts for the purpose of paying amounts appropriated for such funds for the year 2011:

Fund	Amount
Chicago Public Library (Maintenance and Operation)	$66,215,000
Chicago Public Library (Building and Sites)	$4,210,000

ARTICLE III

Purchase of Notes

Section 3.01. Purchase of Notes by City. The City may buy, sell, own and hold any of the Notes for its own account. No purchase of Notes by the City or use of any funds to effectuate any such purchase shall be deemed to be a payment of the Notes or of any portion thereof and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Notes.

ARTICLE IV

No Redemption of Notes by City

Section 4.01. No Redemption of Notes Prior to Maturity. The Notes shall not be subject to redemption prior to maturity.

ARTICLE V

Creation of Funds and Security for Notes

Section 5.01. The Note Fund. (a) There is hereby created by the City and established with the Trustee a trust fund to be designated "City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 Note Fund" (the "Note Fund").

(b) The City shall deposit into the Note Fund amounts sufficient to pay the principal of and interest on the Notes as the same become due.

(c) Pending the use of moneys held in the Note Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of the Chief Financial Officer. Income from such investments shall be credited to the Note Fund.

Section 5.02. Tax Levy or Pay Notes. Unless the Chief Financial Officer shall certify to the Trustee on or before October 2, 2012 that sufficient funds are legally available and will be used on December 5, 2012 to pay directly the principal of and interest on the Notes, a tax levy ordinance shall be adopted by the City Council to the extent permitted under the City Tax Limitation Ordinance and a certified copy thereof filed with the County Clerks of Cook and DuPage Counties, Illinois, and a certified copy thereof mailed to the Trustee, such ordinance to levy an amount sufficient to pay the principal of and interest on the Notes. If payment of principal of and interest on the Notes is thereafter paid from any other funds or revenues of the City prior to the extension date for such levy, the taxes so levied shall be abated.

The Chief Financial Officer is hereby ordered and directed to deposit the proceeds of any taxes so levied pursuant to this paragraph into the applicable account of the Note Fund.

Section 5.03. Insufficiency of Taxes. In the event that proceeds of the taxes levied or to be levied hereunder are not available in time to make any payments when due on the Notes, then the Chief Financial Officer is hereby directed to make such payments from any other moneys, revenues, receipts, income, assets or funds of the City that are legally available for that purpose in anticipation of the collection of the taxes.

Section 5.04. Notes Not Presented for Payment. (a) In the event any Notes shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, if moneys sufficient to pay such Notes are held by the Trustee for the benefit of the Noteholders, the Trustee shall segregate and hold such moneys in a trust account separate and apart from the other funds and accounts held hereunder, without liability to Noteholders for interest thereon, for the benefit of Noteholders who shall (except as provided in the following paragraph) thereafter be restricted exclusively to such fund or funds for the satisfaction of any claim of whatever nature on their part under this Indenture.

(b) Any moneys which the Trustee shall segregate and hold in trust for the payment of the principal of or interest on any Note and which shall remain unclaimed for two years after such principal or interest has become due and payable shall, upon the City's written request to the Trustee, be paid to the City. After the payment of such unclaimed moneys to the City, the holder of such Note shall thereafter look only to the City for the payment thereof, unless an abandoned property law of the State designates another person, and all liability of the Trustee with respect to such moneys shall thereupon cease.

ARTICLE VI

General Covenants of City

Section 6.01. Pledge of Full Faith, Credit and Resources of the City. The Notes are direct and general obligations of the City for the payment of which the City hereby pledges its full faith, credit and resources. The principal of and interest on the Notes shall be paid by the City as the same become due at the place, at the time and in the manner provided herein and in the Notes from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose (subject to the limitations of the City Tax Limitation Ordinance).

Section 6.02. Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Notes by the holders from time to time of the Notes, 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 Notes.

Section 6.03. Performance of Covenants. 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 Note executed, authenticated and delivered hereunder and in all proceedings pertaining thereto.

ARTICLE VII

Events of Default and Remedies

Section 7.01. Events of Default. Each of the following events shall constitute and is referred to in this Indenture as an "Event of Default:"

(i) a failure to pay the principal of the Notes when the same shall become due and payable at maturity or otherwise;

(ii) a failure to pay an installment of interest on the Notes upon the day when the same shall become due; or

(iii) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (i) or (ii) of this Section 7.01) contained in the Notes or in this Indenture on the part of the City to be observed or performed, which failure shall continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Trustee and the City by Noteholders owning not less than a majority in aggregate principal amount of Notes then Outstanding.

Section 7.02. Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Trustee may, and at the written request of Noteholders owning not less than a majority in aggregate principal amount of Notes then Outstanding, shall, by written notice to the City, declare the Notes to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, and the Trustee shall give notice thereof to the City and shall give Notice by Mail thereof to all Owners of Outstanding Notes.

(b) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of Noteholders owning not less than a majority in aggregate principal amount of the Notes then Outstanding and, in addition, receipt of indemnity to its satisfaction shall, in its own name and as the trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Noteholders, and require the City to carry out any agreements with or for the benefit of the Noteholders and to perform its duties under this Indenture;

(ii) bring suit upon the Notes; or

(iii) by action or suit at law or in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Noteholders.

Section 7.03. Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee and the Noteholders, respectively, shall be restored to their former positions and all rights, remedies and powers of each of such parties shall continue as though no such proceeding had been taken.

Section 7.04. Noteholders' Right To Direct Proceedings. The Noteholders owning a majority in aggregate principal amount of the Notes then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Indenture or exercising any trust or power conferred on the Trustee by this Indenture; provided, however, that (a) such direction shall not be in conflict with any rule of law or this Indenture, including, but not limited to, Section 7.02(a) hereof, (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction and (c) the Trustee need not take any action which might involve it in personal liability unless indemnified to its satisfaction or which might be unjustly prejudicial to the Noteholders not consenting to such direction.

Section 7.05. Limitation on Noteholders' Right To Institute Proceedings. No Noteholder, in its capacity as such, shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on said Notes, unless such Noteholder previously shall have given to the Trustee written notice of an Event of Default as herein above provided and unless also Noteholders of not less than a majority in aggregate principal amount of the Notes then Outstanding shall have made written request of the Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding, it being understood and intended that no one or more of the Noteholders shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Notes, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Noteholders.

Section 7.06. No Impairment of Right To Enforce Payment. Notwithstanding any other provision in this Indenture, the right of any Noteholder to receive payment of the principal of and interest on such Note, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Noteholder.

Section 7.07. Proceedings by Trustee Without Possession of Notes. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Notes secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Notes, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Noteholders, subject to the provisions of this Indenture.

Section 7.08. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or Noteholders 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 every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.09. No Waiver of Remedies. No delay or omission of the Trustee or any Noteholder 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 an acquiescence therein; and every power and remedy given hereunder to the Trustee and to the Noteholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 7.10. Application of Moneys. Any moneys received by the Trustee, by any receiver or by any Noteholder pursuant to any right given or action taken under the provisions hereof, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be deposited in the Note Fund and all moneys so deposited in the Note Fund during the continuance of an Event of Default (other than moneys for the payment of Notes which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the Notes shall have been declared due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Notes, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of the Notes which shall have become due and, if the amount available shall not be sufficient to pay in full Notes due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Notes shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Notes, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 7.03 hereof, then, subject to the provisions of paragraph (b) of this Section 7.10 which shall be applicable in the event that the principal of all the Notes shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section 7.10.

Whenever moneys are to be applied pursuant to this Section 7.10, such moneys shall be applied at such times, and from time to time, as the Trustee 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. Whenever the Trustee shall apply such funds it shall fix the date (which shall be an Interest Payment Date unless it 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 notice of the deposit with it of any such moneys and of the fixing of any such date by Notice by Mail to all Owners of Outstanding Notes and shall not be required to make payment to any Owner until such Note shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 7.11. Severability of Remedies. It is the purpose and intention of this Indenture to provide rights and remedies to the Trustee and the Noteholders which may be lawfully granted, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Noteholders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and by law.

Section 7.12. Waivers of Events of Default. The Trustee may, at its discretion, waive any event of default hereunder and its consequences, and rescind any declaration of acceleration of the principal of all of the Notes, and shall do so upon the written request of the owners of (1) a majority in aggregate principal amount of the Notes then Outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) a majority in aggregate principal amount of the Notes then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any Outstanding Notes at the date of stated maturity, or (b) any default in the payment when due of the interest on any such Notes, unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rates borne by such Notes, and expenses of the Trustee in connection with such default shall have been paid, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the City, the Trustee and the owners of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

ARTICLE VIII

Appointment and Duties of Trustee

Section 8.01. Appointment of Trustee. The City hereby appoints Deutsche Bank National Trust Company, Chicago, Illinois, as Trustee, for the purposes and upon the express terms and conditions set forth herein. The acceptance by the Trustee shall be evidenced by its execution and delivery of this Indenture. The City and the Noteholders by its delivery and their acceptance of delivery of any of the Notes agree to the terms set forth in this Indenture.

Section 8.02. No Responsibility for Recitals. The recitals, statements and representations contained in this Indenture or in the Notes, save only the Trustee's authentication upon the Notes, shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness thereof. Nothing contained in this Section 8.02 shall limit the responsibilities of the Trustee expressly set forth in this Indenture.

Section 8.03. Limitations on Liability. The Trustee may execute any of the trusts or powers hereof and perform the duties required hereunder by or through attorneys, agents or receivers, and shall be entitled to, and may rely upon, written advice of counsel concerning all matters of trust and duty hereunder, and the Trustee shall not be answerable for the negligence or misconduct of any such attorney or agent selected with reasonable care. Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with the trust created hereby, except only for its own negligence or bad faith. The Trustee shall not be accountable for the use or application of the proceeds of any of the Notes issued hereunder.

Section 8.04. Compensation, Expenses and Advances. The Trustee shall be entitled to reasonable compensation for its services rendered hereunder (not limited by any provision of law in regard to the compensation of the trustee of an express trust) and to reimbursement for its actual out-of pocket expenses (including the reasonable compensation and the expenses and disbursements of their agents and counsel) reasonably incurred in connection therewith except for such expenses incurred as a result of its negligence or bad faith. The City shall have the right to contest in good faith any fees or expenses of the Trustee without creating a default hereunder. If any Event of Default under this Indenture shall otherwise exist, the Trustee shall have, in addition to any other rights hereunder, a lien, prior to the lien of the Noteholders, for the payment of its compensation and the reimbursement of its expenses and any advances made by the Trustee, as provided in this Section, upon the moneys and obligations in the Note Fund.

Section 8.05. Notice of Events of Default. The Trustee shall not be required to take notice, or be deemed to have notice, of any default or Event of Default under this Indenture other than an Event of Default under clauses (i) or (ii) of Section 7.01 hereof, unless specifically notified in writing of such default or Event of Default by Owners of at least a majority in aggregate principal amount of the Notes then Outstanding.

Section 8.06. Trustee to Maintain Office. If the City has discontinued the use of DTC's book-entry system, the Trustee, or an agent or co-trustee thereof, shall maintain an office in New York, New York, where Notes may be presented for payment of the principal amount thereof upon maturity.

Section 8.07. Good Faith Reliance. The Trustee in the absence of negligence or bad faith on its part shall be protected and shall incur no liability in acting upon any resolution, notice, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document or telephonic notice (where authorized by this Indenture) which it shall believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any attorney, engineer, accountant or other expert, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements; provided, however, that the Trustee shall not be so protected if the Trustee has actual knowledge with respect to such matters to the contrary.

The Trustee shall not be bound to recognize any person as a Noteholder or to take any action at the request of such person unless satisfactory evidence of the ownership of such Note shall be furnished to such entity.

Any request or direction of the City as provided in this Indenture shall be sufficiently evidenced by, and the Trustee may conclusively rely upon, a written instrument from the City signed by the Chief Financial Officer. As to any fact or circumstance concerning which the Trustee requests verification, the Trustee may conclusively rely upon a certificate signed by the Chief Financial Officer.

Section 8.08. Dealings in Notes and with City. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in any of the Notes issued hereunder for its own account or that of any other person, and may join in any action which any Noteholder may be entitled to take with like effect as if it did not act in any capacity hereunder. 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 Noteholders secured hereby or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 8.09. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by executing an instrument in writing resigning such trust 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 Notes. Such resignation shall take effect on the day specified in such instrument and notice, but only if a successor Trustee shall have been appointed and shall have accepted the duties of the Trustee as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of and acceptance by such successor 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 shall be authorized to petition any court of competent jurisdiction to appoint a successor Trustee as provided in Section 8.13 hereof.

Section 8.10. Removal of Trustee. The Trustee may be removed by the City at any time prior to an Event of Default 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, however, that no such removal shall be effective until the successor Trustee appointed hereunder shall execute, acknowledge and deliver to the City an instrument accepting such appointment hereunder.

Section 8.11. Appointment of Successor Trustee. In case at any time the Trustee shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and *ipso facto* exist in the office of the Trustee and a successor may be appointed, and in case at any time the Trustee shall resign, then a successor may be appointed by the Chief Financial Officer. After any appointment by the Chief Financial Officer, the City shall cause notice of such appointment to be given to the predecessor Trustee and the successor Trustee and shall cause Notice by Mail to be given to all Noteholders. No such appointment shall be effective until the successor Trustee shall have accepted such appointment in writing.

Section 8.12. Qualifications of Successor Trustee. Every successor Trustee (a) shall be a commercial bank with trust powers or a trust company (i) duly organized under the laws of the United States of America or any state or territory thereof, (ii) authorized by law to perform all the duties imposed upon it by this Indenture and the laws of the State, and (iii) capable of meeting its obligations hereunder, and (b) shall have a combined capital stock, surplus and undivided profits of at least $10,000,000.

Section 8.13. Judicial Appointment of Successor Trustee. In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the retiring Trustee may forthwith 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 Section 8.12 hereof.

Section 8.14. Acceptance of Trusts by Successor Trustee. In order to evidence the acceptance of the position of Trustee hereunder, any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the City an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, such predecessor Trustee and the City shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of such predecessor Trustee and, subject to the provisions of Section 8.04 hereof, such predecessor Trustee shall pay over and deliver to the successor Trustee all moneys and other assets at the time held by it hereunder.

Section 8.15. Successor by Merger, Consolidation or Sale of Assets. Any corporation into which all or substantially all of the corporate trust business of any Trustee hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or as a result of a sale of assets, shall be the successor Trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Indenture to the contrary notwithstanding.

Section 8.16. Standard of Care; Action by Trustee. Notwithstanding any other provisions of this Indenture, the Trustee shall, during the existence of an Event of Default of which the Trustee has actual notice, exercise such of the rights and powers vested in it by this 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, however, that the Trustee shall be under no obligation to take any action in respect of the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by Noteholders of at least a majority in aggregate principal amount of the Notes then Outstanding, and, if in its opinion such action may 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, and shall not affect any discretion or power given by any provisions of this Indenture to the Trustee to take action in respect of any default or Event of Default without such notice or request from the Noteholders, or without such security or indemnity. Except as otherwise provided herein during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others. Nothing in this Section 8.16 shall permit the Trustee to delay the exercise of any mandatory power or direction hereunder, including but not limited to, declaring the Notes to be immediately due and payable in accordance with the terms and provisions of this Indenture.

Section 8.17. Duties of the Trustee. The Trustee covenants and agrees:

(a) to keep such books and records as shall be consistent with prudent industry practice, and to make such books and records available for inspection by the City at all reasonable times; and

(b) to provide such information and reports to the Chief Financial Officer as shall be reasonably requested in writing by the Chief Financial Officer.

ARTICLE IX

Amendments to this Indenture

Section 9.01. Limitations on Amendments of this Indenture. This Indenture shall not be modified or amended in any respect subsequent to the issuance of the Notes except as provided in and in accordance with the provisions of this Article IX.

Section 9.02. Amendments without Noteholder Consent. (a) The City and the Trustee may, from time to time and at any time, without the consent of or notice to the Noteholders, amend this Indenture as follows:

(i) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture;

(ii) to grant to or confer or impose upon the Trustee for the benefit of the Noteholders any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent;

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

(iv) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, this Indenture, or of any moneys, securities or funds;

(v) to authorize a different denomination or denominations of the Notes and to make correlative amendments and modifications to this Indenture regarding exchangeability of Notes of different denominations and similar amendments and modifications of a technical nature;

(vi) to comply with any applicable requirements of the Trust Indenture Act of 1939, as from time to time amended; or

(vii) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Noteholders and which does not involve a change described in clause (i), (ii) or (iii) of Section 9.03(a) hereof and which, in the judgment of the Trustee (who may rely upon an Opinion of Bond Counsel), is not to the material prejudice of the Trustee.

(b) Before the City and the Trustee shall amend this Indenture pursuant to this Section 9.02, there shall have been delivered to the Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by this Indenture, complies with the terms hereof, will, upon the adoption thereof, be valid and binding upon the City in accordance with its terms, and the Trustee may rely conclusively upon such opinion as to such matters.

Section 9.03. Amendments with Noteholder Consent. (a) Except for any amendment adopted pursuant to Section 9.02 hereof, subject to the terms and provisions contained in this Section and not otherwise, the City and the Trustee may, from time to time, with the consent of Noteholders of not less than 60 percent in aggregate principal amount of the Notes then Outstanding (excluding therefrom any Notes 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 this Indenture; provided, however, that, unless approved in writing by the Noteholders of all the Notes then Outstanding, nothing herein contained 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 Outstanding Note or a reduction in the principal amount of any Outstanding Note or the rate of interest thereon, (ii) a preference or priority of any Note or Notes over any other Note or Notes, or (iii) a reduction in the aggregate principal amount of Notes the consent of the Noteholders of which is required for any such amendment.

(b) If at any time the City shall propose to enter into any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause Notice by Mail of the proposed Supplemental Indenture to be given to all Owners of Outstanding Notes. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Noteholders.

(c) Within six months after the date of the first mailing of such notice, the City and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of Noteholders, and (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture, complies with the terms hereof and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms. The Trustee may rely conclusively upon such opinion as to such matters.

(d) If Noteholders of not less than the percentage of Notes required by this Section shall have consented to and approved the execution and delivery thereof as herein provided, no Noteholder shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner question the propriety of the execution and delivery thereof, or to enjoin or restrain the City or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Section 9.04. Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Indenture, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the City, the Trustee and all Noteholders owning Notes then Outstanding shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

ARTICLE X

Miscellaneous

Section 10.01. Defeasance. (a) If the City shall pay or cause to be paid to the Noteholders, the principal of and interest to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the pledge of any moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, 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 the Trustee shall pay over or deliver all moneys or securities held by it pursuant to this Indenture which are not required for the payment of Notes not theretofore surrendered for such payment. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Noteholders of all Outstanding Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Notes shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the City to the owners of such Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Notes or interest installments appertaining thereto shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section if (i) there shall have been deposited with or held by the Trustee either moneys in an amount which shall be sufficient, or noncallable, nonprepayable Government 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 at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on said Notes on and prior to the maturity date thereof, as the case may be, as certified by an independent certified public accountant acceptable to the Trustee, and (ii) in the event said Notes do not mature within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, by first class mail, postage prepaid, a notice to the Owners of such Notes that the deposit required by (ii) above has been made with the Trustee and that said Notes are deemed to have been paid in accordance with this Section and stating such maturity date upon which moneys are to be available for the payment of the principal of and interest on said Notes. Neither Government Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Notes; but any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Notes on and prior to such maturity date thereof, 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.

Section 10.02. Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the City, the Trustee and the Noteholders any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the City, the Trustee and the Noteholders.

Section 10.03. Severability. In case any one or more of the provisions of this Indenture or of the Notes issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or such Notes, and this Indenture and such Notes shall be construed and enforced as if such illegal or invalid provision or provisions had not been contained herein or therein.

Section 10.04. No Personal Liability of Officials of City. No covenant or agreement contained in the Notes or in this Indenture shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council nor any official executing the Notes shall be liable personally on the Notes or this Indenture or be subject to any personal liability or accountability by reason of the issuance of the Notes or the execution and delivery of this Indenture.

No member, official, officer, agent or employee, as such, of the City shall have any liability for any obligations of the City under the Notes or this Indenture or for any claim based on such obligations or their creation. Each Noteholder by accepting a Note shall waive and release all such liability. The waiver and release are part of the consideration for the issue of the Notes.

Section 10.05. Counterparts. This Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Indenture.

Section 10.06. Governing Law. The laws of the State shall govern the construction and enforcement of this Indenture and of all Notes issued hereunder.

Section 10.07. Notices. (a) Except as otherwise provided in this Indenture all notices, certificates, requests, requisitions or other communications by the City or the Trustee pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the City, at the Office of the Chief Financial Officer, Sixth Floor, 33 North LaSalle Street, Chicago, Illinois 60602, Attention: Chief Financial Officer, Telecopier: (312) 744-0014 and if to the Trustee, at 222 South Riverside Plaza, 25th Floor, Chicago, Illinois 60603, Attention: Corporate Trust Department, Telecopier: (312) 537-1009. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder, including without limitation, telephonic, facsimile or other similar forms of notice.

(b) The City shall promptly give notice of (i) the designation of any successor Trustee, (ii) any proposed amendment to this Indenture, (iii) any defeasance, or purchase for cancellation of all the Notes, or (iv) notice of any declaration under Section 7.02(b) of this Indenture, directly to: Moody's at 99 Church Street, New York, New York 10007, Attention: Structured Finance Group, and to S&P at 55 Water Street, 38th Floor, New York, New York 10041, Attention: Public Finance - Structured Finance Group, or to such other address as shall be provided to the City for such notice. In addition, the City shall also provide to each such

Rating Agency such additional information as either shall reasonably request in order to maintain the rating on the Notes.

Section 10.08. Business Days and Times. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

Section 10.09. Repealer. To the extent that any ordinances, resolution, rule, order or provision of the Municipal Code of Chicago, or part thereof, is in conflict with the provisions of this Indenture, the provisions of this Indenture shall be controlling. If any section, paragraph, clause or provision of this Indenture shall be held invalid, the invalidity of such section, paragraph, clause or provisions shall not affect any of the other provisions of this Indenture.

Section 10.10. Representations of Trustee. The Trustee hereby represents and warrants to the City that neither the Trustee 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 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.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the City of Chicago has caused this Indenture to be executed by its Chief Financial Officer, attested by its City Clerk and its corporate seal to be affixed hereto; and Deutsche Bank National Trust Company, 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 hereto, all as of the day and year first above written.

CITY OF CHICAGO

By: ______________________
Chief Financial Officer

(SEAL)

ATTEST:

By: ______________________
City Clerk

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee

(SEAL)

By: ______________________
Title:

By: ______________________
Title:

IN WITNESS WHEREOF, the City of Chicago has caused this Indenture to be executed by its Chief Financial Officer, attested by its City Clerk and its corporate seal to be affixed hereto; and Deutsche Bank National Trust Company, 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 hereto, all as of the day and year first above written.

CITY OF CHICAGO

By: ______________________________
Chief Financial Officer

(SEAL)

ATTEST:

By: ______________________________
City Clerk

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee

By: ______________________________
Title:

By: Katherine Cokic
Title:

Exhibit A
(Form of Note)

A. Forms Generally. The Notes, the Certificate of Authentication and the form of Assignment to be printed on each of the Notes shall be substantially in the forms set forth in this Exhibit A, with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Indenture, and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an Opinion of Bond Counsel) thereon as may, consistently herewith, be established by the City or determined by the officers executing such Notes as evidenced by their execution thereof. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

The definitive Notes shall be printed, lithographed, typewritten or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing such Notes as evidenced by their execution thereof, but any temporary Note may be typewritten or photocopied or otherwise reproduced.

B. Form of Note.

(Front Side)

REGISTERED NO. 1 PRINCIPAL AMOUNT
$__________

UNITED STATES OF AMERICA
STATE OF ILLINOIS
CITY OF CHICAGO
GENERAL OBLIGATION NOTE,
TAXABLE FIXED RATE SERIES 2011

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	__________, ____	__________, 2011	

Registered Owner: Cede & Co.

Principal Amount: ____ Dollars

The City of Chicago (the "City") hereby acknowledges itself to owe and, for value received, hereby promises to pay to the Registered Owner (named above) or registered assigns (such Registered Owner or assigns being referred to herein as the "Noteholder"), on the Maturity Date (identified above), as provided herein and in the Indenture as hereinafter defined, upon the presentation and surrender hereof as hereinafter set forth, the Principal Amount (stated above) and interest on said Principal Amount from and including the Dated Date (identified above) until payment of said Principal Amount has been made or duly provided for at the rate set forth above. The principal of this Note is payable at the Principal Office of Deutsche Bank National Trust Company, in the City of Chicago, Illinois, or its successors or assigns, as trustee (the "Trustee"). The interest so payable on any Interest Payment Date (as hereinafter defined) will, subject to certain exceptions provided in the Indenture, be paid to the person in whose name this Note is registered at the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date. Interest on this Note is payable by the Trustee in the manner provided in the Indenture.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this Note, do exist, have happened and have been performed in regular and due form and time as required by law.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the City of Chicago has caused the seal of the City to be impressed or reproduced hereon and this Note to be signed by the manual or facsimile signatures of the Mayor and Chief Financial Officer and attested by the manual or facsimile signature of the City Clerk.

CITY OF CHICAGO

By:______________________________
Mayor, City of Chicago

By:______________________________
Chief Financial Officer, City of Chicago

[SEAL]

Attest:

By:______________________________
City Clerk, City of Chicago

Date: ____________________________

CERTIFICATE OF AUTHENTICATION

This is to certify that this Note is one of the Notes described in the within mentioned Indenture.

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Trustee

By:______________________________
Authorized Signature

Date: ____________________________

[DTC LEGEND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

(Form of Note - Reverse Side)

1. Authorization. This Note is one of the duly authorized General Obligation Notes, Taxable Fixed Rate Series 2011 of the City of Chicago (the "Notes"), issued under and pursuant to the City's powers as a home rule unit under Article VII of the Illinois Constitution of 1970, and a Trust Indenture, dated as of November 1, 2011, from the City to the Trustee (the "Indenture"), for the purpose of providing funds to pay amounts appropriated for Chicago Public Library (Maintenance and Operation) Fund and Chicago Public Library (Building and Sites) Fund purposes for the year 2011.

2. Definitions. Any term used herein but not defined herein shall be defined as in the Indenture.

3. Source of Payments. This Note, and the issue of which it is a part, shall be direct and general obligations of the City for the payment of which, both principal and interest, the City pledges its full faith, credit and resources, and each such Note shall be payable from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, subject to the limitations of the City's Property Tax Limitation Ordinance, adopted by the City Council on March 8, 1993.

4. Interest Rate. Interest on the Notes will be paid at the rate set forth above.

Interest will be computed on the basis of a 360-day year of twelve 30-day months.

5. Interest Payment and Record Dates. Interest will accrue on the unpaid portion of the principal of this Note from the date of authentication hereof, if authenticated on an Interest Payment Date to which interest has been paid, or from the last preceding Interest Payment Date to which interest has been paid hereon (or the date of original issuance of this Note if no interest hereon has been paid) in all other cases, until the entire principal amount of this Note is paid. Interest will be paid on each June 5, 2012 and at maturity to the Noteholders of record on the Record Date.

6. Method of Payment. Noteholders must surrender Notes to the Trustee to collect principal. All payments of interest on the Notes shall be paid by the Trustee to Noteholders of record as shown on the registration books kept by the Trustee on the applicable Record Date. Such interest shall be paid on the Interest Payment Date or special interest payment date, as applicable, in immediately available funds pursuant to instructions given in accordance with the provisions of the Indenture, or if no instructions are given as aforesaid, by clearinghouse funds check or draft mailed on the Interest Payment Date or special interest payment date, as applicable, to the persons entitled thereto at such address appearing on the registration books of the Trustee or at such other address as has been furnished to the Trustee in writing by such person. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment on the Notes 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.

7. No Redemption of Notes Prior to Maturity. The Notes are not subject to redemption prior to maturity.

8. Denominations; Transfer; Exchange. The Notes are issuable in fully registered form in Authorized Denominations. A holder may transfer or exchange Notes in accordance with the Indenture. The Trustee may exchange Notes in accordance with the Indenture. The Trustee may require a Noteholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or other governmental charges required by law or permitted by the Indenture. The Notes may be exchanged for other Notes at the Principal Office of the Trustee upon the terms set forth in the Indenture.

9. Persons Deemed Owners. The registered Noteholder of this Note shall be treated as the owner of this Note for all purposes.

10. Unclaimed Money. If moneys for the payment of principal, interest or purchase price remain unclaimed for two years after such funds have become due and payable, the Trustee will, upon the request of the City, pay such moneys to or for the account of the City. Thereafter, Noteholders entitled to such moneys must look only to the City and not to the Trustee for payment, unless an abandoned property law of the State designates another person.

11. Amendment and Supplement, Waiver. Subject to certain exceptions, the Indenture may be amended or supplemented, with the consent of the holders of 60 percent in aggregate principal amount of the Notes then Outstanding. Without the consent of any Noteholder, the City and the Trustee may enter into amendments or supplements to the Indenture as provided in the Indenture to, among other purposes, cure any ambiguity, omission, formal defect or inconsistency, or to make any change that does not materially adversely affect the rights of any Noteholder.

12. Defaults and Remedies. The Indenture provides that the occurrences of certain events constitute Events of Default. If certain Events of Default occur, the Trustee may, and at the written request of a majority in aggregate principal amount of the Notes shall, declare the principal of all the Notes to be due and payable immediately. An Event of Default and its consequences may be waived as provided in the Indenture. Noteholders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority in aggregate principal amount of the Notes may direct the Trustee in its exercise of any trust or power.

13. No Recourse Against Others. No member, official, officer, agent or employee, as such, of the City shall have any liability for any obligations of the City under the Notes or the Indenture or for any claim based on such obligations or their creation. Each Noteholder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

No covenant or agreement contained in the Notes or in the Indenture shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the City in his or her individual capacity, and neither the members of the City Council nor any official executing the Notes shall be liable personally on the Notes or the Indenture or be subject to any personal liability or accountability by reason of the issuance of the Notes or the execution and delivery of the Indenture.

14. Authentication. This Note shall not be valid until the Trustee executes the certificate of authentication on this Note.

15. Abbreviations. Customary abbreviations may be used in the name of a Noteholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

[FORM OF ASSIGNMENT]

I/we assign and transfer to

Insert social security or other identifying number of assignee

[________________________________]

[________________________________]

____

____

(Print or type name, address and zip code of assignee) this Note and irrevocably appoint

______________________________ as agent to transfer this Note on the books of the City. The

agent may substitute another to act for such agent.

Dated: ____

Signed: ____

(Sign exactly as name appears on the other side of this Note)

Signature guaranteed: ____

NOTE PURCHASE AGREEMENT

$70,425,000
CITY OF CHICAGO
General Obligation Notes
Taxable Fixed Rate Series 2011

October 25, 2011

City of Chicago
Department of Finance
Room 600
33 North LaSalle Street
Chicago, Illinois 60602
Attention: Chief Financial Officer

Ladies and Gentlemen:

The undersigned, Wells Fargo Bank, National Association (the "Representative"), on behalf of itself and the other underwriters listed in **Schedule I** attached hereto (the "Underwriters"), hereby offers to enter into this Note Purchase Agreement (the "Agreement") with the City of Chicago (the "City"), for the purchase by the Underwriters, and sale by the City, of all but not less than all of the Notes specified below. This offer is made subject to acceptance by the City on or before 5:00 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 authorized, and hereby represents and warrants that it is 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, as a municipal securities dealer.

1. Agreement to Sell and Purchase. Upon the terms and conditions and based 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, $70,425,000 aggregate principal amount of the City's General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes"), at the purchase price of $70,425,000 (being 100 percent of the original principal amount of the Notes). The Notes shall have the maturities and initially shall bear interest as set forth in **Exhibit A.**

2. The Trust Indenture and the Ordinance. The Notes will be issued and secured under and have such terms and conditions as are provided in a Trust Indenture dated as of November 1, 2011 (the "Indenture"), from the City to Deutsche Bank National Trust Company,

Chicago, Illinois, as trustee (the "Trustee"), which was authorized by the ordinance of the City adopted by the City Council of the City (the "City Council") on May 4, 2011 (the "Ordinance").

3. Public Offering Price. The Underwriters have agreed to make a *bona fide* public offering of the Notes at par. The Representatives will provide the City and Co-Bond Counsel (as hereinafter defined) with a closing certificate (the "Reoffering Certificate") confirming the reoffering prices of the Notes. The Underwriters acknowledge that the City will rely on the Reoffering Certificate and that such reliance is material to the City in entering into this Agreement.

