City of Chicago

Office of the City Clerk

Document Tracking Sheet

F2014-26

Meeting Date:	4/2/2014
Sponsor(s):	Dept./Agency
Type:	Communication
Title:	Notification of Sale regarding General Obligation Bonds Project and Refunding Bonds Series 2014A and Series 2014B, Associated Amendment regarding Commercial Paper Debt and Amendment of Municipal Code Section 2-32-031 regarding Debt Management Policies
Committee(s) Assignment:	

Department of Finance

CITY OF CHICAGO

March 24 , 2014

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

RE: City of Chicago, Illinois
General Obligation Bonds Project and Refunding Bonds
Series 2014 A $432,630,000 and General Obligation Bonds Project and Refunding Bonds Series 2014B $450,790,000

Dear Ms. Mendoza:

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 11of the ordinance authorizing of the issuance of General Obligation and Refunding Bonds and Associated Amendment regarding Commercial Paper Debt and Amendment of Municipal Code Section 2-32-031 regarding Debt Management Policies, which was passed by the City Council on February 5, 2014.

Please direct this filing to the City Council.

RECEIVED
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2014 MAR 24 AM 11:47
OFFICE OF THE
CITY CLERK

Very Truly Yours,

[redacted]
Chief Financial Officer

BOND PURCHASE AGREEMENT

$883,420,000
CITY OF CHICAGO

$432,630,000 **General Obligation Bonds,** **Project and Refunding Series 2014A**	**$450,790,000** **General Obligation Bonds,** **Taxable Project and Refunding Series 2014B**

March 13, 2014

City of Chicago
Office of the City Comptroller
121 North LaSalle Street, 7th Floor
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 below (collectively, the "Underwriters"), hereby offers to enter into this Bond 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 City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the City's General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"). This offer is made subject to the acceptance by the City, evidenced by the signature of a duly authorized officer of the City in the space provided below, 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 (the "1934 Act"), as a municipal securities dealer.

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

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement, as defined herein.

1. Agreement to Sell and Purchase.

(a) 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: the Series 2014A Bonds at a price equal to $435,549,851.04 (which represents the aggregate principal amount of the Series 2014A Bonds less an Underwriters' discount of $2,287,917.51 and plus a net re-offering premium of $5,207,768.55), and the Series 2014B Bonds at a price equal to $448,135,142.01 (which represents the aggregate principal amount of the Series 2014B Bonds less an Underwriters' discount of $2,654,857.99).

(b) It shall be a condition to the City's obligation to sell and deliver the Bonds that all the Bonds be purchased and paid for by the Underwriters at the Closing (as defined in Section 7 hereof) and a condition to the Underwriters' obligation to purchase and pay for the Bonds that all Bonds be issued, sold and delivered by the City at the Closing.

2. The Ordinance. The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "City Council") on February 5, 2014 (the "Ordinance"), and will be issued and secured as provided thereunder. The Bonds will mature, bear interest and have such other terms and conditions as are set forth on Schedule I hereto.

3. The Preliminary Official Statement. Attached hereto as Exhibit A is a copy of the Preliminary Official Statement of the City, dated March 3, 2014, relating to the Bonds (the "Preliminary Official Statement"). For purposes of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, the Preliminary Official Statement is "deemed final" by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12(b)(1).

4. Public Offering Price. The Underwriters have agreed to make a bona fide public offering of the Bonds at the initial offering prices set forth on Schedule I. The Representative will provide the City and Co-Bond Counsel (as defined herein) with a closing certificate confirming the reoffering yields and prices of the Series 2014A Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate to establish the yield on the Series 2014A Bonds and that such reliance is material to the City in entering into this Agreement and in connection with the delivery of the Bonds.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) the Closing, three copies of the Official Statement of the City, dated the date hereof, relating to the Bonds (the "Official Statement"), 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 Rule 15c2-12. Such delivery of the Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities

Rulemaking Board (the "MSRB").

(b) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinance or the Bonds, shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Underwriters otherwise notify the City in writing prior to twenty-five (25) days after the date of the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be extended for additional periods of thirty (30) days each upon receipt of additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters as set forth above in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of 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 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 March 24, 2014, to enable the Underwriters to comply with MSRB Rule G-32.

The City further agrees to provide the Underwriters with any advance refunding documents (as defined in MSRB Rule G-32) in a word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide such electronic copy of the word-searchable PDF format of the advance refunding documents to the Underwriters no later than four (4) business days after March 24, 2014, to enable the Underwriter(s) to comply with MSRB Rule G-32.

(c) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with the MSRB in compliance with the rules of the SEC and the MSRB. Promptly after the date after which the Underwriters are no longer obligated under Rule 15c2-12(b)(4) to deliver to potential customers the Official Statement, the Representative shall notify the City of such date.

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

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

(b) The City Council has: (i) duly adopted the Ordinance, which remains in full force and effect; (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and duly authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds; and (iii) duly authorized and approved the execution and delivery of the Bonds, the escrow agreements to be executed and delivered by the City (collectively referred to herein as the "Escrow Agreements") in connection with the refunding of the general obligation bonds of the City identified in Appendix G to the Official Statement (the "Refunded Bonds"), this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").

(c) With the exception of the disclosure described in the Preliminary Official Statement in the section titled "SECONDARY MARKET DISCLOSURE - Corrective Action Related to Certain Bond Disclosure Requirements", the City has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

(d) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement, the Escrow Agreements, the Undertaking and the Official Statement; (iii) issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinance and as provided in this Agreement; and (iv) pay for the Bonds from the sources pledged under the Ordinance for their payment.

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

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

(g) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations of the City as of the date and for the periods 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 description of The Depository Trust Company ("DTC"), information under the captions "THE BONDS - Book-Entry System," "BOND INSURANCE", "RATINGS," "CERTAIN VERIFICATIONS," "UNDERWRITING," and "TAX MATTERS," APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION (with respect to the information under the headings "— Economy," "— Percentage of Total Non-Farm Employment by Major Industry Sector" and "and "— Housing Market," and information relating to population, per capita personal income and employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), Tables 1-10 included in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS," APPENDIX F — "FORMS OF OPINIONS OF CO-BOND COUNSEL," any information in or omitted from the Official Statement relating to the Insurer and the Policy (both hereinafter defined), and information furnished by the Underwriters for use in the Official Statement) as of its date does not, and at the Closing will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(i) Information in the Third Party Sourced Retirement Fund Tables is sourced from documents published by the Retirement Funds and the City takes no responsibility for the accuracy and completeness of such information; however, nothing has come to the attention of the City which would lead the City to believe that the Third Party Sourced Retirement Fund Tables are not true and correct in all material respects;

(j) The Ordinance, this Agreement, the Escrow Agreements, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, 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) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute 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).

(l) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Bonds, the Ordinance, this Agreement, the Escrow Agreements, or the Undertaking or (ii) the excludability from federal income taxation of the interest on the Series 2014A Bonds under the Internal Revenue Code of 1986, as amended (the "Codc").

(m) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Series 2014A Bonds under the Code.

(n) Any certificate signed by any Authorized Officer of the City and delivered to the Representative at thc Closing in connection with the issuance or sale of the Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(o) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 6(n) shall require the City to consent to general service of process in any state or jurisdiction other than the State.

(p) The City will apply the proceeds of the Bonds in accordance with the Ordinance.

(q) 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 the Underwriters are acting solely as a principal and 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 Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriters have financial and other interests that differ from those of the City; and (iv) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. <u>Closing</u>. Subject to the conditions set forth in this Agreement, the closing (the "Closing") of the sale of the Bonds by the City and thc purchasc of the Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on March 24, 2014, at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree).

(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 certificate for each series, interest rate and maturity of the Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

(b) Upon delivery of the Bonds to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in Section 10 hereof.

(c) The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing by delivering federal funds checks or making federal funds wire transfers or otherwise confirming deposits of same day funds, as the City shall direct, to the City's account at a bank specified by the City, in an aggregate amount equal to the purchase price of the Bonds pursuant to Section 1 hereof.

8. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further condition that at the time of the Closing, the Ordinance, the Undertaking, the Escrow Agreements, and this Agreement shall be in full force and effect and the Ordinance and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 5 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinion of Chapman and Cutler LLP, Chicago, Illinois and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, as co-bond counsel ("Co-Bond Counsel") shall be necessary in connection with the transactions contemplated hereby and thereby.

9. Termination of Agreement.

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

(i) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by either House or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Series 2014A Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Series 2014A Bonds, or

(ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any 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 Bonds 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 Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds, or

(iii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 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 in a material respect, or

(iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., 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, State 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 State, or any department or agency thereof, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds, or

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

(b) If the City shall be unable to satisfy the conditions 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 obligations hereunder.

10. Closing Conditions.

(a) The Underwriters' obligations to purchase, to accept delivery of and to pay for the Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 6, 7 and 8 hereof and the Underwriters' receipt of the following documents:

(i) three copies of the Official Statement manually executed by the Chief Financial Officer;

(ii) the approving opinions, dated the date of the Closing, of Co-Bond Counsel to the City, substantially in the form attached to the Official Statement as Appendix F;

(iii) the opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-1;

(iv) a letter dated the date of the closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-2;

(v) a letter dated the date of the closing and addressed to the City of Chapman and Cutler LLP, Special Disclosure Counsel to the City in connection with certain pension matters described in the Official Statement, substantially in the form attached hereto as Exhibit B-3, which letter shall also either be addressed to or accompanied by a reliance letter to the Representative on behalf of the Underwriters;

(vi) 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 C;

(vii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Chicago, Illinois, as counsel for the Underwriters ("Underwriters' Counsel"), in form and substance satisfactory to the Representative;

(viii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Duane Morris LLP, Chicago, Illinois, and Shanahan & Shanahan LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, substantially in the form attached hereto as Exhibit D;

(ix) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as of the date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2012, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

(x) a certificate of Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent ("Bond Registrar"), to the effect that the Bond Registrar has full legal right, power and authority to act as the Bond Registrar under the Ordinance;

(xi) a certificate, dated the date of the Closing, signed by the Representative, in form and substance satisfactory to the City and Co-Bond Counsel;

(xii) an executed copy of the Undertaking substantially in the form summarized in the Official Statement under the heading "SECONDARY MARKET DISCLOSURE";

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

(xiv) a copy, duly certified by the City Clerk of the City, of the Ordinance, as passed by the City Council and approved by the Mayor;

(xv) evidence satisfactory to the Representative that the Bonds have ratings of "Baa1 (Negative Outlook)" by Moody's Investors Service, Inc., "A+" (Negative Outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "A-" (Negative Outlook) by Fitch;

(xvi) evidence satisfactory to the Representative that the Bonds maturing on January 1, 2031 (the "Insured Bonds"), have ratings of at least "A2 (Stable Outlook)" from Moody's Investors Service, Inc., and "AA- (Stable Outlook)" from Standard & Poor's, a division of The McGraw-Hill Companies, Inc., all based upon the Municipal Bond Insurance Policy (the "Policy") issued by Assured Guaranty Corp., New York, New York (the "Insurer");

(xvii) the Policy of the Insurer insuring payment of the Insured Bonds in the form of the specimen policy attached as Appendix H to the Official Statement which Policy shall be in full force and effect as of the Closing and non-cancelable;

(xviii) a certificate from the Insurer and an opinion from counsel to the Insurer addressed to the City and to the Representative, both dated the date of Closing, in form and substance satisfactory to the City and to the Representative, with respect to the valid issuance and effectiveness of the Policy and to the accuracy and completeness of the Official Statement as to the Insurer and the Policy;

(xix) an executed copy of each of the Escrow Agreements;

(xx) a certificate from each escrow agent (collectively, the "Escrow Agents") to the effect that such Escrow Agent has full legal right, power and authority to act as Escrow Agent under the related Escrow Agreement;

(xxi) a verification report of Robert Thomas, CPA, LLC, dated the date of the closing, as to the accuracy of certain calculations with respect to the Bonds and the Refunded Bonds; and

(xxii) such additional closing certificates and agreements related to the Series 2014A Bonds, including such tax certifications and agreements relating to the Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. <u>Expenses</u>. The Underwriters shall be under no obligation to pay, and the City shall pay, any and 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 Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel and Co-Disclosure Counsel; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of the Escrow Agents, DTC and the Bond Registrar; (f) the fees for the municipal bond ratings on the Bonds; and (g) the premium for the Policy. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

The City shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the City in connection with the marketing, issuance and delivery of the Bonds, including, but not limited to, meals, transportation, lodging, and entertainment of the City's employees and representatives.