4. The Official Statement. (a) Attached hereto as **Exhibit B** is a copy of the Official Statement of the City, dated the date hereof, relating to the Notes (the "Official Statement"). For purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"). The Preliminary Official Statement dated October 19, 2011, as supplemented by a Supplement to Preliminary Official Statement dated October 24, 2011 (the "Preliminary Official Statement"), is "deemed final" by the City as of its date except for the omission of certain information as indicated therein by blanks and certain information set forth therein and referred to therein as preliminary and subject to change.

(b) Promptly after the City's acceptance hereof, the City shall deliver, or cause to be delivered, to the Representative the Official Statement of the City, dated the date hereof, relating to the Notes, signed on behalf of the City by the Mayor or the Chief Financial Officer and the Official Statement so delivered shall be "final" for purposes of the Rule. The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) one (1) business day prior to the date of Closing, in order to permit the Underwriters to comply with Rule 15c2-12 of the SEC, and the applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"), with respect to distribution of the Official Statement. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the date of Closing to enable the Underwriters to comply with MSRB Rule G-32.Capitalized terms not defined herein shall have the meanings ascribed to them in the Official Statement.

If on or prior to the Closing (as defined in Paragraph 8 herein) or within 25 days after the "end of the underwriting period" any event known to the City relating to or affecting the City, the Ordinance or the Notes 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, reasonable 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 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 Notes 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 Closing, unless the Underwriters otherwise notify the City in writing prior to 25 days after the date of Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Notes, 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 Notes but in any event no longer than 60 days after the date of Closing.

At or prior to the Closing, the Representative shall file in compliance with the rules of the SEC and the MSRB, or cause to be filed, the Official Statement with the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure ('EMMA") or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

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, organized and existing under the Constitution and the laws of the State of Illinois.

(b) The City Council has: (i) duly adopted the Ordinance, which remains in full force and effect, and authorized and approved execution of the Continuing Disclosure Undertaking pursuant to Section (b)(5) of the Rule, dated the date of Closing (the "Continuing Disclosure Undertaking") and the Indenture (referred to collectively as the "Related Agreements"); (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof and the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Notes; and (iii) duly authorized and approved the execution and delivery of the Notes and this Agreement.

(c) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement and each of the Related Agreements; (iii) issue, sell and deliver the Notes to the Underwriters pursuant to the Ordinance and the Indenture and as provided in this Agreement; and (iv) pay the Notes from the sources pledged under the Ordinance and the Indenture for their payment.

(d) The adoption of the Ordinance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement, the Notes and the Indenture will not, in a material manner, 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, 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 bound.

(e) 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 Notes and the Related Agreements have been obtained or made.

(f) Between the date of this Agreement and the Closing, to the best of the City's knowledge, the City shall not have suffered any material adverse change in its condition, financial or otherwise.

(g) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operation of the City as of the date and for the period therein set forth 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.

(h) The Official Statement (excluding any descriptions of The Depository Trust Company ("DTC"), information under the captions "THE NOTES – Book-Entry System," "RATINGS," "UNDERWRITING," "TAX MATTERS," Appendix D thereto, information sourced in Appendices A and B to sources other than the City or departments thereof and information furnished by 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.

(i) This Agreement and the Related Agreements, 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).

(j) When delivered to the Representative and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Notes will be duly authorized, executed and delivered and will constitute 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).

(k) There is no action, suit or proceeding, at law or in equity, or before or by any 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 the validity or enforceability of the Notes, the Ordinance, this Agreement or the Related Agreements.

(l) Any certificate signed by any official of the City and delivered to the Representative at the Closing in connection with the issuance or sale of the Notes shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein.

(m) The City acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction between the City and the Underwriters in which each of the Underwriters is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriters 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 any of the Underwriters or their affiliates have provided other services or are currently providing other services to the City on other matters); (iii) the only obligations the Underwriters have to the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

6. 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 Notes 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 paragraph 6(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 will apply the proceeds of the Notes in accordance with the Ordinance and the Indenture.

7. Interests of City Officials. (a) Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapters 2-56 and 2-156 of the Municipal Code of Chicago (the "Code"). The parties hereto acknowledge and agree that pursuant to Section 2-156-030(b) of the Code, it is illegal for any elected official of the City, or any person acting at the direction of such official, to contact, either orally or in writing, any other City official or employee with respect to any matter involving any person with whom the elected official has a business relationship, or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving the person with whom an elected official has a business relationship. Violation of Section 2-156-030(b) of the Code by any elected official with respect to this Agreement shall be grounds for termination of this Agreement. The term "business relationship" shall be defined as set forth in Section 2-156-080 of the Code.

8. Closing. Subject to the conditions set forth in this Agreement, the closing (the "Closing") of the sale of the Notes by the City and the purchase of the Notes by the Underwriters shall take place at approximately 9:00 a.m. Chicago time, on November 1, 2011, at the offices of Katten Muchin Rosenman LLP, 525 W. Monroe, Suite 1900, 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, for the account of the Underwriters one fully registered Note certificate in the aggregate principal amount of $70,425,000 registered in the name of Cede & Co., as nominee for DTC.

(b) Upon the delivery of the Notes to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in paragraph 9(d) below. The Representative will accept delivery of the Notes and pay the purchase price therefor at the Closing in accordance with paragraph 8(c) below.

(c) The Underwriters agree at Closing to deliver a federal funds check or make a federal funds wire transfer or otherwise confirm deposit of same day funds to the City's account at a bank it specifies, in an amount equal to the purchase price of the Notes pursuant to paragraph 1 hereof. The City agrees to make a federal funds wire transfer to the Underwriters at the Closing in the amount of $109,387.63 representing their compensation for the underwriting of the Notes pursuant hereto.

9. Reliance and Further Conditions of 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, this Agreement and the Related Agreements shall be in full force and effect and this Agreement, 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 paragraph 4 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinion of Katten Muchin Rosenman LLP, Chicago, Illinois and Cotillas and Associates, Chicago, Illinois, as Co-Bond Counsel, shall be necessary in connection with the transactions contemplated hereby and thereby.

(b) Evidence that Moody's Investors Service, Inc. ("Moody's") has assigned to the Notes a rating of at least "Aa3," Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned to the Notes a rating of at least "A+" and Fitch, Inc. ("Fitch") has assigned to the Notes a rating of at least "AA-" and none of such ratings shall have been qualified or lowered on or prior to the Closing if such qualification or lowering, in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Notes.

(c) The Underwriters shall have the right to cancel their obligations to purchase the Notes 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 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 Notes, or any similar obligations of any similar public body of the general character of the City, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Notes to be registered under the Securities Act of 1933, as amended, or the enactment of the Ordinance or any ordinance of similar character is in violation of the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Notes as contemplated hereby or by the Official Statement or of obligations of the general character of the Notes, or

(ii) 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 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 paragraph 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

(iii) any ratings on the City's general obligations shall be downgraded or suspended or placed on Credit Watch by S&P, placed on Watchlist by Moody's, or placed on Rating Watch by Fitch, which in the Representative's reasonable opinion, materially adversely affects the market price or marketability of the Notes, or

(iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., 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., whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction, or

(v) a general banking moratorium shall have been declared by either federal or Illinois or New York authorities having jurisdiction and be in force, or

(vi) any legislation, ordinance, rule or regulation shall be enacted by the City or department or agency of 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 Notes, or

(vii) 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 Notes, or

(viii) 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 Notes.

(d) At the Closing, the Underwriters shall receive the following documents:

(i) the approving opinions, dated the date of the Closing, of Co-Bond Counsel, addressed to the City and substantially in the form attached to the Official Statement as Appendix D, and the letters of such counsel, dated the date of Closing addressed to the Representative on behalf of the Underwriters;

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

(iii) if applicable, an opinion or 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, regarding the treatment of original issue discount under present federal income tax law, in a form satisfactory to the Representative and its counsel;

(iv) an opinion, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of the Corporation Counsel of the City, substantially in the form attached hereto as **Exhibit D**;

(v) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Burke Burns & Pinelli, Ltd., Chicago, Illinois, Counsel for the Underwriters ("Underwriters' Counsel"), substantially in the form attached hereto as **Exhibit E;**

(vi) a certificate, dated the date of the Closing, signed by the Chief Financial Officer of the City, satisfactory to the Representative, to the effect that (A) the representations, warranties and agreements of the City herein are correct in all material respects as of the date of the Closing; and (B) to the best of the Chief Financial Officer's knowledge, there has been no material adverse change in the financial condition of the City since December 31, 2010, as reflected in Appendix C to the Official Statement except as disclosed in the Official Statement;

(vii) a certificate, dated the date of the Closing, signed by the Chief Financial Officer of the City to the effect that the issuance, sale and delivery of the Notes is not expected to cause property taxes in any year to exceed any limitation on the amount of such taxes provided in the Chicago Property Tax Limitation Ordinance, adopted by the City Council on March 8, 1993, as amended;

(viii) a certificate of the Trustee, dated the date of Closing, to the effect that such bank has full legal right, power and authority to act as Trustee;

(ix) an executed copy of the Continuing Disclosure Undertaking substantially in the form previously approved by the Representative; and

(x) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Notes; and

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 provisions hereof if, but only if, they are in form and substance satisfactory to the Representative in its reasonable judgment. Payment for the Notes and acceptance of the Notes by the Underwriters shall constitute acknowledgement by the Underwriters of the City's full performance hereunder.

If the City shall be 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. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, all 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 and the Official Statement, as well as the cost of shipping the Official Statement; (b) the cost of the preparation and printing of the Notes; (c) the CUSIP Service Bureau charges; (d) the fees and disbursements of Co-Bond Counsel; (e) the fees and disbursements of any experts or consultants retained by the City; (f) the fees of DTC and the Trustee; (g) the fees for the municipal bond ratings on the Notes; and (h) the fees and expenses of Underwriters' Counsel. The Underwriters will pay the expenses incurred by them or any of

them in connection with their public offering and distribution of the Notes, including, but not limited to, advertising expenses directly incurred by the Underwriters.

11. 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 on the cover page of this Agreement, and any such notice or other communication to be given to the Underwriters shall be given by delivering the same in writing to the Representative:

Wells Fargo Securities
230 West Monroe St., Suite 2450
Chicago, IL 60606
Attention: Victor Chang, Director and Regional Manager

12. 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 the Underwriters), and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters and shall survive the delivery of and payment for the Notes.

13. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with, the laws of the State of Illinois, including, without limitation, those laws applicable to contracts made and to be performed in the State of Illinois, without giving effect to the conflict of laws provisions thereof.

14. Representations and Warranties of the Underwriters.

(a) The Underwriters represent and warrant that they have heretofore authorized the Representative to execute any document on behalf of or exercise any authority of, and otherwise to act for, the Underwriters 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: (a) it is duly registered under the Securities Exchange Act of 1934, as amended (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, (b) it is (i) a member in good standing of the National Association of Securities Dealers, Inc. ("NASD") or (ii) otherwise eligible under NASD rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (c) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers bonds for sale. 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.

(b) To the knowledge of the Underwriters, no person holding office of the City, either by election or appointment, is in any manner financially interested, either directly in the officer's own name or indirectly in the name of any other person, association, trust or corporation, in any contract being entered into or the performance of any work to be carried out in connection with the issuance and sale of the Notes upon which said officer may be called upon to act or vote; provided, however, that nothing in this paragraph 14(b) shall give rise to a cause of action by the Underwriters against the City.

(c) 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 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, the List of Statutorily Debarred Parties and the Excluded Parties List. Such representation shall be provided to the City in the form attached hereto as **Exhibit F**.

*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.*

15. Successors and Assigns. This Agreement shall 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 Note or Notes 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 in question 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 whatever.

17. 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.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Note Purchase Agreement in connection with the City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
As Representative of the Underwriters identified in Schedule I hereto.

By: ______________________
Victor Chang
Director and Regional Manager

Accepted by the City:

CITY OF CHICAGO

By: ______________________
Lois A. Scott
Chief Financial Officer

Concurred:

By: ______________________
Edward M. Burke
Chairman, Committee on
Finance of the City Council

SCHEDULE I

THE UNDERWRITERS

The Representative:

Wells Fargo Bank, National Association
Midwest Region Public Finance
230 West Monroe St., Suite 2450
Chicago, IL 60606

Gardner Rich LLC
401 South Financial Place
Chicago, IL 60605

EXHIBIT A

Taxable Fixed Rate Series 2011 Notes

Principal Amount	Interest Rate Determination Method	Rate	Maturity Date
$70,425,000	Fixed Rate Mode	0.80%	December 5, 2012

EXHIBIT B

OFFICIAL STATEMENT

[See Tab No. ____ of Transcript]

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

November __, 2011

City of Chicago
Chicago, Illinois 60602

Wells Fargo Bank, National Association
as Representative of the Underwriters listed in the
Note Purchase Agreement dated October 25, 2011
230 West Monroe St., Suite 2450
Chicago, IL 60606

Re: CITY OF CHICAGO
General Obligation Notes, Taxable Fixed Rate Series 2011

Ladies and Gentlemen:

This opinion is furnished pursuant to Paragraph 9(d)(ii) of the Note Purchase Agreement dated October 25, 2011 (the "Note Purchase Agreement") between the City of Chicago (the "City") and the Underwriters with respect to the sale by the City of its $70,425,000 principal amount of General Obligation Notes, Taxable Fixed Rate Series 2011. Terms used herein that are defined in the Note Purchase Agreement shall have the meanings set forth therein unless otherwise defined herein.

We have examined a transcript of proceedings pertaining to the Notes, including executed copies of the Note Purchase Agreement, the Indenture and the Official Statement, dated October 25, 2011 (the "Official Statement"), as well as a certified copy of the ordinance adopted by the City Council of the City (the "City Council") on May 4, 2011 (the "Ordinance"), authorizing issuance of the Notes, and on the basis of such examination and a review of such other information, records and documents as was deemed necessary or advisable, we are of the opinion that:

1. We have reviewed the Official Statement and are of the opinion that the material under the headings "THE NOTES (other than under the heading "THE NOTES – Book-Entry System")," "SECURITY FOR THE NOTES – General Obligation of the City," and "THE INDENTURE," presents fair and accurate summaries of the information summarized therein to the extent such purport to summarize the Indenture and the Notes. Nothing has come to our attention which would lead us to believe that the Official Statement (other than the financial statements and other financial and statistical data contained in the Official Statement or appended thereto, the information concerning The Depository Trust Company and its book entry system under the caption "THE NOTES - Book Entry System," as to which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact

required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. The Notes are exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and accordingly, the offer and sale thereof do not require registration under said Act and no ordinance or indenture in respect of the Notes is required to be qualified pursuant to the Trust Indenture Act of 1939, as amended. It is not necessary in connection with the initial public offering and sale of the Notes to register any security under the Securities Act of 1933.

3. The Note Purchase Agreement and the Related Agreements have each been duly authorized, executed and delivered by the City, and, assuming the due authorization and execution of such agreements by the other parties thereto, constitute valid and binding agreements on the part of the City, enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by (i) applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally or (ii) by principles of public or governmental policy limiting the enforceability of indemnification provisions. In addition, the availability of equitable remedies may be subject to the discretion of the court.

Respectfully submitted,

EXHIBIT D

FORM OF OPINION OF CORPORATION COUNSEL

November __, 2011

Wells Fargo Bank, National Association
as Representative of the Underwriters listed in the
Note Purchase Agreement dated October 25, 2011
230 West Monroe St., Suite 2450
Chicago, IL 60606

Deutsche Bank National Trust Company
222 South Riverside Plaza, 25th Floor
Chicago, Illinois 60606

Re: $70,425,000 City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 9(d)(iv) of the Note Purchase Agreement dated October 25, 2011 (the "Note Purchase Agreement") between the City of Chicago (the "City") and Wells Fargo Bank, National Association, as representative of a group of underwriters, respecting the purchase of $70,425,000 City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes"), which are being issued pursuant to an ordinance adopted by the City Council of the City (the "City Council") on May 4, 2011 (the "Ordinance"), and a Trust Indenture dated as of November 1, 2011 (the "Indenture") from the City to Deutsche Bank National Trust Company, Chicago, Illinois, as trustee (the "Trustee").

In connection with the issuance of the Notes, I have caused to be examined a certified copy of the record of proceedings of the City Council pertaining to the issuance of the Notes by the City, the Official Statement dated October 25, 2011 (the "Official Statement") relating to the Notes, and executed counterparts of the Indenture, the Note Purchase Agreement, and a Continuing Disclosure Undertaking, dated the date hereof, pursuant to the requirements of Section (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission (the "Continuing Disclosure Undertaking") (collectively, said Note Purchase Agreement, Indenture, and Continuing Disclosure Undertaking shall be referred to as the "City Agreements").

On the basis of such examination and review of such other information, records and documents as was deemed necessary or advisable, I am of the opinion that:

1. The City is a home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois with full power and authority, among other things, to adopt the Ordinance, to authorize, issue and sell the Notes and to execute the City Agreements.

2. The City Agreements and the Official Statement have been duly authorized, executed and delivered by, and the Ordinance has been duly adopted by, the City, and, assuming the due execution and delivery by the other parties thereto, as appropriate, such instruments constitute legal and valid obligations of the City in each case enforceable in accordance with their respective terms except as may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies, the availability of equitable remedies generally and by principles of public or governmental policy limiting the enforceability of indemnification provisions.

3. To my knowledge, compliance with the provisions of the Notes, the Ordinance and the City Agreements does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

4. To my knowledge, all approvals, consents and orders of and filings (except with respect to state "blue sky" or securities laws) with any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to the performance by the City of its obligations under the Ordinance, the Notes and the City Agreements have been obtained.

5. There is no litigation or proceeding pending, or to my knowledge, threatened, materially affecting the existence of the City or seeking to restrain or enjoin the issuance, sale or delivery of the Notes, or contesting the validity or enforceability of the Notes, the Ordinance or the City Agreements, or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Notes, the Ordinance or the City Agreements.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding any descriptions of The Depository Trust Company, information under the captions "THE NOTES – Book-Entry System, "RATINGS," "UNDERWRITING," "TAX MATTERS," Appendix D, information sourced in Appendices A and B to sources other than the City or departments thereof, information furnished by the Underwriters for use in the Official Statement, the financial statements in Appendix C and all other financial and statistical data contained in the Official Statement, including the Appendices thereto, as to all of which no opinion is expressed) 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.

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 of America, 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.

Very truly yours,

Stephen R. Patton, Esq.
Corporation Counsel

EXHIBIT E

FORM OF OPINION OF UNDERWRITERS' COUNSEL

November __, 2011

Wells Fargo Bank, National Association
as Representative of the Underwriters listed in the
Note Purchase Agreement dated October 25, 2011
230 West Monroe St., Suite 2450
Chicago, IL 60606

**Re: $70,425,000 City of Chicago
General Obligation Notes,
Taxable Fixed Rate Series 2011**

Ladies and Gentlemen:

We have acted as counsel to the Underwriters in connection with the issuance by the City of Chicago, Illinois (the "City"), of its $70,425,000 aggregate original principal amount of General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes"), which are being delivered to the Underwriters on the date hereof pursuant to the Note Purchase Agreement dated October 25, 2011 (the "Note Purchase Agreement") by and among the Underwriters and the City. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Note Purchase Agreement.

In rendering this opinion, we have examined:

(i) the Note Purchase Agreement;

(ii) the Official Statement;

(iii) the Ordinance;

(iv) the Indenture;

(v) the Continuing Disclosure Undertaking;

(vi) the legal opinions, agreements and certificates delivered pursuant to Section 9(d) of the Note Purchase Agreement; and

(viii) 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 (except those of the Underwriters). 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. 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 against each party 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 Notes 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 Notes to register any security under the Securities Act and no ordinance or indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended.

2. The Continuing Disclosure 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.

3. The statements contained in the Official Statement under the caption "UNDERWRITING" insofar as such statements purport to summarize or describe certain provisions of the Note Purchase Agreement or the Continuing Disclosure Undertaking, as the case may be, constitute a fair and accurate summary of such provisions.

As indicated above, we examined various documents and participated in conferences with representatives of the City, Co-Bond Counsel and the Underwriters 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 Appendices thereto (excluding the financial statements and other financial and statistical data contained in the Official Statement including that which is provided in Appendices B and C, the information contained in Appendix D, and the information concerning DTC and its book-entry system, as to which no view is expressed), contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in 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 government agency or any other person, without our 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. We consent to the inclusion of this opinion in closing transcripts prepared for the Notes.

Very truly yours,

EXHIBIT F

REPRESENTATION LETTER FROM UNDERWRITERS

REPRESENTATION LETTER

City of Chicago
Department of Finance
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602
Attn.: Deputy Comptroller of Financial Policy

Wells Fargo Bank, National Association
as Representative of the Underwriters listed in the Note Purchase Agreement dated October 25_, 2011
230 West Monroe St., Suite 2450
Chicago, IL 60606

Pursuant to the Note Purchase Agreement dated October 25, 2011 (the "Purchase Agreement") among the City of Chicago (the "City") and Wells Fargo Bank, National Association, as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the $70,425,000 City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes"), each of the undersigned Underwriters severally represents to the City and the Representative 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 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, the List of Statutorily Debarred Parties and the Excluded Parties 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.*

(2) The undersigned Underwriters agree 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 Closing (as defined in the Purchase Agreement) with respect to the Notes, that Underwriter shall be deemed to have submitted to the Representative an Exhibit C to the Agreement Among Underwriters (Instructions, Terms And Acceptance) dated October 20, 2011, Withdrawal From Agreement Among Underwriters.

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 to be executed by their duly authorized representatives as of the date written below.

Dated: __________, 2011.

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: ____________________
Its: ____________________

GARDNER RICH LLC

By: ________________
Its: ________________

NEW ISSUE - GLOBAL BOOK ENTRY **RATINGS: See "Ratings" herein.**

Interest on the Notes is includible in gross income for federal income tax purposes. Interest on the Notes is not exempt from Illinois income taxes. See "TAX MATTERS" herein for a description of other tax considerations.

$70,425,000

CITY OF CHICAGO

General Obligation Notes

Taxable Fixed Rate Series 2011

Dated: Date of Delivery **Interest Rate: 0.80%** **Price: 100%** **Due: December 5, 2012**

CUSIP: 167486 MS5

The General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes") will be issuable as fully registered notes and will be registered 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 Notes. Purchasers of the Notes will not receive certificates representing their interests in the Notes purchased. Ownership by the beneficial owners of the Notes will be evidenced by book-entry only. Principal of and interest on the Notes will be paid by Deutsche Bank National Trust Company, Chicago, Illinois, as trustee (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 Notes. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Notes will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE NOTES - Book-Entry System."

The Notes are direct and general obligations of the City of Chicago (the "City"). The City has pledged its full faith, credit and resources to the payment of the Notes, except to the extent the City's authority to levy property taxes in any year is limited by the Tax Limitation Ordinance. See "SECURITY FOR THE NOTES."

The Notes will bear interest at the interest rate per annum shown above, payable on June 5, 2012 and at maturity. The Notes are not subject to redemption prior to their maturity.

The Notes are offered for delivery when, as and if issued and subject to the approval of Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the City by its Corporation Counsel, and for the Underwriters by their counsel, Burke Burns & Pinelli, Ltd., Chicago, Illinois. It is expected that the Notes will be delivered through the facilities of DTC on or about November 1, 2011.

WELLS FARGO SECURITIES **GARDNER RICH LLC**

Dated: October 25, 2011

CITY OF CHICAGO

MAYOR
Rahm Emanuel

CITY TREASURER
Stephanie D. Neely

CITY CLERK
Susana A. Mendoza

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Lois A. Scott

CITY COMPTROLLER
Amer Ahmad

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

CO-BOND COUNSEL
Katten Muchin Rosenman LLP
Chicago, Illinois

Cotillas and Associates
Chicago, Illinois

FINANCIAL ADVISOR
ComCap Advisors, a division of Community Capital
Chicago, Illinois

TABLE OF CONTENTS

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 have reviewed the information in this Official Statement in accordance with and as part of their 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 and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. 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 Notes.

This Official Statement, including the Appendices, contains certain opinions, estimates and forward-looking statements and information, including projections, 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 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 contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, 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.

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THE OFFERING OF THE NOTES THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES 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 NOTES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE NOTES ARE RELEASED FOR SALE, AND THE NOTES MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE NOTES INTO INVESTMENT ACCOUNTS.

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OFFICIAL STATEMENT

$70,425,000

CITY OF CHICAGO
GENERAL OBLIGATION NOTES
TAXABLE FIXED RATE SERIES 2011

INTRODUCTION

This Official Statement (including the cover page and Appendices hereto) is furnished by the City of Chicago (the "City") to provide information with respect to the City's $70,425,000 aggregate principal amount of General Obligation Notes, Taxable Fixed Rate Series 2011 (the "Notes"). The Notes mature on December 5, 2012 and bear interest at the rate of eighty hundredths of one percent (0.80%) per annum to their maturity, payable on June 5, 2012 and at maturity. The Notes are not subject to redemption prior to their maturity.

The Notes are being issued pursuant to a Trust Indenture dated as of November 1, 2011 (the "Indenture") from the City to Deutsche Bank National Trust Company, Chicago, Illinois, as trustee (the "Trustee"). The Indenture and the issuance of the Notes are authorized by an ordinance adopted by the City Council of the City (the "City Council") on May 4, 2011 (the "Note Ordinance"). The proceeds derived from the sale of the Notes will be used to pay amounts appropriated for the year 2011 from the City's Chicago Public Library (Maintenance and Operation) Fund and Chicago Public Library (Building and Sites) Fund. See "THE INDENTURE - Use of Note Proceeds."

Certain capitalized terms used in this Official Statement shall have the meanings set forth under the heading "THE INDENTURE - Certain Definitions."

THE CITY

The City was incorporated in 1837. The City is a municipal corporation and home rule unit of local government under the Illinois Constitution of 1970 and as such, "may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt" except that it can "impose taxes upon or measured by income or earnings or upon occupation" only if authorized by statute.

The General Assembly of the State of Illinois (the "State") may, by a three-fifths vote of each house, limit the ability of a home rule municipality to levy taxes. The General Assembly may similarly limit the debt that the City may incur, except that the General Assembly does not have the power to limit the debt payable from property taxes to less than three percent of the assessed valuation of the taxable property in the City. To date, the General Assembly has not imposed limits on the City's ability to levy taxes under its home rule powers or to incur debt payable from real property taxes. See APPENDIX A – "Real Property Tax System and Limits – Property Tax Limits – State of Illinois."

For certain economic, demographic and budgetary information concerning the City, see APPENDIX E – "Economic, Demographic and Supplemental Information."

Corporate Fund

The Corporate Fund of the City is used to account for all financial resources of the City except those required to be accounted for in special revenue or enterprise funds. Information for the Corporate Fund is presented in the City's basic financial statements. The basic financial statements of the City for the year ended December 31, 2010 are included as APPENDIX C to this Official Statement.

2010 Corporate Fund Operations. Under generally accepted accounting principles, actual revenues and other financing sources of approximately $3,129.9 million exceeded expenditures and other financing uses of approximately $3,047.5 million for the City's fiscal year ending December 31, 2010. On December 31, 2010, the Corporate Fund balance was approximately $135.5 million including an unreserved balance of approximately $81.2 million.

2011 Corporate Fund Budget. The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6% of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full-time budgeted positions. See "Use of Nonrecurring Revenue Sources for Budgetary Purposes" below.

Use of Nonrecurring Revenue Sources for Budgetary Purposes. Due to severe economic conditions over recent years, the City has used nonrecurring revenue sources for budgetary purposes. This use has taken the form of expending asset concession reserves. The Skyway reserve funds (the "Skyway Reserves") were established in 2005 in the amount of $975 million from the upfront proceeds received by the City in connection with the closing of the long-term concession and lease of the Chicago Skyway. The parking meter system reserve funds (the "Parking Meter Reserves") were established in 2009 in the amount of $1.15 billion from the upfront proceeds received by the City in connection with the closing of the long-term concession of the Chicago Metered Parking System. In 2010, the City made a net transfer of approximately $458 million from the Skyway Reserves and the Parking Meter Reserves to the Corporate Fund to offset declining revenues. The 2011 Corporate Fund Budget makes certain changes to the 2010 transfers of concession transaction reserve proceeds and provides for the transfer of $288 million in Skyway Reserves and Parking Meter Reserves to the Corporate Fund. The balances in the concession transaction reserves at the end of fiscal year 2011 are expected to be $500 million for the Skyway Reserves and $112 million for the Parking Meter Reserves. The 2011 Corporate Fund Budget also reflects that the City will declare a surplus in 26 tax increment financing districts within the City and generate an expected amount of $40.2 million to the Corporate Fund for 2011.

2012 Corporate Fund Budget. On October 12, 2011, the Mayor submitted his proposed budget for fiscal year 2012 to the City Council. The Mayor's proposal provides for a Corporate Fund Budget of $3,086.6 million reflecting a decrease of $177.1 million or 5.4% compared to the 2011 Corporate Fund Budget. The City expects to pass a balanced 2012 Corporate Fund Budget before December 31, 2011. The proposed Corporate Fund Budget for 2012 balances a preliminary shortfall of $635.7 million by reducing costs, better managing resources, raising certain revenues and reducing Corporate Fund-budgeted positions by more than 2,100. See APPENDIX E – "Economic, Demographic and Supplemental Information – 2012 Budget Proposal."

Annual Budget Process

Prior to 2011, the Budget Director would prepare by August 1 of each year the Preliminary Budget Estimate Report for the following fiscal year. The Preliminary Budget Estimate Report included a statement of expenditures and revenues for the most recently completed calendar year, a statement of the amounts received and expended during the first six months of the current calendar year, an estimate of year-end expenditures and revenues for the current calendar year, and a statement of estimated expenditures and revenues for the following fiscal year. The Preliminary Budget Estimate Report forecast a gap (or surplus) of revenues versus expenses and set the stage for the formal budget process.

On May 20, 2011, Mayor Emanuel issued Executive Order 2011-7 (the "Executive Order"). Pursuant to the Executive Order, the Budget Director was directed to issue by July 31 a long-term budget and financial analysis (the "Annual Financial Analysis") to provide the framework for the development of the City's annual operating and capital budgets for the following fiscal year. The Annual Financial Analysis was directed to be developed by the Budget Director with input from the Mayor's Economic, Budgetary, and Business Development Council; the Deputy Mayor; the Chief Financial Officer; the City Comptroller; City departments and sister agencies; elected officials; and other relevant parties.

The Annual Financial Analysis includes an historical analysis of the City's revenues and expenditures, a financial forecast and analyses of the City's reserves, capital program, debt and pensions. The City released its Annual Financial Analysis for 2012 on July 29, 2011.

In developing an annual budget recommendation, the Budget Director considers the proposed annual budgets submitted by all the departments and agencies whose budgets will become part of the City's proposed budget for the following year. The final recommendation compiles a budget recommendation that balances expenditures to forecasted available resources detailed in the Annual Financial Analysis and is submitted to the Mayor. Once approved by the Mayor, it is then submitted as the Mayor's Recommendation to City Council for consideration through the City Council's Committee on Budget and Government Operations. The City's proposed budget may be changed by the City Council through amendments made in the Committee on Budget and Governmental Operations. The Committee and then the full City Council vote on the budget and any amendments.

When the City Council has approved the proposed annual budget as the annual appropriation ordinance, it is forwarded to the Mayor for approval. Should the Mayor veto the approved annual appropriation ordinance, the City Council, with a two-thirds vote, may override the veto. 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 must have a balanced budget approved by December 31 of the year preceding the budget year.

Collective Bargaining Agreements

The City has collective bargaining agreements with a coalition of various trade unions (including Laborers, Teamsters, Carpenters, and Electricians), representing approximately 6,600 employees. The agreements cover the period from July 1, 2007 through June 30, 2017, and provide for annual wage increases. The agreements were ratified by the City Council and went into effect on December 12, 2007.

The City also has a collective bargaining agreement with the Illinois Nurses Association, covering approximately 100 public health nurses employed by the City. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 14, 2008. The City also has a collective bargaining agreement with the American Federation of State, County and Municipal Employees, covering approximately 3,720 administrative, clerical, professional, human services and library employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on August 5, 2008.

The City remains in negotiations with the Public Safety Employees Bargaining Unit/Unit II (covering approximately 2,500 non-sworn, non-Fire Department public safety employees) for a successor agreement to the collective bargaining agreement covering the period July 1, 2007 through December 31, 2010, and which has remained in effect during negotiations for the successor agreement. The 2011 Corporate Fund budget includes funds for wage increases and anticipated wage increases with respect to this successor agreement.

The City reached agreements with the Police Lieutenants and Captains Associations on collective bargaining agreements covering approximately 222 Police Lieutenants and 49 Police Captains. Each agreement covers the period from July 1, 2007 through June 30, 2012. These two agreements were ratified by the City Council in February, 2010. The City concluded negotiations with the FOP, covering approximately 11,000 employees, and submitted the dispute to binding arbitration pursuant to the Illinois Public Labor Relations Act. In April 2010, the arbitrator issued his award, the terms of which were ratified by the City Council on June 30, 2010. The City also reached agreement with the Police Sergeants Association, and that agreement was also ratified by the City Council on June 30, 2010. The arbitrator's award for the FOP contract provides for wage increases effective in each of the years 2007 through 2012. The 2011 Corporate Fund budget includes funds for the 2011 wage increases mandated by the arbitrator's award. These same increases in base salary for the members of FOP will be applied to the three separate bargaining units representing approximately 1,180 Police Sergeants, 222 Police Lieutenants, and 49 Police Captains. The 2011 Corporate Fund budget includes funds for these increases in base salary for 2011 for the three separate bargaining units.

The City also has a collective bargaining agreement with the Chicago Fire Fighters Union, Local 2, covering approximately 5,000 employees. The agreement covers the period from

July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 9, 2011.

Pension Plans and Other Post-Employment Benefits

Pension Plans

Eligible City employees participate in one of four single-employer defined benefit pension plans (the "Pension Plans"). For a description of the Pension Plans and the Pension Plans' assets and liabilities, see APPENDIX C – "Basic Financial Statements for the Year Ended December 31, 2010 – Note (11)."

On January 1, 2011, Public Act 96-1495 (the "Pension Act") came into effect having been passed by the Illinois legislature and approved by the Governor. The Pension Act reduces pension benefits for Chicago police officers and firefighters hired after 2010. The Pension Act also requires that, starting in 2015, the City must levy a property tax in an annual amount sufficient to bring the total assets of the Policemen's Pension Fund and the Firemen's Pension Fund up to 90% of the total actuarial liabilities of such Funds by the end of 2040. As described in Note (11) to the City's Basic Financial Statements for the Year Ended December 31, 2010 (see APPENDIX C), the Policemen's Pension Fund contains assets, as of the end of 2010, whose actuarial value is 40% of such Fund's actuarial accrued liability and the Firemen's Pension Fund contains assets, as of the end of 2010, whose actuarial value is 33% of such Fund's actuarial accrued liability. Assuming the provisions of the Pension Act are not amended before 2015, the annual increase in the City's total property tax levy required by the Pension Act, beginning in 2015, is likely to be significant.

Other Post-Employment Benefits

In 1987, the City sued the Pension Plans with respect to the alleged obligation on the part of the City to provide healthcare benefits to certain retired City employees. The City maintained that it is not obligated to provide healthcare benefits to such employees. Certain retired employees intervened as a class in the litigation, and the Pension Plans countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into a settlement (the "Settlement"), the terms of which have been renegotiated over time. The Settlement expires on June 30, 2013. Pursuant to the Settlement, the City administers a single-employer defined benefit healthcare plan (the "Health Plan"), for which the City pays a portion of the costs. The Health Plan provides healthcare benefits for certain eligible retired City employees during the term of the Settlement (the "Settlement Period"). The Health Plan does not issue a publicly available financial report.

The City contributes, on a pay-as-you-go basis, the amount required to fund the City's share of current year costs for the Health Plan. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants plus their dependents was approximately $107.4 million.

The Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

("Statement 45"), was applied by the City for retiree healthcare benefits in its financial reports beginning in fiscal year 2007.

An actuarial valuation of the Health Plan under Statement 45 provided that the unfunded actuarial accrued liabilities for the Health Plan for the 2010 fiscal reporting period, based upon the valuation date of December 31, 2009, was $533.4 million.

These actuarial accrued liabilities represent the amount of healthcare benefits under the Health Plan, payable during the remainder of the Settlement Period and assume, among other things, that no health benefits are paid by the City on behalf of any retired City employees following expiration of the Settlement Period.

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). Pursuant to the Municipal Code, the City Treasurer 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 City Treasurer's office in the investment of City funds. See APPENDIX C – "Basic Financial Statements for the Year Ended December 31, 2010 – Notes (1) and (4)."

THE NOTES

General

The Notes will be dated the date of their original issuance and will mature on December 5, 2012. The Notes will be issued in fully registered form in the book-entry only system described below in denominations of $5,000 or integral multiples thereof. The Notes will bear interest at the rate of eighty hundredths of one percent (0.80%) to their maturity, payable on June 5, 2012 and at maturity. The Notes are not subject to redemption prior to their maturity.

The Notes will be initially registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Notes and the book-entry only system are described below under the subcaption "Book-Entry System." Except as described under the subcaption "Book-Entry System" below, beneficial owners of the Notes will not receive or have the right to receive physical delivery of Notes, and will not be, or be considered to be, the registered owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Participant (as defined below), the DTC Participant who will act on behalf of such beneficial owner to receive notices and payments of principal of and interest on the Notes, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a DTC Participant, such beneficial owner's DTC Participant, to evidence its beneficial ownership of the Notes. So long as DTC or its nominee is the registered owner of the Notes, references herein to Noteholders or owners of such Notes shall mean DTC or its nominee and shall not mean the beneficial owners of such Notes. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Note.

Principal and Interest Payments

The principal of each Note shall be payable upon surrender of such Note at the designated office of the Trustee. Payments of principal of the Notes shall be payable in immediately available funds except as provided in subparagraph (iv) in the following paragraph.

Each Note shall bear interest on the unpaid portion of the principal thereof, and be payable as to interest as follows:

(i) Each Note shall bear interest at the rate stated on the cover of this Official Statement from the date of authentication, if authenticated on an Interest Payment Date to which interest has been paid, or from the last preceding Interest Payment Date to which interest has been paid (or the date of original issuance of the Notes if no interest thereon has been paid) in all other cases.

(ii) Subject to the provisions of subparagraph (iii) below, the interest due on any Note on any Interest Payment Date shall be paid to the Noteholder of such Note as shown on the registration books kept by the Trustee on the applicable Record Date. The amount of interest so payable on any Interest Payment Date shall be computed by the Trustee on the basis of a 360-day year of twelve 30-day months.

(iii) If the available funds under the Indenture are insufficient on any Interest Payment Date to pay the interest then due, the regular applicable Record Date shall no longer be applicable with respect to the Notes. If sufficient funds for the payment of such overdue interest thereafter become available, the Trustee shall immediately establish a special interest payment date for the payment of the overdue interest and a special record date (which shall be a Business Day) for determining the Noteholders entitled to such payments. Notice of each date so established shall be mailed by the Trustee to each Noteholder at least 10 days prior to the special record date, but not more than 30 days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Noteholders, as shown on the registration books kept by the Trustee as of the close of business on the special record date.

(iv) All payments of interest on the Notes shall be paid to the persons entitled thereto pursuant to subparagraph (ii) or (iii) above by the Trustee on the Interest Payment Date or special interest payment date, as applicable, (A) upon instructions to the Trustee from such person entitled to payment in immediately available funds (by federal funds check or by deposit to the account of the owner of the Notes if such owner maintains an account with the Trustee or, upon request of any owner of Notes in the principal amount of $1,000,000 or more, by federal funds wire) on the Interest Payment Date or special interest payment date, as applicable, according to such instructions, or (B) if no instructions are given as aforesaid, by clearinghouse funds check or draft mailed on the Interest Payment Date or special interest payment date, as applicable, to the persons entitled thereto at such address appearing on the registration books of the Trustee or at such other address as has been furnished to the Trustee in writing by such person.

No Redemption of Notes

The Notes are not subject to redemption prior to their maturity.

Notes Not Presented for Payment

If any Note is not presented for payment when the principal thereof becomes due, either at maturity or otherwise, and if moneys sufficient to pay such Note are held by the Trustee for the benefit of the owner of such Note, the Trustee will hold such moneys for the benefit of the owner of such Note without liability to Noteholders for interest. The owner of such Note thereafter will be restricted exclusively to such funds for satisfaction of any claims relating to such Note. Any money deposited with and held by the Trustee for the payment of principal of or interest on any Note and unclaimed for two years after such principal or interest became due will, upon the written request of the City to the Trustee, be paid by the Trustee to the City. After that, the owner must look only to the City for payment of such unclaimed money.

Book-Entry System

The following information has been furnished by DTC for use in this Official Statement and neither the City nor any Underwriter takes any responsibility for its accuracy or completeness.

DTC will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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"). Direct Participants and Indirect Participants are collectively referred to as "Participants." DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at **www.dtcc.com**.

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes, unless authorized by a Direct Participant in connection with DTC's 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Notes 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 Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of 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 Direct and Indirect Participants.

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

Additional Information. For every transfer and exchange of the Notes, DTC, the Trustee and the Participants may charge the beneficial owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE NOTES, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE NOTES, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO THE NOTES, INCLUDING ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE NOTES.

The City is entitled to treat Owners as absolute owners of the Notes for the purpose of paying principal of and interest on the Notes.

In reading this Official Statement it should be understood that while the Notes are in the Book-Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Notes, but (a) all rights of ownership must be exercised through DTC and the Book-Entry System and (b) notices that are to be given to registered owners will be given only to DTC.

Transfer and Exchange

For the provisions relating to the registration and transfer of Notes while the Notes are in book-entry form, see "– Book-Entry System" above. The following provisions relate to the registration and transfer of Notes when the Notes are in certificated form.

The Notes shall be issued only in fully registered form. Upon surrender thereof at the designated office of the Trustee the Notes may, at the option of the owner of such Notes, be exchanged for an equal aggregate principal amount of Notes of any Authorized Denomination bearing interest at the same interest rate as the Note being surrendered.

The transfer of any Note shall be registered upon the books of the Trustee at the written request of the owner of such Notes, or the owner's attorney duly authorized in writing, upon surrender thereof at the designated office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee duly executed by the owner or the owner's duly authorized attorney. In all cases in which the privilege of exchanging Notes or registering the transfer of Notes is exercised, 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.

Registered Owner Treated as Owner

The City and the Trustee may deem and treat the registered owner of a Note as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of the principal of and interest on such Note and for all such other purposes, and neither the City nor the Trustee shall be affected by any notice to the contrary. All payments so made to any such owner shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

SECURITY FOR THE NOTES

General Obligation of the City

The Notes are direct and general obligations of the City and shall be payable, both as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose. The City has pledged its full faith, credit and resources to the payment of the Notes; except to the extent the City's authority to levy property taxes in any year is limited by the City Tax Limitation Ordinance (as defined below). See "– Property Tax Limits" below.

The City, under the Indenture, has created with the Trustee a trust fund (the "Note Fund") for the Notes. The City will deposit into the Note Fund those moneys payable by it in respect of the Notes (see "THE INDENTURE - Funds and Accounts"), and the Trustee shall disburse moneys therefrom to pay principal of and interest on the Notes.

Property Tax Limits

The City. In 1993, the City Council adopted an ordinance (the "City Tax Limitation Ordinance") limiting the City's aggregate property tax levy for any one year to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of five percent or the increase in the Consumer Price Index. The City Tax Limitation Ordinance also established a safe harbor amount for each year equal to a specified 1994 base amount increased annually by the lesser of five percent or the increase in the Consumer Price Index. See APPENDIX A – "Real Property Tax System and Limits – Property Tax Limits – The City." Concurrent with the issuance of the Notes, the Chief Financial Officer of the City will certify that the issuance of the Notes is not expected to cause taxes in any year to exceed the limits imposed by the City Tax Limitation Ordinance.

State of Illinois. The City continues to be excluded from property tax limits imposed by the State on non-home rule units of local government in Cook County and the five adjacent counties. The property tax limitations imposed by the State differ from those contained in the City Tax Limitation Ordinance. There can be no assurance that legislation applying such property tax limitations to the City will not be enacted by the Illinois General Assembly. For additional information, see "THE CITY" and APPENDIX A – "Real Property Tax System and Limits – Property Tax Limits-State of Illinois."

Additional General Obligation Debt

The City may issue from time to time other notes and bonds that are general obligation indebtedness of the City and that are secured by the full faith and credit of the City, which may or may not be subject to the provisions of the City Tax Limitation Ordinance. The City expects to issue its General Obligation Bonds, Series 2011 in the fourth quarter of 2011 in an aggregate principal amount not to exceed $500,000,000. Such Series 2011 General Obligation Bonds are expected to be issued with maturities exceeding ten years.

THE INDENTURE

In addition to the description of the provisions of the Indenture contained elsewhere herein, the following is a summary of certain provisions of the Indenture. This summary is not a complete description of the terms of the Indenture, and reference is made to the Indenture in its entirety for the detailed provisions thereof.

Certain Definitions

As used in this Official Statement, the following terms shall have the meanings set forth below unless the context shall clearly indicate that some other meaning is intended.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Business Day" means any day of the year on which banks located in the city in which is located the Principal Office of the Trustee are not required or authorized to remain closed and on which The New York Stock Exchange, Inc. is not closed.

"Interest Payment Date" means June 5, 2012 and the maturity date.

"Noteholder," "Owner" or "holder" means the person in whose name any Note is registered on the registration books of the City kept by the Trustee.

"Permitted Investments" means any of the following obligations or securities permitted under State law:

(i) interest-bearing general obligations of the United States, the State or the City;

(ii) United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below the face value of same, so as to afford the City a return on such investments in lieu of interest;

(iii) short-term discount obligations of the United States Government or United States Government agencies;

(iv) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State 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;

(v) banker's acceptances of banks and commercial paper of banks whose senior obligations are rated in the top two rating categories by two national rating agencies and maintaining such rating during the term of such investment;

(vi) tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;

(vii) domestic money market mutual funds, including those offered by the Trustee or an affiliate thereof, in good standing with the Commission; or

(viii) 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.

All securities so purchased, excepting tax anticipation warrants, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within two years from the date of purchase.

"Record Date" means the fifteenth day preceding each Interest Payment Date and the date 15 days prior to the maturity date.

Use of Note Proceeds

The proceeds derived from the sale of the Notes shall be deposited into the following funds of the City:

Fund	Amount
Chicago Public Library (Maintenance and Operation) Fund	$66,215,000
Chicago Public Library (Building and Sites) Fund	4,210,000
TOTAL	$70,425,000

and shall be used for the purpose of paying amounts appropriated for such respective funds for the year 2011.

Funds and Accounts

Note Fund. The Indenture provides that the City establishes with the Trustee a trust fund herein referred to as the "Note Fund." The City is required to deposit into the Note Fund amounts sufficient to provide for the payment of the principal of and interest on the Notes. Moneys deposited in the Note Fund shall, to the extent sufficient funds are available therein, be remitted by the Trustee to pay the principal of and interest on the Notes.

Pending the need for the moneys deposited in the Note Fund and upon the direction of the Chief Financial Officer, the Trustee shall invest such moneys in Permitted Investments. The income from such investments shall be credited to the Note Fund.

Pledge

Each Note shall be a direct and general obligation of the City and shall be payable, both as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose. The City has pledged its full faith, credit and resources to the payment of the Notes; except to the extent the City's authority to levy property taxes in any year is limited by the City Tax Limitation Ordinance. See "SECURITY FOR THE NOTES – Property Tax Limits" and APPENDIX A – "Real Property Tax System and Limits – Property Tax Limits."

Events of Default and Remedies

Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default:"

(i) a failure to pay the principal of the Notes when the same shall become due and payable at maturity, or otherwise;

(ii) a failure to pay an installment of interest on the Notes upon the day when the same shall become due; or

(iii) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (i) or (ii) above) contained in the Notes or in the Indenture on the part of the City to be observed or performed, which failure shall continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Trustee and the City by Noteholders owning not less than a majority in aggregate principal amount of Notes then outstanding.

Upon the occurrence and continuance of any Event of Default, the Trustee may, and at the written request of owners of Notes owning not less than a majority in aggregate principal amount of Notes then outstanding shall, by written notice to the City, declare the Notes to be immediately due and payable, and shall give notice thereof by mail to all owners of outstanding Notes.

Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the owners of Notes owning not less than a majority in aggregate principal amount of the Notes then outstanding and receipt of indemnity to its satisfaction shall, in its own name and as the trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the owners of Notes and require the City to carry out any agreements with or for the benefit of the owners of Notes and to perform its duties under the Indenture; (ii) bring suit upon the Notes; or (iii) by action or suit at law or in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of Notes.

If any proceeding taken by the Trustee to enforce any right under the Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee and the owners of Notes shall be restored to their former positions, and all rights, remedies and powers of each of such parties shall continue as though no such proceeding had been taken.

No owner of the Notes, in its capacity as such, shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Indenture, or any other remedy under the Indenture or the Notes, unless (i) such owner of Notes previously shall have given to the Trustee written notice of an Event of Default as above described; (ii) owners of Notes of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made written request of the Trustee to proceed to exercise its rights or powers under the Indenture after the Trustee's right to institute such suit, action or proceeding shall have accrued and the Trustee shall have been afforded a reasonable opportunity to institute the same; (iii) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred; and (iv) the Trustee shall not have complied with such request within a reasonable time.

The owners of Notes holding a majority in aggregate principal amount of the Notes then outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture or exercising any trust or power conferred on the Trustee by the Indenture; provided that (i) such direction shall not be in conflict with any rule of law or the

Indenture, (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iii) the Trustee need not take any action which might involve it in personal liability unless indemnified to its satisfaction or which might be unjustly prejudicial to the Noteholders not consenting to such direction.

Notwithstanding any other provision in the Indenture, the right of any owner of a Note to receive payment of the principal of and interest on such Note on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such owner.

Application of Moneys

Any moneys received by the Trustee, by any receiver or by any Noteholder pursuant to any right given or action taken under the provisions of the Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be deposited in the Note Fund and all moneys so deposited in the Note Fund during the continuance of an Event of Default (other than moneys for the payment of Notes which have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the Notes shall have been declared due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Notes, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of the Notes which shall have become due and, if the amount available shall not be sufficient to pay in full Notes due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Notes shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Notes, without preference or priority or principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of the Indenture described in paragraph (b) above which shall be applicable in the event that the principal of all the Notes shall later become due and payable, the moneys shall be applied in accordance with the provisions of the Indenture described in paragraph (a) above.

(d) Whenever moneys are to be applied as described under this heading, such moneys shall be applied at such times, and from time to time, as the Trustee 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. Whenever the Trustee shall apply such funds it shall fix the date (which shall be an Interest Payment Date unless it 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 notice of the deposit with it of any such moneys and of the fixing of any such date by notice by mail to all holders of outstanding Notes and shall not be required to make payment to any holder until such Note shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Events of Default

The Trustee may, at is discretion, waive any event of default under the Indenture and its consequences, and rescind any declaration of acceleration of the principal of all of the Notes, and shall do so upon the written request of the owners of (1) a majority in aggregate principal amount of the Notes then outstanding in respect of which default in the payment of principal or interest, or both, exists, or (2) a majority in aggregate principal amount of the Notes then outstanding in the case of any other default; provided, however, that there shall not be waived (a) any event of default in the payment of the principal of any outstanding Notes at the date of stated maturity, or (b) any default in the payment when due of the interest on any such Notes, unless, prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal at the rates borne by such Notes, and expenses of the Trustee in connection with such default shall have been paid, and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the City, the Trustee and the owners of the Notes shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Resignation or Removal of the Trustee; Successors

The Trustee may resign by giving not fewer than 45 days' written notice to the City and not fewer than 21 days' notice (by first-class mail) to the owners of Notes. Such resignation shall take effect on the date specified, but only if a successor Trustee shall have been appointed and shall have accepted the duties of the Trustee under the Indenture. In the absence of the appointment of a successor within a period of 90 days following the giving of notice by the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor. The City may remove the Trustee at any time prior to an Event of Default, which removal shall become effective 30 days (or such longer period as may be determined by the City) following written notice of removal to the Trustee and upon the acceptance of such appointment by such successor.

If a vacancy exists in the office of Trustee by reason of removal, dissolution, insolvency or otherwise, a qualified successor Trustee may be appointed by the Chief Financial Officer and notice of such appointment given to the predecessor and successor Trustee and by first-class mail to all owners of Notes. The appointment of any successor Trustee shall become effective upon written acceptance of such appointment.

Any successor Trustee shall be a commercial bank or trust company, and shall: (i) be duly organized under the laws of the United States of America or any state or territory thereof; (ii) be authorized by law to perform all the duties imposed upon it by the Indenture and by Illinois law; and (iii) have a combined capital stock, surplus and undivided profits of at least $10,000,000.

Modification and Amendment

The City and the Trustee may, from time to time and at any time, without the consent of or notice to the owners of the Notes, amend the Indenture as follows: (i) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture; (ii) to grant to or confer or impose upon the Trustee, for the benefit of the owners of Notes, any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee without its consent; (iii) to add to the covenants and agreements of, and limitations and restrictions upon, the City in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect; (iv) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture, or of any moneys, securities or funds; (v) to authorize a different denomination or denominations of the Notes and to make correlative amendments and modifications to the Indenture regarding exchangeability of Notes of different denominations and similar amendments and modifications of a technical nature; (vi) to comply with any applicable requirements of the Trust Indenture Act of 1939, as from time to time amended; or (vii) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Noteholders and which does not involve a change described in the next paragraph, and which, in the judgment of the Trustee (who may rely upon an opinion of bond counsel), is not to the material prejudice of the Trustee.

Except for any amendment described in the preceding paragraph, the City and the Trustee may from time to time with the consent of owners of not less than 60 percent in aggregate principal amount of Notes then outstanding (excluding Notes 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 Notes then outstanding, nothing contained 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 outstanding Note, or a reduction in the principal amount of any outstanding Note or the rate of interest thereon, (ii) a preference or priority of any Note or Notes over any other Note or Notes, or (iii) a reduction in the aggregate principal amount of Notes the consent of the owners of which Notes is required for any such amendment.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or which would restrain or enjoin the issuance or delivery of the Notes, or which concerns the proceedings of the City taken in connection with the Notes or the City's pledge of its full faith, credit and resources to the payment of the Notes.

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, discrimination, civil rights actions and other matters. The City believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

Property Tax Rate Objections: 2004-2008. The City's property tax levies for 2004 through 2008 varied between approximately $720 million and $834 million annually, excluding the School Building and Improvement Fund levy. Objections have been filed in the Circuit Court of Cook County (the "Circuit Court") to these levies, which objections remain pending. The City is unable to predict the outcome of the proceedings concerning the objections.

E2 Nightclub Litigation. The City is a defendant in 57 wrongful death and personal injury lawsuits arising out of a stampede of patrons at the E2 Nightclub on February 17, 2003. The cases allege that the City, in a number of ways, engaged in conduct that contributed to the injuries or deaths. The Circuit Court denied the City's motion to dismiss the cases, but certified three questions of law for interlocutory appeal to the Illinois appellate court. Upon review, the appellate court addressed one of the questions so certified and found that the City is immune from liability for its alleged failure to enforce laws or court orders or to provide police protection, effectively resolving all three questions in the City's favor. The plaintiffs filed a petition for leave to appeal to the Illinois Supreme Court for further review. In a September 24, 2008 order, the Supreme Court denied the plaintiff's petition and let stand the appellate court's favorable decision. Effectively, the vast majority of issues in the case have been resolved in the City's favor. There is only one issue remaining before the Circuit Court. As to that issue, the City previously filed a summary judgment motion, and the parties have fully briefed it. The City cannot predict whether the Circuit Court will grant the City's motion; regardless, the City will continue to defend each case vigorously.

Parking Meters Litigation. On December 4, 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "Agreement") with Chicago Parking Meters, LLC (the "Concessionaire"), whereby the Concessionaire paid the City approximately $1.151 billion, and the City granted the Concessionaire the right to operate the City's metered parking system, including the right to collect revenues derived from the metered parking spaces. The City Comptroller (along with the State's Comptroller) has been named as a defendant in a case brought by the Independent Voters of Illinois Independent Precinct Organization and an individual plaintiff, arguing that certain provisions of the Agreement are illegal or unconstitutional, and requesting that the City and the State be enjoined from making certain expenditures in connection with the City's metered parking system. On November 4, 2010, the Circuit Court granted in part, and denied in part, the City's motion to dismiss the plaintiffs' second amended complaint. While the City cannot predict the outcome of this litigation, the City will continue to defend the case vigorously.

Automated Red-Light Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants in the Circuit Court. The plaintiffs allege that the State statute governing the use of automated red-light ticketing systems violates several provisions of the State Constitution, and that all such systems are therefore unlawful. The alleged grounds are that the State statute constitutes special legislation, violates the uniformity requirement, and violates equal protection because most of the State's African-American population lives in the eight counties covered by the statute. Plaintiffs seek to enjoin the operation of the City's red-light ticketing system, along with all others, and restitution of fines paid. In August 2011, the Circuit Court of Cook County granted the City's motion to dismiss the case in its entirety, ruling that plaintiffs lacked standing to make certain of their claims and that other claims were legally deficient. Plaintiffs appealed this ruling and the matter is now pending in the Illinois Appellate Court. It is not known when the appeal will be decided. The City will continue to defend this matter vigorously.

Firefighter Hiring Process Litigation. A class action was filed challenging the 1995 examination the City used as the first step of the hiring process for firefighter candidates. The City admitted in the district court that the examination had a disparate impact on African-American candidates but argued that the case was filed too late. The City also defended the examination on the basis that it was job-related and valid, and that the cut-off score was consistent with business necessity. The district court rejected all these defenses and entered judgment against the City. The court of appeals reversed, agreeing that the case was filed too late. The Supreme Court then reversed and remanded the case to the court of appeals, which found that the first class of hires (21 individuals) filed their claims too late but not subsequent classes. The court of appeals remanded the case to the district court to determine damages and to oversee the plan for the hire of 111 candidate firefighters by the City.

Parking Garages Arbitration Claim. On November 3, 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Lease Agreement") with Chicago Loop Parking, LLC ("CLP"), by which CLP was granted a 99-year concession to operate the public parking garages commonly referred to as Millennium Park, Grant Park North, Grant Park South and East Monroe (collectively the "CLP Garages"). The Lease Agreement includes a provision by which certain events can require the City to compensate CLP. One of those events is the granting of a license for the operation of a public garage that was not in existence as of the date of the Lease Agreement, within a certain distance from the CLP Garages. CLP has asserted a claim under that provision. Pursuant to the Lease Agreement, the matter is now before the American Arbitration Association for arbitration. The City is actively defending the case and cannot predict the outcome at this time.

INDEPENDENT AUDITORS

The basic financial statements of the City of Chicago as of and for the year ended December 31, 2010 included in APPENDIX C to this Official Statement have been audited by Deloitte and Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C that was modified to include a reference to other auditors and to include an emphasis of a matter paragraph related to the adoption of Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*.

RATINGS

The Notes are rated "Aa3" by Moody's Investors Service, Inc. ("Moody's"), "A+" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), and "AA-" by Fitch, Inc. ("Fitch"). A rating reflects only the view of the rating agency giving such rating. An explanation of the significance of such rating may be obtained from such organization. There is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the price at which the Notes may be resold.

UNDERWRITING

The underwriters listed on the front cover of this Official Statement (the "Underwriters") have agreed, subject to certain conditions, to purchase the Notes at a price equal to 100 percent of the principal amount of the Notes, and the City has agreed to pay the Underwriters a fee equal to $109,387.63. The Underwriters are obligated to purchase all of the Notes if any of the Notes are purchased.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

Wells Fargo Bank, National Association ("WFBNA"), senior underwriter of the Notes, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Notes. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Notes with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

TAX MATTERS

Interest on the Notes is includible in gross income for federal income tax purposes.

Interest on the Notes is not exempt from Illinois income taxes.

There are additional income tax consequences of the purchase, ownership and disposition of the Notes. Federal income tax consequences include, but are not limited to, matters related to acquisition premium, gain or loss on disposition, market discount, information reporting and backup withholding. Prospective purchasers of Notes should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Internal Revenue Code of 1986, as amended, and the laws of any other taxing jurisdiction, of purchase, ownership and disposition of the Notes.

APPROVAL OF LEGAL MATTERS

Legal matters with regard to the authorization, issuance and sale of the Notes are subject to the approving opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, Co-Bond Counsel, which opinions will be substantially in the form included as APPENDIX D.

Certain legal matters will be passed upon for the City by its Corporation Counsel, for the Underwriters by their counsel, Burke Burns & Pinelli, Ltd., Chicago, Illinois.

FINANCIAL ADVISOR

The City has engaged ComCap Advisors, a division of Community Capital, as its financial advisor (the "Financial Advisor") in connection with the authorization, issuance and sale of the Notes. Under the terms of its engagement, the Financial Advisor will deliver a letter to the City regarding the fairness of the purchase price paid by the Underwriters to the City for the Notes. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of, the information contained in this Official Statement.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Notes to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act. As of the date of this Official Statement, 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 that 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 Notes, the Note Ordinance or the Indenture and beneficial owners of the Notes 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 Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes 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 its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. The City is required to deliver such information so that the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means information generally consistent with that contained under the caption "THE CITY – Corporate Fund" and in APPENDICES B and E hereto (except for the information in APPENDIX E under the headings "Economic Highlights" and "2012 Budget Proposal").

"Audited Financial Statements" means the audited basic financial statements of the City 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 will be provided to the MSRB not more than 210 days after the last day of the City'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 when available.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days after the occurrence of the "Reportable Event" (as described below), to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, the disclosure of the occurrence of a Reportable Event. 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 the Notes, 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 security, or other material events affecting the tax status of the security;

(g) modifications to rights of security holders, if material;

(h) note calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the securities, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the City (such an Event will be 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 City, 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; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by 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, the beneficial owner of any Note 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. A default under the Undertaking shall not be deemed a default under the Notes, the Note 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.

The City is currently in compliance with undertakings previously entered into by it pursuant to the Rule. The City has had to take corrective action with respect to its undertakings for its Single Family Mortgage Revenue Bonds issued from 1996 to 2002. See "Corrective Action Related to Certain Bond Disclosure Requirements" below.

Amendment; 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 Notes, as determined by a party unaffiliated with the City (such as the Trustee or co-bond counsel), or by approving vote of the owners of the Notes 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.

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 Notes under the Indenture. If this provision is applicable, the City shall give notice in a timely manner to the MSRB in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB.

Additional Information

Nothing in the Undertaking shall 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

While the City is currently in compliance with respect to its undertakings to file Annual Financial Information relating to all previously issued bonds and notes in accordance with the Rule, the City and the dissemination agent for the City's Collateralized Single Family Mortgage Revenue Bonds issued from 1996 to 2002 (the "Single Family Mortgage Bonds") did not distribute annual bond disclosure reports for those Single Family Mortgage Bonds in a timely manner as required by Section (b)(5) of the Rule. The City has filed current annual bond disclosure reports for those Single Family Mortgage Bonds with the trustee for the Single Family Mortgage Bonds and such trustee has disseminated such reports to each Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule with respect to those previously issued Single Family Mortgage Bonds and has complied with the Rule for Collateralized Single Family Mortgage Revenue Bonds issued subsequent to 2002.

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MISCELLANEOUS

The foregoing summaries or descriptions of provisions of 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 of the City.

The Notes are authorized and are being issued pursuant to the City Council's approval under the powers of the City as a home rule unit under Article VII of the Illinois Constitution of 1970. This Official Statement has been authorized by the City Council.

CITY OF CHICAGO

By: /s/ Lois A. Scott
Chief Financial Officer

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MISCELLANEOUS

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CITY OF CHICAGO

By: ______________________
Chief Financial Officer

APPENDIX A

CITY OF CHICAGO

Real Property Tax System and Limits

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TABLE OF CONTENTS

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Real Property Assessment, Tax Levy and Collection Procedures

General. Information under this caption provides a general summary of the current procedures for real property assessment, tax levy and tax collection in Cook County (the "County"). The following is not an exhaustive discussion, nor can there be any assurance that the procedures described under this caption will not be changed either retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

Substantially all (approximately 99.99 percent) of the "Equalized Assessed Valuation" (described below) of taxable property in the City is located in the County. The remainder is located in DuPage County. Accordingly, unless otherwise indicated, the information set forth under this caption and elsewhere in this Official Statement with respect to taxable property in the City does not reflect the portion situated in DuPage County.

Assessment. The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real property within the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third of the real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The City was last reassessed in 2009. The suburbs in the northern and northwestern portions of the County were reassessed in 2010. The suburbs in the western and southern portions of the County are being reassessed in 2011. The City will next be reassessed in 2012.