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

Wells Fargo Bank, National Association
10 South Wacker Drive, Floor 15
Chicago, Illinois 60606
Attention: Lawrence J. Richardson

13. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser of the Bonds shall acquire or have any right hereunder or by virtue hereof. All of the representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

14. 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, without giving effect to the conflict of laws provisions thereof.

15. Representations and Warranties of the Underwriters. The Underwriters represent and warrant that:

(a) 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: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds.

(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 Bonds upon which said officer may be called upon to act or vote.

(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 United States Department of the Treasury, the Bureau of Industry and Security of the United States Department of Commerce, the United States 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 E.

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.

(d) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Bonds, at the initial public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. Approval. 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.

17. 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 Bond or Bonds from the Underwriters merely because of such purchase.

18. 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 whatsoever.

19. 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.

20. Business Relationships with City Elected Officials. Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 and 2-156 of the Municipal Code of Chicago (the "Municipal Code"). Pursuant to Section 2-156-030(b) of the Municipal 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 Municipal 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 Municipal Code.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Project and Refunding Series 2014A, and the City of Chicago General Obligation Bonds, Taxable Project and Refunding Series 2014B, to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Wells Fargo Bank, National Association
BMO Capital Markets GKST, Inc.
Cabrera Capital Markets, LLC
Loop Capital Markets LLC
William Blair & Company
Blaylock, Beal, Van LLC
Estrada Hinojosa & Company, Inc.
George K. Baum & Company
Goldman Sachs & Co.
Mischler Financial Group, Inc.
North South Capital LLC
Ramirez & Co., Inc.
The Williams Capital Group, L.P.

By: WELLS FARGO BANK, NATIONAL ASSOCIATION
As Representative

By: [redacted]
Victor H. Chang
Director

Accepted by the City:

CITY OF CHICAGO

By: [redacted]
Chief Financial Officer

Concurred:

By: [redacted]
Edward M. Burke
Chairman, Committee on
Finance of the City Council

SCHEDULE I

TERMS OF BONDS

1. Aggregate Principal Amount: $883,420,000

2. Dated: Date of Issuance (Expected to be March 24, 2014)

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers:

$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A

Maturity (January 1)	Principal Amount	Interest Rate	Price	CUSIP
2018	$ 2,735,000	4.00%	108.935	167486SE0
2019	2,850,000	4.00%	109.338	167486SF7
2020	3,700,000	4.00%	108.289	167486SG5
2021	4,950,000	5.00%	112.361	167486SH3
2022	5,075,000	5.00%	110.911	167486SJ9
2023	4,920,000	5.00%	109.262	167486SK6
2024	625,000	4.00%	100.397	167486SL4
2024	4,500,000	5.00%	108.436	167486TA7
2025	5,000,000	5.00%	106.598	167486SM2
2026	4,000,000	5.00%	104.716	167486SN0
2027	10,675,000	5.00%	103.351	167486SP5
2028	23,055,000	5.25%	104.580	167486SW0
2029	30,270,000	5.25%	103.706	167486SQ3
2030	3,710,000	5.00%	100.000	167486SR1
2030	36,950,000	5.25%	102.918	167486SZ3
2031	15,425,000*	5.25%	103.864	167486SY6
2032	42,615,000	5.25%	101.673	167486SS9.
2033	44,875,000	5.25%	101.134	167486ST7
2034	49,700,000	5.00%	98.511	167486SU4
2035	69,000,000	5.00%	98.217	167486SV2
2036	68,000,000	5.00%	97.658	167486SX8

* Insured Bonds

$450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B

Maturity (January 1)	Principal Amount	Interest Rate	Price	CUSIP
2044	450,790,000	6.314%	100.000	167486SD2

4. Redemption.

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption. The Series 2014A Bonds maturing on and after January 1, 2025, are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2024, and if less than all of the outstanding Series 2014A Bonds, a single maturity and interest rate are to be redeemed, the Series 2014A Bonds called shall be called by lot, at a redemption price equal to the principal amount of the Series 2014A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2014A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes.

Optional Redemption of the Series 2014B Bonds with Make Whole Payment. The Series 2014B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Bonds are to be redeemed, discounted to the date of redemption of such Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Series 2014B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2014B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Series 2014B Bonds for optional redemption.

Mandatory Redemption of the Bonds. The Series 2014B Bonds due January 1, 2044, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Year	Principal Amount
2037	$ 37,770,000
2038	50,625,000
2039	57,670,000
2040	28,255,000
2041	32,255,000
2042	34,300,000
2043	101,745,000
2044	108,170,000*

* Final Maturity

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

EXHIBIT B-1

SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A
$450,790,000 General Obligation Bonds,
Taxable Project and Refunding Series 2014B

Ladies and Gentlemen:

This opinion is being delivered to you in connection with the authorization and sale of the above-referenced obligations (collectively, the *"Bonds"*). The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated March 13, 2014 (the *"Purchase Agreement"*), between the City of Chicago (the *"City"*), and the Underwriters named in the Purchase Agreement acting through the Representative (as defined in the Purchase Agreement), relating to the sale and purchase of the Bonds. Terms used and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

Based upon our examination of a certified copy of a record of the proceedings of the City Council of the City (the *"City Council"*) related to the issuance of the Bonds, we are of the opinion that:

1. Pursuant to an ordinance adopted by the City Council on the 5th day of February, 2014, authorizing the issuance of the Bonds (as supplemented by a Notification of Sale, the *"Bond Ordinance"*), the City has duly authorized, executed and delivered the Purchase Agreement and the Undertaking (together with the Purchase Agreement, the *"City Documents"*), and, assuming the due authorization, execution, delivery and the binding effect on the other parties

thereto, each of the City Documents constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its respective terms, except that the enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

2. Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement, we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Bond Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the knowledge of the City. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is furnished by us as Co-Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this opinion. This opinion is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent.

Very truly yours,

EXHIBIT B-2

LETTER OF CO-BOND COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A
$450,790,000 General Obligation Bonds,
Taxable Project and Refunding Series 2014B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the sale and issuance by the City of Chicago (the *"City"*) of the above-referenced obligations (collectively, the *"Bonds"*). We have rendered our separate opinions, dated the date hereof, as to the validity, enforceability and tax status of interest on the Bonds. The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated March 13, 2014, between the City and such underwriters (the *"Underwriters"*), relating to the sale and purchase of the Bonds.

We have not been engaged nor have we undertaken to review or verify the accuracy, completeness or sufficiency of the information contained in or appended to the Official Statement dated March 13, 2014 (the *"Official Statement"*) or other offering material relating to the Bonds, except that in our capacity as Co-Bond Counsel in connection with the issuance of the Bonds we have reviewed the information contained in the Official Statement under the captions: "THE BONDS" (except for the information relating to The Depository Trust Company and its book-entry system and operations) and "SECURITY FOR THE BONDS" (except for any information contained (i) in Appendix B referenced under such caption and (ii) under the subcaption "Bankruptcy") solely to determine whether such information and summaries conform to the Bonds and the ordinance adopted by the City Council of the City on the 5th day of February, 2014, authorizing the issuance of the Bonds (as supplemented by the Notification of Sale delivered by the Chief Financial Officer of the City, the *"Bond Ordinance"*). The purpose of our professional engagement was not to establish or confirm factual matters in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth under these captions and reviewed by us. Subject to the foregoing, the summary descriptions in the Official Statement under such captions excepting those matters set forth above, as of the date of the Official Statement and as of the date hereof, insofar as such descriptions purport to describe or summarize certain provisions of the Bonds and the Bond Ordinance, are accurate summaries of such provisions in all material respects. Further, we confirm the opinions attributed to us in the Official Statement and consent to the references to such opinions contained therein. s In addition, the information in the Official Statement under the caption "TAX MATTERS" purporting to describe or summarize our opinions concerning certain federal tax matters relating to the Bonds has been reviewed by us and is an accurate summary in all material respects. Except as specifically described in this paragraph, we express no opinion herein with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained, appended or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of observations based on certain limited activities performed by specific lawyers in our firm in our role as Co-Bond Counsel to the City; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as counsel to the Underwriters for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us and the Underwriters in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to the Underwriters nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for the Underwriters' purposes.

This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention. This letter is furnished by us as Co-Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this letter. This letter is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent.

Very truly yours,

Exhibit B-3

Letters of Special Disclosure Counsel

March 24, 2014

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project
and Refunding Series 2014A
$450,790,000 General Obligation Bonds, Taxable Project
and Refunding Series 2014B
(collectively, the *"Bonds"*)

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the *"City"*), solely in connection with the information contained in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (the *"Pension Section"*) of the Official Statement dated March 13, 2014 (the *"Official Statement"*) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the *"Retirement Funds"*), including the representations and warranties of the City in the Contract of Purchase dated March 13, 2014, between the City and Wells Fargo Bank, National Association, on behalf of itself and the other underwriters named therein (collectively, the *"Underwriters"*). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including, without limitation, any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds, the tax treatment of interest on the Bonds for federal income tax purposes, and the application of Bond proceeds in accordance with the authorization therefor). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the City, to assist you in discharging your responsibility with respect to the Pension Section, we participated in conferences and correspondence with representatives of the City, the City's attorneys, the Underwriters, co-counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as disclosure counsel to the City in connection with the Pension Section. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

March 24, 2014

Wells Fargo Bank, National Association,
as Representative of the Underwriters
named in the Contract of Purchase
described below

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project
and Refunding Series 2014A
$450,790,000 General Obligation Bonds, Taxable Project
and Refunding Series 2014B
(collectively, the *"Bonds"*)

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the *"City"*), solely in connection with the information contained in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (the *"Pension Section"*) of the Official Statement dated March 13, 2014 (the *"Official Statement"*) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the *"Retirement Funds"*), including the representations and warranties of the City in the Contract of Purchase dated March 13, 2014 between the City and Wells Fargo Bank, National Association, on behalf of itself and the other underwriters named therein (collectively, the *"Underwriters"*). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the City, to assist it in discharging its responsibility with respect to the Pension Section, we participated in conferences and correspondence with your representatives, representatives of the City, the City's attorneys, co-counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as your counsel for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to you nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for your purposes.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as disclosure counsel to the City in connection with the Pension Section and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

Exhibit C

Opinion of Corporation Counsel of the City

March 24, 2014

Wells Fargo Bank, National Association
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated March 13, 2014 between such
Underwriters and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(v) of that certain contract dated March 13, 2014 (the "Bond 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 City of Chicago $432,630,000 General Obligation Bonds, Project and Refunding Series 2014A and $450,790,000 General Obligation Bonds Taxable Project and Refunding Series 2014B (collectively, the "Bonds") which are being issued pursuant to an ordinance adopted by the City Council of the City on February 5, 2014 (the "Ordinance"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings of the City Council of the City pertaining to the issuance of the Bonds by the City, the Official Statement dated March 13, 2014, relating to the Bonds (the "Official Statement"), and executed counterparts, where applicable, of the following documents:

(a) the Ordinance;

(b) the Bond Purchase Agreement;

(c) that certain Continuing Disclosure Undertaking dated the date hereof pursuant to the requirements of Section (b) (5) of Rule 15c-12 of the Securities and Exchange Commission (the "Undertaking"); and

(d) Escrow Agreements dated the date hereof between the City and Amalgamated Bank of Chicago (the "Escrow Agreement").

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 Bonds, and to execute and deliver the Bond Purchase Agreement, the Escrow Agreements and the Undertaking.

2. The Bond Purchase Agreement, the Escrow Agreements and the Undertaking 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 and the availability of equitable remedies generally.