Real property in the County is separated into various classifications for assessment purposes. After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (the "Assessed Valuation") for the parcel. Beginning with the 2009 tax year, the classification percentages range from 10 to 25 percent depending on the type of property (e.g., residential, industrial, commercial) and whether it qualifies for certain incentives for reduced rates. For prior years, the classification percentages ranged from 16 to 38 percent.

The Cook County Board of Commissioners has adopted various amendments to the County's Real Property Assessment Classification Ordinance (the "Classification Ordinance"), pursuant to which the Assessed Valuation of real property is established. Among other things, these amendments have reduced certain property classification percentages, lengthened certain renewal periods of classifications and created new property classifications.

The Assessor has established procedures enabling taxpayers to contest the Assessor's tentative Assessed Valuations. Once the Assessor certifies final Assessed Valuations, a taxpayer can seek review of its assessment by the Cook County Board of Review (the "Board of Review"). The Board of Review has powers to review and adjust Assessed Valuations set by the Assessor. Owners of property are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the "PTAB"), a state-wide administrative body, or to the Circuit Court of Cook County (the "Circuit Court"). The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law.

In a series of PTAB decisions, the PTAB reduced the assessed valuations of certain commercial and industrial property in the County based upon the application of median levels of assessment derived from Illinois Department of Revenue sales-ratio studies instead of utilizing the assessment percentages provided in the Classification Ordinance. On appeal, the Illinois Appellate Court determined that it was improper for the PTAB, on its own initiative, to use the sales-ratio studies when such studies were not even raised as an issue by the taxpayer before the Board of Review or in its appeal to the PTAB.

The Appellate Court decisions do not preclude a taxpayer in a properly presented case from introducing into evidence sales-ratio studies for the purpose of obtaining an assessment below that which would result from application of the Classification Ordinance. No prediction can be made whether any currently pending or future case would be successful. The City believes that the impact of any such case on the City would be minimal, as the City's ability to levy or collect real property taxes would be unaffected.

As an alternative to seeking review of Assessed Valuations by the PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The City filed a petition to intervene in certain of these proceedings for the first time in 2003, but the Circuit Court denied the City's petition in early 2004. The City appealed the Circuit Court decision. On appeal, the Circuit Court decision was reversed and the matter was remanded to the Circuit Court with instructions to allow the City to proceed with its petitions to intervene. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization. After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county. The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland and undeveloped coal, in each county to the statutory requirement of 33-1/3 percent of estimated fair cash value. Adjustments in Assessed Valuation made by the PTAB or the courts are not reflected in the Equalization Factor. The Assessed Valuation of each parcel of real estate in the County is multiplied by the County's Equalization Factor to determine the parcel's equalized assessed valuation (the "Equalized Assessed Valuation").

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The Equalization Factors for each of the last 11 tax levy years, from 2000 through 2010 (the most recent years available), are listed in APPENDIX B in the table captioned "Property Tax Information."

In 1991, legislation was enacted by the State which provided that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year. This legislation impacts taxing districts with rate limits only and currently does not apply to the City. See "Property Tax Limits" below.

Exemptions. The Illinois Constitution allows homestead exemptions for residential property. Pursuant to the Illinois Property Tax Code, property must be occupied by the owner as a principal residence on January 1 of the tax year for which the exemption will be claimed.

The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, up to a maximum reduction of $6,000. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $4,000. An additional exemption is available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 of the increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained.

On July 12, 2004, the Property Tax Code was amended to permit each county in the State, by enacting an ordinance within six months of the effective date of the law, to limit future increases in the taxable value of residential property in such a county to an annual increase of not more than 7% per year. This is known as the Alternative Homestead Exemption. Upon adoption of such an ordinance, homestead property will generally be entitled to an annual homestead exemption equal to the difference between the property's EAV and the property's "adjusted homestead value." The County adopted an ordinance electing to be governed by this law. The exemption provided for under this law cannot exceed $20,000 in any taxable year. The purpose of the law is to reduce the increase in the taxable value of residential property that otherwise occurs when home values rise rapidly.

In 2007, the Alternative Homestead Exemption law enacted in 2004 was allowed to sunset. Later in 2007, Public Act 95-0644 was enacted, which extended the Alternative Homestead Exemption law for an additional three years, subject to certain revisions and adjustments to the prior law. The extension enacted in 2007 expired for properties located in the City with the 2008 assessment. On May 1, 2011, Public Act 96-1418 was enacted to extend the Alternative Homestead Exemption for three more years. The maximum exemption is $20,000 for the first year, $16,000 for the second year, and $12,000 for the third year. The exemption would be applied over a three-year period: 2009 through 2011 in the City, 2010 through 2012 in the northern and northwestern portions of the County and 2011 through 2013 in the western and southern portions of the County.

In October 2004, the Chicagoland Chamber of Commerce, along with multiple other plaintiffs, filed a Complaint for Declaratory and Injunctive Relief in the Circuit Court, requesting the court to enter an order declaring the 2004 Alternative Homestead Exemption law unconstitutional and enjoining the application and enforcement of its provisions. (The Chicagoland Chamber of Commerce, et. al. v. Maria Pappas, et. al., 04 CH 16874). On April 22, 2005, the circuit court dismissed the complaint, and that ruling was appealed. On appeal, the Appellate Court affirmed the decision of the Circuit Court.

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally available for properties of religious, charitable, and educational organizations, as well as units of federal, state and local governments.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area. On June 5, 2001, the County enacted the Longtime Homeowner Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentrification in the form of an exemption. This is generally applicable to homeowners: (i) who have resided in their homes for 10 consecutive years (or five consecutive years for homeowners who have received assistance in the acquisition of the property as part of a government or nonprofit housing program), (ii) whose annual household income for the year of the homeowner's triennial assessment does not exceed 115 percent of the Chicago Primary Metropolitan Statistical Area median income as defined by the United States Department of Housing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150 percent of the current average assessed value for properties in the assessment district where the property is located, and (iv) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of the $45,000 allowance set forth in the Property Tax Code..

Tax Levy. There are over 800 units of local government (the "Units") located in whole or in part in the County that have taxing power. The major Units having taxing power over property within the City are the City, the Chicago Park District, the Board of Education of the City of Chicago, the School Finance Authority, Community College District No. 508, the Metropolitan Water Reclamation District of Greater Chicago, the County and the Forest Preserve District of Cook County.

As part of the annual budgetary process of the Units, each year in which the determination is made to levy real estate taxes, proceedings are adopted by the governing body for each Unit. The tax levy proceedings impose the Units' respective real estate taxes in terms of a dollar amount. Each Unit certifies its real estate tax levy, as established by the proceedings, to the County Clerk's Office. The remaining administration and collection of the real estate taxes is statutorily assigned to the County Clerk and the County Treasurer, who is also the County Collector (the "County Collector").

After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit by dividing the levy of each Unit by the Assessment Base of the respective Unit. If any tax rate thus calculated or any component of such a tax rate (such as a levy for a particular fund) exceeds any applicable statutory rate limit, the County Clerk disregards the excessive rate and applies the maximum rate permitted by law.

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all the Units having jurisdiction over the particular parcel. The County Clerk enters in the books prepared for the County Collector (the "Warrant Books") the tax (determined by multiplying that total tax rate by the Equalized Assessed Valuation of that parcel), along with the tax rates, the Assessed Valuation and the Equalized Assessed Valuation. The Warrant Books are the County Collector's authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that notice in prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy of the preceding year, exclusive of levies for debt service, levies made for the purpose of paying amounts due under public building commission leases and election costs. A public hearing must also be held, which may not be in conjunction with the budget hearing of the Unit on the adoption of the annual levy. No amount in excess of 105 percent of the preceding year's levy may be used as the basis for issuing tax bills to property owners unless the levy is accompanied by certification of compliance with the foregoing procedures. The Truth in Taxation Law does not impose any limitations on the rate or amount of the levy to pay principal of and interest on the general obligations bonds and notes of the City.

Collection. Property taxes are collected by the County Collector, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. The first installment is an estimated bill calculated at 55% of the prior year's tax bill. The second installment is for the balance of the current year's tax bill, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

The following table sets forth the second installment penalty date during the last 10 years; the first installment penalty date has been March 2 for all years.

Second Installment

Tax Year	Penalty Date
2010	November 1, 2011
2009	December 13, 2010
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007
2005	September 1, 2006
2004	November 1, 2005
2003	November 15, 2004
2002	October 1, 2003
2001	November 1, 2002

The County may provide for tax bills to be payable in four installments instead of two. The County has not determined to require payment of tax bills in four installments. During the periods of peak collections, tax receipts are forwarded to each Unit not less than weekly.

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penalty fee calculated from the penalty bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes, interest and certain other costs to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penalty rate may apply depending on the length of the redemption period.

A scavenger sale (the "Scavenger Sale"), like the Annual Tax Sale, is a sale of unpaid taxes. A Scavenger Sale must be held, at a minimum, every two years on all property in which taxes are delinquent for two or more years. The sale price of the unpaid taxes is the amount bid at the Scavenger Sale, which may be less than the amount of the delinquent taxes. Redemption periods vary from six months to two and one-half years depending upon the type and occupancy of the property.

The annual appropriation ordinance of the City has a provision for an allowance for uncollectible taxes. The City reviews this provision annually to determine whether adjustments are appropriate. For tax year 2010, collectible in 2011, the allowance for uncollectible taxes is about four percent of the gross tax levy. For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved after one year.

Property Tax Limits

State Legislation. As described above under "Real Property Assessment, Tax Levy and Collection Procedures – Exemptions," the Alternative Homestead Exemption was recently extended for an additional three years.

State of Illinois. The Property Tax Code limits (a) the amount of property taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties and (b) the ability of those entities to issue general obligation bonds without voter approval (collectively, the "State Tax Cap"). Generally, the extension of property taxes for a unit of local government subject to the State Tax Cap may increase in any year by five percent or the percent increase in the Consumer Price Index for the preceding year, whichever is less, or the amount approved by referendum. The State Tax Cap does not apply to "limited bonds" payable from a unit's "debt service extension base" or to "double-barreled alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the State Tax Cap. Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by the vote of three-fifths of the members of each house of the Illinois General Assembly and the concurrence of the Governor of the State of Illinois. It is not possible to predict whether, or in what form, any property tax limitations applicable to the City would be enacted by the Illinois General Assembly. The adoption of any such limits on the extension of real property taxes by the Illinois General Assembly may, in future years, adversely affect the City's ability to levy property taxes to finance operations at current levels and the City's power to issue additional general obligation debt without the prior approval of voters.

State law imposes certain notice and public hearing requirements on non-home rule units of local government that propose to issue general obligation debt. These requirements do not apply to the City.

The City. In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance") limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable to the greater of: (i) for any levy year, interest and principal on general obligation notes and bonds of the City outstanding on January 1, 1994, to be paid from collections of the levy made for such levy year, or (ii) $395,255,686, the amount of the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. Concurrent with the issuance of the Notes, the Chief Financial Officer of the City will certify that the issuance of the Notes is not expected to cause taxes in any year to exceed the limits imposed by the City Tax Limitation Ordinance. See "SECURITY FOR THE NOTES."

The tax limits set forth in the City Tax Limitation Ordinance may in future years adversely affect the City's ability to finance operations at current levels and limit the ability of the City to finance capital improvement projects through the issuance of property-tax-supported bonds.

APPENDIX B

CITY OF CHICAGO

Financial and Other City Information

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TABLE OF CONTENTS

The following tables reflect information for Cook County, which represents approximately 99.99 percent of the equalized assessed value of taxable property in the City, unless otherwise indicated.

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PROPERTY TAX INFORMATION

The following tables present statistical data regarding the City's property tax base, tax rates, tax levies and tax collections.

Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2000 – 2010

(Dollars in Thousands)

	Assessed Value[1]									
Tax Levy Year[2]	Class 2[3]	Class 3[4]	Class 5[5]	Other[6]	Total	State Equalization Factor[7]	Total Equalized Assessed Value[8]	Total Direct Tax Rate	Total Estimated Fair Cash Value[9]	Total Equalized Assessed Value as a Percentage of Total Estimated Fair Cash Value
2000	8,758,682	1,966,921	8,807,444	342,943	19,875,990	2.2235	40,480,077	1.660	162,593,364	24.90
2001	8,973,796	1,923,256	8,757,366	354,036	20,008,454	2.3098	41,981,912	1.637	185,912,246	22.58
2002	9,221,622	1,865,646	8,878,142	349,372	20,314,782	2.4689	45,330,892	1.591	201,938,231	22.45
2003	12,677,199	2,233,572	10,303,732	487,680	25,702,183	2.4598	53,168,632	1.380	223,572,427	23.78
2004	12,988,216	1,883,048	10,401,429	465,462	25,738,155	2.5757	55,277,096	1.302	262,080,627	21.09
2005	13,420,538	1,842,613	10,502,698	462,099	26,227,948	2.7320	59,304,530	1.243	283,137,884	20.95
2006	18,521,873	2,006,898	12,157,149	688,868	33,374,788	2.7076	69,511,192	1.062	329,770,733	21.08
2007	18,937,256	1,768,927	12,239,086	678,196	33,623,465	2.8439	73,645,316	1.044	320,503,503	22.98
2008	19,339,574	1,602,769	12,359,536	693,239	33,995,118	2.9786	80,977,543	1.030	310,888,609	26.05
2009	18,311,981	1,812,850	10,720,244	592,364	31,437,439	3.3701	84,586,808	0.986	280,288,730	30.21
2010[10]	–	–	–	–	–	3.3000	82,087,170	1.016	–	–

[1] Source: Cook County Assessor's Office. Excludes portion of City in DuPage County.
[2] Taxes for each year become due and payable in the following year. For example, taxes for the 2009 tax levy became due and payable in 2010
[3] Residential, six units and under.
[4] Residential, seven units and over and mixed-use.
[5] Industrial/commercial.
[6] Vacant, not-for-profit and industrial/commercial incentive classes.
[7] Source: Illinois Department of Revenue.
[8] Source: Cook County Clerk's Office. Calculations are net of exemptions and exclude portions of the City in DuPage County. Calculations also include assessment of pollution control facilities and railroad property.
[9] Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of City in DuPage County.
[10] Complete 2010 information not available at time of publication.

Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2001 – 2010[1]

(Dollars in Thousands)

Tax Levy Year[2]	Total Tax Levy for Fiscal Year[3]	Collections within Fiscal Year: Amount	Collections within Fiscal Year: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Total Tax Collections[4]	Total Collections to Date: Percent of Total Tax Collections to Tax Levy	Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
2001	$687,381	$664,393	96.7%	$12,847	$677,240	98.5%	$10,141	$ -
2002	707,181	676,997	95.7	13,194	690,191	97.6	16,990	-
2003	719,695 [5]	674,325	93.7	24,845	699,170	97.1	20,525	-
2004	719,780 [5]	694,214	96.4	8,195	702,409	97.6	17,371	-
2005	718,071 [5]	694,593	96.7	6,711	701,304	97.7	16,767	-
2006	719,230 [5]	630,666	87.7	64,344	695,010	96.6	24,220	-
2007	749,351 [5]	712,008	95.0	20,970	732,978	97.8	16,078	295
2008	834,152 [5]	776,522	93.1	44,922	821,444	98.5	12,454	254
2009	834,109 [5]	700,579	84.0	122,279	822,858	98.7	2,106	9,145
2010	834,089 [5]	470,351	56.4	-	470,351	56.4	14,550	349,188

1 Source: Cook County Clerk's Office
2 Taxes for each year become due and payable in the following year. For example, taxes for the 2010 tax levy become due and payable in 2011.
3 Does not include the levy for the Special Services Areas and net of collections for Tax Increment Financing Districts.
4 Reflects tax collections through October 25, 2011.
5 Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.

Property Tax Rates By Fund Per $100 Of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	Tax Extension (in thousands)[2]	Bond, Note Redemption and Interest[3]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2001	687,381	0.942710	0.289912	0.277774	0.126603	–	1.637
2002	707,181	0.943061	0.271463	0.259848	0.116628	–	1.591
2003	719,695 [4]	0.831169	0.230466	0.218316	0.100049	–	1.380
2004	719,780 [4]	0.760676	0.216752	0.229048	0.095524	–	1.302
2005	718,071 [4]	0.696607	0.231467	0.231683	0.083243	–	1.243
2006	719,230 [4]	0.569261	0.194953	0.197399	0.099974	–	1.062
2007	749,351 [4]	0.588843	0.191548	0.174302	0.088581	–	1.044
2008	834,152 [4]	0.602842	0.172426	0.162182	0.080787	0.011763	1.030
2009	834,109 [4]	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010[5]	834,089 [4]	0.588724	0.170734	0.161435	0.078352	0.016705	1.016

[1] Source: Cook County Clerk's Office.
[2] Does not include levy for Special Service Areas and net of collections for Tax Increment Financing districts.
[3] Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund
[4] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund.
[5] 2011 information not available at time of publication.

Combined Property Tax Rates of the City and Other Major Governmental Units Per $100 of Equalized Assessed Valuation 2001-2010[1]

Tax Levy Year	City	City of Chicago School Building & Improvement Fund	Chicago School Finance Authority	Board of Education	City Colleges of Chicago	Chicago Park District	Metropolitan Water Reclamation District	Forest Preserve District of Cook County	Cook County	Total
2001	1.637	-	0.223	3.744	0.307	0.567	0.401	0.067	0.746	7.692
2002	1.591	-	0.177	3.562	0.280	0.545	0.371	0.061	0.690	7.277
2003	1.380	-	0.151	3.142	0.246	0.464	0.361	0.059	0.630	6.433
2004	1.302	-	0.177	3.104	0.242	0.455	0.347	0.060	0.593	6.280
2005	1.243	-	0.127	3.026	0.234	0.443	0.315	0.060	0.533	5.981
2006	1.062	-	0.118	2.697	0.205	0.379	0.284	0.057	0.500	5.302
2007	1.044	-	0.091	2.583	0.159	0.355	0.263	0.053	0.446	4.994
2008	1.030	$0.117	-	2.472	0.156	0.323	0.252	0.051	0.415	4.816
2009	0.986	0.112	-	2.366	0.150	0.309	0.261	0.049	0.394	4.627
2010[2]	1.016	0.116	-	2.581	0.151	0.319	0.274	0.051	0.423	4.931

[1] Source: Cook County Clerk's Office.
[2] 2011 information not available at time of publication.

CITY OF CHICAGO
PROPERTY TAX SUPPORTED BONDED DEBT
Computation of Direct and Overlapping Bonded Debt
As of October 25, 2011
(Adjusted for the issuance of the Notes)
(Dollars in Thousands)

Direct Debt:

General Obligation Bonds and Notes[1]	$7,577,182
Short-Term Obligations[1]	(257,490)
Net Direct Long-Term Debt	$7,319,692

Overlapping Debt[2]	Net Direct Debt[3]	Percent Overlapping[4]	Debt Applicable
City Colleges of Chicago	$ -0-	100.00%	$ -0-
Board of Education	5,579,522[5]	100.00	5,579,522
Chicago School Finance Authority	-0-	100.00	-0-
Chicago Park District	924,975[5]	100.00	924,975
Metropolitan Water Reclamation District Of Greater Chicago	2,495,259	49.18	1,227,168
Cook County	3,499,615	48 17	1,685,765
Cook County Forest Preserve District	101,935	48.17	49,102
Total Overlapping Long-Term Debt			$ 9,466,532
Net Direct and Overlapping Long-Term Debt			$16,786,224

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[1] Includes General Obligation Fixed Rate Notes and Commercial Paper Notes consisting of.

(a) Fixed Rate Notes, Taxable Series 2010 outstanding in the amounts shown below (dollars in thousands):

Amount	Series	Final Maturity
$70,425	2010	04/01/2012

(b) Fixed Rate Notes, Taxable Series 2011 outstanding in the amounts shown below (dollars in thousands):

Amount	Series	Final Maturity
$70,425	2011	12/05/2012

(b) Commercial Paper Notes outstanding in the amounts below (dollars in thousands).

Amount	Series
$116,640	2002B (Taxable)

[2] Includes debt secured by property taxes (including "alternate bonds" and "limited tax" bonds) and PBC bonds secured by long-term lease obligations also secured by property taxes.

[3] Source: Each of the respective tax districts.

[4] Source: Cook County Clerk's Office.

[5] Includes $5,249,146,617 and $475,960,000 of general obligation bonds of the Board and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Board of Education and the Chicago Park District.

Selected Debt Statistics

Population (2010)	2,695,598[1]
Total Equalized Assessed Value (2010)	$ 82,087,170.063[2]
Total Estimated Fair Cash Value (2009)	$280,288,729,779[3]

Percent of Total

	Amount	Per Capita	Percent of Total Estimated Fair Cash Value
Net Direct Long-Term Debt..	$ 7,319,691,654	$2,715.42	2.35%
Total Net Direct and Overlapping Long-Term Debt...	$16,786,223,665	$6,227.27	5.40%

[1] Source: U.S. Census Bureau.

[2] Source: Cook County Clerk's Office. Total Equalized Assessed Value is net of exemptions. Includes assessment of pollution control facilities and excludes portions of the City in DuPage County.

[3] Source: The Civic Federation. Excludes railroad property, pollution control facilities and portion of the City in DuPage County.

Debt Service Schedule[1]

As of October 25, 2011[2]

(Adjusted for the issuance of the Notes)

	The Notes		General Obligation Bonds Outstanding			General Obligation Notes Outstanding	
Year	Principal	Interest	Principal	Interest[3,4]	Capitalized Interest	Debt Service[5,6]	Total Debt Service
2012	$70,425,000	$616,610	$ 156,646,211	$ 201,134,521	$(31,754,519)	$187,267,102	$ 584,334,925
2013			167,752,714	379,554,940	(40,437,630)		506,870,024
2014			205,826,569	371,222,203	(4,034,677)		573,014,094
2015			215,509,425	362,948,850			578,458,275
2016			228,386,371	350,884,065			579,270,437
2017			243,871,761	340,990,322			584,862,083
2018			267,126,948	330,288,412			597,415,360
2019			279,736,972	318,356,610			598,093,582
2020			290,643,700	305,455,188			596,098,888
2021			306,148,918	294,046,636			600,195,554
2022			309,397,240	279,965,125			589,362,365
2023			313,448,400	271,400,600			584,849,000
2024			305,023,320	257,671,001			562,694,320
2025			299,152,012	244,069,682			543,221,695
2026			289,668,971	230,964,316			520,633,287
2027			290,626,163	218,286,122			508,912,285
2028			286,229,720	198,975,384			485,205,104
2029			288,219,806	192,618,597			480,838,403
2030			291,969,515	176,972,506			468,942,021
2031			338,247,520	166,594,919			504,842,439
2032			265,218,596	148,938,691			414,157,287
2033			265,733,762	120,312,110			386,045,872
2034			251,761,194	106,358,117			358,119,312
2035			239,652,377	92,924,383			332,576,759
2036			207,032,607	79,619,284			286,651,891
2037			188,696,559	68,827,124			257,523,683
2038			169,577,925	58,769,393			228,347,318
2039			149,561,380	49,550,820			199,112,200
2040			158,555,000	11,269,603			169,824,603
2041			24,625,000	2,077,366			26,702,366
2042			25,645,000	1,059,901			26,704,901
Total	$70,425,000	$616,610	$7,319,691,654	$6,232,106,792	$(76,226,826)	$187,267,102	$13,733,880,332

1 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 general obligation bonds and notes on July 1 of that year and January 1 of the following year, except that each year includes principal and interest payable on the General Obligation Bonds Series 2007A-K (Modern Schools Across Chicago Program), the General Obligation Bonds Series 2011 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) on June 1 and December 1 of that year.

2 While the General Obligation Bonds Series 2011 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) have not closed as of this date, information regarding the bonds is included since the bonds have been priced and the City entered into a purchase agreement prior to this date.

3 Interest for each year includes the full amount of the interest payable on General Obligation Bonds, Taxable Project Series 2009C (Build America Bonds – Direct Payment), the General Obligation Bonds, Taxable Project Series 2009D (Recovery Zone Economic Development Bonds-Direct Payment) and the General Obligation Bonds, Taxable Series 2011B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) without adjustment for Subsidy Payments to be received by the City.

4 The interest rate on $3 6 million variable rate bonds is assumed to be approximately six percent The City has entered into interest rate hedge agreements which required the City to pay interest at a rate of 3 575 percent for $206.7 million General Obligation Variable Rate Demand Bonds (Neighborhoods Alive 21 Program), Series 2002B, 4.052 percent for $201.965 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2003B, 4 104 percent for $222 790 million General Obligation Variable Rate Demand Bonds, Project and Refunding Series 2005D and 3.9982 percent for $200 million General Obligation Variable Rate Demand Bonds Refunding Series 2007E, F and G The table includes the interest payable by the City under the interest rate hedge agreements for these four bond issues.

5 The interest rate on the Fixed Rate Notes, Taxable Series 2010, is 1.625 percent

6 Includes outstanding Fixed Rate Notes and Commercial Paper Notes See APPENDIX B – "Financial and Other Information – Property Tax Supported Bonded Debt – Computation of Direct and Overlapping Bonded Debt – Note (1) "

Note: May not total due to rounding

PROPERTY TAX LEVIES BY FUND
For Fiscal Years Ended 2006 – 2010[1,2]
(Dollars in Thousands)

	2006	2007	Change	2008	Change	2009	Change	2010	Change
Note Redemption and Interest[3]	$ 60,116	$ 33,506	(44.26)%	$ 73,363	118.95%	$73,363	–%	$73,377	0.02%
Bond Redemption and Interest	316,858	381,145	20.29	414,853	8.84	409,512	(1.29)	409,979	(0.11)
Policemen's Annuity and Benefit[4]	135,528	141,080	4.10	139,640	(1.02)	141,741	1.50	140,165	(1.11)
Municipal Employees' Annuity and Benefit[4]	137,228	128,378	(6.45)	131,344	2.31	130,026	(1.00)	132,531	1.93
Firemen's Annuity and Benefit[4]	69,500	65,242	(6.13)	65,426	0.28	66,140	1.09	64,323	(2.75)
Laborers' and Retirement Board Employees' Annuity and Benefit[4]	–	–	–	9,526	–	13,327	39.90	13,714	2.90
Total	$719,230	$749,351	4.19%	$834,152	11.32%	$834,109	(0.01)%	$834,089	(0.00)

[1] Source: Cook County Clerk's Office.
[2] See APPENDIX B – "FINANCIAL AND OTHER INFORMATION – Property Taxes For All City Funds, Collections And Estimated Allowance For Uncollectible Taxes 2000-2010." Does not include the levy for the School Building and Improvement Fund which is accounted for in an agency fund.
[3] Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and City Relief Funds.
[4] For information regarding the City's unfunded (assets in excess of) pension benefit obligations under its Pension Plans, see the individual Pension Plans Financial Statements.

CITY OF CHICAGO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
General Fund (Corporate)
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Utility Tax	$ 475,482	$ 501,023	$ 524,842	$ 481,275	$ 467,411
Sales Tax	537,441	543,238	518,131	476,557	495,842
State Income Tax	314,559	377,727	378,545	251,820	282,011
Other Taxes	708,706	687,511	637,923	572,472	590,575
Federal/State Grants	2,802	3,366	2,347	1,714	1,735
Other Revenues[2]	729,999	822,561	813,983	777,788	773,278
Total Revenues	2,768,989	2,935,426	2,875,771	2,561,626	2,610,852
Expenditures:					
Current:					
Public Safety	1,783,993	1,845,497	1,856,634	1,862,914	1,828,984
General Government	783,059	860,976	889,266	857,626	903,890
Other[3]	328,081	349,616	356,066	288,559	296,063
Debt Service	7,069	6,930	5,318	4,978	5,004
Total Expenditures	2,902,202	3,063,019	3,107,284	3,014,077	3,033,941
Revenues Under Expenditures	(133,213)	(127,593)	(231,513)	(452,451)	(423,089)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	–	23,921	164,000	58,500	16,500
Transfers In	115,058	130,561	94,058	416,135	502,502
Transfers Out	(30,500)	(42,500)	(25,193)	(17,463)	(13,600)
Total Other Financing Sources (Uses)	84,558	111,982	232,865	457,172	505,402
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(48,655)	(15,611)	1,352	4,721	82,313
Fund Balance – Beginning of Year	110,819	62,391	44,307	48,443	54,706
Change in Inventory	227	(2,473)	2,784	1,542	(1,478)
Fund Balance – End of Year	$ 62,391	$ 44,307	$ 48,443	$ 54,706	$ 135,541

[1] Source: Table 6 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller

[2] *Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues.*

[3] Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.

Special Revenue Funds
For Fiscal Years Ended 2006 – 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 302,772	$ 314,742	$ 326,334	$ 334,792	$ 316,618
Utility Tax	24,299	28,838	82,373	75,688	72,201
Sales Tax	76	5	–	–	–
State Income Tax	65,552	55,719	56,848	95,994	103,657
Other Taxes	382,232	465,533	554,096	572,651	588,717
Federal/State Grants	820,702	778,601	794,564	751,555	814,144
Other Revenues[2]	115,023	114,906	120,401	131,295	121,017
Total Revenues	1,710,656	1,758,344	1,934,616	1,961,975	2,016,354
Expenditures:					
Current:					
Public Safety	67,363	35,102	35,518	50,797	80,744
General Government	740,423	789,703	915,659	799,236	882,553
Employee Pensions	396,923	371,649	413,690	430,915	435,432
Other[3]	552,675	603,553	677,990	566,612	521,876
Capital Outlay	8,110	16,674	4,360	3,357	4,903
Debt Service	6,356	7,603	5,628	3,632	3,898
Total Expenditures	1,771,850	1,824,284	2,052,845	1,854,549	1,929,406
Revenues Under Expenditures	(61,194)	(65,940)	(118,229)	107,426	86,948
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/ Including Premium	79,250	144,614	163,628	72,925	88,018
Payment to Refunded Bond Escrow Agent	–	–	–	–	–
Transfers In	193,850	108,045	155,637	185,358	94,424
Transfers Out	(38,177)	(86,470)	(48,604)	(1,746,126)	(65,807)
Total Other Financing Sources (Uses)	234,923	166,189	270,661	(1,487,843)	116,635
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	173,729	100,249	152,432	(1,380,417)	203,583
Fund Balance – Beginning of Year	609,119	782,848	883,097	1,035,529	(344,888)
Fund Balance – End of Year	$ 782,848	$ 883,097	$1,035,529	$ (344,888)	$ (141,305)

[1] Source: Table 7 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues.

[3] Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.

Debt Service Funds
For Fiscal Years Ended 2006 - 2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Property Tax	$ 363,218	$ 346,965	$ 403,489	$ 471,218	$ 437,463
Utility Tax	22,308	22,318	22,282	22,138	22,324
Sales Tax	21,639	27,684	30,440	27,395	31,162
Other Taxes	193,824	217,731	220,220	131,993	129,566
Other Revenues[2]	33,368	30,594	6,562	38,720	61,004
Total Revenues	634,357	645,292	682,993	691,464	681,519
Expenditures:					
Debt Service	693,110	625,459	1,022,156	777,725	747,061
Total Expenditures	693,110	625,459	1,022,156	777,725	747,061
Revenues Over (Under) Expenditures	(58,753)	19,833	(339,163)	(86,261)	(65,542)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	302,658	777,151	405,311	340,324	560,524
Payment to Refunded Bond Escrow Agent	(276,607)	(951,419)	(186,421)	(213,435)	(412,184)
Transfers In	8,741	63,807	33,186	684,277	44,185
Transfers Out	(509,884)	(73,325)	(141,498)	(81,291)	(110,049)
Total Other Financing Sources (Uses)	(475,092)	(183,786)	110,578	729,875	82,476
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(533,845)	(163,953)	(228,585)	643,614	16,934
Fund Balance - Beginning of Year	688,887	155,042	(8,911)	(237,496)	406,118
Fund Balance - End of Year	$155,042	$ (8,911)	$ (237,496)	$ 406,118	$ 423,052

[1] *Source: Table 8 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report* (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income and Miscellaneous Revenues.

Capital Projects Funds
For Fiscal Years Ended 2006-2010[1]
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Revenues:					
Other Revenues[2]	$ 56,687	$ 76,666	$ 44,464	$ 18,240	$ 43,135
Total Revenues	56,687	76,666	44,464	18,240	43,135
Expenditures					
Capital Outlay	907,201	585,759	657,104	615,916	624,007
Total Expenditures	907,201	585,759	657,104	615,916	624,007
Revenues Under Expenditures	(850,514)	(509,093)	(612,640)	(597,676)	(580,872)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	380,925	708,195	62,493	529,553	769,348
Transfers In	352,386	29,603	10,567	16,334	6,296
Transfers Out	(10,977)	(27,521)	(96)	(3,734)	(99)
Total Other Financing Sources (Uses)	722,334	710,277	72,964	542,153	775,545
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(128,180)	201,184	(539,676)	(55,523)	194,673
Fund Balance – Beginning of Year	910,819	782,639	983,823	444,147	388,624
Fund Balance – End of Year	$ 782,639	$ 983,823	$ 444,147	$ 388,624	$ 583,297

[1] Source: Table 9 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] Includes Investment Income, Charges for Services and Miscellaneous Revenues.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010[1]
(Dollars in Thousands)

	Total Special Revenue Funds	Debt Service Fund Special Taxing Areas	Total Capital Project Funds	Total Nonmajor Governmental Funds[2]
REVENUES				
Property Tax	$316,618	$ –	$ –	$ 316,618
Utility Tax	72,201	–	–	72,201
Sales Tax	–	1,409	–	1,409
Transportation Tax	168,912	–	–	168,912
State Income Tax	103,657	–	–	103,657
Transaction Tax	32,687	–	–	32,687
Special Area Tax	–	113,949	–	113,949
Other Taxes	14,541	–	–	14,541
Federal/State Grants	–	–	–	–
Internal Service	21,191	–	–	21,191
Fines	13,865	–	–	13,865
Investment Income	3,542	19	1,635	5,196
Charges for Services	29,561	–	–	29,561
Miscellaneous	29,266	663	1,042	30,931
Total Revenues	806,001	116,040	2,677	924,718
EXPENDITURES				
Current:				
General Government	233,227	–	–	233,227
Health	5,704	–	–	5,704
Public Safety	3,158	–	–	3,158
Streets and Sanitation	51,405	–	–	51,405
Transportation	53,019	–	–	53,019
Cultural and Recreational	84,424	–	–	84,424
Employee Pensions	435,432	–	–	435,432
Other	869	–	–	869
Capital Outlay	–	–	66,399	66,399
Debt Service:				
Principal Retirement	–	36,535	–	36,535
Interest and Other Fiscal Charges	3,898	28,431	–	32,329
Total Expenditures	871,136	64,966	66,399	1,002,501
Revenues Over (Under) Expenditures	(65,135)	51,074	(63,722)	(77,783)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	88,018	1,443	120,647	210,108
Payment to Refunded Bond Escrow Agent	–	–	–	–
Transfers In	13,600	44,185	–	57,785
Transfers Out	(21,500)	(87,899)	–	(109,399)
Total Other Financing Sources (Uses)	80,118	(42,271)	120,647	158,494
Net Change in Fund Balances	14,983	8,803	56,925	80,711
Fund Balance – Beginning of Year	90,757	149,647	47,746	288,150
Fund Balance – End of Year	$105,740	$158,450	$104,671	$368,861

[1] Source: Schedule B-2 in the Nonmajor Governmental Funds Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010 The City's CAFR for the year ended December 31, 2010 is available upon request from the Office of the City Comptroller.

[2] The line items under "Total Nonmajor Governmental Funds" above are identical to the line items under the column captioned "Other Governmental Funds" appearing as Exhibit 4 to the City's Basic Financial Statements for the year ended December 31, 2010 included as APPENDIX C hereto.

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APPENDIX C

CITY OF CHICAGO

Basic Financial Statements for the Year Ended December 31, 2010

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Deloitte.

City of Chicago

Basic Financial Statements
for the Year Ended December 31, 2010

Rahm Emanuel, Mayor

Lois Scott, Chief Financial Officer
Amer Ahmad, City Comptroller

CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2010
TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Rahm Emanuel, Mayor,
and Members of the City Council
City of Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, effective January 1, 2010, the City adopted Statement No. 53 of the Government Accounting Standards Board (GASB), *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the GASB. This supplementary information is the responsibility of the City's management. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

June 29, 2011

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Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage the readers to consider the information presented here in conjunction with other information contained within this report.

Fiscal 2010 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $1,570.8 million (*net deficit*). Of this amount, $8,014.3 million is an unrestricted deficit, while $2,041.2 million is invested in capital assets, net of related debt and $4,402.3 million is restricted for specific purposes.
- The City's total assets and deferred outflows increased by $1,695.6 million. The increase relates to $453.1 million increase in capital assets as a result of the City's capital improvement program and $812.8 million increase in restricted cash and cash equivalents and investments primarily as a result of the City's financing of its business activities capital programs.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2010 were $7,467.1 million, a decrease of $1,123.6 million (13.1 percent) from 2009. The reduction was a result of the 2009 transfers in of $1,702.5 million when the service concession agreements fund was established.
- The General Fund, also in the fund financial statements, ended 2010 with a total Fund Balance of $135.5 million. Total Fund Balance increased from 2009 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by $82.3 million. Fund Balance at December 31, 2010 of $36.2 million was reserved for commitments. Unreserved Fund Balance was $81.2 million at December 31, 2010, compared to a balance of $2.7 million at the end of 2009.
- The City's general obligation bonds and notes outstanding increased by $641.3 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan and certain operating expenses.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, using accounting methods similar to those used by private-sector companies. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic condition at the end of the fiscal year. These financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means such statements follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The *statement of activities* presents information showing how the government's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected taxes, and earned but unused vacation). This statement also presents a comparison between direct expenses and program revenues for each function of the City.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, transportation, health, and cultural and recreation. The business-type activities of the City include water, sewer, tollway and airport services.

The government-wide financial statements present information about the City as a primary government, which includes the Chicago Public Library and the City related funds of the Public Building Commission. The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds and governmental activities*.

The City maintains 20 individual governmental funds. Information for the seven funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The seven major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession Agreement Fund, the Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriation budget for its general and certain special revenue funds on a non-GAAP budgetary basis. A budgetary comparison statement has been provided for the General Fund, the only major fund with an appropriation budget, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found immediately following the government-wide statements.

Proprietary funds. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge user fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds, like government-wide statements, use the accrual basis of accounting and provide both long- and short-term financial information. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The City uses five enterprise funds to account for its water, sewer, tollway and two airports operations.
Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport

Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Fiduciary funds. Fiduciary funds are used primarily to account for resources held for the benefit of parties outside the primary government. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement can be used only for the trust beneficiaries. The City also uses fiduciary funds to account for transactions for assets held by the City as agent for various entities. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund financial statements.

Financial Analysis of the City as a Whole

Net assets (deficit). As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $1,570.8 million at December 31, 2010.

A large portion of the City's net deficit, $2,041.2 million reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

City of Chicago, Illinois
Summary Statement of Net Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 6,109.4	$ 6,106.2	$ 3,939.1	$ 2,772.6	$ 10,048.5	$ 8,878.8
Capital assets	7,288.3	7,311.5	11,393.8	10,917.5	18,682.1	18,229.0
Deferred outflows	92.5	75.4	141.4	85.7	233.9	161.1
Total	13,490.2	13,493.1	15,474.3	13,775.8	28,964.5	27,268.9
Long-term liabilities outstanding	13,656.4	12,217.4	11,176.8	9,688.6	24,833.2	21,906.0
Other liabilities	1,468.7	1,448.0	853.9	782.1	2,322.6	2,230.1
Total Liabilities	15,125.1	13,665.4	12,030.7	10,470.7	27,155.8	24,136.1
Deferred Inflows	1,660.4	1,681.5	1,719.1	1,737.6	3,379.5	3,419.1
Net assets:						
Invested in capital assets, net of related debt	(324.3)	251.1	2,365.5	2,286.7	2,041.2	2,537.8
Restricted	3,611.5	3,735.1	790.8	821.9	4,402.3	4,557.0
Unrestricted	(6,582.5)	(5,840.0)	(1,431.8)	(1,541.1)	(8,014.3)	(7,381.1)
Total net assets (deficit)	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.5	$ (1,570.8)	$ (286.3)

An additional portion of the City's net assets ($4,402.3 million) represent resources that are subject to external restrictions on how they may be used.

Governmental Activities. Net assets of the City's governmental activities decreased $1,441.5 million to a deficit of $3,295.3 million. However, a significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.) net of related debt. Consequently, unrestricted net assets showed a $6,582.5 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($656.0 million), Municipal employees, Policemen's and Firemen's net pension obligation ($4,144.5 million) and post-employment benefits ($380.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,660.4 million will be amortized into income over the life of the concession service agreements.

Over half of the City's revenue comes from taxes. Total taxes increased slightly. Total taxes include a decrease in property taxes of $.1 million (.01 percent). Other taxes increased by $.3 million (.01 percent) as a result of increases in sales and transaction taxes. Federal/State grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2010 were $6,664.5 million. This reflects an increase of $447.3 million (7.2 percent) over 2009. Public Safety was the largest component of current expenses, accounting for 42.4 percent of total expenses. Expenses increased as a result of contractual wage increases and related benefits.

The cost of all governmental activities was $6,664.5 million.

- *The amount that taxpayers paid for these activities through City taxes was only $2,918.8 million.*
    - Some of the cost was paid by those who directly benefited from the programs ($610.4 million), or
    - By other governments and organizations that subsidized certain programs with grants and contributions ($789.6 million).

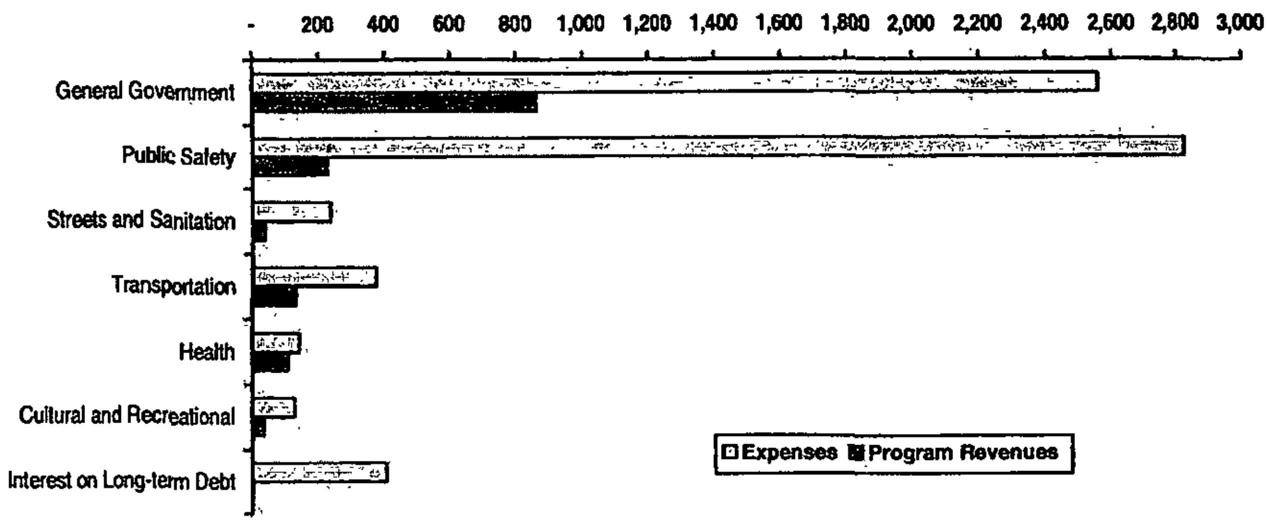
The City paid $904.2 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were $1,724.5 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

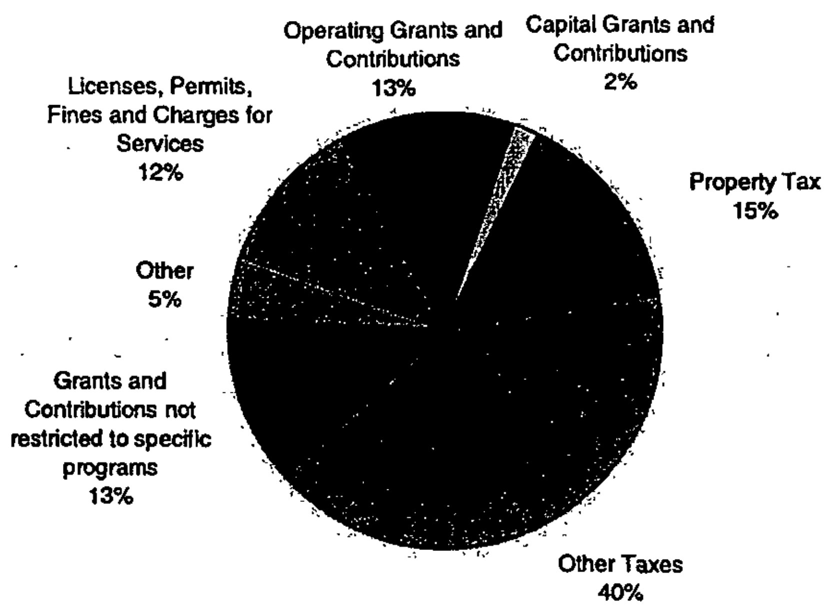
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	$ 610.4	$ 621.9	$ 1,508.3	$ 1,332.1	$ 2,118.7	$ 1,954.0
Operating Grants and Contributions	674.7	611.3	-	-	674.7	611.3
Capital Grants and Contributions	114.9	115.3	246.3	211.2	361.2	326.5
General Revenues:						
Property Taxes	796.9	797.0	-	-	796.9	797.0
Other Taxes	2,121.9	2,121.6	-	-	2,121.9	2,121.6
Grants and Contributions not						
Restricted to Specific Programs	654.0	601.2	57.0	-	711.0	601.2
Other	250.2	250.4	-	21.3	250.2	271.7
Total Revenues	5,223.0	5,118.7	1,811.6	1,564.6	7,034.6	6,683.3
Expenses:						
General Government	2,557.7	2,364.8	-	-	2,557.7	2,364.8
Public Safety	2,824.0	2,521.1	-	-	2,824.0	2,521.1
Streets and Sanitation	235.9	297.2	-	-	235.9	297.2
Transportation	373.4	351.1	-	-	373.4	351.1
Health	142.4	166.9	-	-	142.4	166.9
Cultural and Recreational	126.9	130.0	-	-	126.9	130.0
Interest on Long-term Debt	404.2	386.1	-	-	404.2	386.1
Water	-	-	399.3	382.5	399.3	382.5
Sewer	-	-	184.9	170.0	184.9	170.0
Midway International Airport	-	-	224.5	206.6	224.5	206.6
Chicago-O'Hare International Airport	-	-	834.5	811.7	834.5	811.7
Chicago Skyway	-	-	11.3	11.8	11.3	11.8
Total Expenses	6,664.5	6,217.2	1,654.5	1,582.6	8,319.0	7,799.8
Change in Net Assets Before Transfers	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Transfers	-	-	-	-	-	-
Change in Net Assets	(1,441.5)	(1,098.5)	157.1	(18.0)	(1,284.4)	(1,116.5)
Net Assets, Beginning of Year	(1,853.8)	(755.3)	1,567.4	1,585.4	(286.4)	830.1
Net Assets, End of Year	$ (3,295.3)	$ (1,853.8)	$ 1,724.5	$ 1,567.4	$ (1,570.8)	$ (286.4)

Expenses and Program Revenues - Governmental Activities
(in millions of dollars)



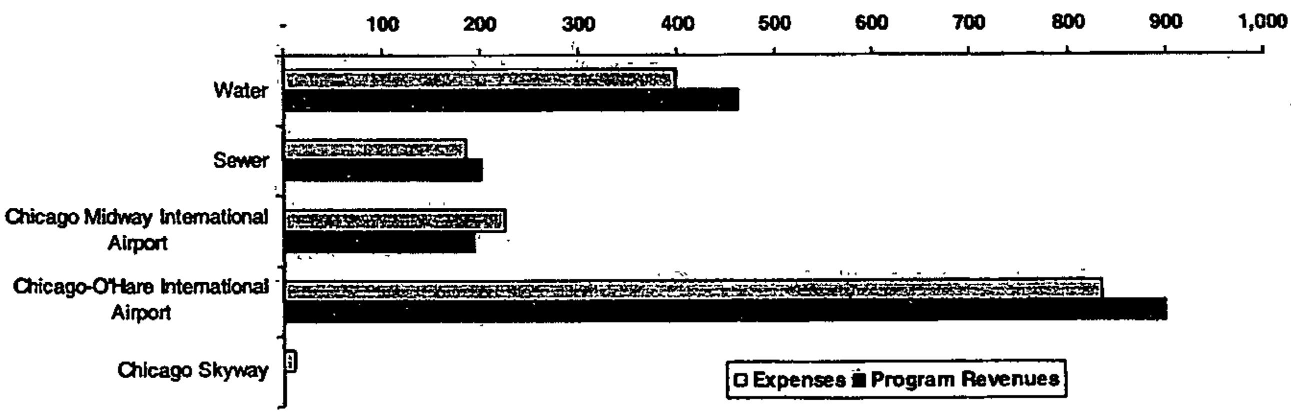
Revenues by Source - Governmental Activities



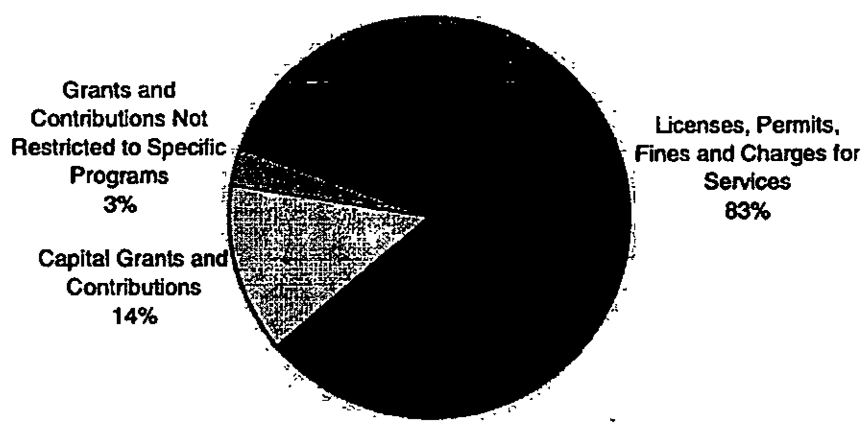
Business-type Activities. Revenues of the City's business-type activities increased by $247.0 million in 2010 due primarily to increases in charges for services, rent and investment earnings. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenues for 2010 increased by 11.8 percent from 2009 due to an increase in water rates. Operating expenses in 2010 increased by 3.4 percent primarily due to an increase in personnel and contractual services, as well as depreciation and amortization.
- The Sewer Fund's operating revenues increased 13.2 percent during fiscal year 2010, as the result of an increase in water and sewer rates. Operating expenses increased 4.7% as a result of increased personnel services, depreciation and amortization, and general fund reimbursements.
- Chicago Midway International Airport Fund's operating revenues for 2010 increased by $26.8 million compared to prior year operating revenues. Operating expenses increased by $13.8 million primarily due to an increase in personnel services, contractual services, and depreciation and amortization.
- Chicago-O'Hare International Airport Fund's operating revenues for 2010 increased by $78.2 million (12.5 percent) compared to prior year operating revenues as a result of increased fund deposit requirements. Operating expenses increased by $12.7 million as a result of an increase in contractual services, repair and maintenance, and depreciation and amortization.
- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company to operate the Skyway and to collect toll revenue during the term of the agreement. The City received an upfront payment of $1.83 billion of which $446.3 million was used to advance refund all of the outstanding Skyway bonds. The upfront payment is being amortized into non-operating revenue over the period of the lease ($18.5 million annually).

**Expenses and Program Revenues - Business-type Activities
(in millions of dollars)**



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2010, the City's governmental funds reported combined ending fund balances of $1,878.5 million, an increase of $71.6 million in comparison with the prior year. Of this total amount ($77.6 million) constitutes *undesignated fund balance.* The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($286.1 million), 2) to pay debt service ($423.1 million), 3) to provide a long-term reserve ($739.2 million), 4) for future appropriations ($326.7 million), and 5) for a variety of other restricted purposes ($25.8 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $81.2 million with a total fund balance of $135.5 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 4.5 percent of total General Fund expenditures. The fund balance of the City's General Fund increased by $80.8 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by $82.3 million. As a result of increased economically sensitive taxes and lower than expected personnel and benefit expenses.

The Federal, State and Local Grants Fund has a total fund balance of $13.1 million, $7.7 million of which is reserved for the resale of property, while there is an unreserved, undesignated fund balance of $5.4 million.

The Special Taxing Areas Fund has a total fund balance of $1,400.3 million, of which $191.2 million is reserved for encumbrances, $188.0 million is designated for future appropriations and the remaining $1,021.1 million is unreserved, undesignated. Increase in fund balance is a result of Special Area tax exceeding expenditure.

The Service Concession Agreement Fund accounts for deferred inflows from non business type long-term concession and lease transactions and has an unreserved, undesignated fund deficit of $1,660.4 million.

The Reserve Fund has a total fund balance of $877.9 million, of which $739.1 million is reserved as a long-term trust. The remaining is designated for future appropriations. Fund balance decreased as a result of transfers out.

The Bond, Note Redemption and Interest Fund have a total fund balance of $264.6 million. Fund balance was consistent with prior year.

The Community Development and Improvement Projects Fund has a total fund balance of $478.6 million, of which $37.1 million is reserved for encumbrances and the remaining $441.5 million is unreserved, undesignated. The increase in fund balance during the current year in the Community Development and Improvement Projects Fund was $137.7 million, as a result of the timing of the capital program financing.

Changes in fund balance. The City's governmental fund revenues (excluding other financing sources) increased by .9 percent or $49.4 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,431.8 million. The total increase in unrestricted net assets related to changes in the $2,365.5 million of net assets invested in capital assets, net of related debt and the $790.8 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2010 Original General Fund Budget is $3,179.7 million. This budget reflects a decrease of $6.8 million (.2 percent) over the 2009 Budget. The City's 2010 General Fund Budget was approved by the City Council on December 2, 2009. The General Fund revenues on a budgetary basis were $49.9 million less than the final budget as a result of higher than expected taxes, offset by lower transfers in. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and fines. Expenditures were $135.6 million less than budgeted as a result of favorable variances in general government, primarily as a result of lower than expected health care and personnel related expenses. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

The General Fund revenues and expenditures in 2010 ended the current fiscal year with an available unreserved fund balance of $81.2 million, which is a $78.5 million increase over 2009.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of December 31, 2010 amount to $18,682.1 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

Major capital asset events during the current fiscal year included the following:

- The City continued its LEED Strategy with the construction of three new district police stations, the 8th, the 9th, and 23rd, all totaling $78.2 million in construction cost.
- The City also completed the new LEED silver certified Vehicle Maintenance Facility with construction costs totaling $20.0 million.
- During 2010 the City completed $52.8 million in bridge and viaduct reconstruction projects, $102.1 million in street construction and resurfacing projects, and $4.2 million in street lighting and transit projects.
- During 2010 the Water Fund expended $139.7 million for capital activities. This included $4.5 million for structures and improvements, $10.3 million for equipment, $46.8 million for construction in progress, and $78.1 million for distribution plant, of which $20.4 million was for water mains; $37.3 million for in-house construction costs; $16.3 million for engineering fees; $2.5 million for capitalized interest; and $1.6 million for completed meter projects. Net completed projects totaling $96.1 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to South Water Purification Plant chlorine improvement projects ($53.3 million), CCTV, card access, camera upgrades ($4.2 million), 68th Street Pumping Station roof rehab ($4.1 million), and installation and replacements of water mains ($30.9 million). The 2010 Water Main Replacement Program completed 30 miles of water mains.
- The 2010 Sewer Main Replacement Program completed 8.6 miles of sewer mains and 37.7 miles of relining of existing sewer mains at a cost of $133.0 million.
- Chicago Midway International Airport had capital asset additions in 2010 of $28.0 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2010 of $475.5 million principally due to land acquisition, terminal improvements, security enhancements, runway and taxiway improvements along with heating and refrigeration, and apron improvements.

City of Chicago, Illinois
Capital Assets (net of depreciation)
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 1,382.2	$ 1,372.7	$ 864.0	$ 839.5	$ 2,246.2	$ 2,212.2
Works of Art and Historical Collections	13.1	13.1	-	-	13.1	13.1
Construction in Progress	164.6	225.3	1,419.6	1,502.5	1,584.2	1,727.8
Buildings and Other Improvements	1,677.7	1,589.8	8,767.5	8,286.6	10,445.2	9,876.4
Machinery and Equipment	320.2	335.9	342.7	288.9	662.9	624.8
Infrastructure	3,730.5	3,774.7	-	-	3,730.5	3,774.7
Total	$ 7,288.3	$ 7,311.5	$ 11,393.8	$ 10,917.5	$ 18,682.1	$ 18,229.0

Information on the City's capital assets can be found in Note #7 of this report.

Debt. At the end of the current fiscal year, the City had $6,660.0 million in General Obligation Bonds and Notes and $844.8 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $203.9 million in Motor Fuel Tax Revenue Bonds; $355.5 million of Sales Tax Revenue Bonds; $163.6 million in Tax Increment Financing Bonds; $1.2 million in Installment Purchase Agreements; and $10,923.7 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note No. 10 Long-term Obligations in the Basic Financial Statements.

City of Chicago, Illinois
General Obligation and Revenue Bonds
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation	$ 7,504.7	$ 6,863.4	$ -	$ -	$ 7,504.7	$ 6,863.4
Installment Purchase Agreement	1.2	3.5	-	-	1.2	3.5
Tax Increment	163.6	186.2	-	-	163.6	186.2
Revenue Bonds	559.4	564.8	10,923.7	9,532.3	11,483.1	10,097.1
Total	$ 8,228.9	$ 7,617.9	$ 10,923.7	$ 9,532.3	$ 19,152.6	$ 17,150.2

During 2010, the City issued the following:

General Obligation Bonds and Notes:

- General Obligation Bonds, Refunding Series 2009A, Taxable Project and Refunding Series 2009B, Taxable Project Series 2009C (Build America Bonds) and Taxable Project Series 2009D (Recovery Zone Economic Development Bonds) ($793.3 million)
- General Obligation Modern Schools Across Chicago Bonds, Series 2010A and Taxable Series 2010B ($150.1 million)
- General Obligation Bonds Taxable Series 2010B (Build America Bonds) ($213.6 million)
- General Obligation Short Term Notes Series 2010 ($70.4 million)
- General Obligation Commercial Paper Notes ($170.7 million)

Enterprise Fund Revenue Bonds and Notes:

- Second Lien Water Revenue Bonds, Project and Refunding Series 2010A, Taxable Project Series 2010B (Build America Bonds) and Taxable Project Series 2010C (Qualified Energy Conservation Bonds) ($313.6 million)
- Second Lien Wastewater Transmission Bonds, Revenue Refunding Series 2010A and Taxable Revenue Project Taxable Series 2010B (Build America Bonds) ($275.9 million)
- Water Commercial Paper Notes ($51.5 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A (Non-AMT), Series 2010B (Non-AMT), Taxable Series 2010C and Refunding Series 2010D (Non-AMT) ($137.7 million)
- Chicago-O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2010A (Non-AMT), Taxable Series 2010B (Build America Bonds), Series 2010C (Non-AMT), Refunding Series 2010D (AMT), Refunding Series 2010E (AMT) and Series 2010F (Non-AMT) ($1.04 billion)
- Chicago Midway Airport Second Lien Revenue Bonds, Taxable Series 2010 A-1 and Taxable Series 2010 A-2 ($80.5 million)
- Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B (Non-AMT), Taxable Series 2010C and Taxable Series 2010 D-2 ($246.5 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes ($.5 million)
- Chicago Midway International Airport General Commercial Paper Notes ($35.5 million)

At December 31, 2010 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation:			
City	Aa3	A+	AA-
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	Aa3	AA	AA+
Second Lien General Airport Revenue Bonds	A1	AA-	AA
Third Lien General Airport Revenue Bonds	A1	A-	A
First Lien Passenger Facility Charge (PFC)	A2	A-	A+
Midway Airport:			
First Lien	A2	A	A
Second Lien	A3	A-	A-
Water:			
First Lien	Aa2	AA	AA+
Second Lien	Aa3	AA-	AA
Wastewater:			
First Lien	Aa2	AA-	n/a
Junior Lien	Aa3	A+	AA
Sales Tax	Aa2	AAA	AA-
Motor Fuel Tax	Aa3	AA+	A-

In 2007, the City closed and extinguished the First Lien Passenger Facility Charge (PFC) bonds. All outstanding PFC bonds exist within the same lien status.

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the global and national economies. Nationally, in 2010 new housing unit starts experienced a slight increase of 5.5 percent above 2009 levels. Additionally, in Chicago year to date average home prices increased 1.6 percent in 2010 over 2009 levels and real estate transaction tax collections increased by 23.8 percent from 2009 collections as a result of the Federal Homeowner Affordability and Stimulus Plan.

Additionally, 2010 sales tax collections saw a slight increase of 1.8 percent. Amusement tax collections increased by 7.72 percent in 2010 as a result of post season sporting events.

Chicago is a center of tourism and conventions. Chicago's business district includes more than 30,000 hotel rooms within a five-mile range of McCormick Place, the convention facility that contains 2.6 million square feet of exhibit halls. Hotel projects completed in 2010 included the JW Marriott with 610 rooms and Hotel Palomar with 261 rooms. Hotel occupancy increased to 70 percent in 2010 and the average daily room rate increased by 1.84 percent.

The 2010 national unemployment rate reached 9.63 percent up from 9.275 percent in 2009. The City saw minimal change in 2010 as its unemployment rate increased to 10.1 percent in 2010 up from 10.0 percent in 2009.

The City's 2011 Corporate Fund budget was approved by the City Council on November 17, 2010. The City's budget totals $3,263.7 million, reflecting an increase of $84.0 million or approximately 2.6 percent of the 2010 Corporate Fund budget. The 2011 budget balances a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full time budgeted positions. Due to severe economic conditions over recent years, the City has needed to utilize nonrecurring revenue sources for budgetary purposes. This has taken the form of expending asset concession reserves and intends to utilize tax increment funds by declaring a surplus in twenty-six tax increment financing districts.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government'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 Comptroller's Office.

Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 1,594,798	$ 225,325	$ 1,820,123
Investments	950,161	132,890	1,083,051
Cash and Investments with Escrow Agent	457,748	-	457,748
Receivables (Net of Allowances):			
Property Tax	1,423,922	-	1,423,922
Accounts	735,807	281,101	1,016,908
Internal Balances	(16,851)	16,851	-
Inventories	18,180	15,502	33,682
Restricted Assets:			
Cash and Cash Equivalents	137,363	1,376,006	1,513,369
Investments	560,246	1,396,955	1,957,201
Other Assets	247,931	494,562	742,493
Capital Assets:			
Land, Art, and Construction in Progress	1,559,949	2,283,645	3,843,594
Other Capital Assets, Net of Accumulated Depreciation	5,728,394	9,110,105	14,838,499
Total Capital Assets	7,288,343	11,393,750	18,682,093
Deferred Outflows	92,589	141,379	233,968
Total Assets and Deferred Outflows	$ 13,490,237	$ 15,474,321	$ 28,964,558
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 479,047	$ 278,138	$ 757,185
Short-term Debt	672	-	672
Accrued Interest	145,788	212,366	358,154
Accrued and Other Liabilities	733,300	146,729	880,029
Unearned Revenue	109,836	216,619	326,455
Long-term Liabilities:			
Due Within One Year	275,186	186,925	462,111
Other Long-term liabilities	-	17,937	17,937
Derivative Instrument Liability	115,269	146,560	261,829
Due in More Than One Year	13,266,026	10,825,412	24,091,438
Total Liabilities	15,125,124	12,030,686	27,155,810
Deferred Inflows	1,660,426	1,719,091	3,379,517
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(324,284)	2,365,522	2,041,238
Restricted for:			
Capital Projects	99,646	174,035	273,681
Long-term Reserve	877,890	-	877,890
Debt Service	1,132,545	11,860	1,144,405
Federal, State and Local Grants	13,050	-	13,050
Special Taxing Areas	1,488,402	-	1,488,402
Passenger Facility Charges	-	179,571	179,571
Noise Mitigation Program	-	206,838	206,838
Other Purposes	-	218,577	218,577
Unrestricted (Deficit)	(6,582,562)	(1,431,859)	(8,014,421)
Total Net Assets (Deficit)	$ (3,295,313)	$ 1,724,544	$ (1,570,769)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 2,557,681	$ 370,028
Public Safety	2,824,028	150,710
Streets and Sanitation	235,863	38,092
Transportation	373,437	21,640
Health	142,352	8,332
Cultural and Recreational	126,939	21,635
Interest on Long-term Debt	404,218	-
Total Governmental Activities	6,664,518	610,437
Business-type Activities:		
Water	399,347	458,395
Sewer	184,888	198,229
Chicago Midway International Airport	224,465	149,056
Chicago-O'Hare International Airport	834,487	702,603
Chicago Skyway	11,312	-
Total Business-type Activities	1,654,499	1,508,283
Total Primary Government	$ 8,319,017	$ 2,118,720

See notes to basic financial statements.