3. To my knowledge, compliance with the provisions of the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements and the Undertaking 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 Bond Purchase Agreement, the Escrow Agreements, the Undertaking and the Bonds 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 Bonds, or contesting the validity or enforceability of the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements or the Undertaking, or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the caption "THE BONDS - Book-Entry

System," relating to The Depository Trust Company, "RATINGS," "CERTAIN VERIFICATIONS," "UNDERWRITING," and "TAX MATTERS," Appendices C and F, information sourced in Appendices A, B, D, and E to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to DTC, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) 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 in any material respect.

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
Corporation Counsel

EXHIBIT D

OPINION OF CO-DISCLOSURE COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
as Representative of the Underwriters named in
the Bond Purchase Agreement, dated March 13,
2014, between such Underwriters and the City
of Chicago

\$432,630,000 **General Obligation Bonds,** **Project and Refunding Series** **2014A**	**\$450,790,000** **General Obligation Bonds,** **Taxable Project and Refunding** **Series 2014B**

Dear Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the City of Chicago (the "City") in connection with the issuance of \$883,420,000 aggregate original principal amount of the City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the City's General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"). This opinion is being rendered at the request of Wells Fargo Bank, N.A., as Representative of the Underwriters (the "Underwriters") named in the Bond Purchase Agreement, dated March 13, 2014 (the "Bond Purchase Agreement") between the City and Wells Fargo Bank, National Association, as Representative of the Underwriters (the "Representative") pursuant to Section 10(a)(vii) of the Bond Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings as defined in the Bond Purchase Agreement.

For purposes of rendering this opinion, we have examined originals or executed copies of: (i) the Bond Purchase Agreement, (ii) the Ordinance, (iii) the Undertaking, and (iv) the legal opinions, agreements and certificates delivered pursuant to Section 10(a) of the Bond Purchase Agreement (collectively, the "Documents"). We have also participated in the preparation of the Preliminary Official Statement dated March 3, 2014 (the " Preliminary Official Statement") and the Official Statement dated March 13, 2014 (the "Official Statement") relating to the issuance of the Bonds. In our examinations, we have assumed the legal capacity of natural persons, the genuineness of signatures on, and the authenticity of, all documents so examined, the conformity to originals of all documents submitted to us as copies, and that all records and other information made available to us, and on which we have relied, are complete in all respects.

Based upon and subject to our examination as described above and subject to the qualifications set forth herein, we are of the opinion that:

1. No registration is required under the Securities Act of 1933, as amended, with respect to the issuance of the Bonds, and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended.

2. The Undertaking complies with the requirements of paragraph (b)(5) of Regulation §240.15c2-12 (Rule 15c2-12) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect as of the date of the Closing.

3. The statements contained in the Official Statement under the captions "UNDERWRITING" and "SECONDARY MARKET DISCLOSURE" insofar as such statements purport to summarize certain provisions of or describe certain legal matters related to the Bond Purchase Agreement or the Undertaking, as the case may be, constitute a fair and accurate summary of such provisions or legal matters.

We are not expressing (and cannot express) any opinion or view with respect to the authorization, issuance, delivery or validity of the Bonds, the tax exemption of the Bonds or the interest paid on the Bonds. Because the purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, except as stated in paragraph 3 of this letter, we are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements, notes to financial statements, tables and other financial, economic, market and statistical data included or incorporated by reference in the Official Statement and the appendices to the Official Statement, and we have not reviewed the accounting, financial or statistical records from which such financial statements, schedules, appendices and data are derived. We note that we are not experts within the meaning of the Securities Act of 1933, as amended, with respect to such financial statements or schedules or the other financial, economic, market, or statistical data included or incorporated by reference therein. During the preparation of the Official Statement, however, we participated in conferences with you, Co-Bond Counsel, Underwriters' Counsel, Corporation Counsel for the City and officials, employees and agents of the City, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the foregoing, but without independent verification of factual matters, nothing has come to our attention which would lead us to believe that the Official Statement and the Appendices thereto contain any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or omits to state a material fact necessary to make the statements therein, at the time and in the light of the circumstances under which they are made, not false or misleading; provided that we express no view as to: (i) any financial or statistical information included in the Official Statement or the Appendices thereto,

(ii) any information included in Appendix B, Appendix C, Appendix D, Appendix E, Appendix F and Appendix G thereto, and (ii) the description of DTC in the Official Statement and the information included in the Official Statement under the caption "THE BONDS — Book-Entry System."

Our opinions and advice expressed herein are limited to the matters expressly stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Our opinions and advice expressed herein are rendered as of the date hereof and are based on existing law which is subject to change. We do not undertake to advise you of any changes in the opinions and advice expressed herein from matters that may hereafter arise or be brought to our attention or to revise or supplement such opinions and advice should the present laws of any jurisdiction be changed by legislative action, judicial decision, or otherwise.

This opinion and advice are solely for the information of the addressees hereof and are not to be quoted in whole or in part or otherwise referred to (except in a list of closing documents), nor are they to be filed with any governmental agency or other person, without our prior written consent. Other than the addressees hereof, no one is entitled to rely on this opinion and advice.

Very truly yours,

EXHIBIT E

REPRESENTATION LETTER

City of Chicago
Department of Finance
121 North LaSalle Street, 7^{th} Floor
Chicago, Illinois 60602
Attn.: Deputy Comptroller of Financial Policy

Wells Fargo Bank, National Association
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated March 13, 2014, between such
Underwriters and the City of Chicago

Pursuant to the Bond Purchase Agreement dated March 13, 2014 (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 City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds"), and the General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"), each of the undersigned Underwriters severally represents to the City 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 Bonds, that Underwriter shall be deemed to have submitted to the Representative its Withdrawal From Agreement Among Underwriters.

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2014

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: ___________________________
Its: Managing Director

BMO CAPITAL MARKETS GKST, INC.

By: ___________________________
Its: ___________________________

CABRERA CAPITAL MARKETS, LLC

By: ___________________________
Its: ___________________________

LOOP CAPITAL MARKETS LLC

By: ___________________________
Its: ___________________________

WILLIAM BLAIR & COMPANY

By: ___________________________
Its: ___________________________

BLAYLOCK, BEAL, VAN LLC

By: ___________________________
Its: ___________________________

ESTRADA HINOJOSA & COMPANY, INC.

By: ___________________________
Its: ___________________________

GEORGE K. BAUM & COMPANY

By: ___________________________
Its: ___________________________

GOLDMAN SACHS & CO.

By: ___________________________
Its: ___________________________

MISCHLER FINANCIAL GROUP, INC.

By: ___________________________
Its: ___________________________

NORTH SOUTH CAPITAL LLC

By: ___________________________
Its: ___________________________

RAMIREZ & CO., INC.

By: ___________________________
Its: ___________________________

THE WILLIAMS CAPITAL GROUP, L.P.

By: ___________________________
Its: ___________________________

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

NOTIFICATION OF SALE

$432,630,000
GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2014A

$450,790,000
GENERAL OBLIGATION BONDS, TAXABLE PROJECT AND REFUNDING SERIES 2014B

BEING ISSUED BY THE CITY OF CHICAGO

To: The City Council of the City of Chicago

Please be advised that responsive to authority contained in an Ordinance (the *"Ordinance"*) adopted by the City Council (the *"City Council"*) of the City of Chicago (the *"City"*) on February 5, 2014, authorizing the issuance of up to $900,000,000 aggregate principal amount of general obligation bonds of the City, plus original issue discount, a Bond Purchase Agreement dated March 13, 2014 (the *"Bond Purchase Agreement"*), providing for the sale of $432,630,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2014A (the *"Series 2014A Bonds"*), and $450,790,000 aggregate principal amount of General Obligation Bonds, Taxable Project and Refunding Series 2014B (the *"Taxable Series 2014B Bonds"* and together with the Series 2014A Bonds, the *"Bonds"*), was entered into by me as the Chief Financial Officer of the City, with the concurrence of the Chairman of the Committee on Finance of the City Council, and the purchasers thereof named below (the *"Underwriters"*).

The Series 2014A Bonds were sold at a purchase price of $435,549,851.04 (representing the aggregate principal amount of the Series 2014A Bonds plus original issue premium of $5,207,768.55, less an underwriters' discount of $2,287,917.51); and the Taxable Series 2014B Bonds were sold at the purchase price of $448,135,142.01 (representing the aggregate principal amount of the Taxable Series 2014B Bonds less an underwriters' discount of $2,654,857.99). The aggregate purchase price for the Bonds is equal to $883,684,993.05 (which represents the aggregate principal amount of the Bonds plus an original issue premium of $5,207,768.55, less an aggregate underwriters' discount of $4,942,775.50). The Underwriters for the Bonds are Wells Fargo Bank, National Association, BMO Capital Markets GKST Inc., Cabrera Capital Markets, LLC, Loop Capital Markets LLC, William Blair & Company, L.L.C., Blaylock, Beal, Van LLC, Estrada Hinojosa & Company, Inc., George K. Baum & Company, Goldman Sachs & Co., Mischler Financial Group, Inc., North South Capital LLC, Ramirez & Co., Inc., and The Williams Capital Group, L.P. The compensation (including all fees) of $4,942,775.50 being paid to the Underwriters in connection with the sale of the Bonds represents less than 3% of the aggregate principal amount of the Bonds.

Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Ordinance.

The Series 2014A Bonds are being issued for the purpose of: (i) paying a portion of the costs of the Project; (ii) refunding certain Outstanding Indebtedness, (iii) funding capitalized interest on the Series 2014A Bonds through January 1, 2016; and (iv) paying the costs of issuance of the Series 2014A Bonds (including the Underwriters' discount).

The Taxable Series 2014B Bonds are being issued for the purpose of: (i) paying a portion of the costs of the Project; (ii) refunding certain Outstanding Indebtedness, (iii) funding capitalized interest on the Taxable Series 2014B Bonds through July 1, 2015; and (iv) paying the costs of issuance of the Taxable Series 2014B Bonds (including the Underwriters' discount).

Attached hereto as Exhibits 1 and 2, respectively, are executed copies of the Bond Purchase Agreement and the Official Statement dated March 13, 2014, as supplemented by the Supplement to the Official Statement dated March 18, 2014.

Pursuant to Section 12 of the Ordinance, the undersigned hereby makes the following determinations: (a) the principal amount of the Bonds is $883,420,000 and the designation of the Bonds and principal amount of the Series 2014A Bonds and the Taxable Series 2014B Bonds are set forth in the first paragraph hereof, (b) the Bonds are issued as Current Interest Bonds in denominations of $5,000 or any integral multiple thereof, none of which are sold as Retail Bonds, (c) the Bonds mature and are subject to redemption as set forth in Schedules IA and IB attached hereto, (d) the principal amounts and interest rates on the Current Interest Bonds are set forth in Schedules IA and IB attached hereto, (e) a portion of the proceeds of the Series 2014A and Taxable Series 2014B Bonds have been used for the refunding of Outstanding Indebtedness described in Schedule IC, and, in connection therewith, none of the proceeds of the Bonds have been used for a payment under any Existing Interest Rate Exchange Agreement, (f) Assured Guaranty Corp., New York, New York, is issuing an insurance policy for the January 1, 2031 maturity of the Series 2014A Bonds, (g) the Bonds are issued in book-entry form; the book entry depository is The Depository Trust Company, (h) the sale price of the Bonds is as set forth in the second paragraph of this Notification of Sale, (i) the Underwriters of the Bonds and the compensation paid thereto are as set forth above, and (j) the Bond Registrar for the Bonds is Amalgamated Bank of Chicago, Chicago, Illinois and the refunding Escrow Agents are those described in Schedule IC.

Pursuant to Section 7 of the Bond Ordinance, the amount of taxes to be levied for the Bonds in each year will be less than the levy of taxes specified in Section 7 of the Bond Ordinance and I have determined, pursuant to the Ordinance, to abate the excess levy of taxes not necessary for the purpose of payment of the principal of and interest on the Bonds, as specified, together with the annual tax levy requirements for the payment of the principal and interest on the Bonds, in the Notification of Tax Abatement filed concurrently with the City Clerk; a copy of which is attached hereto as Schedule II.

Pursuant to Sections 12 and 15 of the Ordinance, I have determined that the taxes levied for the years 2013 through 2053 for the payment of the Outstanding Indebtedness refunded with proceeds of the Bonds in the amounts shown in Schedule III, shall be abated as specified, pursuant to a certificate of reduction of taxes heretofore levied with respect to each series of the refunded Outstanding Indebtedness, to be filed within 30 days of the date of this Notification of Sale as provided in such certificate attached hereto as Schedule III.

Respectfully submitted as of this 24th day of March, 2014.

[redacted]

Lois A. Scott
Chief Financial Officer

EXHIBIT 1

BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

$883,420,000
CITY OF CHICAGO

$432,630,000 **General Obligation Bonds,** **Project and Refunding Series 2014A**	**$450,790,000** **General Obligation Bonds,** **Taxable Project and Refunding Series 2014B**

March 13, 2014

City of Chicago
Office of the City Comptroller
121 North LaSalle Street, 7th Floor
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 below (collectively, the "Underwriters"), hereby offers to enter into this Bond 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 City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the City's General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"). This offer is made subject to the acceptance by the City, evidenced by the signature of a duly authorized officer of the City in the space provided below, 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 (the "1934 Act"), as a municipal securities dealer.

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

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Preliminary Official Statement, as defined herein.

1. Agreement to Sell and Purchase.

(a) 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: the Series 2014A Bonds at a price equal to $435,549,851.04 (which represents the aggregate principal amount of the Series 2014A Bonds less an Underwriters' discount of $2,287,917.51 and plus a net re-offering premium of $5,207,768.55), and the Series 2014B Bonds at a price equal to $448,135,142.01 (which represents the aggregate principal amount of the Series 2014B Bonds less an Underwriters' discount of $2,654,857.99).

(b) It shall be a condition to the City's obligation to sell and deliver the Bonds that all the Bonds be purchased and paid for by the Underwriters at the Closing (as defined in Section 7 hereof) and a condition to the Underwriters' obligation to purchase and pay for the Bonds that all Bonds be issued, sold and delivered by the City at the Closing.

2. The Ordinance. The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "City Council") on February 5, 2014 (the "Ordinance"), and will be issued and secured as provided thereunder. The Bonds will mature, bear interest and have such other terms and conditions as are set forth on Schedule I hereto.

3. The Preliminary Official Statement. Attached hereto as Exhibit A is a copy of the Preliminary Official Statement of the City, dated March 3, 2014, relating to the Bonds (the "Preliminary Official Statement"). For purposes of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, the Preliminary Official Statement is "deemed final" by the City as of its date except for the omission of such information as is permitted by Rule 15c2-12(b)(1).

4. Public Offering Price. The Underwriters have agreed to make a bona fide public offering of the Bonds at the initial offering prices set forth on Schedule I. The Representative will provide the City and Co-Bond Counsel (as defined herein) with a closing certificate confirming the reoffering yields and prices of the Series 2014A Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate to establish the yield on the Series 2014A Bonds and that such reliance is material to the City in entering into this Agreement and in connection with the delivery of the Bonds.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) the Closing, three copies of the Official Statement of the City, dated the date hereof, relating to the Bonds (the "Official Statement"), 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 Rule 15c2-12. Such delivery of the Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities

Rulemaking Board (the "MSRB").

(b) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinance or the Bonds, shall occur which would cause any statement of a material fact contained in the Official Statement to be materially incorrect or materially incomplete, the City will promptly notify the Representative in writing of the circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Underwriters otherwise notify the City in writing prior to twenty-five (25) days after the date of the Closing that, to the best of their knowledge, the Underwriters retain for sale to the public an unsold balance of the Bonds, in which case the end of the underwriting period shall be extended for additional periods of thirty (30) days each upon receipt of additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters as set forth above in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of 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 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 March 24, 2014, to enable the Underwriters to comply with MSRB Rule G-32.

The City further agrees to provide the Underwriters with any advance refunding documents (as defined in MSRB Rule G-32) in a word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide such electronic copy of the word-searchable PDF format of the advance refunding documents to the Underwriters no later than four (4) business days after March 24, 2014, to enable the Underwriter(s) to comply with MSRB Rule G-32.

(c) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with the MSRB in compliance with the rules of the SEC and the MSRB. Promptly after the date after which the Underwriters are no longer obligated under Rule 15c2-12(b)(4) to deliver to potential customers the Official Statement, the Representative shall notify the City of such date.

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

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

(b) The City Council has: (i) duly adopted the Ordinance, which remains in full force and effect; (ii) duly authorized the use of the Preliminary Official Statement prior to the date hereof in connection with the public offering and sale of the Bonds and duly authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Bonds; and (iii) duly authorized and approved the execution and delivery of the Bonds, the escrow agreements to be executed and delivered by the City (collectively referred to herein as the "Escrow Agreements") in connection with the refunding of the general obligation bonds of the City identified in Appendix G to the Official Statement (the "Refunded Bonds"), this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").

(c) With the exception of the disclosure described in the Preliminary Official Statement in the section titled "SECONDARY MARKET DISCLOSURE - Corrective Action Related to Certain Bond Disclosure Requirements", the City has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

(d) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement, the Escrow Agreements, the Undertaking and the Official Statement; (iii) issue, sell and deliver the Bonds to the Underwriters pursuant to the Ordinance and as provided in this Agreement; and (iv) pay for the Bonds from the sources pledged under the Ordinance for their payment.

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

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

(g) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations of the City as of the date and for the periods 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 description of The Depository Trust Company ("DTC"), information under the captions "THE BONDS - Book-Entry System," "BOND INSURANCE", "RATINGS," "CERTAIN VERIFICATIONS," "UNDERWRITING," and "TAX MATTERS," APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION (with respect to the information under the headings "— Economy," "— Percentage of Total Non-Farm Employment by Major Industry Sector" and "and "— Housing Market," and information relating to population, per capita personal income and employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), Tables 1-10 included in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS," APPENDIX F — "FORMS OF OPINIONS OF CO-BOND COUNSEL," any information in or omitted from the Official Statement relating to the Insurer and the Policy (both hereinafter defined), and information furnished by the Underwriters for use in the Official Statement) as of its date does not, and at the Closing will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(i) Information in the Third Party Sourced Retirement Fund Tables is sourced from documents published by the Retirement Funds and the City takes no responsibility for the accuracy and completeness of such information; however, nothing has come to the attention of the City which would lead the City to believe that the Third Party Sourced Retirement Fund Tables are not true and correct in all material respects;

(j) The Ordinance, this Agreement, the Escrow Agreements, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, 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) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Bonds will be duly authorized, executed and delivered and will constitute 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).

(l) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Bonds, the Ordinance, this Agreement, the Escrow Agreements, or the Undertaking or (ii) the excludability from federal income taxation of the interest on the Series 2014A Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(m) The City has not taken, or omitted taking, and will not take or omit to take, any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Series 2014A Bonds under the Code.

(n) Any certificate signed by any Authorized Officer of the City and delivered to the Representative at the Closing in connection with the issuance or sale of the Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(o) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 6(n) shall require the City to consent to general service of process in any state or jurisdiction other than the State.

(p) The City will apply the proceeds of the Bonds in accordance with the Ordinance.

(q) 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 the Underwriters are acting solely as a principal and 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 Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriters have financial and other interests that differ from those of the City; and (iv) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. Closing. Subject to the conditions set forth in this Agreement, the closing (the "Closing") of the sale of the Bonds by the City and the purchase of the Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on March 24, 2014, at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree).

(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 certificate for each series, interest rate and maturity of the Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

(b) Upon delivery of the Bonds to the Representative at the Closing, the City will deliver to the Representative the closing documents as set forth in Section 10 hereof.

(c) The Representative will accept delivery of the Bonds and pay the purchase price therefor at the Closing by delivering federal funds checks or making federal funds wire transfers or otherwise confirming deposits of same day funds, as the City shall direct, to the City's account at a bank specified by the City, in an aggregate amount equal to the purchase price of the Bonds pursuant to Section 1 hereof.

8. Reliance and Further Conditions of the Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the City herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Agreement are and shall be subject to the following further condition that at the time of the Closing, the Ordinance, the Undertaking, the Escrow Agreements, and this Agreement shall be in full force and effect and the Ordinance and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to with respect to the Official Statement pursuant to Section 5 hereof, and the City shall have duly adopted and there shall be in full force and effect such ordinances as, in the opinion of Chapman and Cutler LLP, Chicago, Illinois and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, as co-bond counsel ("Co-Bond Counsel") shall be necessary in connection with the transactions contemplated hereby and thereby.

9. Termination of Agreement.

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

(i) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by either House or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character of the Series 2014A Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Series 2014A Bonds, or

(ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Bonds, or any similar obligations of any 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 Bonds 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 Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds, or

(iii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 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 in a material respect, or

(iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., 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, State 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 State, or any department or agency thereof, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, would have a material adverse effect on the market price or marketability of the Bonds, or

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

(b) If the City shall be unable to satisfy the conditions 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 obligations hereunder.

10. Closing Conditions.

(a) The Underwriters' obligations to purchase, to accept delivery of and to pay for the Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 6, 7 and 8 hereof and the Underwriters' receipt of the following documents:

(i) three copies of the Official Statement manually executed by the Chief Financial Officer;

(ii) the approving opinions, dated the date of the Closing, of Co-Bond Counsel to the City, substantially in the form attached to the Official Statement as Appendix F;

(iii) the opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-1;

(iv) a letter dated the date of the closing and addressed to the Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel, substantially in the form attached hereto as Exhibit B-2;

(v) a letter dated the date of the closing and addressed to the City of Chapman and Cutler LLP, Special Disclosure Counsel to the City in connection with certain pension matters described in the Official Statement, substantially in the form attached hereto as Exhibit B-3, which letter shall also either be addressed to or accompanied by a reliance letter to the Representative on behalf of the Underwriters;

(vi) 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 C;

(vii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Chicago, Illinois, as counsel for the Underwriters ("Underwriters' Counsel"), in form and substance satisfactory to the Representative;

(viii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Duane Morris LLP, Chicago, Illinois, and Shanahan & Shanahan LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, substantially in the form attached hereto as Exhibit D;

(ix) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as of the date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2012, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

(x) a certificate of Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent ("Bond Registrar"), to the effect that the Bond Registrar has full legal right, power and authority to act as the Bond Registrar under the Ordinance;

(xi) a certificate, dated the date of the Closing, signed by the Representative, in form and substance satisfactory to the City and Co-Bond Counsel;

(xii) an executed copy of the Undertaking substantially in the form summarized in the Official Statement under the heading "SECONDARY MARKET DISCLOSURE";

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

(xiv) a copy, duly certified by the City Clerk of the City, of the Ordinance, as passed by the City Council and approved by the Mayor;

(xv) evidence satisfactory to the Representative that the Bonds have ratings of "Baa1 (Negative Outlook)" by Moody's Investors Service, Inc., "A+" (Negative Outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "A-" (Negative Outlook) by Fitch;

(xvi) evidence satisfactory to the Representative that the Bonds maturing on January 1, 2031 (the "Insured Bonds"), have ratings of at least "A2 (Stable Outlook)" from Moody's Investors Service, Inc., and "AA- (Stable Outlook)" from Standard & Poor's, a division of The McGraw-Hill Companies, Inc., all based upon the Municipal Bond Insurance Policy (the "Policy") issued by Assured Guaranty Corp., New York, New York (the "Insurer");

(xvii) the Policy of the Insurer insuring payment of the Insured Bonds in the form of the specimen policy attached as Appendix H to the Official Statement which Policy shall be in full force and effect as of the Closing and non-cancelable;

(xviii) a certificate from the Insurer and an opinion from counsel to the Insurer addressed to the City and to the Representative, both dated the date of Closing, in form and substance satisfactory to the City and to the Representative, with respect to the valid issuance and effectiveness of the Policy and to the accuracy and completeness of the Official Statement as to the Insurer and the Policy;

(xix) an executed copy of each of the Escrow Agreements;

(xx) a certificate from each escrow agent (collectively, the "Escrow Agents") to the effect that such Escrow Agent has full legal right, power and authority to act as Escrow Agent under the related Escrow Agreement;

(xxi) a verification report of Robert Thomas, CPA, LLC, dated the date of the closing, as to the accuracy of certain calculations with respect to the Bonds and the Refunded Bonds; and

(xxii) such additional closing certificates and agreements related to the Series 2014A Bonds, including such tax certifications and agreements relating to the Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Bonds and acceptance of the Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and 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 Preliminary Official Statement and the Official Statement, as well as the cost of shipping the Official Statement; (b) the cost of the preparation and printing of the Bonds; (c) the fees and disbursements of Co-Bond Counsel and Co-Disclosure Counsel; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of the Escrow Agents, DTC and the Bond Registrar; (f) the fees for the municipal bond ratings on the Bonds; and (g) the premium for the Policy. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

The City shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the City in connection with the marketing, issuance and delivery of the Bonds, including, but not limited to, meals, transportation, lodging, and entertainment of the City's employees and representatives.