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	$ 487,373	$ 4,903	$ (1,695,377)	$ -	$ (1,695,377)
	75,131	-	(2,598,187)	-	(2,598,187)
	-	-	(197,771)	-	(197,771)
	-	109,968	(241,829)	-	(241,829)
	98,287	-	(35,733)	-	(35,733)
	13,886	-	(91,418)	-	(91,418)
	-	-	(404,218)	-	(404,218)
	674,677	114,871	(5,264,533)	-	(5,264,533)
	-	3,414	-	62,462	62,462
	-	3,136	-	16,477	16,477
	-	43,226	-	(32,183)	(32,183)
	-	196,533	-	64,649	64,649
	-	-	-	(11,312)	(11,312)
	-	246,309	-	100,093	100,093
	$ 674,677	$ 361,180	(5,264,533)	100,093	(5,164,440)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Taxes:			
Property Tax	796,928	-	796,928
Utility Tax	561,936	-	561,936
Sales Tax	260,364	-	260,364
Transportation Tax	335,235	-	335,235
Transaction Tax	227,772	-	227,772
Special Area Tax	477,241	-	477,241
Recreation Tax	158,390	-	158,390
Other Taxes	100,935	-	100,935
Grants and Contributions not Restricted to Specific Programs	654,043	-	654,043
Unrestricted Investment Earnings	100,269	6,831	107,100
Miscellaneous	149,902	50,190	200,092
Total General Revenues	3,823,015	57,021	3,880,036
Transfers	-	-	-
Change in Net Assets	(1,441,518)	157,114	(1,284,404)
Net Assets - Beginning (Deficit)	(1,853,795)	1,567,430	(286,365)
Net Assets - Ending (Deficit)	$ (3,295,313)	$ 1,724,544	$ (1,570,769)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 10,003	$ 32,990	$ 1,185,968
Investments	13,065	16,251	199,320
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	394,374
Accounts	220,183	28,038	1,417
Due From Other Funds	254,124	29,707	6,378
Due From Other Governments	231,987	145,497	-
Inventories	18,180	-	-
Restricted Cash and Cash Equivalents	-	-	-
Restricted Investments	-	-	-
Other Assets	-	7,632	-
Total Assets	$ 747,542	$ 260,115	$ 1,787,457
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	$ 159,608	$ 134,898	$ 39,884
Bonds, Notes and Other Obligations Payable - Current	-	-	-
Accrued Interest	-	-	-
Due To Other Funds	295,566	40,850	10,657
Accrued and Other Liabilities	117,443	11,068	3,387
Claims Payable	36,505	-	-
Deferred Revenue	2,879	60,249	333,198
Total Liabilities	612,001	247,065	387,126
Deferred Inflows	-	-	-
Fund Balance:			
Reserved for Encumbrances	36,210	-	191,230
Reserved for Resale Property	-	7,632	-
Reserved for Inventory	18,180	-	-
Reserved for Debt Service	-	-	-
Reserved for Long-term Trust Fund	-	-	-
Unreserved, Designated for Future Appropriations	-	-	188,000
Unreserved, Undesignated - Major Funds	81,151	5,418	1,021,101
Unreserved, Undesignated - Special Revenue Funds	-	-	-
Unreserved, Undesignated - Capital Projects Funds	-	-	-
Total Fund Balance	135,541	13,050	1,400,331
Total Liabilities, Deferred Inflows and Fund Balance	$ 747,542	$ 260,115	$ 1,787,457

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 29,649	$ 50,713	$ 71,647	$ 213,828	$ 1,594,798
-	98,659	110,230	473,690	38,946	950,161
-	-	325,455	-	132,293	457,748
-	-	526,556	-	502,992	1,423,922
-	1,973	41,525	2,832	22,363	318,331
-	50,000	1,512	68,131	94,373	504,225
-		1,511	-	38,481	417,476
-	-	-	-	-	18,180
-	137,363	-	-	-	137,363
-	560,246	-	-	-	560,246
-	-	-	-	-	7,632
$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082
$ -	$ -	$ -	$ 39,566	$ 80,206	$ 454,162
-	-	140,248	-	6,695	146,943
-	-	142,160	-	2,775	144,935
-	-	-	97,910	81,010	525,993
-	-	-	198	67,228	199,324
-	-	-	-	-	36,505
-	-	510,492	-	436,501	1,343,319
-	-	792,900	137,674	674,415	2,851,181
1,660,426	-	-	-	-	1,660,426
-	-	-	37,148	21,486	286,074
-	-	-	-	-	7,632
-	-	-	-	-	18,180
-	-	264,602	-	158,450	423,052
-	739,166	-	-	-	739,166
-	138,724	-	-	-	326,724
(1,660,426)	-	-	441,478	-	(111,278)
-	-	-	-	96,390	96,390
-	-	-	-	92,535	92,535
(1,660,426)	877,890	264,602	478,626	368,861	1,878,475
$ -	$ 877,890	$ 1,057,502	$ 616,300	$ 1,043,276	$ 6,390,082

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,288,343
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds ...	1,378,564
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(13,840,695)
Net assets of governmental activities	$ (3,295,313)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	467,411	-	-
Sales Tax	495,842	-	-
Transportation Tax	150,706	-	-
State Income Tax	282,011	-	-
Transaction Tax	195,085	-	-
Special Area Tax	-	-	372,577
Recreation Tax	158,390	-	-
Other Taxes	86,394	-	-
Federal/State Grants	1,735	814,144	-
Internal Service	274,574	-	-
Licenses and Permits	96,240	-	-
Fines	258,802	-	-
Investment Income (Loss)	4,200	-	2,323
Charges for Services	84,002	-	2
Miscellaneous	55,460	-	274
Total Revenues	2,610,852	814,144	375,176
Expenditures:			
Current:			
General Government	903,890	467,299	182,027
Health	35,593	112,521	59
Public Safety	1,828,984	77,180	406
Streets and Sanitation	177,950	-	3,071
Transportation	70,032	119,294	54,994
Cultural and Recreational	544	14,760	4,569
Employee Pensions	-	-	-
Other	11,944	17,187	-
Capital Outlay	-	4,903	-
Debt Service:			
Principal Retirement	3,785	-	-
Interest and Other Fiscal Charges	1,219	-	-
Total Expenditures	3,033,941	813,144	245,126
Revenues Over (Under) Expenditures	(423,089)	1,000	130,050

Continued on following pages.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 437,463	$ -	$ 316,618	$ 754,081
-	-	22,324	-	72,201	561,936
-	-	29,753	-	1,409	527,004
-	-	15,617	-	168,912	335,235
-	-	-	-	103,657	385,668
-	-	-	-	32,687	227,772
-	-	-	-	113,949	486,526
-	-	-	-	-	158,390
-	-	-	-	14,541	100,935
-	-	-	-	-	815,879
-	-	-	-	21,191	295,765
-	-	-	-	-	96,240
-	-	-	-	13,865	272,667
-	33,430	54,265	4,311	5,196	103,725
-	-	-	-	29,561	113,565
21,033	-	6,057	36,147	30,931	149,902
21,033	33,430	565,479	40,458	924,718	5,385,290
-	7	-	-	233,227	1,786,450
-	-	-	-	5,704	153,877
-	-	-	-	3,158	1,909,728
-	-	-	-	51,405	232,426
-	-	-	-	53,019	297,339
-	-	-	-	84,424	104,297
-	-	-	-	435,432	435,432
-	-	-	-	869	30,000
-	-	-	557,608	66,399	628,910
-	-	349,608	-	36,535	389,928
-	-	332,487	-	32,329	366,035
-	7	682,095	557,608	1,002,501	6,334,422
21,033	33,423	(116,616)	(517,150)	(77,783)	(949,132)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ 16,500	$ -	$ -
Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	502,502	-	80,824
Transfers Out	(13,600)	(1,000)	(43,307)
Total Other Financing Sources (Uses)	505,402	(1,000)	37,517
Net Changes in Fund Balance	82,313	-	167,567
Fund Balance, Beginning of Year	54,706	13,050	1,232,764
Change in Inventory	(1,478)	-	-
Fund Balance, End of Year	$ 135,541	$ 13,050	$ 1,400,331

See notes to basic financial statements.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 559,081	$ 612,336	$ 210,108	$ 1,398,025
-	-	-	36,365	-	36,365
-	-	(412,184)	-	-	(412,184)
-	-	-	6,296	57,785	647,407
-	(457,852)	(22,150)	(99)	(109,399)	(647,407)
-	(457,852)	124,747	654,898	158,494	1,022,206
21,033	(424,429)	8,131	137,748	80,711	73,074
(1,681,459)	1,302,319	256,471	340,878	288,150	1,806,879
-	-	-	-	-	(1,478)
$ (1,660,426)	$ 877,890	$ 264,602	$ 478,626	$ 368,861	$ 1,878,475

Exhibit 5
CITY OF CHICAGO, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

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

Net change in fund balances - total governmental funds	$	73,074
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		(31,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		30,106
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		(657,809)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(855,569)
Change in the net assets of governmental activities	$	(1,441,518)

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	$ 479,809	$ 479,809	$ 467,411	$ (12,398)
Sales Tax	215,312	215,312	229,202	13,890
Transportation Tax	155,661	155,661	150,706	(4,955)
Transaction Tax	172,713	172,713	195,085	22,372
Recreation Tax	154,757	154,757	158,390	3,633
Business Tax	78,146	78,146	82,960	4,814
State Income Tax	210,255	210,255	282,011	71,756
State Sales Tax	245,042	245,042	266,640	21,598
State Auto Rental	3,160	3,160	3,434	274
Federal/State Grants	2,500	2,500	1,735	(765)
Internal Service	289,328	289,328	274,574	(14,754)
Licenses and Permits	105,953	105,953	96,240	(9,713)
Fines	262,900	262,900	258,802	(4,098)
Investment Income	3,000	3,000	4,200	1,200
Charges for Services	77,543	77,543	77,694	151
Municipal Utilities	6,038	6,038	6,405	367
Leases, Rentals and Sales	19,284	19,284	17,604	(1,680)
Miscellaneous	11,150	11,150	37,759	26,609
Issuance of Debt, Net of Original Discount	16,500	16,500	16,500	-
Budgeted Prior Years' Surplus and Reappropriations	-	-	-	-
Transfers In/Out	670,694	670,694	502,502	(168,192)
Total Revenues	3,179,745	3,179,745	3,129,854	(49,891)
Expenditures:				
Current:				
General Government	1,044,147	1,044,147	919,386	124,761
Health	38,470	38,470	35,942	2,528
Public Safety	1,826,846	1,826,846	1,832,942	(6,096)
Streets and Sanitation	185,471	185,471	178,074	7,397
Transportation	79,314	79,314	72,375	6,939
Cultural and Recreational	564	564	544	20
Debt Service:				
Principal Retirement	3,785	3,785	3,785	-
Interest and Other Fiscal Charges	1,148	1,148	1,138	10
Total Expenditures	3,179,745	3,179,745	3,044,186	135,559
Revenues Over (Under) Expenditures	$ -	$ -	$ 85,668	$ 85,668

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
ASSETS AND DEFERRED OUTFLOWS						
CURRENT ASSETS:						
Unrestricted Assets:						
Cash and Cash Equivalents	$ 32,871	$ 17,999	$ 21,552	$ 150,789	$ 2,114	$ 225,325
Investments	3,840	4,803	44,917	79,177	153	132,890
Accounts Receivable (Net of Allowances)	108,154	58,831	10,660	86,067	56	263,768
Due from Other Funds	19,501	26,937	1,064	20,966	-	68,468
Due from Other Governments	-	-	1,857	15,476	-	17,333
Inventories	14,066	1,436	-	-	-	15,502
Total Unrestricted Assets	178,432	110,006	80,050	352,475	2,323	723,286
Restricted Assets:						
Cash and Cash Equivalents	146,981	137,780	228,236	863,009	-	1,376,006
Investments	186,011	112,971	189,161	908,812	-	1,396,955
Total Restricted Assets	332,992	250,751	417,397	1,771,821	-	2,772,961
Total Current Assets	511,424	360,757	497,447	2,124,296	2,323	3,496,247
NONCURRENT ASSETS:						
OTHER ASSETS	15,285	11,896	114,097	342,873	10,411	494,562
PROPERTY, PLANT AND EQUIPMENT:						
Land	5,083	560	107,287	738,472	12,609	864,011
Structures, Equipment and Improvements	3,142,354	1,737,335	1,362,200	6,389,283	490,755	13,121,927
Accumulated Depreciation	(778,115)	(387,276)	(338,401)	(2,316,486)	(191,544)	(4,011,822)
Construction Work in Progress	123,416	11,709	20,229	1,264,280	-	1,419,634
Total Property, Plant and Equipment	2,492,738	1,362,328	1,151,315	6,075,549	311,820	11,393,750
Total Noncurrent Assets	2,508,023	1,374,224	1,265,412	6,418,422	322,231	11,888,312
Deferred Outflows	77,367	49,116	14,896	-	-	141,379
Total Assets and Deferred Outflows	$ 3,096,814	$ 1,784,097	$ 1,777,755	$ 8,542,718	$ 324,554	$ 15,525,938

See notes to basic financial statements.

	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
	Business-type Activities - Enterprise Funds					
	Major Funds					
LIABILITIES						
CURRENT LIABILITIES:						
Unrestricted Liabilities:						
Voucher Warrants Payable	$ 16,173	$ 22,611	$ 16,645	$ 65,988	$ 262	$ 121,679
Due to Other Funds	26,887	13,312	6,747	4,656	15	51,617
Accrued and Other Liabilities	74,729	40,414	2,214	14,595	146	132,098
Deferred Revenue	20,774	15,914	32,908	147,023	-	216,619
Total Unrestricted Liabilities	138,563	92,251	58,514	232,262	423	522,013
Restricted Liabilities:						
Current Liabilities Payable From Restricted Assets	68,486	39,939	60,163	401,793	-	570,381
Total Current Liabilities	207,049	132,190	118,677	634,055	423	1,092,394
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	1,743,732	1,112,087	1,458,667	6,510,926	-	10,825,412
Derivative Instrument Liability	77,367	49,116	20,077	-	-	146,560
Capital Lease	-	-	9,408	-	-	9,408
Long-term Purchase Obligation	8,529	-	-	-	-	8,529
Total Noncurrent Liabilities	1,829,628	1,161,203	1,488,152	6,510,926	-	10,989,909
Total Liabilities	2,036,677	1,293,393	1,606,829	7,144,981	423	12,082,303
DEFERRED INFLOWS	-	-	-	-	1,719,091	1,719,091
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	974,328	414,766	(39,755)	704,324	311,859	2,365,522
Restricted Net Assets:						
Debt Service	-	-	11,860	-	-	11,860
Capital Projects	447	11,110	11,438	151,040	-	174,035
Passenger Facility Charges	-	-	5,437	174,134	-	179,571
Contractual Use Agreement	-	-	24,744	107,842	-	132,586
Noise Mitigation Program	-	-	102,429	104,409	-	206,838
Other	-	-	34,733	51,258	-	85,991
Unrestricted Net Assets	85,362	64,828	20,040	104,730	(1,706,819)	(1,431,859)
Total Net Assets	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services	$ 445,504	$ 197,455	$ 78,194	$ 458,879	$ -	$ 1,180,032
Rent	-	-	70,862	243,724	-	314,586
Other	12,891	774	-	-	-	13,665
Total Operating Revenues	458,395	198,229	149,056	702,603	-	1,508,283
Operating Expenses:						
Personal Services	102,946	17,179	42,105	147,437	-	309,667
Contractual Services	49,276	3,053	15,832	57,981	-	126,142
Repairs and Maintenance	1,587	66,584	31,942	86,463	-	186,576
Commodities and Materials	24,126	-	-	-	-	24,126
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
General Fund Reimbursements	60,648	27,065	-	-	-	87,713
Other	40,507	-	18,457	118,747	-	177,711
Total Operating Expenses	323,609	137,656	161,103	595,707	11,312	1,229,387
Operating Income (Loss)	134,786	60,573	(12,047)	106,896	(11,312)	278,896
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	(362)	(922)	(2,682)	10,792	5	6,831
Interest Expense	(75,738)	(47,232)	(63,362)	(238,780)	-	(425,112)
Facility Charges	-	-	40,765	138,966	-	179,731
Other	530	21,448	777	8,954	18,481	50,190
Total Nonoperating Revenues (Expenses)	(75,570)	(26,706)	(24,502)	(80,068)	18,486	(188,360)
Transfers Out	-	-	-	-	-	-
Capital Grants	3,414	3,136	2,461	57,567	-	66,578
Net Income (Loss)	62,630	37,003	(34,088)	84,395	7,174	157,114
Net Assets (Deficit) - Beginning of Year	997,507	453,701	205,014	1,313,342	(1,402,134)	1,567,430
Net Assets (Deficit) - End of Year	$ 1,060,137	$ 490,704	$ 170,926	$ 1,397,737	$ (1,394,960)	$ 1,724,544

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Cash Flows from Operating Activities:						
Received from Customers	$ 433,161	$ 190,357	$ 150,038	$ 785,799	$ -	$ 1,559,355
Payments to Vendors	(91,536)	(34,077)	(67,484)	(230,806)	-	(423,903)
Payments to Employees	(102,946)	(42,644)	(33,752)	(130,823)	-	(310,165)
Transactions with Other City Funds	(82,581)	(15,345)	(6,318)	(44,779)	-	(149,023)
Cash Flows from Operating Activities	156,098	98,291	42,484	379,391	-	676,264
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Issuance of Bonds	367,532	275,865	331,020	1,177,650	-	2,152,067
Acquisition and Construction of Capital Assets	(135,212)	(101,782)	(34,512)	(433,776)	-	(705,282)
Capital Grant Receipts	-	3,136	604	45,934	-	49,674
Bond Issuance Costs	(2,244)	(1,959)	(2,041)	(8,220)	-	(14,464)
Payment to Refund Bonds	(35,580)	(29,223)	(61,360)	(295,355)	-	(421,518)
Principal Paid on Debt	(44,554)	(24,030)	(55,073)	(196,727)	-	(320,384)
Interest Paid	(79,763)	(40,567)	(55,472)	(267,910)	-	(443,712)
Passenger Facility Charges	-	-	42,600	141,952	-	184,552
Noise Mitigation Program	-	-	(3,049)	(23,759)	-	(26,808)
Deposit	-	-	(1,420)	-	12	(1,408)
Cash Flows from Capital and Related Financing Activities	70,179	81,440	161,297	139,789	12	452,717
Cash Flows from Investing Activities:						
Sale (Purchases) of Investments, Net	(101,935)	(86,729)	(97,746)	(143,553)	(116)	(430,079)
Investment Interest	859	794	1,321	14,023	5	17,002
Cash Flows from Investing Activities	(101,076)	(85,935)	(96,425)	(129,530)	(111)	(413,077)
Net Increase (Decrease) in Cash and Cash Equivalents	125,201	93,796	107,356	389,650	(99)	715,904
Cash and Cash Equivalents, Beginning of Year	54,651	61,983	142,432	624,148	2,213	885,427
Cash and Cash Equivalents, End of Year	$ 179,852	$ 155,779	$ 249,788	$ 1,013,798	$ 2,114	$ 1,601,331

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2010
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income (Loss)	$ 134,786	$ 60,573	$ (12,047)	$ 106,896	$ (11,312)	$ 278,896
Adjustments to Reconcile:						
Depreciation and Amortization	44,519	23,775	52,767	185,079	11,312	317,452
Provision for Uncollectible Accounts	15,862	7,936	3,369	(1,747)	-	25,420
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(24,839)	(8,296)	(1,950)	(13,511)	-	(48,596)
(Increase) Decrease in Due From Other Funds	(1,959)	8,503	2,513	(139)	-	8,918
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(25,708)	4,212	(1,453)	6,070	-	(16,879)
Increase (Decrease) in Deferred Revenue and Other Liabilities	13,686	1,729	(715)	96,743	-	111,443
(Increase) Decrease in Inventories and Other Assets	(249)	(141)	-	-	-	(390)
Cash Flows from Operating Activities	$ 156,098	$ 98,291	$ 42,484	$ 379,391	$ -	$ 676,264

	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2010 included in accounts payable and accrued and other liabilities	$ 16,265	$ 29,849	$ 24,271	$ 118,873	$ -	$ 189,258

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2010
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 211,424	$ 86,955
Investments	-	53,283
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,239,582	-
Stocks	6,558,369	-
Mortgages and Real Estate	440,241	-
Other	1,604,709	-
Cash and Investments with Escrow Agent	-	16,726
Property Tax Receivable	-	103,407
Accounts Receivable, Net	844,487	109,327
Due From City	4,917	-
Invested Securities Lending Collateral	1,238,353	-
Total Assets	$ 13,142,082	$ 369,698
LIABILITIES		
Voucher Warrants Payable	$ 495,175	$ 39,434
Accrued and Other Liabilities	-	330,264
Securities Lending Collateral	1,238,353	-
Total Liabilities	1,733,528	369,698
NET ASSETS		
Reserved for Employee Benefit Plans	11,408,554	-
Total Net Assets Held in Trust for Pension Benefits	$ 11,408,554	$ -

See notes to basic financial statements.

Exhibit 11

CITY OF CHICAGO, ILLINOIS

STATEMENT OF CHANGES IN PLAN NET ASSETS

FIDUCIARY FUNDS - PENSION TRUST FUNDS

Year Ended December 31, 2010

(Amounts are in Thousands of Dollars)

	Total
ADDITIONS	
Contributions:	
Employees	$ 299,752
City	449,668
Total Contributions	749,420
Investment Income:	
Net Appreciation in	
Fair Value of Investments	1,158,742
Interest, Dividends and Other	230,611
Investment Expense	(47,049)
Net Investment Income	1,342,304
Securities Lending Transactions:	
Securities Lending Income	12,985
Securities Lending Expense	(3,066)
Net Securities Lending Transactions	9,919
Total Additions	2,101,643
DEDUCTIONS	
Benefits and Refunds of Deductions	1,550,776
Administrative and General	19,161
Total Deductions	1,569,937
Net Increase in Net Assets	531,706
Net Assets Held in Trust for	
Pension Benefits:	
Beginning of Year	10,876,848
End of Year	$ 11,408,554

See notes to basic financial statements.

1) Summary of Significant Accounting Policies

The City of Chicago (City), incorporated in 1837, is a "home rule" unit under State of Illinois (State) law. The City has a mayor-council form of government. The Mayor is the Chief Executive Officer of the City and is elected by general election. The City Council is the legislative body and consists of 50 members, each representing one of the City's 50 wards. The members of the City Council are elected through popular vote by ward for four-year terms.

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). For the year ended December 31, 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by providing for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value by governments in their financial statements.

The financial reporting impact resulting from the implementation of GASB Statement No. 53 is the recognition within the financial statements of a liability for hedging and investment derivative instrument liabilities whose negative fair value at December 31, 2010 totaled \$261.8 million and deferred outflows of resources of \$234.0 million. The City also recorded an investment loss for the year ended December 31, 2010 of \$6.0 million. In addition, beginning net assets within the statement of activities was restated as of January 1, 2010 to reflect investment losses of \$21.9 million as a result of the retroactive implementation of this statement. Refer to Note No. 10 for additional disclosures related to this statement.

a) **Reporting Entity** - The City includes the Chicago Public Library and the City-related funds of the Public Building Commission. The financial statements for the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units, as required by the Municipal Code of Chicago (Code).

The City's financial statements blend the following legally separate component units because they are fiscally dependent on the City and perform services primarily for City employees:

<u>The Municipal Employees' Annuity and Benefit Fund of Chicago</u> is governed by a five-member board: three members are elected by plan participants and two are members ex-officio.

<u>The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: two members are elected by plan participants, two are members ex-officio, two members are appointed by the City Department of Human Resources, one member is elected by retired plan participants and one member is elected by the local labor union.

<u>The Policemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are appointed by the Mayor.

<u>The Firemen's Annuity and Benefit Fund of Chicago</u> is governed by an eight-member board: four members are elected by plan participants and four are members ex-officio.

Financial statements for each of the pension plans may be obtained at the respective fund's office.

Related Organizations - City officials are responsible for appointing a voting majority of the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making appointments and no fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) **Government-wide and fund financial statements** - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) **Measurement focus, basis of accounting, and financial statement presentation** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is deferred unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Federal, State and Local Grants Fund accounts for the expenditures for programs, which include general government, health, public safety, transportation, aviation, cultural and recreational, and capital outlays. The majority of revenues are provided by several agencies of the Federal government, departments of the Illinois State government and City resources.

Special Taxing Areas Fund accounts for expenditures for special area operations and maintenance and for redevelopment project costs as provided by tax levies on special areas.

Service Concession Agreement Fund accounts for deferred inflows from long-term concession and lease transactions whose proceeds are restricted to expenditure for specified purposes.

Reserve Fund accounts for a Mid-term and Long-term Reserve. The Mid-term is subject to appropriation; whereas the Long-term's principal is legally restricted. These reserves were created as a result of the Skyway Lease and Meter Parking System transactions.

Bond, Note Redemption and Interest Fund accounts for the expenditures for principal and interest as provided by property tax, utility tax, sales tax, transportation tax, and investment income.

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities.

The City reports the following major proprietary funds as business-type activities:

Water Fund accounts for the operations of the Chicago Water System (Water). The Water system purifies and provides Lake Michigan water for the City and 125 suburbs. The Water Fund operates two water treatment facilities and 12 pumping stations with a combined pumping capacity of 3,661 million gallons per day.

Sewer Fund accounts for the operations of the Wastewater Transmission System (Sewer). The Sewer system transports wastewater to the Metropolitan Water Reclamation District of Greater Chicago for processing and disposal. This service is provided for the residents and businesses of the City and certain suburban customers.

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger service. Midway Airport is conveniently located ten miles from down town Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 20 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

Chicago Skyway Fund records operations of the Chicago Skyway (Skyway) which provides vehicle passage across the Calumet River, between the State of Indiana and the State of Illinois (State) through the operation of a tollway which consists of a 7.8-mile span connecting the Dan Ryan Expressway to the Indiana Toll Road. Facilities include a single toll plaza consisting of a central office, maintenance garage and toll collection area. In January 2005, the City entered into a long-term Concession and Lease Agreement of the Skyway, granting a private company the ability to operate and to collect toll revenue during the 99-year term of the agreement. The City received a one-time upfront payment of $1.83 billion.

Additionally, the City reports the following fiduciary fund types:

Pension Trust Funds report expenditures for employee pensions as provided by employee and employer contributions and investment earnings.

Agency Funds account for transactions for assets held by the City as agent for certain activities or for various entities. Payroll deductions and special deposits are the primary transactions accounted for in these funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's water, sewer, airports and skyway funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods and services, or privileges provided, or fines, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

In the fund financial statements, proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and skyway funds are charges to customers for sales and services. The airport funds principal operating revenues are derived from landing fees and terminal use charges as well as rents and concessions. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

d) **Assets, liabilities, deferred inflows, and net assets or equity**

i) **Cash, Cash Equivalents and Investments** generally are held with the City Treasurer as required by 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 City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

The Code permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

Investments authorized by the Code include interest-bearing general obligations of the City, State and U.S. Government; U.S. Treasury bills and other noninterest-bearing general obligations of the U.S. Government purchased in the open market below face value; domestic money market funds regulated and in good standing with the Securities and Exchange Commission and tax anticipation warrants issued by the City. The City is prohibited by ordinance from investing in derivatives, as defined, without City Council approval. The City values its investments at fair value or amortized cost. U.S. Government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost.

The City's four retirement plans are authorized to invest in bonds, notes, and other obligations of the U.S. Government; corporate debentures and obligations; insured mortgage notes and loans; common and preferred stocks; stock options; real estate; and other investment vehicles as set forth in the Illinois Compiled Statutes. These investments are reported at fair value.

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 that are pledged to secure these agreements have a market value equal to the cost of the repurchase agreements plus accrued interest.

Investments generally may not have a maturity date in excess of ten years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Cash equivalents include certificates of deposit and other investments with maturities of three months or less when purchased.

Deficit cash balances result in interfund borrowings from the aggregate of funds other than escrowed funds. Interest income and expense are generally not recognized on these interfund borrowings.

State statutes and the City's Pension Plans' policies permit lending Pension Plan securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. Securities lent at year-end for cash collateral are presented as not categorized in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the collateral.

ii) **Receivables and Payables** activity between funds are representative of services rendered, outstanding at the end of the fiscal year, and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is based on historical trends. The estimated value of services provided but unbilled at year-end has been included in receivables.

iii) **Inventory** includes government-wide inventories, which are stated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as capital assets when used (consumption method). Governmental fund inventories are accounted for using the purchases method and are offset by a reservation of fund balance to indicate that they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $7.6 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

v) **Restricted Assets** include certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment. These assets are classified as restricted in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Skyway Lease Transaction legally requires the Long-term reserve's principal to be restricted.

The Water and Sewer funds maintain Rate Stabilization Accounts where any net revenues remaining after providing sufficient funds for all required deposits in the bond accounts may be transferred upon the direction of the City to be used for any lawful purpose of the specific fund.

The O'Hare and Midway funds maintain Passenger Facility Charge accounts as restricted as they are subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital and debt related activities.

vi) **Capital Assets**, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets, or a network of assets, with an initial cost of more than $5,000 (not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $848.0 million, of which $74.9 million was capitalized as part of the capital assets under construction projects in proprietary funds.

Property, plant, and equipment of the City are depreciated using the straight-line method, in the year subsequent to acquisition or when placed into service, over the following estimated useful lives:

Utility plant	25 - 100 years
Utility structures and improvements	50 - 100 years
Buildings and improvements	5 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 40 years
Bridge infrastructure	10 - 50 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	10 - 40 years
Equipment (vehicle, office, and computer)	4 - 33 years

The City has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) **Deferred Outflows** represent the fair value of derivative instruments that are deemed to be effective.

viii) **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 in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. Third-party administrators who maintain the investment portfolio administer the Plan. 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 of Illinois 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. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

ix) **Judgments and claims** are included in the government-wide financial statements and proprietary fund types in the fund 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 of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

x) **Long-term obligations** are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life 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.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. For existing swaps the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. All interest rate swaps and swaptions are approved by City Council.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts given on debt issued are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Certain debt obligations are to be paid from sales tax, motor fuel or special area taxes.

Long-term purchase obligation represents an agreement with DuPage Water Commission to construct electrical generation facilities not to exceed $15.0 million. The payment of the obligation will be in the form of credits against the charges for water supplied.

xi) **Deferred Inflows** represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements.

xii) **Fund equity** in the government-wide statements is classified as net assets and displayed in three components:

(1) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) are legally restricted through constitutional provisions or enabling legislation. Restricted net assets for governmental activities represent restrictions associated with the nonmajor special revenue funds. Restricted net assets for business activities are provided in Exhibit #7, Statement of Net Assets, Proprietary Funds.

(3) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2) Reconciliation of Government-wide and Fund Financial Statements

a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets.