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

Wells Fargo Bank, National Association
10 South Wacker Drive, Floor 15
Chicago, Illinois 60606
Attention: Lawrence J. Richardson

13. No Third Party Beneficiaries, Survival, Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser of the Bonds shall acquire or have any right hereunder or by virtue hereof. All of the representations and agreements by the City in this Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

14. 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, without giving effect to the conflict of laws provisions thereof.

15. Representations and Warranties of the Underwriters. The Underwriters represent and warrant that:

(a) 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: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale of the Bonds.

(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 Bonds upon which said officer may be called upon to act or vote.

(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 United States Department of the Treasury, the Bureau of Industry and Security of the United States Department of Commerce, the United States 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 E.

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.

(d) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Bonds, at the initial public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. Approval. 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.

17. 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 Bond or Bonds from the Underwriters merely because of such purchase.

18. 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 whatsoever.

19. 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.

20. Business Relationships with City Elected Officials. Each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 and 2-156 of the Municipal Code of Chicago (the "Municipal Code"). Pursuant to Section 2-156-030(b) of the Municipal 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 Municipal 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 Municipal Code.

21. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Project and Refunding Series 2014A, and the City of Chicago General Obligation Bonds, Taxable Project and Refunding Series 2014B, to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Wells Fargo Bank, National Association
BMO Capital Markets GKST, Inc.
Cabrera Capital Markets, LLC
Loop Capital Markets LLC
William Blair & Company
Blaylock, Beal, Van LLC
Estrada Hinojosa & Company, Inc.
George K. Baum & Company
Goldman Sachs & Co.
Mischler Financial Group, Inc.
North South Capital LLC
Ramirez & Co., Inc.
The Williams Capital Group, L.P.

By: WELLS FARGO BANK, NATIONAL ASSOCIATION
As Representative

By: [redacted]
Victor H. Chang
Director

Accepted by the City:

CITY OF CHICAGO

By: [redacted]
Lois A. Scott
Chief Financial Officer

Concurred: [redacted]

By: [redacted]
Edward M. Burke
Chairman, Committee on
Finance of the City Council

SCHEDULE I

TERMS OF BONDS

1. Aggregate Principal Amount: $883,420,000

2. Dated: Date of Issuance (Expected to be March 24, 2014)

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers:

$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A

Maturity (January 1)	Principal Amount	Interest Rate	Price	CUSIP
2018	$ 2,735,000	4.00%	108.935	167486SE0
2019	2,850,000	4.00%	109.338	167486SF7
2020	3,700,000	4.00%	108.289	167486SG5
2021	4,950,000	5.00%	112.361	167486SH3
2022	5,075,000	5.00%	110.911	167486SJ9
2023	4,920,000	5.00%	109.262	167486SK6
2024	625,000	4.00%	100.397	167486SL4
2024	4,500,000	5.00%	108.436	167486TA7
2025	5,000,000	5.00%	106.598	167486SM2
2026	4,000,000	5.00%	104.716	167486SN0
2027	10,675,000	5.00%	103.351	167486SP5
2028	23,055,000	5.25%	104.580	167486SW0
2029	30,270,000	5.25%	103.706	167486SQ3
2030	3,710,000	5.00%	100.000	167486SR1
2030	36,950,000	5.25%	102.918	167486SZ3
2031	15,425,000*	5.25%	103.864	167486SY6
2032	42,615,000	5.25%	101.673	167486SS9
2033	44,875,000	5.25%	101.134	167486ST7
2034	49,700,000	5.00%	98.511	167486SU4
2035	69,000,000	5.00%	98.217	167486SV2
2036	68,000,000	5.00%	97.658	167486SX8

* Insured Bonds

$450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B

Maturity (January 1)	Principal Amount	Interest Rate	Price	CUSIP
2044	450,790,000	6.314%	100.000	167486SD2

4. Redemption.

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption. The Series 2014A Bonds maturing on and after January 1, 2025, are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2024, and if less than all of the outstanding Series 2014A Bonds, a single maturity and interest rate are to be redeemed, the Series 2014A Bonds called shall be called by lot, at a redemption price equal to the principal amount of the Series 2014A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2014A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes.

Optional Redemption of the Series 2014B Bonds with Make Whole Payment. The Series 2014B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Bonds are to be redeemed, discounted to the date of redemption of such Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Series 2014B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2014B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Series 2014B Bonds for optional redemption.

Mandatory Redemption of the Bonds. The Series 2014B Bonds due January 1, 2044, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Year	Principal Amount
2037	$ 37,770,000
2038	50,625,000
2039	57,670,000
2040	28,255,000
2041	32,255,000
2042	34,300,000
2043	101,745,000
2044	108,170,000*

* Final Maturity

EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

EXHIBIT B-1

SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A
$450,790,000 General Obligation Bonds,
Taxable Project and Refunding Series 2014B

Ladies and Gentlemen:

This opinion is being delivered to you in connection with the authorization and sale of the above-referenced obligations (collectively, the *"Bonds"*). The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated March 13, 2014 (the *"Purchase Agreement"*), between the City of Chicago (the *"City"*), and the Underwriters named in the Purchase Agreement acting through the Representative (as defined in the Purchase Agreement), relating to the sale and purchase of the Bonds. Terms used and not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

Based upon our examination of a certified copy of a record of the proceedings of the City Council of the City (the *"City Council"*) related to the issuance of the Bonds, we are of the opinion that:

1. Pursuant to an ordinance adopted by the City Council on the 5th day of February, 2014, authorizing the issuance of the Bonds (as supplemented by a Notification of Sale, the *"Bond Ordinance"*), the City has duly authorized, executed and delivered the Purchase Agreement and the Undertaking (together with the Purchase Agreement, the *"City Documents"*), and, assuming the due authorization, execution, delivery and the binding effect on the other parties

thereto, each of the City Documents constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its respective terms, except that the enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

2. Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement, we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Bond Ordinance is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the knowledge of the City. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is furnished by us as Co-Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this opinion. This opinion is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent.

Very truly yours,

EXHIBIT B-2

LETTER OF CO-BOND COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A
$450,790,000 General Obligation Bonds,
Taxable Project and Refunding Series 2014B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the sale and issuance by the City of Chicago (the *"City"*) of the above-referenced obligations (collectively, the *"Bonds"*). We have rendered our separate opinions, dated the date hereof, as to the validity, enforceability and tax status of interest on the Bonds. The Bonds have been delivered this date to the underwriters named in the Bond Purchase Agreement dated March 13, 2014, between the City and such underwriters (the *"Underwriters"*), relating to the sale and purchase of the Bonds.

We have not been engaged nor have we undertaken to review or verify the accuracy, completeness or sufficiency of the information contained in or appended to the Official Statement dated March 13, 2014 (the *"Official Statement"*) or other offering material relating to the Bonds, except that in our capacity as Co-Bond Counsel in connection with the issuance of the Bonds we have reviewed the information contained in the Official Statement under the captions: "THE BONDS" (except for the information relating to The Depository Trust Company and its book-entry system and operations) and "SECURITY FOR THE BONDS" (except for any information contained (i) in Appendix B referenced under such caption and (ii) under the subcaption "Bankruptcy") solely to determine whether such information and summaries conform to the Bonds and the ordinance adopted by the City Council of the City on the 5th day of February, 2014, authorizing the issuance of the Bonds (as supplemented by the Notification of Sale delivered by the Chief Financial Officer of the City, the *"Bond Ordinance"*). The purpose of our professional engagement was not to establish or confirm factual matters in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth under these captions and reviewed by us. Subject to the foregoing, the summary descriptions in the Official Statement under such captions excepting those matters set forth above, as of the date of the Official Statement and as of the date hereof, insofar as such descriptions purport to describe or summarize certain provisions of the Bonds and the Bond Ordinance, are accurate summaries of such provisions in all material respects. Further, we confirm the opinions attributed to us in the Official Statement and consent to the references to such opinions contained therein. s In addition, the information in the Official Statement under the caption "TAX MATTERS" purporting to describe or summarize our opinions concerning certain federal tax matters relating to the Bonds has been reviewed by us and is an accurate summary in all material respects. Except as specifically described in this paragraph, we express no opinion herein with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained, appended or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of observations based on certain limited activities performed by specific lawyers in our firm in our role as Co-Bond Counsel to the City; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as counsel to the Underwriters for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us and the Underwriters in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to the Underwriters nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for the Underwriters' purposes.

This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention. This letter is furnished by us as Co-Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the Bonds or by virtue of this letter. This letter is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent.

Very truly yours,

EXHIBIT B-3

LETTERS OF SPECIAL DISCLOSURE COUNSEL

March 24, 2014

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

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project
and Refunding Series 2014A
$450,790,000 General Obligation Bonds, Taxable Project
and Refunding Series 2014B
(collectively, the *"Bonds"*)

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the *"City"*), solely in connection with the information contained in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (the *"Pension Section"*) of the Official Statement dated March 13, 2014 (the *"Official Statement"*) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the *"Retirement Funds"*), including the representations and warranties of the City in the Contract of Purchase dated March 13, 2014, between the City and Wells Fargo Bank, National Association, on behalf of itself and the other underwriters named therein (collectively, the *"Underwriters"*). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein, including, without limitation, any representations and legal conclusions regarding the due authorization, issuance, delivery, validity and enforceability of the Bonds, the tax treatment of interest on the Bonds for federal income tax purposes, and the application of Bond proceeds in accordance with the authorization therefor). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the City, to assist you in discharging your responsibility with respect to the Pension Section, we participated in conferences and correspondence with representatives of the City, the City's attorneys, the Underwriters, co-counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as disclosure counsel to the City in connection with the Pension Section. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

March 24, 2014

Wells Fargo Bank, National Association,
as Representative of the Underwriters
named in the Contract of Purchase
described below

Re: City of Chicago
$432,630,000 General Obligation Bonds, Project
and Refunding Series 2014A
$450,790,000 General Obligation Bonds, Taxable Project
and Refunding Series 2014B
(collectively, the *"Bonds"*)

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the *"City"*), solely in connection with the information contained in Appendix E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (the *"Pension Section"*) of the Official Statement dated March 13, 2014 (the *"Official Statement"*) relating to the Bonds issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Section, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the *"Retirement Funds"*), including the representations and warranties of the City in the Contract of Purchase dated March 13, 2014 between the City and Wells Fargo Bank, National Association, on behalf of itself and the other underwriters named therein (collectively, the *"Underwriters"*). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

In arriving at the conclusion hereinafter expressed, we are not expressing any opinion or view on, and with your permission are assuming and relying on, the validity, accuracy and sufficiency of the records, reports, documents, certificates and opinions referred to above (including the accuracy of all factual matters represented and legal conclusions contained therein). We have assumed that all records, reports, documents, certificates and opinions that we have reviewed, and the signatures thereto, are genuine.

We are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Pension Section and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as disclosure counsel to the City, to assist it in discharging its responsibility with respect to the Pension Section, we participated in conferences and correspondence with your representatives, representatives of the City, the City's attorneys, co-counsel to the Underwriters, and other persons involved in the preparation of information for the Pension Section, during which the contents of the Pension Section and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Pension Section, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Pension Section involve matters of a non-legal nature. Based on our participation in the above-mentioned conferences and correspondence, and in reliance thereon and on our limited review of the records, reports, documents, certificates, statements, representations, warranties, opinions and matters mentioned above, without independent verification, we advise you as a matter of fact and not opinion that, during our engagement as disclosure counsel to the City in connection with the Pension Section, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such limited role which caused us to believe that the Pension Section (apart from the financial statements or other financial, operating, numerical, accounting or statistical data or forecasts, estimates, projections, assumptions or expressions of opinion, or matters of litigation contained or incorporated therein, as to which we do not express any conclusion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or statement rendered herein with respect to any other portions of the Official Statement or any other disclosure document, materials or activity, or as to any information from another document or source referred to by or incorporated by reference in the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm during our engagement to the City as disclosure counsel in connection with the Pension Section; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein; (iv) we have not been engaged to act, and have not acted, as your counsel for any purpose in connection with the issuance of the Bonds; (v) no attorney-client relationship exists or has at any time existed between us in connection with the Bonds or by virtue of this letter; and (vi) this letter is based upon our review of proceedings and other documents undertaken as part of our engagement with the City, and in order to deliver this letter we neither undertook any duties or responsibilities to you nor conducted any activities in addition to those undertaken or conducted for the benefit of, and requested by, the City. Consequently, we make no representation that our review has been adequate for your purposes.

We express herein no opinion or belief with respect to the validity of the Bonds or the taxation thereof or of the interest thereon, and our expression of belief with respect to the Pension Section assumes the validity of the Bonds and the tax treatment of the interest payable thereon for federal income tax purposes, all as set forth in the opinions of Co-Bond Counsel.

This letter is furnished by us in our limited capacity as disclosure counsel to the City in connection with the Pension Section and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

EXHIBIT C

OPINION OF CORPORATION COUNSEL OF THE CITY

March 24, 2014

Wells Fargo Bank, National Association
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated March 13, 2014 between such
Underwriters and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(v) of that certain contract dated March 13, 2014 (the "Bond 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 City of Chicago $432,630,000 General Obligation Bonds, Project and Refunding Series 2014A and $450,790,000 General Obligation Bonds Taxable Project and Refunding Series 2014B (collectively, the "Bonds") which are being issued pursuant to an ordinance adopted by the City Council of the City on February 5, 2014 (the "Ordinance"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings of the City Council of the City pertaining to the issuance of the Bonds by the City, the Official Statement dated March 13, 2014, relating to the Bonds (the "Official Statement"), and executed counterparts, where applicable, of the following documents:

(a) the Ordinance;

(b) the Bond Purchase Agreement;

(c) that certain Continuing Disclosure Undertaking dated the date hereof pursuant to the requirements of Section (b) (5) of Rule 15c-12 of the Securities and Exchange Commission (the "Undertaking"); and

(d) Escrow Agreements dated the date hereof between the City and Amalgamated Bank of Chicago (the "Escrow Agreement").

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 Bonds, and to execute and deliver the Bond Purchase Agreement, the Escrow Agreements and the Undertaking.

2. The Bond Purchase Agreement, the Escrow Agreements and the Undertaking 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 and the availability of equitable remedies generally.

3. To my knowledge, compliance with the provisions of the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements and the Undertaking 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 Bond Purchase Agreement, the Escrow Agreements, the Undertaking and the Bonds 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 Bonds, or contesting the validity or enforceability of the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements or the Undertaking, or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Bond Purchase Agreement, the Escrow Agreements or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the caption "THE BONDS - Book-Entry

System," relating to The Depository Trust Company, "RATINGS," "CERTAIN VERIFICATIONS," "UNDERWRITING," and "TAX MATTERS," Appendices C and F, information sourced in Appendices A, B, D, and E to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to DTC, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) 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 in any material respect.

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
Corporation Counsel

EXHIBIT D

OPINION OF CO-DISCLOSURE COUNSEL

March 24, 2014

Wells Fargo Bank, National Association
as Representative of the Underwriters named in the Bond Purchase Agreement, dated March 13, 2014, between such Underwriters and the City of Chicago

$432,630,000	**$450,790,000**
General Obligation Bonds, Project and Refunding Series 2014A	**General Obligation Bonds, Taxable Project and Refunding Series 2014B**

Dear Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the City of Chicago (the "City") in connection with the issuance of $883,420,000 aggregate original principal amount of the City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the City's General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"). This opinion is being rendered at the request of Wells Fargo Bank, N.A., as Representative of the Underwriters (the "Underwriters") named in the Bond Purchase Agreement, dated March 13, 2014 (the "Bond Purchase Agreement") between the City and Wells Fargo Bank, National Association, as Representative of the Underwriters (the "Representative") pursuant to Section 10(a)(vii) of the Bond Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings as defined in the Bond Purchase Agreement.

For purposes of rendering this opinion, we have examined originals or executed copies of: (i) the Bond Purchase Agreement, (ii) the Ordinance, (iii) the Undertaking, and (iv) the legal opinions, agreements and certificates delivered pursuant to Section 10(a) of the Bond Purchase Agreement (collectively, the "Documents"). We have also participated in the preparation of the Preliminary Official Statement dated March 3, 2014 (the " Preliminary Official Statement") and the Official Statement dated March 13, 2014 (the "Official Statement") relating to the issuance of the Bonds. In our examinations, we have assumed the legal capacity of natural persons, the genuineness of signatures on, and the authenticity of, all documents so examined, the conformity to originals of all documents submitted to us as copies, and that all records and other information made available to us, and on which we have relied, are complete in all respects.

Based upon and subject to our examination as described above and subject to the qualifications set forth herein, we are of the opinion that:

1. No registration is required under the Securities Act of 1933, as amended, with respect to the issuance of the Bonds, and no ordinance or indenture in respect of the Bonds is required to be qualified under the Trust Indenture Act of 1939, as amended.

2. The Undertaking complies with the requirements of paragraph (b)(5) of Regulation §240.15c2-12 (Rule 15c2-12) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as in effect as of the date of the Closing.

3. The statements contained in the Official Statement under the captions "UNDERWRITING" and "SECONDARY MARKET DISCLOSURE" insofar as such statements purport to summarize certain provisions of or describe certain legal matters related to the Bond Purchase Agreement or the Undertaking, as the case may be, constitute a fair and accurate summary of such provisions or legal matters.

We are not expressing (and cannot express) any opinion or view with respect to the authorization, issuance, delivery or validity of the Bonds, the tax exemption of the Bonds or the interest paid on the Bonds. Because the purpose of our professional engagement was not to establish factual matters and because of the wholly or partially nonlegal character of many of the determinations involved in the preparation of the Official Statement, except as stated in paragraph 3 of this letter, we are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements, notes to financial statements, tables and other financial, economic, market and statistical data included or incorporated by reference in the Official Statement and the appendices to the Official Statement, and we have not reviewed the accounting, financial or statistical records from which such financial statements, schedules, appendices and data are derived. We note that we are not experts within the meaning of the Securities Act of 1933, as amended, with respect to such financial statements or schedules or the other financial, economic, market, or statistical data included or incorporated by reference therein. During the preparation of the Official Statement, however, we participated in conferences with you, Co-Bond Counsel, Underwriters' Counsel, Corporation Counsel for the City and officials, employees and agents of the City, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the foregoing, but without independent verification of factual matters, nothing has come to our attention which would lead us to believe that the Official Statement and the Appendices thereto contain any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or omits to state a material fact necessary to make the statements therein, at the time and in the light of the circumstances under which they are made, not false or misleading; provided that we express no view as to: (i) any financial or statistical information included in the Official Statement or the Appendices thereto,

(ii) any information included in Appendix B, Appendix C, Appendix D, Appendix E, Appendix F and Appendix G thereto, and (ii) the description of DTC in the Official Statement and the information included in the Official Statement under the caption "THE BONDS — Book-Entry System."

Our opinions and advice expressed herein are limited to the matters expressly stated herein and no opinion is implied or may be inferred beyond the matters expressly stated.

Our opinions and advice expressed herein are rendered as of the date hereof and are based on existing law which is subject to change. We do not undertake to advise you of any changes in the opinions and advice expressed herein from matters that may hereafter arise or be brought to our attention or to revise or supplement such opinions and advice should the present laws of any jurisdiction be changed by legislative action, judicial decision, or otherwise.

This opinion and advice are solely for the information of the addressees hereof and are not to be quoted in whole or in part or otherwise referred to (except in a list of closing documents), nor are they to be filed with any governmental agency or other person, without our prior written consent. Other than the addressees hereof, no one is entitled to rely on this opinion and advice.

Very truly yours,

EXHIBIT E

REPRESENTATION LETTER

City of Chicago
Department of Finance
121 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Attn.: Deputy Comptroller of Financial Policy

Wells Fargo Bank, National Association
as Representative of the Underwriters
named in the Bond Purchase Agreement,
dated March 13, 2014, between such
Underwriters and the City of Chicago

Pursuant to the Bond Purchase Agreement dated March 13, 2014 (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 City's General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds"), and the General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Bonds"), each of the undersigned Underwriters severally represents to the City 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 Bonds, that Underwriter shall be deemed to have submitted to the Representative its Withdrawal From Agreement Among Underwriters.

IN WITNESS WHEREOF, the parties hereto have caused this Representation Letter in connection with the Bonds to be executed by their duly authorized representatives as of the date written below.

Dated: ___________, 2014

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: ___________________________
Its: Managing Director

BMO CAPITAL MARKETS GKST, INC.

By: ___________________________
Its: ___________________________

CABRERA CAPITAL MARKETS, LLC

By: ___________________________
Its: ___________________________

LOOP CAPITAL MARKETS LLC

By: ___________________________
Its: ___________________________

WILLIAM BLAIR & COMPANY

By: ___________________________
Its: ___________________________

BLAYLOCK, BEAL, VAN LLC

By: ___________________________
Its: ___________________________

ESTRADA HINOJOSA & COMPANY, INC.

By: ___________________________
Its: ___________________________

GEORGE K. BAUM & COMPANY

By: ___________________________
Its: ___________________________

GOLDMAN SACHS & CO.

By: ___________________________
Its: ___________________________

MISCHLER FINANCIAL GROUP, INC.

By: ___________________________
Its: ___________________________

NORTH SOUTH CAPITAL LLC

By: ___________________________
Its: ___________________________

RAMIREZ & CO., INC.

By: ___________________________
Its: ___________________________

THE WILLIAMS CAPITAL GROUP, L.P.

By: ___________________________
Its: ___________________________

EXHIBIT 2

OFFICIAL STATEMENT DATED MARCH 13, 2014,
AS SUPPLEMENTED BY THE SUPPLEMENT TO THE OFFICIAL STATEMENT
DATED MARCH 18, 2014

SUPPLEMENT DATED MARCH 18, 2014
to
OFFICIAL STATEMENT DATED MARCH 13, 2014

$883,420,000
CITY OF CHICAGO

$432,630,000 General Obligation Bonds, Project and Refunding Series 2014A	$450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B

This Supplement dated March 18, 2014 (this "Supplement") supplements and amends the Official Statement dated March 13, 2014 (the "Official Statement") for the above captioned bonds. Capitalized terms used in this Supplement but not otherwise defined herein shall have the meanings set forth in the Official Statement.

The information set forth in this Supplement is provided only in respect of the $15,425,000 Series 2014A Bonds maturing on (and only on) January 1, 2031 (the "Insured Bonds").

Assured Guaranty Municipal Corp.

On March 18, 2014, S&P published a Research Update report in which it upgraded AGM's financial strength rating to "AA" (stable outlook) from "AA-" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take. See "APPENDIX G — "BOND INSURANCE — Assured Guaranty Municipal Corp. — *Current Financial Strength Ratings*" in the Official Statement.

Ratings of Insured Bonds

The Insured Bonds are rated "AA" by S&P and "A2" by Moody's, contingent upon issuance of the Policy by AGM. See "RATINGS" in the Official Statement.