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,378.6 million are as follows (dollars in thousands):

Deferred revenue - property tax	$	1,233,483
Other assets - pension excess		169,966
Accounts payable - infrastructure retainage		(24,885)
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities	$	1,378,564

ii) Another element of that reconciliation explains that "Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $13,840.7 million are as follows (dollars in thousands):

Long-term liabilities:	
Total bonds, notes and certificates payable	$ 8,491,926
Pension obligation	4,216,250
Lease obligation	177,011
Pollution remediation	14,263
Claims and judgments	641,762
Total Long-term liabilities	13,541,212
Bonds, notes and other obligations payable current	(146,271)
Other assets - issuance costs	(74,115)
Accrued interest	4,635
Accrued and other liabilities - contractual wages	80,000
Accrued and other liabilities - other post employment benefits	304,483
Derivative instruments	22,680
Accrued and other liabilities - compensated absences	108,071
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities	$ 13,840,695

b) **Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

I) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $31.3 million are as follows (dollars in thousands):

Capitalized asset expenditures	$ 348,205
Depreciation expense	(379,115)
Loss - disposal of equipment	(410)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$ (31,320)

II) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets." The details of this $657.8 million are as follows (dollars in thousands):

Proceeds of debt	$	(1,398,025)
Premium		(36,365)
Payment of refunded bond escrow agent		412,184
Principal retirement		389,928
Payment of cost of issuance		7,402
Interest expense		(32,933)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(657,809)

iii) A third element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $855.6 million are as follows (dollars in thousands):

Claims and judgments	$	(14,392)
Pension benefit liability		(799,281)
Contractual Wage Settlement		(80,000)
Pollution remediation		23,106
Other post employment benefits		24,557
Vacation		951
Lease obligations		(9,032)
Inventory		(1,478)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(855,569)

3) **Stewardship, Compliance and Accountability**

a) **Annual Appropriation Budgets** are established for the General Fund and the Vehicle Tax, Pension, Chicago Public Library and certain Miscellaneous, Special Events, Tourism and Festivals nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

i) Prior to November 15, the Mayor submits to the City Council a proposed budget of expenditures and the means of financing them for the next year.

ii) The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.

iii) Prior to January 1, the budget is legally enacted through passage of the appropriation ordinance.

iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request.

v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) **Reconciliation of GAAP Basis to Budgetary Basis** - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2010 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 2,610,852
Add:	
Proceeds of Debt	16,500
Transfers In	502,502
Prior Year's Surplus Utilized	-
Revenues, Budgetary Basis	$ 3,129,854
Expenditures, GAAP Basis	$ 3,033,941
Add:	
Transfers Out	13,600
Encumbered in 2010	33,930
Deduct:	
Payments on Prior Years' Encumbrances	(25,341)
Provision for Doubtful Accounts	(11,944)
Expenditures, Budgetary Basis	$ 3,044,186

c) **Individual Fund Deficits** include the Motor Fuel Tax Fund, the Special Events, Tourism, Festivals Fund, and Service Concession Agreements Fund, which are Special Revenue Funds, and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of $6.6 million, $4.0 million, $1,660.4 million, and $1,395.0 million, respectively, which management anticipates will be funded through operations.

4) Restricted and Unrestricted Cash, Cash Equivalents and Investments

a) **Investments** As of December 31, 2010, the City had the following investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
	Less Than 1	1-5	6-10	More Than 10	Fair Value
City Funds					
U.S. Treasuries	$ 279,970	$ 553	$ -	$ 33,162	$ 313,685
U.S. Agencies	1,238,651	1,693,129	267,612	389,071	3,588,463
Corporate Bonds	139	-	-	96,252	96,391
Corporate Equities	451	-	-	-	451
Certificates of Deposit and Other Short-term	2,836,689	-	-	-	2,836,689
Total City Funds	$ 4,355,900	$ 1,693,682	$ 267,612	$ 518,485	$ 6,835,679
Pension Trust Funds					
U.S. and Foreign Government Agencies	$ 259,966	$ 349,527	$ 203,231	$ 512,472	$ 1,325,196
Commercial Paper	-	-	-	-	-
Corporate Bonds	54,596	424,371	292,036	342,013	1,113,016
Corporate Equities	6,272,559	-	-	-	6,272,559
Pooled Funds	1,147,016	-	-	-	1,147,016
Real Estate	430,115	-	-	-	430,115
Securities Received from Securities Lending	1,238,353	-	-	-	1,238,353
Venture Capital	439,219	-	-	-	439,219
Certificates of Deposit and Other Short-term	440,273	-	-	-	440,273
Other	83,333	-	-	-	83,333
Total Pension Trust Funds	$ 10,365,430	$ 773,898	$ 495,267	$ 854,485	$ 12,489,080
Total	$ 14,721,330	$ 2,467,580	$ 762,879	$ 1,372,970	$ 19,324,759

i) *Interest Rate Risk* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits all securities so purchased, except tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the City, shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

ii) *Credit Risk* The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 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, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (dollars in thousands):

Quality Rating	City	Pension Trust Funds
Aaa/AAA	$ 6,696,722	$ 556,335
Aa/AA	72,847	93,893
A/A	-	259,145
Baa/BBB	-	324,343
Ba/BB	-	69,517
B/B	-	86,765
Caa/CCC	-	31,230
Ca	-	2,574
CC/C	-	6,627
D/D	-	6,484
Not Rated	-	234,942
Not Applicable	66,110	634,023
Total Funds	$ 6,835,679	$ 2,305,878

iii) 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 deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $211.0 million. Of the bank balance, 100 percent was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

iv) Custodial Credit Risk – Investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate bonds of $96.4 million the City has no custodial credit risk exposure because the related securities are insured, registered and held by the City.

v) *Foreign Currency Risk* - In the case of the Pension Trust Funds, is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The risk of loss is managed by limiting its exposure to fair value loss by requiring their international securities managers to maintain diversified portfolios. The following schedule summarizes the Pension Trust Funds exposure to foreign currency risk (dollars in thousands):

Foreign Currency Risk		
Australian dollar	$	92,102
Brazilian real		68,917
British pound		342,838
Canadian dollar		111,812
Chilean peso		3,839
Columbian peso		724
Czech Republic koruny		383
Danish krone		24,471
Egyptian pound		2,056
European euro		431,095
Hong Kong dollar		152,573
Hungarian forint		787
Indian rupee		36,213
Indonesian rupiah		20,445
Japanese yen		371,207
Malaysian ringgit		16,025
Mexican peso		27,979
Moroccan dirham		192
New Israeli shekel		11,134
New Taiwan dollar		17,841
New Zealand dollar		2,296
Norwegian krone		17,693
Pakistan rupees		1,033
Philippines peso		1,142
Polish zloty		5,468
Singapore dollar		35,036
South African rand		34,462
South Korean won		57,536
Swedish krona		51,322
Swiss franc		127,300
Taiwan dollar		14,697
Thailand baht		9,727
Turkish lira		10,088
Total Pension Trust Funds	$	2,100,433

vi) *The following schedule summarizes the cash and investments reported in the basic financial statements* (dollars in thousands):

Per Note 4:		
Investments - City	$	6,835,679
Investments - Pension Trust Funds		12,489,080
	$	19,324,759
Per Financial Statements:		
Restricted Investments	$	1,957,201
Unrestricted Investments		1,083,501
Investments with Fiduciary Funds		10,896,184
Investments with Escrow Agent		474,474
Invested Securities Lending Collateral		1,238,353
Investments included as cash and cash equivalents on the Statements of Net Assets		3,675,046
	$	19,324,759

5) **Property Tax**

The City's property tax becomes a lien on real property on January 1 of the year it is levied. The Cook County Assessor (Assessor) is responsible for the assessment of all taxable real property within Cook County (County), except for certain railroad property assessed directly by the State. The County Board has established a triennial cycle of reassessment in which one-third of the County will be reassessed each year on a repeating schedule established by the Assessor.

Property in the County is separated into nine classifications for assessment purposes. After the Assessor establishes the fair market value of a parcel of land, that value is multiplied by one of the classification percentages to arrive at the assessed valuation (Assessed Valuation) for that parcel. These percentages range from 16.0 percent for certain residential, commercial, and industrial property to 38.0 percent for other commercial and industrial property.

The Illinois Department of Revenue has the statutory responsibility of ensuring uniformity of real property assessments throughout the State. Each year, the Department of Revenue furnishes the county clerks with an adjustment factor to equalize the level of assessment among counties. This factor (Equalization Factor) is then applied to the Assessed Valuation to compute the valuation of property to which a tax rate will be applied (Equalized Assessed Valuation). The County Clerk adds the Equalized Assessed Valuation of all real property in the County to the valuation of property assessed directly by the State (to which the Equalization Factor is not applied) to arrive at the base amount (Assessment Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is 55.0 percent of the prior year's tax bill. The second installment is based on the current levy, assessment and equalization and also reflects any changes from the prior year.

The City Council has adopted an ordinance beginning in 1994, limiting the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index, all as defined in the ordinance. The ordinance provides a safe harbor for that portion of any property tax debt service levy equal to the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy, all as provided by the ordinance. Increases in the debt service portion of each levy may, however, reduce amounts available within such levy to finance operations.

6) **Interfund Balances and Transfers**

a) The following balances at December 31, 2010 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental activities:		
General	$ 254,124	$ 295,566
Federal, State and Local Grants	29,707	40,850
Special Taxing Areas	6,378	10,657
Reserve	50,000	-
Bond, Note Redemption and Interest	1,512	-
Community Development and Improvement Projects	68,131	97,910
Nonmajor governmental funds	94,373	81,010
Total Governmental activities	504,225	525,993
Business-type activities:		
Water	19,501	26,887
Sewer	26,937	13,312
Chicago Midway International Airport	1,064	6,747
Chicago-O'Hare International Airport	20,966	4,656
Chicago Skyway	-	15
Total Business-type activities	68,468	51,617
Fiduciary activities:		
Pension Trust	4,917	-
Total Fiduciary activities	4,917	-
Total	$ 577,610	$ 577,610

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

b) The following balances at December 31, 2010 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental activities:		
General	$ 502,502	$ 13,600
Federal, State and Local Grants	-	1,000
Special Taxing Areas	80,824	43,307
Service Concession Agreements	-	-
Reserve	-	457,852
Bond, Note Redemption and Interest	-	22,150
Community Development and Improvement Projects	6,296	99
Nonmajor governmental funds	57,785	109,399
Total Governmental activities	647,407	647,407

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

7) **Capital Assets**

a) **Capital Assets** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Disposals and Transfers	Balance December 31, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,372,742	$ 9,435	$ -	$ 1,382,177
Works of Art and Historical Collections	13,132	-	-	13,132
Construction in Progress	225,323	244,907	(305,590)	164,640
Total capital assets, not being depreciated	1,611,197	254,342	(305,590)	1,559,949
Capital assets, being depreciated:				
Buildings and Other Improvements	2,252,114	148,320	-	2,400,434
Machinery and Equipment	1,212,885	79,299	(19,831)	1,272,353
Infrastructure	6,609,112	179,967	-	6,789,079
Total capital assets, being depreciated	10,074,111	407,586	(19,831)	10,461,866
Less accumulated depreciation for:				
Buildings and Other Improvements	662,326	60,435	-	722,761
Machinery and Equipment	877,029	94,519	(19,421)	952,127
Infrastructure	2,834,423	224,161	-	3,058,584
Total accumulated depreciation	4,373,778	379,115	(19,421)	4,733,472
Total capital assets, being depreciated, net	5,700,333	28,471	(410)	5,728,394
Total governmental activities	$ 7,311,530	$ 282,813	$ (306,000)	$ 7,288,343
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 839,543	$ 24,468	$ -	$ 864,011
Construction in Progress	1,502,450	537,475	(620,291)	1,419,634
Total capital assets, not being depreciated	2,341,993	561,943	(620,291)	2,283,645
Capital assets, being depreciated:				
Buildings and Other Improvements	11,741,796	717,132	27,326	12,486,254
Machinery and Equipment	567,336	11,172	57,165	635,673
Total capital assets, being depreciated	12,309,132	728,304	84,491	13,121,927
Less accumulated depreciation for:				
Buildings and Other Improvements	3,455,184	264,077	(436)	3,718,825
Machinery and Equipment	278,466	16,237	(1,706)	292,997
Total accumulated depreciation	3,733,650	280,314	(2,142)	4,011,822
Total capital assets, being depreciated, net	8,575,482	447,990	86,633	9,110,105
Total business-type activities	$ 10,917,475	$ 1,009,933	$ (533,658)	$ 11,393,750
Total Capital Assets	$ 18,229,005	$ 1,292,746	$ (839,658)	$ 18,682,093

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General government	$	75,329
Public safety		37,193
Streets and sanitation		13,293
Transportation		226,950
Health		2,735
Cultural and recreational		23,615
Total depreciation expense - governmental activities	$	379,115
Business-type activities:		
Water	$	43,152
Sewer		23,166
Chicago Midway International Airport		44,844
Chicago-O'Hare International Airport		157,952
Chicago Skyway		11,200
Total depreciation expense - business-type activities	$	280,314

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $18.8 million for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows (dollars in thousands):

2011	$	17,804
2012		16,607
2013		15,970
2014		10,671
2015		5,231
2016 - 2020		6,523
Total Future Rental Expense	$	72,806

b) Capital Leases

During 2003, the City entered into lease and lease back agreements with third parties pertaining to 911 Center Qualified Technological Equipment (QTE), with a book value of $143.3 million at December 31, 2003. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

During 2005, the City entered into sale and lease back agreements with third parties pertaining to the City owned portion of a rapid transit line with a book value of $430.8 million at December 31, 2005. Under the lease agreement, which provides certain cash and tax benefits to the third party, the City entered into a long-term lease for applicable assets back to the City under a sublease. Under the sublease, the City is required to make future minimum lease payments.

The future minimum payments for these leases are as follows (dollars in thousands):

Year Ending December 31,	Total
2011	$ 10,216
2012	12,731
2013	9,104
2014	9,000
2015	9,000
2016 - 2020	42,983
2021 - 2025	87,018
2026 - 2030	2,000
2031 - 2032	165,164
Total Minimum Future Lease Payments	347,216
Less Interest	170,205
Present Value of Minimum Future Lease Payments	$ 177,011

c) **Lease Receivables**

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$ 72,282
2012	71,723
2013	71,049
2014	57,778
2015	45,711
2016 - 2020	145,091
2021 - 2025	8,302
2026 - 2030	9,591
2031 - 2035	9,564
Total Minimum Future Rental Income	$ 491,091

Contingent rentals that may be received under certain leases based on the tenants' revenues or fuel flow are not included in minimum future rental income. Rental income for O'Hare, consisting of all rental and concession revenues except ramp rentals and automobile parking, amounted to $381.6 million, including contingent rentals of $79.4 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2010 (dollars in thousands):

2011	$	34,469
2012		28,206
2013		4,418
2014		3,390
2015		1,124
Total Minimum Future Rental Income	$	71,607

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $86.4 million, including contingent rentals of $35.1 million.

9) Short-term Debt

Matured bonds represent principal due on coupon bonds in which the coupons have not been presented for payment. For the year ended December 31, 2010, there was minor activity; the balance remained at $0.7 million.

10) Long-term Obligations

a) **Long-term Debt** activity for the year ended December 31, 2010 was as follows (dollars in thousands):

	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Amounts Due within One Year
Governmental activities:					
Bonds, notes and certificates payable:					
General obligation debt	$ 6,863,427	$ 1,398,024	$ 756,712	$ 7,504,739	$ 144,036
Installment purchase agreement	3,500	-	2,300	1,200	1,200
Tax increment	186,158	-	22,580	163,578	23,095
Revenue	564,842	-	5,425	559,417	5,715
	7,617,927	1,398,024	787,017	8,228,934	174,046
Less unamortized debt refunding transactions	159,810	20,778	9,438	171,150	-
Add unamortized premium	173,347	36,365	10,982	198,730	-
Add accretion of capital appreciation bonds	207,878	31,663	4,129	235,412	1,421
Less converted portion of conversion bonds	3,923	-	3,923	-	-
Total bonds, notes and certificates payable	7,835,419	1,445,274	788,767	8,491,926	175,467
Other liabilities:					
Pension obligations	3,453,365	762,885	-	4,216,250	-
Lease obligations	169,282	9,032	1,303	177,011	10,216
Pollution Remediation	37,368	-	23,105	14,263	-
Claims and judgments	627,370	14,392	-	641,762	89,503
Total other liabilities	4,287,385	786,309	24,408	5,049,286	99,719
Total governmental activities	$ 12,122,804	$ 2,231,583	$ 813,175	$ 13,541,212	$ 275,186
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 1,464,839	$ 365,093	$ 76,101	$ 1,753,831	$ 42,217
Sewer	902,840	275,865	52,715	1,125,990	25,257
Chicago-O'Hare International Airport	5,898,100	1,177,650	505,230	6,570,520	107,295
Chicago Midway International Airport	1,266,515	331,020	124,155	1,473,380	7,885
	9,532,294	2,149,628	758,201	10,923,721	182,654
Less unamortized debt refunding transactions	136,755	6,661	18,148	125,268	-
Add unamortized premium	(115,952)	9,311	27,811	(134,452)	-
Add accretion of capital appreciation bonds	74,494	8,972	4,034	79,432	4,271
Total business-type activities	$ 9,585,985	$ 2,142,628	$ 716,276	11,012,337	$ 186,925
Total long-term obligations	$ 21,708,789	$ 4,374,211	$ 1,529,451	$ 24,553,549	$ 462,111

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

b) **Issuance of New Debt**

i) **General Obligation Notes**

The General Obligation Tender Notes, Series 2010 ($70.4 million) were sold in September 2010 at a fixed rate of 1.625 percent. The notes mature no later than April 1, 2012. The Series 2010 notes were issued to meet cash flow requirements of the City's Library Funds; the notes are payable from tax collections in the following year or from any other resources legally available to the City. Principal payments for the notes do not require the current appropriation and expenditure of Governmental Fund financial resources.

During 2010, the City issued $170.7 million in commercial paper notes for certain capital and operating uses.

ii) **General Obligation Bonds**

General Obligation Bonds, Project and Refunding Series 2009A-D ($793.3 million) were sold at a premium in January 2010. The bonds have interest rates ranging from 4.0 percent to 6.257 percent and maturity dates from January 1, 2018 to January 1, 2040. Series C bonds ($98.3 million) are Build America Bonds and Series D bonds ($133.2 million) are Recovery Zone Economic Development Bonds. Net proceeds of $812.0 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; payment of certain pension contributions; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance ($376.0 million); and to advance refund certain maturities of general obligation bonds outstanding ($412.2 million); and to fund capitalized interest ($23.8 million). The advance refunding of the bonds increased the City's total debt service payments by $51.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $9.1 million.

General Obligation Bonds (Modern Schools Across Chicago Program) Series 2010A-B ($150.1 million) were sold at a premium in August, 2010. Series B bonds ($57.8 million) are Build America Bonds. The bonds have interest rate ranging from 3.0 percent to 5.364 percent and maturity dates ranging from December 1, 2011 to December 1, 2029. Net proceeds of $160.6 million will be used to pay for a portion of the costs for construction, renovation, design and acquisition of elementary and high schools that are part of the school system operated by the Board of Education of the City of Chicago ($159.2 million) and to fund capitalized interest ($1.4 million). The bonds fund Phase II of the Modern Schools Across Chicago Program.

General Obligation Bonds, Taxable Project Series 2010B ($213.6 million) were sold in December 2010. The bonds are Build America Bonds and have an interest rate of 7.517 percent and maturity dates ranging from January 1, 2036 to January 1, 2040. Net proceeds of $213.6 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; provision of facilities, services and equipment to protect and enhance public safety, including but not limited to, increased costs for police and fire protection services, emergency medical services, staffing at the City's emergency call center and other City facilities, and enhanced security measures at airports and other major City facilities.

In June 2010, the City negotiated a novation of the fixed payer swap associated with a 75 percent portion of the General Obligation Series 2003B variable rate bonds with a current notional amount of $151.5 million from Lehman Brothers Special Financing Inc. (LBSF) to Wells Fargo Bank, N.A. due to LBSF's bankruptcy. A J.P. Morgan swap covers the remaining 25 percent balance of the bonds, with a current notional amount of $50.6 million, which remains unchanged. All economic terms of the interest rate swap remained identical and the City did not incur any cost in association with replacing the counterparty to the swap.

In November 2010, the City entered into swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with J.P. Morgan and Rice Financial Products for notional amounts of $50.6 and $151.5 million respectively. The agreements are effective March 1, 2011 through March 1, 2014, and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR, essentially extending the $202.5 million notional amount CMS reversal in place up to March 1, 2011 with J.P. Morgan. Together with the existing underlying swaps on the bonds, in which the City pays 4.052 percent and receives 66.91 percent of 10 year LIBOR, the net effect is that the City will pay a fixed rate of 4.052 percent and receive 75 percent of one month LIBOR through March 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a combined upfront payment of $9.9 million in November 2010.

In December 2010, the City entered into swap overlay agreements (i.e., basis trades) associated with the General Obligation Series 2005D variable rate bonds with Rice Financial Products, Loop Financial Products and Jefferies for notional amounts of $100.0, $61.4 and $61.4 million respectively. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing swaps on the bonds, in which the City pays 4.104 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 4.104 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031, before 2014 and after 2031 the City will receive SIFMA through the expiration of the swaps (January 1, 2040). The City received a combined upfront payment of $13.7 in January 2011.

In December 2010, the City entered into two swap overlay agreements (i.e., basis trades) associated with the G.O. Series 2007 E, F&G variable rate bonds with Wells Fargo Bank, N.A. for a notional amount of $100.0 million each. The agreements are effective January 1, 2014 through January 1, 2031, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR. Together with the existing underlying swaps on the bonds, in which the City pays 3.9982 percent and receives SIFMA, the net effect is that the City will pay a fixed rate of 3.9982 percent and receive 72.5 percent of one month LIBOR between January 1, 2014 and January 1, 2031. Before 2014 and after 2031 the City will receive SIFMA through expiration of the swaps (January 1, 2042). The City received a combined upfront payment of $14.2 million in December 2010.

iii) Sales Tax Revenue Bonds

In August 2010, the City amended its swap agreement associated with the Sales Tax Series 2002 variable rate bonds with J.P. Morgan with a current notional amount of $114.2 million. The amendment removed J.P. Morgan's right to cancel the swap if SIFMA exceeds 7 percent for 180 consecutive days by converting the variable rate the City receives from SIFMA plus 13 basis points to 75.25 percent of three month LIBOR. The City continues to pay a fixed rate of 4.23 percent and receives 75.25 percent of three month LIBOR.

iv) Enterprise Fund Revenue Bonds and Notes

Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010A-F ($1,040.0 million) were sold at a premium in April, 2010. Series B bonds ($578.0 million) are Build America Bonds. The bonds have interest rates ranging from 1.75 percent to 6.845 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $1,048.5 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($785.6 million), fund capitalized interest and debt service reserves ($214.0 million) and to advance refund certain maturities of bonds outstanding ($48.9 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $3.1 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.8 million.

Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010A-D ($137.7 million) were sold at a discount in May, 2010. The bonds have interest rates ranging from 2.0 percent to 6.395 percent with maturity dates from January 1, 2011 to January 1, 2040. Net proceeds of $136.5 million and other monies of $.3 million will be used to finance the costs of certain projects at the airport including the O'Hare Modernization Program and the capital improvement program ($54.1 million), fund capitalized interest and debt service reserves ($68.7 million) and to advance refund certain maturities of bonds outstanding ($14.0 million). The advance refunding of the bonds decreased the Airport's total debt service payments by $1.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $.7 million.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010A1-2 ($80.5 million) were sold in May, 2010. The bonds were initially issued at a daily rate of .29 percent. The bonds have maturity dates of January 1, 2021 for Series 2010A-1 and January 1, 2025 for Series 2010A-2. Net proceeds of $80.4 will be used to advance refund certain maturities of bonds outstanding ($10.2 million), repay commercial paper and other principal due ($65.8 million) and fund capitalized interest and debt service reserves ($4.4 million). The advance refunding of the bonds increased the Airport's total debt service payments by $5.0 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of $.9 million.

At the discretion of the City the bonds may bear interest at a daily or weekly rate. Interest on bonds in the daily mode is payable on the first business day of each calendar month, commencing June 1, 2010.

The City has appointed a remarketing agent for the bonds when in a variable rate mode. The remarketing agent will use its best efforts to resell the bonds at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the bonds until the remarketing agent is able to resell the bonds.

The letters of credit securing the Series 2010A1-2 bonds totals $81.4 million and terminates no later than May 5, 2011. Advances under the letter of credit for Series 2010A-1 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 3.0 percent or the Federal Funds rate plus 3.5 percent per annum (Base Rate) or 6.0 percent. Thereafter until due and payable, advances bear interest at the higher of the Base Rate plus 1.0 percent or 8.5 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 5.0 percent or 12 percent. The maximum rate of interest cannot exceed 15.0 percent. Advances under the letter of credit for Series 2010A-2 (none at December 31, 2010) are due three years from the date of the advance. Advances bear interest from the date of advance through the 90th day at the greater of the prime rate plus 1.5 percent or the Federal Funds rate plus 2.0 percent per annum (Base Rate) or 7.5 percent. Thereafter until due and payable, advances bear interest at the Base Rate plus 1.0 percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 3.0 percent. The maximum rate of interest cannot exceed 18.0 percent. The letters of credit were issued by third-party financial institutions that are expected to be financially capable of honoring its agreements. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Chicago Midway Airport Second Lien Revenue Bonds, Series 2010B, C, D-1 and D-2 ($246.5 million) were sold at a premium in October, 2010. The bonds have interest rates ranging from 3.532 percent to 7.168 percent with maturity dates from January 1, 2014 to January 1, 2041. Net proceeds of $237.8 million will be used to finance the costs of certain Airport projects ($168.8 million), fund capitalized interest and debt service reserves ($24.3 million) and to repay commercial paper ($44.7 million).

Second Lien Water Revenue Project and Refunding Bonds, Series 2010A-C ($313.6 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from November 1, 2011 to November 1, 2040. Series B bonds ($250.0 million) are Build America Bonds and Series C bonds ($29.7 million) are Qualified Energy Conservation Bonds. Net proceeds of $313.8 million will be used to finance certain costs of improvements and extensions to the water system ($277.6 million), advance refund a certain maturities of water revenue bonds outstanding ($36.2 million). The advance refunding of the bonds decreased the Water system's total debt service payments by $3.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $2.4 million.

Second Lien Wastewater Revenue Project and Refunding Bonds, Series 2010A-B ($275.9 million) were sold at a premium in November, 2010. The bonds have interest rates ranging from 2.0 percent to 6.742 percent and maturity dates from January 1, 2012 to January 1, 2040. Series B bonds ($250.0 million) are Build America Bonds. Net proceeds of $275.8 million will be used to finance certain costs of improvements and extensions to the wastewater system ($248.2 million), advance refund a certain maturities of wastewater revenue bonds outstanding ($27.6 million). The advance refunding of the bonds decreased the Wastewater system's total debt service payments by $5.2 million and resulted in an economic gain (difference between the present values of the debt service on the old and new debt) of $3.3 million.

During 2010, $.5 million of Chicago O'Hare International Airport Commercial Paper Notes Series A, B and C were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

During 2010, $35.5 million of Chicago Midway Airport Commercial Paper Notes Series A, B and D were issued. The proceeds were used to repay debt obligations that were in bank bond mode, finance portions of the costs of authorized airport projects and refund a portion of certain outstanding bonds.

During 2010, $51.5 million of Water Revenue Commercial Paper Notes were issued. The proceeds were used to finance portions of the costs of authorized projects.

In May 2010, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan on its swap associated with a 40 percent portion of the Midway Airport Series 2004C&D variable rate bonds with a current notional amount of $60.9 million. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, and remains unchanged. The J.P. Morgan CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Both firms had the right to require a two-way CSA, but only J.P. Morgan exercised the right. Goldman Sachs waived its right as long as the swap remains unchanged. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market adjustment on the swap is against the City by more than $10 million, collateral must be posted for the difference. In August 2010, collateral was required in the amount of $1.4 million, which was funded with proceeds from Midway Commercial Paper, but as of December 31, 2010, no collateral posting was required.

v) Financial Market Related Conversions

The global economic downturn has adversely impacted the City's variable rate debt. The credit crisis and the effect on monoline insurers' credit ratings, as a result of their exposure to subprime mortgages, have resulted in downgrades by the major rating agencies. As a result, credit spreads increased on the City's variable rate debt, especially with insured bonds; therefore the City refinanced or converted many of its variable rate debt issues. In 2010, the City utilized liquidity facilities to convert two variable rate issues in the amount of $284.7 million and thereby removing the monoline insurers or impaired banks providing credit support.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2010 are as follows (dollars in thousands):

	General Obligation		Installment Purchase		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 156,646	$ 362,307	$ 1,200	$ 47	$ 25,040	$ 8,793
2012	238,178	357,137	-	-	20,815	7,389
2013	205,827	348,585	-	-	30,264	6,212
2014	215,509	344,558	-	-	15,237	11,853
2015	237,486	338,480	-	-	8,965	3,951
2016 - 2020	1,433,028	1,514,111	-	-	45,975	9,964
2021 - 2025	1,553,090	1,185,521	-	-	10,585	840
2026 - 2030	1,444,048	838,646	-	-	-	-
2031 - 2035	981,304	498,889	-	-	-	-
2036 - 2040	691,016	190,537	-	-	-	-
2041 - 2045	25,645	1,060	-	-	-	-
	$ 7,181,777	$ 5,979,831	$ 1,200	$ 47	$ 156,881	$ 49,002

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2011	$ 16,295	$ 25,971	$ 236,253	$ 529,302
2012	17,150	25,121	258,162	519,266
2013	18,040	24,227	362,891	511,834
2014	18,980	23,286	371,606	496,439
2015	18,400	22,315	312,755	479,007
2016 - 2020	97,940	97,463	1,757,307	2,161,483
2021 - 2025	123,015	71,699	1,941,395	1,715,052
2026 - 2030	130,754	64,419	2,426,430	1,191,187
2031 - 2035	89,418	53,097	2,056,740	572,439
2036 - 2040	23,710	1,793	1,004,295	156,870
	$ 553,702	$ 409,391	$ 10,727,834	$ 8,332,879

Debt service requirements above exclude commercial paper issues as the timing of payments is not certain. For the requirements calculated above, interest on variable rate debt was calculated at the rate in effect or the effective rate of a related swap agreement, if applicable, as of December 31, 2010. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

d) **Derivatives**

i) **Pay-Fixed, Receive-Variable Interest Rate Swaps**

(1) *Objective of the swaps.* In order to protect against the potential of rising interest rates, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt.

	Changes in Fair Value		Fair Value at December 31, 2010		Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	$ (45,058)	Deferred Outflow of Resources	$ (120,447)	$ 792,070
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(10,848)	Investment Revenue	(24,529)	201,965
Business-type Activities					
Cash Flow Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	(34,449)	Deferred Outflow of Resources	(141,379)	973,805
Total..				$ (286,355)	

(2) *Terms, fair values, and credit risk.* The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2010, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Governmental Activities:						
GO VRDB (Series 2007EFG)	$ 200,000	11/08/2007 01/01/2014	Pay 3.998%; receive SIFMA Pay SIFMA; receive 72.5% of LIBOR *	$ (15,270) (16,185)	01/01/2042 01/01/2031	Aa3/A+ A1/A+ Aa2/AA
GO VRDB (Series 2005D)	222,790	08/17/2005 01/01/2014	Pay 4.104%; receive SIFMA Pay SIFMA; receive 72.5% of LIBOR *	(21,194) (18,240)	01/01/2040 01/01/2031	A1/A Aa2/A+ Aaa/AA Aa3/A+
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B)	206,700	10/03/2002	Pay 3.575%; receive 70% of LIBOR	(24,477)	01/01/2037	Aa1/AA- Aa3/A+
Sales Tax Revenue Refunding Bonds (VRDB Series 2002)	114,150	06/27/2002	Pay 4.23%; receive 75.25% of LIBOR	(17,445)	01/01/2034	Aa1/AA-
Tax Increment Allocation Bonds (Near North TIF, Series 1999A)	44,900	09/01/1999	Pay 5.084%; receive 67% of LIBOR	(7,302)	01/01/2019	Aa3/A+
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B)	3,975	02/10/1997	Pay 5.375%; receive SIFMA	(334)	12/01/2014	Aa3/A+
Business-type Activities:						
Chicago Midway International Airport Revenue Bonds (Series 2004C&D)	152,150	12/14/2004	Pay 4.174%; receive SIFMA Plus .05%	(14,896)	01/01/2035	Aa1/A Aa1/AA-
	232,260	01/03/2011	Pay 3.886%; receive 95% of 3 Mo. LIBOR (if LIBOR is < 3%) or 67% of 3 Mo. LIBOR (if LIBOR is > 3%)	(34,121)	01/01/2039	Aa3/A+
Wastewater Transmission Variable Rate Revenue Bonds (Series 2008C)	99,670	07/29/2004	Pay 3.886%; receive SIFMA (if LIBOR is < 3%) or 67% of LIBOR (if LIBOR is > 3%)	(14,994)	01/01/2039	Aa1/AA-
Water Variable Rate Revenue Refunding Bonds (Series 2004)	193,655	04/16/2008	Pay 3.8694%; receive SIFMA	(28,609)	11/01/2025	Aa3/A+
Water Variable Rate Revenue Refunding Bonds (Series 2004)	195,770	08/05/2004	Pay 3.8669%; receive SIFMA	(30,645)	11/01/2031	A1/A-
Second Lien Water Revenue Refunding Bonds (Series 2000)	100,000	04/16/2008	Pay 3.8694%; receive SIFMA	(18,114)	11/01/2030	Aa3/A+
Investment Instruments						
Governmental Activities:						
GO VRDB (Series 2003B)	202,500	08/07/2003 03/01/2011	Pay 4.052%; receive 66.91% of 10 Yr LIBOR Pay 66.91% of 10 Yr LIBOR; receive 75% of 1 Mo. LIBOR *	(16,372) (8,157)	01/01/2034 03/01/2014	Aa1/AA- Aa2/AA Aaa/AA
Total	$1,968,520			$ (286,355)		

See Table 31 in Statistical Section for Counterparty Entities and additional details for credit ratings.
Type and objective for all the SWAPS is the same, as mentioned earlier.
* Reflects SWAP Overlay agreement.