This Supplement does not purport to be a complete statement or summary of the terms of the Insured Bonds, AGM or the Policy, and purchasers of the Insured Bonds should read the Official Statement, as supplemented and amended hereby, in its entirety.

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

Subject to compliance by the City with certain covenants, in the respective opinions of Chapman and Cutler LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois, Co-Bond Counsel, under present law, interest on the Series 2014A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Taxable Series 2014B Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$883,420,000
CITY OF CHICAGO

$432,630,000
General Obligation Bonds,
Project and Refunding Series 2014A

$450,790,000
General Obligation Bonds,
Taxable Project and Refunding Series 2014B

Dated: Date of Delivery **Due: January 1, as shown on the inside front cover page**

The General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Taxable Series 2014B Bonds" and together with the Series 2014A Bonds, the "Bonds") will be issuable as fully registered bonds 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 Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners of the Bonds will be evidenced by book-entry only. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing July 1, 2014. Principal of and interest on the Bonds will be paid by Amalgamated Bank of Chicago, Chicago, Illinois, as bond registrar and paying agent, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments will be the responsibility of DTC and its participants. See "THE BONDS — Book-Entry System."

The Bonds are direct and general obligations of the City of Chicago (the "City") and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds.

Proceeds of the Bonds will be used as described herein. See "PLAN OF FINANCING."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS — Redemption."

For maturities, principal amounts, interest rates, yields, prices and CUSIP numbers of the Bonds, see the inside front cover page.

The scheduled payment of principal of and interest on the Series 2014A Bonds maturing on (and only on) January 1, 2031 (the "Insured Bonds"), when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM"). See APPENDIX G — "BOND INSURANCE."

ASSURED GUARANTY
MUNICIPAL

The Bonds are being offered when, as and if issued, and subject to the delivery of approving legal opinions by Chapman and Cutler LLP and Sanchez Daniels & Hoffman LLP, Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Duane Morris LLP, Chicago, Illinois, and Shanahan & Shanahan LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Chicago, Illinois, Underwriters' Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about March 24, 2014.

Wells Fargo Securities

BMO Capital Markets
Cabrera Capital Markets, LLC
Loop Capital Markets LLC
William Blair & Company
Blaylock Beal Van LLC
Estrada Hinojosa & Company, Inc.
George K. Baum & Company
Goldman Sachs & Co.
Mischler Financial Group, Inc.
North South Capital LLC
Ramirez & Co., Inc.
The Williams Capital Group, L.P.

Dated: March 13, 2014

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

$432,630,000
General Obligation Bonds,
Project and Refunding Series 2014A

Maturity January 1	Principal Amount	Interest Rate	Yield	Price*	CUSIP†
2018	$ 2,735,000	4.00%	1.550%	108.935	167486SE0
2019	2,850,000	4.00	1.940	109.338	167486SF7
2020	3,700,000	4.00	2.450	108.289	167486SG5
2021	4,950,000	5.00	2.970	112.361	167486SH3
2022	5,075,000	5.00	3.390	110.911	167486SJ9
2023	4,920,000	5.00	3.750	109.262	167486SK6
2024	625,000	4.00	3.950	100.397	167486SL4
2024	4,500,000	5.00	3.950	108.436	167486TA7
2025	5,000,000	5.00	4.170	106.598	167486SM2
2026	4,000,000	5.00	4.400	104.716	167486SN0
2027	10,675,000	5.00	4.570	103.351	167486SP5
2028	23,055,000	5.25	4.660	104.580	167486SW0
2029	30,270,000	5.25	4.770	103.706	167486SQ3
2030	3,710,000	5.00	5.000	100.000	167486SR1
2030	36,950,000	5.25	4.870	102.918	167486SZ3
2031	15,425,000**	5.25	4.750	103.864	167486SY6
2032	42,615,000	5.25	5.030	101.673	167486SS9
2033	44,875,000	5.25	5.100	101.134	167486ST7
2034	49,700,000	5.00	5.120	98.511	167486SU4
2035	69,000,000	5.00	5.140	98.217	167486SV2
2036	68,000,000	5.00	5.180	97.658	167486SX8

* Price to call date of January 1, 2024.

** The Series 2014A Bonds due January 1, 2031 are insured by Assured Guaranty Municipal Corp. See APPENDIX G — "BOND INSURANCE."

$450,790,000
General Obligation Bonds,
Taxable Project and Refunding Series 2014B

$450,790,000 6.314% Term Bonds due January 1, 2044, Price 100.000% CUSIP†: 167486SD2

† Copyright 2014, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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
Daniel J. Widawsky

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

CO-BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

Sanchez Daniels & Hoffman LLP
Chicago, Illinois

CO-DISCLOSURE COUNSEL
Duane Morris LLP
Chicago, Illinois

Shanahan & Shanahan LLP
Chicago, Illinois

CO-FINANCIAL ADVISORS
Andrew Kalotay Associates. Inc.
Columbia Capital Management LLC

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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 respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under APPENDIX G — "BOND INSURANCE."

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

This Official Statement, including the Appendices (except for certain information in (i) APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION" and (ii) "Source Information" as defined and used in APPENDIX E, all of which is sourced to parties other than the City), 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, except for certain information sourced to parties other than the City, is solely the product of the City. Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with the preparation of, the prospective financial information 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.

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, the final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement.

THE ISSUER .... City of Chicago (the "City").

THE BONDS .... $883,420,000 City of Chicago General Obligation Bonds, consisting of $432,630,000 General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and $450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Taxable Series 2014B Bonds" and together with the Series 2014A Bonds, the "Bonds"). The Bonds will be dated the date of their delivery and mature in the principal amounts and on the dates as set forth on the inside cover of this Official Statement. See "THE BONDS."

PAYMENT OF INTEREST .... Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing July 1, 2014. The Bonds will bear interest at the rates per year as set forth on the inside cover of this Official Statement. Interest on the Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS – General."

AUTHORITY FOR ISSUANCE ...... The Bonds are being issued pursuant to the constitutional home rule powers of the City. The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on February 5, 2014 (the "Bond Ordinance").

USE OF PROCEEDS .... The proceeds from the sale of the Bonds will be used to (i) pay for a portion of the costs of the Project (as defined herein), (ii) refund the Refunded Bonds (as defined herein), (iii) provide for the retirement or repayment of a portion of the City's outstanding general obligation commercial paper notes and borrowings under the City's general obligation lines of credit, (iv) fund capitalized interest on the Bonds, and (v) pay the costs of issuance of the Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

SECURITY FOR THE BONDS .... The Bonds are direct and general obligations of the City and shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Bond Ordinance upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See "SECURITY FOR THE BONDS."

The scheduled payment of principal of and interest on the Series 2014A Bonds maturing on (and only on) January 1, 2031 (the "Insured Bonds"), when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. ("AGM"). APPENDIX G — "BOND INSURANCE."

REDEMPTION

Optional Redemption .... The Series 2014A Bonds maturing on and after January 1, 2025 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2024, at a redemption price equal to the principal amount of such Bonds being redeemed plus accrued interest to the date fixed for redemption.

See "THE BONDS — Redemption — *Optional Redemption of the Series 2014A Bonds.*"

The Taxable Series 2014B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day (as defined herein) at a redemption price equal to the greater of: (A) the principal amount of such Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Bonds are to be redeemed, discounted to the date of redemption of such Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined herein) plus 40 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

See "THE BONDS — Redemption — *Optional Redemption of the Taxable Series 2014B Bonds with Make Whole Premium.*"

Mandatory Redemption .... The Taxable Series 2014B Bonds are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the years 2037 through 2043.

See "THE BONDS — Redemption — *Mandatory Redemption of the Bonds.*"

BOND REGISTRAR AND PAYING AGENT .... Amalgamated Bank of Chicago, Chicago, Illinois, as trustee.

TAX EXEMPTION .... Subject to compliance by the City with certain covenants, in the respective opinions of Co-Bond Counsel, under present law, interest on the Series 2014A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Taxable Series 2014B Bonds is includible in gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS."

CO-BOND COUNSEL .... Chapman and Cutler LLP, Chicago, Illinois, and Sanchez Daniels & Hoffman LLP, Chicago, Illinois.

RATINGS .... The Bonds are rated "Baa1" (negative outlook) by Moody's Investors Service, Inc., "A+" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "A-" (negative outlook) by Fitch, Inc., based upon each rating agency's assessment of the creditworthiness of the City. The Insured Bonds are rated "AA-" by S&P and "A2" by Moody's, contingent upon issuance of the Policy by AGM. See "RATINGS" AND APPENDIX G — "BOND INSURANCE."

OFFICIAL STATEMENT

$883,420,000
CITY OF CHICAGO

$432,630,000 **General Obligation Bonds,** **Project and Refunding Series 2014A**	$450,790,000 **General Obligation Bonds,** **Taxable Project and Refunding Series 2014B**

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 General Obligation Bonds, Project and Refunding Series 2014A (the "Series 2014A Bonds") and the General Obligation Bonds, Taxable Project and Refunding Series 2014B (the "Taxable Series 2014B Bonds" and together with the Series 2014A Bonds, the "Bonds").

The proceeds from the sale of the Bonds will be used to (i) pay for a portion of the costs of the Project (as defined herein), (ii) refund the Refunded Bonds (as defined herein), (iii) provide for the retirement or repayment of a portion of the City's outstanding general obligation commercial paper notes and borrowings under the City's general obligation lines of credit, (iv) fund capitalized interest on the Bonds, and (v) pay the costs of issuance of the Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on February 5, 2014 (the "Bond Ordinance").

THE CITY

General

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 Limit Considerations — State of Illinois."

For certain economic and demographic and supplemental information concerning the City, see APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION."

Government

The Mayor and a 50-person City Council govern the City. The City Clerk and the City Treasurer along with the Mayor are the only three citywide elected officials. Citywide elected officials serve four-year terms. The City is divided into fifty legislative districts or wards. Each ward is represented by an alderman who is elected by their constituency to serve a four-year term. In addition to representing the interests of their ward residents, together the fifty aldermen comprise the City Council, which serves as the legislative branch of government of the City. The legislative powers of the City Council are granted by the state legislature and by home rule provisions of the Illinois Constitution.

Annual Budget Process

Pursuant to Executive Order No. 2011-7 issued by Mayor Emanuel, the City's Budget Director is directed to issue by July 31 of each year 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 is 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 a 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 2013 Annual Financial Analysis on July 31, 2013.

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 budget recommendation balances expenditures with forecasted available resources. The final budget recommendation is then submitted to City Council for consideration through the City Council's Committee on the Budget and Government Operations. The proposed budget may be changed by the City Council through amendments made as part of the City Council hearing and review process. The Committee on the Budget and Government Operations and then the full City Council vote on the budget and any amendments.

After the City Council has approved the proposed 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 final budget recommendation. 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. The City Council and the Mayor approved the annual budget for 2014 on November 26, 2013.

Corporate Fund

Overview. The Corporate Fund is the City's general operating fund and supports basic City operations and services. Public safety functions account for approximately two-thirds of Corporate Fund expenses each year, and infrastructure services such as waste disposal and street repair and maintenance account for an average of ten percent of annual Corporate Fund expenses. Regulatory, community services, development, and administrative functions account for the remainder of the Corporate Fund budget. Personnel-related expenditures make up the largest portion of the Corporate Fund budget, with salaries and wages and employee benefits making up more than three-quarters of Corporate Fund expenses each year. Non-personnel expenses, including motor fuel, utilities, and contractual services such as information technology costs and building rent and maintenance, make up the remainder of Corporate Fund expenses.

Corporate Fund revenue consists of local tax revenue, intergovernmental tax revenue, non-tax revenue and proceeds and transfers-in. Local tax revenue includes utility, transaction, transportation, recreation, and business taxes. Intergovernmental tax revenue includes the City's share of the State sales and use tax, income tax, personal property replacement tax, and municipal auto rental tax. Non-tax revenue includes charges for licenses and permits, fees and fines, proceeds from sales and leases, reimbursements and other revenue. Reimbursements and other revenue include internal service earnings transferred to the Corporate Fund for central services such as police, fire, streets and sanitation, and similar services provided to other City funds, including the City's aviation, water and sewer funds, and sister agencies. Proceeds and transfers-in denote the movement of resources into the Corporate Fund from other outside sources, including interest generated on the long- and mid-term reserves established in connection with the parking meter and Skyway concessions and revenue captured from expiring and terminated TIF districts and the equalized assessed value ("EAV") of new property in the city.