(3) *Fair Value*, As of December 31, 2010, the swaps had a negative fair value of $286.4 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values. Note that in the statement of net assets the combination of the $248.3 million derivative liability and the unamortized interest rate swap premium balance of $38.1 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk*. The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk*. Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

(6) *Tax Risk*. The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

(7) *Termination Risk*. The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

(8) *Swap payments and associated debt*. Bonds maturing and interest payable January 1, 2011 have been excluded because funds for their payment have been provided for. As of December 31, 2010, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2011	$ 15,310	$ 7,914	$ 70,223	$ 93,447
2012	21,395	7,860	69,594	98,849
2013	22,645	7,784	68,775	99,204
2014	36,955	7,703	67,899	112,557
2015	37,865	7,589	66,608	112,062
2016 - 2020	325,570	35,326	302,909	663,805
2021 - 2025	452,930	29,054	232,234	714,218
2026 - 2030	372,980	22,640	161,514	557,134
2031 - 2035	439,145	14,031	84,287	537,463
2036 - 2040	217,950	4,838	22,859	245,647
2041 - 2045	22,195	222	665	23,082
	$ 1,964,940	$ 144,961	$ 1,147,567	$ 3,257,468

ii) Swaptions

(1) *Objective of the swaptions.* The City entered into several swaption contracts that provided the City upfront payments totaling $42.1 million. The term swaption refers to the City selling an option to a counterparty to execute a swap at a certain date in the future if certain conditions exist. If the conditions do not exist, the counterparty will not execute the option, no swaptions have been exercised. In the event the options are executed and the City enters into a fixed to floating rate swap, the City would be exposed to the risks as described under Swaps.

	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at December 31, 2010 Classification	Fair Value at December 31, 2010 Amount	Notional Amount
Governmental Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	$ 499	Investment Revenue	$ (17,001)	$ 471,875
Business-type Activities					
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS....	Investment Revenue	(1,761)	Investment Revenue	(19,813)	380,270
Total				$ (36,814)	

(2) *Terms.* The terms, including fair values of the swaptions as of December 31, 2010, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Trade Date	Variable Rate Paid	Fixed Rate Received	Fair Values	Swap Termination Date	Up-Front Payment
GO Bonds (GO, Series 2001A; GO Series 2002A; GO, Series 2003A; and GO, Series 2004A)...................	$ 318,670	12/18/2003	SIFMA+ 30bps	5.000%	$ (12,543)	01/01/2024	$ 13,384
Chicago Midway Airport Revenue Bonds (Series 1998A(AMT); Series 1998B(Non-AMT); and Refunding Series 1998C(Non-AMT))................	380,270	10/27/1999	SIFMA+ 25bps	5.100	(19,813)	01/01/2030	23,500
Sales Tax Revenue Bonds (Series 1999)........................	23,285	06/21/2002	SIFMA+ 30bps	4.984	(161)	01/01/2019	728
Sales Tax Revenue Bonds (Series 1998)........................	69,275	06/21/2002	SIFMA+ 30bps	5.250	(2,420)	01/01/2028	2,562
Sales Tax Revenue Bonds (Series 1997)........................	60,645	06/21/2002	SIFMA+ 30bps	5.375	(1,877)	01/01/2027	1,964
Total...	$ 852,145				$ (36,814)		$ 42,138

(3) *Fair value.* As of December 31, 2010, the swaptions had a negative fair value of $36.8 million. As per industry convention, the fair values of the City's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the City's swaptions had negative values. The negative value is also driven by the upfront payment received by the City upon execution of the swaption agreement. Note that in the statement of net assets the combination of the $13.5 million derivative liability and the unamortized interest rate swaption premium balance of $23.3 million, recorded as component of unearned revenue, together represent the total fair value.

(4) *Credit Risk.* The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaptions is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaptions also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

(5) *Basis Risk.* Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is

exposed to basis risk on all swaptions except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaptions, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date, and it would add additional underlying cost to the transaction.

(6) *Tax Risk.* The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the swaption transactions.

(7) *Termination Risk.* The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

e) **Debt Covenants**

i) **Water Fund** - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2010. The Water Rate Stabilization account had a balance in restricted assets of $61.4 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien Water Revenue Bonds provide for the creation of separate accounts into which monies will be deposited, as appropriate. The ordinances require that net revenues are equal to the sum of the aggregate annual debt service requirements for the fiscal year of the outstanding senior lien bonds and 110 percent of the aggregate annual debt service requirements of the outstanding second lien bonds. This requirement was met at December 31, 2010.

ii) **Sewer Fund** - The ordinances authorizing the issuance of outstanding Wastewater Transmission Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds equal 115 percent of the current annual debt service requirements on the outstanding senior lien bonds. This requirement was met at December 31, 2010. The Sewer Rate Stabilization account had a balance in restricted assets of $24.6 million at December 31, 2010.

The ordinances authorizing the issuance of outstanding Second Lien 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 equal 100 percent of the sum of the current maximum annual debt service requirements of the outstanding senior lien bonds and the maximum annual debt service requirements of the second lien bonds. This requirement was met at December 31, 2010.

iii) **Chicago Midway International Airport Fund** - The master indenture securing the issuance of Chicago Midway International Airport Revenue Bonds requires that the City set rates and charges for the use and operation of Midway so that revenues, together with any other available monies and the cash balance held in the Revenue Fund on the first day of such year not required to be deposited in any fund or account, will be at least sufficient (a) to provide for the operation and maintenance expenses for the year and (b) to provide for the greater of (i) the amounts needed to be deposited into the First and Junior Lien Debt Service Fund, the Operations & Maintenance Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate First Lien Debt Service for such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on First Lien Bonds. These requirements were met at December 31, 2010.

iv) **Chicago-O'Hare International Airport Fund** - In 1983, the City Council adopted the General Airport Revenue Bond ordinance authorizing the issuance and sale of Chicago-O'Hare International Airport General Airport Revenue Bonds in unlimited series for the purpose of financing the cost of improvements and expansion of O'Hare and to redeem its existing outstanding bond obligations. The ordinance further permits the issuance of second lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service account created under the ordinance. The ordinance requires that net revenues in each year equal not less than the sum of (i) the amount required to be deposited for such year in the debt service reserve fund, the maintenance reserve fund, the special capital projects fund and the junior lien debt service fund, and (ii) 110 percent of the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such fiscal year to pay interest on bonds. This requirement was met at December 31, 2010. The ordinance provides for the creation of separate accounts that are to be credited with revenues in a specified priority. At the end of each year, any excess funds over amounts required in accounts other than Special Capital Projects, Emergency Reserve and Airport Development accounts are reallocated with the following year's revenues.

The Master Indenture of Trust securing Chicago-O'Hare International Airport Third Lien Obligations requires that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal Year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in any Fund or Account, will be at least sufficient: (i) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year; and (ii) to provide for the greater of (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding First Lien Bonds, Second Lien Obligations, Third Lien Obligations or other Airport Obligations are issued and secured, and (b) 110 percent the Aggregate First, Second and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal of and interest on First Lien Bonds, Second Lien obligations or Third Lien obligations. This requirement was met at December 31, 2010.

The master indenture securing the Passenger Facility Charge (PFC) Revenue Bonds requires PFC revenues, as defined, to be deposited into the PFC Revenue Fund. The PFC Revenue Fund is required to transfer amounts no later than the twentieth day of each month to various funds, as defined, as appropriate to meet debt service and debt service reserve requirements.

f) **No-Commitment Debt and Public Interest Loans** include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) **Defeased Bonds** have been removed from the Statement of Net Assets because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2010, not including principal payments due January 1, 2011, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Emergency Telephone System - Series 1993	$ 213,730	$ 140,595
General Obligation Refunding Bonds - Series 1993B	17,535	17,535
General Obligation Refunding Bonds - Series 1995A-2	32,625	23,575
General Obligation Project and Refunding Bonds - Series 1998	338,710	18,830
General Obligation Project and Refunding Bonds - Series 1999A	252,380	10,475
General Obligation Bonds - Series 2001A	349,845	137,085
General Obligation Project and Refunding Bonds - Series 2002A	135,690	117,855
General Obligation Project and Refunding Bonds - Series 2003A	89,815	87,510
General Obligation Project Bonds - Series 2003C	87,645	77,395
General Obligation Project Bonds - Series 2004A	205,535	205,535
General Obligation Project and Refunding Bonds - Series 2005B	3,460	3,280
General Obligation Project and Refunding Bonds - Series 2005E	22,186	17,532
General Obligation Project and Refunding Bonds - Series 2006A	19,230	15,680
General Obligation Direct Access Bonds - Series 2006	4,755	4,755
General Obligation Project and Refunding Bonds - Series 2007A	10,300	10,300
Neighborhoods Alive 21 Program - Series 2001A	213,825	60,170
Neighborhoods Alive 21 Program - Series 2002A	36,820	15,870
Neighborhoods Alive 21 Program - Series 2003	90,600	86,045
Lake Millenium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999	44,495	44,395
Near South Redevelopment Project Tax Increment - Series 1994A	23,000	9,975
Water Revenue Senior Lien Bonds - Series 2001	242,630	229,155
Special Transportation Revenue Bonds - Series 2001	118,715	103,485
Total	$ 2,703,406	$ 1,480,912

11) Pension Trust Funds

a) **Retirement Benefit** - Eligible City employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees'; the Laborers' and Retirement Board Employees'; the Policemen's; and the Firemen's Annuity and Benefit Funds of Chicago. Plans are administered by individual retirement boards represented by elected and appointed officials. Certain employees of the Chicago Board of Education participate in the Municipal Employees' or the Laborers' and Retirement Board Employees' Annuity and Benefit Funds for which the City levies taxes to make the required employer contributions. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when payable.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, the net asset value is determined and certified by the investment managers as of the reporting date. Real estate investments are generally valued by appraisals or other approved methods. Investments that do not have an established market are reported at estimated fair value.

The Plans have a securities lending program. At year-end, the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans' master custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the fund for income distributions by the securities' issuers while the securities are on loan. All securities loans can be terminated on demand by either the Plans or the borrower, although the average term of the loans has not exceeded 90 days. The Plans' custodian lends securities for collateral in the form of cash, irrevocable letters of credit and/or U.S. government obligations equal to at least 102 percent of the fair value of securities or international securities for collateral of 105 percent. Cash collateral is invested in the lending agents' short-term investment pool, which at year-end has a weighted average maturity that did not exceed 101 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2010 are as follows: market value of securities loaned $1,208.4 million, market value of cash collateral from borrowers $1,238.3 million and market value of non-cash collateral from borrowers $5.4 million.

The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 (50 for policemen and firemen) with 20 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.0 percent to 2.4 percent 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.

State law requires City contributions at statutorily, not actuarially determined rates. The City's contribution is equal to the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by 1.25 for the Municipal Employees', 1.00 for the Laborers', 2.00 for the Policemen's, and 2.26 for the Firemen's. State law also requires covered employees to contribute a percentage of their salaries.

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	8.5%	8.5%	9.0%	9.125%	
Plan members	8.5	8.5	9.0	9.125	
Annual required contribution	$ 483,948	$ 46,665	$ 363,625	$ 218,388	$ 1,112,626
Interest on net pension obligation	54,379	(16,509)	124,994	96,897	259,761
Adjustment to annual required contribution	(55,907)	16,973	(85,391)	(99,619)	(223,944)
Annual pension cost	482,420	47,129	403,228	215,666	1,148,443
Contributions made	154,752	15,352	174,501	80,947	425,552
Increase in net pension obligation	327,668	31,777	228,727	134,719	722,891
Net pension obligation (excess), beginning of year	679,738	(206,362)	1,562,419	1,211,208	3,247,003
Net pension obligation (excess), end of year	$ 1,007,406	$ (174,585)	$ 1,791,146	$ 1,345,927	$ 3,969,894

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market	5-yr. Smoothed Market
Actuarial assumptions:				
Investment rate of return (a)	8.0%	8.0%	8.0%	8.0%
Projected salary increases (b):				
Inflation	3.0	3.0	3.0	3.0
Seniority/Merit	(c)	(d)	(e)	(f)
Postretirement benefit increases	(g)	(g)	(h)	(h)

(a) Percentage represents amount applied to the employees account and not the total contributed.
(b) Compounded Annually
(c) Service-based increases equivalent to a level annual rate increase of 2.4 percent over a full career.
(d) Service-based increases equivalent to a level annual rate increase of 1.9 percent over a full career.
(e) Service-based increases equivalent to a level annual rate increase of 2.8 percent over a full career.
(f) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
(g) 3.0 percent per year beginning at the earlier of:
1) the later of the first of January of the year after retirement and age 60;
2) the later of the first of January of the year after the second anniversary of retirement and age 53.
(h) Uses 3.0 percent per year for annuitants age 55 or over, born before 1955 with at least 20 years of service and 1.5 percent per year for 20 years for annuitants age 60 or over, born in 1955 or later.

The following tables of information assist users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each Plan is as follows (dollars in thousands):

Year	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension (Excess) Obligation
Municipal Employees':			
2008	$ 359,933	40.79%	$ 415,207
2009	412,576	35.88	679,738
2010	482,420	32.08	1,007,406
Laborers':			
2008	18,166	83.85	(225,759)
2009	34,024	42.99	(206,362)
2010	47,129	32.57	(174,585)
Policemen's:			
2008	348,273	49.63	1,360,492
2009	373,972	46.00	1,562,419
2010	403,228	43.28	1,791,146
Firemen's:			
2008	187,710	43.29	1,099,024
2009	201,397	44.30	1,211,208
2010	215,666	37.53	1,345,927

SCHEDULE OF FUNDING PROGRESS
(dollars in thousands)

Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees':							
2008	12/31/08	$ 6,669,502	$ 10,383,158	$3,713,656	64%	$ 1,543,977	241%
2009	12/31/09	6,295,788	10,830,119	4,534,331	58	1,551,973	292
2010	12/31/10	6,003,390	11,828,666	5,825,276	51	1,541,388	378
Laborers':							
2008	12/31/08	1,698,427	1,915,324	216,897	89	216,744	100
2009	12/31/09	1,601,352	1,975,749	374,397	81	208,626	179
2010	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
Policemen's:							
2008	12/31/08	4,093,720	8,482,574	4,388,854	48	1,023,581	429
2009	12/31/09	3,884,978	8,736,102	4,851,124	44	1,011,205	480
2010	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
Firemen's:							
2008	12/31/08	1,335,695	3,311,269	1,975,574	40	396,182	499
2009	12/31/09	1,269,231	3,428,838	2,159,607	37	400,912	539
2010	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614

b) **Other Postemployment Benefits (OPEB)** - Under State law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

Annual OPEB Cost and Contributions Made
For Fiscal Year Ending December 31, 2010

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution Rates City:	A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.				
Annual Required Contribution	$ 22,955	$ 3,609	$ 10,659	$ 4,428	$ 41,651
Interest on Net OPEB Obligation	1,900	164	371	243	2,678
Adjustment to Annual - Required Contribution	(2,480)	(214)	(294)	(317)	(3,305)
Annual OPEB Cost	22,375	3,559	10,736	4,354	41,024
Contributions Made	9,550	2,587	9,354	2,644	24,135
Increase in Net OPEB Obligation	12,825	972	1,382	1,710	16,889
Net OPEB Obligation, Beginning of Year	42,220	3,647	8,237	5,397	59,501
Net OPEB Obligation, End of Year	$ 55,045	$ 4,619	$ 9,619	$ 7,107	$ 76,390

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2010	12/31/2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Open	Level Dollar, Open	Level Percent, Open	Level Dollar, Open
Remaining Amortization Method	30 years	30 years	30 years	30 years
Asset Valuation Method	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)	No Assets (Pay-as-you-go)
Actuarial assumptions:				
OPEB Investment Rate of Return (a)	4.5%	4.5%	4.5%	4.5%
Projected Salary Increases (a) Inflation	3.0%	3.0%	3.0%	3.0%
Seniority / Merit	(b)	(c)	(d)	(e)
Healthcare Cost Trend Rate (f)	0.0%	0.0%	0.0%	0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 2.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 2.8 percent over a full career
(e) Service-based increases equivalent to a level annual rate of increase of 2.7 percent over a full career
(f) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY
(dollars in thousands)

	Year	Annual OPEB Cost	% of Annual OPEB Obligation	Net OPEB Obligation
Municipal Employees'	2008	$ 23,580	38.29%	$ 29,307
	2009	22,561	42.77	42,220
	2010	22,375	42.68	55,045
Laborers'	2008	3,546	66.20	2,563
	2009	3,646	70.29	3,647
	2010	3,559	72.68	4,619
Policemen's	2008	11,378	77.78	5,640
	2009	11,863	78.11	8,237
	2010	10,736	87.13	9,619
Firemen's	2008	4,281	58.09	3,723
	2009	4,319	61.24	5,397
	2010	4,354	60.74	7,107

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'	12/31/2010	$ -	$ 223,564	$ 223,564	-	$ 1,541,388	14.50
Laborers'	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's	12/31/2010	-	48,222	48,222	-	400,404	12.04

12) **Other Postemployment Benefits – City Obligation**

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005 received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $64.1 million in 2010 to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced settlement agreement.

The cost of health benefits is recognized as an expenditure in the accompanying financial statements as claims are reported and are funded on a pay-as-you-go basis. In 2010, the net expense to the City for providing these benefits to approximately 24,253 annuitants plus their dependents was approximately $107.4 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

Plan Description Summary - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

Funding Policy - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of three years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2010 is the *Annual OPEB Cost (expense).*

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 189,328
Interest on Net OPEB Obligation	9,871
Adjustment to Annual Required Contribution	(116,325)
Annual OPEB Cost	82,874
Contributions Made	107,431
Increase in Net OPEB Obligation	(24,557)
Net OPEB Obligation, Beginning of Year	329,040
Net OPEB Obligation, End of Year	$ 304,483

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	$ 82,874	129.6%	$ 304,483
12/31/2009	157,809	62.1	329,040
12/31/2008	218,897	44.8	269,275

Funded Status and Funding Progress - As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $533.4 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,547.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents, as required, supplementary information following the notes to the financial statements (dollars in thousands, unaudited).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
12/31/2009	$ -	$ 533,387	$ 533,387	0%	$ 2,546,961

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Settlement Plan benefits (not provided by the Pension Funds) in the actuarial valuation for the fiscal year ended December 31, 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 10.5 percent. Both rates included a 3 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 3 years.

Summary of Assumptions and Methods

	Settlement Health Plan
Actuarial Valuation Date	December 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	3 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	3.00%
Projected Salary Increases	2.50%
Healthcare Inflation Rate	12% initial to 10.5% ultimate

13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. 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 of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Assets as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2010, the total amount of non-Enterprise Fund claims was $498.5 million. This liability is the City's best estimate based on available information. Changes in the reported liability for all funds are as follows (dollars in thousands):

	2010	2009
Balance, January 1	$ 513,333	$497,527
Claims incurred on current and prior year events	632,765	605,506
Claims paid on current and prior year events	(590,813)	(589,700)
Balance, December 31	$ 555,285	$513,333

14) Commitments and Contingencies

The City is a defendant in various pending and threatened individual and class action litigation relating principally to claims arising from contracts, personal injury, property damage, police conduct, alleged discrimination, civil rights actions and other matters. City management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the City.

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2010, the Enterprise Funds have entered into contracts for approximately $414.1 million for construction projects.

The City's pollution remediation obligation of $14.3 million is primarily related to Brownfield redevelopment projects. These projects include removal of underground storage tanks, cleanup of contaminated soil, and removal of other environmental pollution identified at the individual sites. The estimated liability is calculated using the expected cash flow technique. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

15) Service Concession Agreements

The major fund entitled Service Concession Agreements is used for the primary purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by city council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. In 2009, the City recognized $15.3 million of revenue and will continue to recognize $15.3 million for each subsequent year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized $5.7 million of revenue and will continue to recognize $5.7 million for each subsequent year through 2105.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the operating lease. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the operating lease. In 2005, the City recognized $18.5 million of revenue related to this transaction and will recognize $18.5 million for each subsequent year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Assets and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Assets.

16) Subsequent Events

In January 2011, the City sold General Obligation Taxable Project Bonds Series 2010C-1 ($299.3 million). The bonds were issued at an interest rate of 7.781 percent and mature January 1, 2035. Proceeds will be used to pay for a portion of the costs of various capital projects of the City.

In January 2011, Fitch Ratings downgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A" to "A-" and the General Airport Third Lien Revenue Bonds from "A+" to "A-." In April 2011, Fitch Ratings upgraded the Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from "A-" to "A."

The City reached a new collective bargaining agreement with Chicago Fire Fighters Union Local No. 2, effective March 9, 2011, with a stated term of July 1, 2007 through June 30, 2012. This agreement covers approximately 4,900 firefighters and paramedics in the Chicago Fire Department. The City paid $86.3 million in retroactive wages in April 2011.

In April 2011, $86.3 million of General Obligation Commercial Paper Notes, Series 2002B were issued. Proceeds will be used for operations as identified in the 2011 Annual Appropriation Ordinance.

In April 2011, the City sold Chicago O'Hare International Airport General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011A, General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011B and General Airport Third Lien Revenue (Non-AMT) Bonds Series 2011C ($1.0 billion). The bonds were issued at interest rates ranging from 3.0 percent to 6.5 percent and maturity dates from January 1, 2014 to January 1, 2041. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program.

In April 2011, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding (Non-AMT) Bonds Series 2011A and Passenger Facility Charge Revenue Refunding (AMT) Series 2011B Bonds ($46.0 million). The bonds were issued at interest rates ranging from 5.0 percent to 6.0 percent and maturity dates from January 1, 2017 to January 1, 2033. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program and to refund certain outstanding Passenger Facility Charge Revenue bonds.

In April 2011, the City novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the City pays increased from 4.174 percent to 4.247 percent, and the City will sign a one-way Credit Support Agreement (CSA) that no longer requires the City to post collateral if the mark-to-market exceeds the threshold, as previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the remaining balance of the bonds, with a current notional amount of $91.3 million, which does not have a two-way CSA and remains unchanged.

In May 2011, the City entered into a two-way Credit Support Agreement (CSA) with J.P. Morgan in connection with the $397.7 million original notional amount swaption associated with the Midway Airport Series 1998 A,B&C fixed rate bonds. The CSA was required because a termination event was triggered due to the insurer's ratings downgrade. Based on the current second lien ratings at Midway Airport (A3/A-/A- by Moody's, S&P and Fitch respectively), if the mark-to-market on the swap is against the City by more than $25 million, the City/Airport must post collateral for the difference. To mitigate the risk of posting collateral, the City obtained a $25 million Letter of Credit (LOC) as collateral. The LOC is not expected to be drawn upon as long as there is no event of default by the bank or the City. Based on the current second lien ratings at Midway Airport, if the mark-to-market on the swaption is against the City by more than the combined $25 million threshold provided in the CSA and the $25 million LOC, for a total of $50 million, the City must post collateral for the difference.

In June 2011, $221.5 million of the General Obligation Bonds Series 2005D bonds became bank bonds due to the deterioration of the liquidity support provider's credit quality. The remarketing agent continues to use best efforts to remarket the bonds out of bank mode. There is no principal due on the bank bonds within the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
Last Three Years (dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'							
2008	12/31/2008	$ -	$ 222,691	$ 222,691	- %	$ 1,543,977	14.42 %
2009	12/31/2009	-	224,173	224,173	-	1,551,973	14.44
2010	12/31/2010	-	223,564	223,564	-	1,541,388	14.50
Laborers'							
2008	12/31/2008	-	42,064	42,064	- %	216,744	19.41 %
2009	12/31/2009	-	41,738	41,738	-	208,626	20.01
2010	12/31/2010	-	41,361	41,361	-	199,863	20.69
Policemen's							
2008	12/31/2008	-	169,972	169,972	- %	1,023,581	16.61 %
2009	12/31/2009	-	164,800	164,800	-	1,011,205	16.30
2010	12/31/2010	-	164,796	164,796	-	1,048,084	15.72
Firemen's							
2008	12/31/2008	-	47,309	47,309	- %	396,182	11.94 %
2009	12/31/2009	-	47,933	47,933	-	400,912	11.96
2010	12/31/2010	-	48,222	48,222	-	400,404	12.04
City of Chicago							
2007	12/31/2007	-	1,062,864	1,062,864	- %	2,562,007	41.49 %
2008	12/31/2008	-	787,395	787,395	-	2,475,107	31.81
2009	12/31/2009	-	533,387	533,387	-	2,546,961	20.94

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APPENDIX D

CITY OF CHICAGO

Form of Opinion of Co-Bond Counsel

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FORM OF OPINION OF CO-BOND COUNSEL

[Date of Delivery]

City of Chicago
Chicago, Illinois

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Chicago (the "City"), of its General Obligation Notes, Taxable Fixed Rate Series 2011, in the aggregate principal amount of $70,425,000 (the "Notes"). The Notes are issued for the purpose of providing funds to pay amounts appropriated for various fund purposes by the City for the year 2011, pursuant to the powers of the City as a "home rule unit" under the provisions of the 1970 Constitution of the State of Illinois and under and pursuant to an ordinance adopted by the City Council of the City on May 4, 2011 (the "Ordinance") and a Trust Indenture, dated as of November 1, 2011 (the "Indenture"), by and between the City and Deutsche Bank National Trust Company, as trustee (the "Trustee"). The Notes are being issued in fully registered form, are dated November 1, 2011, mature (without option of prior redemption) on December 5, 2012 and bear interest from their date at the rate of 0.80% per annum, and are payable on June 5, 2012 and at maturity.

In our capacity as co-bond counsel, we have examined, among other things, the following:

(a) a certified copy of the proceedings of the City Council of the City adopting the Ordinance and authorizing, among other things, the execution and delivery of the Notes and the Indenture;

(b) a certified copy of the Ordinance;

(c) an executed counterpart of the Indenture;

(d) a certified copy of an ordinance adopted by the City Council of the City on March 8, 1993, and entitled the "Chicago Property Tax Limitation Ordinance", as amended (the "Tax Limitation Ordinance"); and

(e) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

1. The City is a home rule unit as defined by Article VII of the 1970 Constitution of the State of Illinois and is a municipal corporation of the State of Illinois.

2. The City has full power and authority and has taken all necessary action to adopt the Ordinance, and has full power and authority to issue and sell the Notes and to execute and deliver the Indenture.

3. Assuming the due authorization and execution of the Indenture by the Trustee, the Indenture is the valid and binding obligation of the City, enforceable according to its terms.

4. The Notes are the valid and binding direct and general obligations of the City and are a debt of the City to which the City has pledged its full faith, credit and resources for the payment thereof, except to the extent the City's authority to levy property taxes in any year is limited by the Tax Limitation Ordinance.

5. The City, under the Indenture, has created with the Trustee a trust fund entitled the "City of Chicago General Obligation Notes, Taxable Fixed Rate Series 2011 Note Fund" into which certain moneys of the City are to be deposited pursuant to the Indenture, which moneys, when so deposited, have been validly pledged to the holders of the Notes.

In rendering the foregoing opinion, we advise that the enforceability (but not the validity or binding effect) of the City's obligations under the Notes, the Ordinance and the Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws applicable to the City and affecting the rights or remedies of creditors now or hereafter in effect and by principles of public or governmental policy limiting the enforceability of indemnification provisions, and (ii) is subject to principles of equity in the event that equitable remedies are sought.

Interest on the Notes is includible in gross income for Federal income tax purposes. Interest on the Notes is not exempt from Illinois income taxes.

Respectfully yours,

APPENDIX E

CITY OF CHICAGO

Economic, Demographic and Supplemental Information

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ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION

Set forth below is certain economic, demographic and supplemental information regarding the City. Sources of information are indicated immediately following each table or section. 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.

Economic Highlights

- Home to more than 400 corporate headquarters, numerous Fortune 500 companies, well over 1,500 foreign-based companies and more than $40 billion in foreign direct investment*
- Chicago O'Hare International Airport is the world's third busiest airport with 54 international and 148 domestic destinations
- Only U.S. city where the six largest freight railroad companies interchange traffic
- Manufacturing base employs over 400,000 workers*
- Health care and life science businesses employ over 500,000 residents*
- Home to 17% of the world's trading activity for futures, options and derivatives
- #6 on Global Cities Index based on business activity, human capital, information exchange, cultural experience and political engagement*
- Home to more than 60 public and private post-secondary educational institutions with a combined enrollment of more than 260,000 students*
- Over 30,000 hotel rooms
- Home to over 35 museums and 200 theater companies*

* Information relates to Chicago-Naperville, Illinois Metropolitan Statistical Area.

Source: *Chicago Business Overview*, World Business Chicago.

Population

The population of the City for the census years from 1980 to 2010 is set forth below.

Year	Population
1980	3,005,072
1990	2,783,726
2000	2,896,016
2010	2,695,598

Source: U.S. Census Bureau.

Per Capita Income

The per capita personal income of the Chicago-Naperville, Illinois metropolitan statistical area is set forth below for the years 2005 through 2009.

Year	Per Capita Income
2005	$38,439
2006	41,887
2007	43,714
2008	45,328
2009	43,727
2010	N/A

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville, Illinois Metropolitan Statistical Area N/A means not available at time of publication.

Unemployment

The unemployment rate of the Chicago-Naperville, Illinois metropolitan statistical area for the years 2006 through 2010 is set forth below.

Year	Unemployment Rate
2006	5.2%
2007	5.7
2008	6.4
2009	10.0
2010	10.1

Source: U.S. Department of Commerce, Unemployment rate of Chicago-Naperville, Illinois Metropolitan Statistical Area.

Full-Time City Employees

The number of full-time employees of the City for the years 2006 through 2010 is included in the following table.

Year	Budgeted Full-Time Equivalent Positions
2006	40,297
2007	40,207
2008	39,921
2009	37,419
2010	36,889

Source: City of Chicago 2011 Program and Budget Summary, 2010 figures. Includes full-time equivalent positions in grant-related programs.

Principal Employers (Non-Government)

The companies employing the greatest number of workers in the City as of the end of 2010 are set forth below.

Employer	Number of Employees	Percentage of Total City Employment
J. P. Morgan Chase	8,094	0.81%
United Airlines	5,585	0.58
Northern Trust	5,434	0.56
Jewel Food Stores, Inc.	5,307	0.52
Bank of America	4,668	0.44
Walgreen's Co.	4,552	0.33
Accenture LLP	4,224	0.32
CVS Corporation	4,067	0.30
ABM Janitorial Midwest, INC.	3,840	0.30
American Airlines	3,153	0.27

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns

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2012 Budget Proposal

The following structural and special actions are included in Mayor Rahm Emanuel's proposed City budget for 2012 as measures intending to address the projected City budget deficit of $635.7 million for 2012. Any such actions remain subject to approval of the City Council and no assurances can be given or made that any or all such actions will be approved or, if approved, will generate the impact on the projected City budget gap for 2012 as set forth in the table below.

Proposed Budgetary Action	2012 Impact ($ millions)
Cutting Spending and Reforming Government	417.4
2011-12 reforms and department spending reductions	
517 layoffs and 2,159 vacancy reductions	
Collecting debt and protecting taxpayer resources	
City employee wellness initiative	
TIF reform	
Reforming fee waivers and refuse rebates	
Reimbursement for City Costs	32.5
CPS reimbursement for pension costs paid by the City	
Revenue Enhancements to Invest in Infrastructure and Neighborhoods	78.8
Congestion premium for CTA improvements	
Heavy vehicle sticker increase in street repair	
Hotel tax increase	
Fines for criminal activity and neighborhood safety violations	
Valet and loading zone fee adjustments	
Financing and Innovations	88.0
Refinancing existing debt and bond reimbursements	
Municipal marketing and sponsorship	
Modest Growth in 2011-12 Revenue	39.0
Subtotal	655.7
Deposit into Reserve Fund	(20.0)
Total	635.7

Source: City of Chicago Budget 2012 Overview which is available at www.chicagobudget.org.

CITY OF CHICAGO

INCORPORATED 4th MARCH 1837

ISSUANCE SCHEDULE

Certificate Number	Principal Amount	Maturity Date	Fixed Interest Rate to Maturity	CUSIP Number
R-1	$70,425,000	December 5, 2012	0.80%	167486 MS5

Redemption Provisions: The Notes are not subject to redemption prior to maturity.

Tender Provisions: The Notes are not subject to optional or mandatory tender.