Between 2003 and 2007, an average of 67 percent of total Corporate Fund revenues was derived from local and intergovernmental tax revenues. Beginning in 2008, these revenues began to decline both in dollar amount and as a percentage of total revenues, decreasing to 59 percent in 2009. By 2011, local and intergovernmental taxes made up 57 percent of total Corporate Fund revenues. As these economically sensitive revenues declined, the City did not decrease expenditures enough to match these shrinking revenues, but instead increasingly utilized transfers into the Corporate Fund from outside sources. Between 2003 and 2007, such transfers constituted an average of 6 percent of Corporate Fund revenues each year and came largely from investment income on general obligation bond proceeds and other financing transactions. In 2005, the City began to use proceeds from the long-term lease of the Chicago Skyway to supplement its operating budget, and in 2009 proceeds from the long-term concession of the City's metered parking system (the "Metered Parking System") also began to subsidize the operating budget. In the period from 2009 through 2011, an average of $487 million each year, or 16 percent of Corporate Fund revenues, came from such transfers. See "— Use of Long-Term Reserves" below.

In 2011 and 2012, the City began the process of aligning expenditures with revenues through efficiencies, targeted cuts, and select revenue enhancements. Since that time, the City has continued to reduce its structural deficit by improving management of Citywide costs and increasing select revenues. The City also began to rebuild its reserve funds by depositing $20 million in 2012 and $15 million in 2013 into its long-term reserves.

The City's current fiscal outlook shows both the progress that has been made towards bringing operating expenses in line with revenues, and the continuing pressure placed on City finances by growing wages, primarily due to labor contracts, and long-term obligations such as pension payments. Through the annual financial analysis, the City has projected an operating budget shortfall for the coming two years. Comprehensive pension reform could significantly impact these costs on the City's budget over the coming years; however, such action must occur at the State level, as the City's pension funds are governed by State law.

The difference between revenues and expenditures anticipated by the City in its preliminary Corporate Fund budget estimates each year is commonly referred to as the "budget gap." The preliminary budget gap for 2014 was projected at $338.7 million, almost half of what was projected in 2011. The decreasing size of the budget gap is the result of the recovering economy's impact on revenues, as well as the real and lasting changes made as part of the past two budgets, such as the introduction of managed competitions for City services, the transition to grid-based garbage collection, the review and renegotiation of major contractual costs, reforms that have reduced the City's healthcare costs and certain revenue increases. The 2014 budget gap was closed through expenditure reductions, revenue growth and increases, and the utilization of prior-year resources. A balanced budget for 2014 was passed in November 2013.

Selected Financial Information. The following table sets forth revenues and expenditures for the Corporate Fund on a historical basis for the years 2010-2012, as estimated for the year 2013, and as budgeted for 2014. The Corporate Fund is included in the City's General Fund for accounting purposes. The General Fund is comprised of the Corporate Fund (which is approximately 99.0 percent of the General Fund) and other non-major operating funds. See APPENDIX B — "FINANCIAL AND OTHER INFORMATION — SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — General Fund" and APPENDIX C — "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012." The financial information contained in the following table for the years 2010, 2011 and 2012 is based on the budgetary basis of accounting for the General Fund as reported in the City's audited basic financial statements for the years 2010, 2011 and 2012, respectively. The financial information contained in this section for the year 2013 is not audited and the numbers provided are preliminary estimates and subject to change. No data on revenues and expenditures is final until the City has completed its annual audit and finalized its basic financial statements, which is released by June 30 of each year for the prior year. The financial information contained in this section for the year 2014 reflects budgeted revenues and expenditures. This table should be read in conjunction with the financial information set forth in APPENDIX B — "FINANCIAL AND OTHER INFORMATION" and APPENDIX C — "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012."

Corporate Fund
Revenues and Expenditures 2010 — 2014
(Dollars in Millions)

	Actual*			(Estimated/ Unaudited)	Budget
	2010	**2011**	**2012**	**2013**	**2014**
Revenues:					
Intergovernmental Taxes	$ 553.8	$ 525.2	$ 587.6	$ 629.8	$ 621.5
Local Taxes	1,283.7	1,334.9	1,425.3	1,467.1	1,478.2
Non-Tax Revenues	773.3	921.1	907.8	944.4	1,078.5
Proceeds & Transfers In	519.0	467.7	86.6	21.4	58.6
Prior Year Available Resources	0.0	0.0	72.3	177.0	53.4
Total Revenues	3,129.8	3,248.9	3,079.6	3,239.7	3,290.2
Expenditures	3,044.2	3,069.4	3,079.6	3,161.8	3,290.2
Revenues Over Expenditures	$ 85.6	$ 179.5	$ 0.0	$ 77.9	$ 0.0

* Obtained from Exhibit 6 in the City of Chicago basic financial statements for the respective years. The breakdown of revenues by category can be obtained from Schedule A-1 of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the respective years.

2012 Corporate Fund. Total Corporate Fund resources for 2012 were $3.08 billion. This includes $72.3 million carried over from 2011.

Utility taxes came in 3 percent below budget in 2012, driven in large part by the unseasonably warm winter and spring and decreases in natural gas prices, which were down 31 percent from 2011. As a result, natural gas tax revenues were 15 percent below budgeted amounts. Telecommunications and electricity tax revenues were also below budget, though electricity bounced back slightly given the unusually high temperatures during the summer.

Hotel tax revenues, in contrast, finished the year 14 percent above budget, as Chicago's tourism and convention business grew. Revenue per available room in the city was up 10 percent from 2011, and hotel occupancy up 4 percent. Recreation tax revenues were slightly above budget, with strong liquor and non-alcoholic beverage sales offsetting the decline in cigarette tax revenues caused by decreased consumption attributable to the State's increase in its cigarette tax rate.

Sales tax revenues in 2012 were also strong at 7 percent above budget for the year. Despite declines in home values, real property transaction tax revenues finished the year 39 percent above budgeted levels, due to increasing home sales and large commercial transactions during the year.

Income tax revenues were similarly strong in 2012, with collections up 10 percent from 2011 levels as unemployment dropped and corporate profits grew. In addition, the City received 13 monthly income tax distributions from the State, further increasing the City's 2012 income tax revenues above budget. Throughout 2011 and into the start of 2012, there was a substantial delay in income tax distributions to municipalities by the State. Because the final 2011 distribution was received after the City closed its 2011 books, that amount had to be accounted as 2012 revenue.

Non-tax revenues ended 2012 slightly below budget, as revenues from business license and permit issuances, as well as certain fines, were down from budgeted levels. The overall amount of non-tax revenue to the Corporate Fund was also affected by the postponement to 2013 of the roll-out of the City's municipal marketing program.

Expenditures for 2012 were \$3.08 billion, approximately \$27 million less than 2012 budgeted expenditures. Salary and wage expenditures ended the year just above budget for the year; however, these increases were offset by greater than expected healthcare savings and reduced spending on contractual services such as rental of equipment, telecommunications contracts, IT maintenance and software licensing, and other professional services.

2013 Corporate Fund Estimates. Total Corporate Fund resources for 2013 are estimated to end the year at \$3.24 billion, approximately 2 percent, or an estimated \$77.9 million, above 2013 budgeted revenues. This includes \$177 million carried over from prior years, which was included in the 2013 budget and is attributable in part to the effective controls, cuts, and initiatives implemented during the course of 2011 and 2012.

These year-end estimates reflect increases in many of the City's economically sensitive and tourism-driven revenues, as well as the anticipated receipt of an additional monthly income tax distribution as the State catches up from delays in payments seen in recent years.

Utility tax revenues are expected to come in 4 percent above budget for the year as natural gas prices rebound from 2012 lows. Natural gas and electricity tax revenues were further impacted by increased usage with the extreme winter weather.

Real property transfer tax revenues are expected to come in approximately 47 percent above budget for the year as the commercial real estate market continues to perform well and the housing market shows significant improvement over 2012 in both sales and prices. Sales tax revenues are expected to outperform budget by approximately 3 percent for the year, as consumer confidence continued to improve in 2013.

Both corporate and individual income tax revenues are expected to end 2013 significantly above budget, due in part to an anticipated additional monthly distribution in back-payment from the State, coupled with the stabilizing economy and certain one-time collections associated with businesses and individuals selling assets or receiving dividends or bonuses in 2012 in anticipation of higher federal tax rates.

The City's non-tax revenues saw an increase in fee revenue from business licenses, building permits, and other licenses and permits, offset by a decline from budgeted expectations in revenues from fines, forfeitures, and penalties.

Corporate Fund expenditures are currently expected to end 2013 approximately even with budgeted amounts. This estimate reflects operational decisions, payroll trends, contract utilization, and market pricing for relevant commodities throughout the year.

2014 Corporate Fund Budget. The 2014 budget projects that Corporate Fund resources will total $3.29 billion, up slightly from the 2013 year-end estimate of $3.24 billion. For most major revenue sources, 2014 projections reflect the continuation of trends seen in 2013.

Overall utility tax revenues are projected to be down 3 percent from 2013 levels in 2014, budgeted at a total of $450.3 million, due in part to the anticipated continued decline in telecommunications tax revenue in line with changing consumer preferences and industry trends.

Hotel tax revenue projections anticipate continued growth in hotel occupancy, and are budgeted at $97.7 million in 2014. Overall recreation taxes are budgeted above 2013 levels in 2014, anticipating some growth in amusement and liquor tax revenues and accounting for the increase in the City cigarette tax rate that took effect at the start of 2014.

Sales tax revenue to the Corporate Fund is budgeted at $596.8 million in 2014, a 3 percent increase from 2013 year-end estimates, and other transaction tax revenues, including real property transfer taxes and personal property lease taxes, are expected in continue to increase in 2014, in line with the market and consumer confidence.

The City anticipates that monthly income tax collections will increase slightly in 2014 with the economy, but total 2014 budgeted income tax revenues are below 2013 levels, because of the one-time and prior-year payments expected in 2013, as discussed above.

Non-tax revenues are budgeted at $1.08 billion in 2014, an increase over anticipated 2013 non-tax revenues. Revenue from fines, forfeitures, and penalties is expected to increase in 2014 with the full implementation of automated speed enforcement in select locations near parks and schools throughout the city.

Budgeted expenditures grow slightly in 2014, balancing with budgeted resources at $3.29 billion. 2014 budgeted expenditures account for anticipated changes to salaries and wages governed by collective bargaining agreements, increased fuel expenses to accommodate the potential continued increase in gas prices, and costs associated with the coming year's election cycle and the first full year of citywide recycling.

Use of Long-Term Reserves

The Chicago Skyway reserve funds were established in 2005 in the amount of $975 million from the proceeds received by the City in connection with the closing of the long-term concession and lease of the Skyway. The Metered Parking System reserve funds were established in 2009 in the amount of $1.15 billion from the proceeds received by the City in connection with the closing of the long-term concession of the Metered Parking System. Approximately $475 million of the Skyway reserves and $425 million of the Metered Parking System reserves were initially designated for budgetary uses, leaving a long-term reserve of $500 million from the Skyway and, for the Metered Parking System, a $400 million long-term reserve and a $326 million budget stabilization fund. The $326 million budget stabilization fund was fully utilized for budgetary purposes by the end of 2010. Over the period from 2009 through 2011, the City also used $320 million from the Metered Parking System long-term reserve fund for budgetary purposes. The 2012 budget phased out the use of principal from the Metered Parking System long-term reserve to subsidize the City's operating budget. In addition, the City has begun to rebuild the Metered Parking System long-term reserve fund by depositing into it $20 million in 2012 and $15 million in 2013. The current ordinances applicable to the Skyway and Metered Parking System long-term reserves specify that only the interest earned on those reserves can be transferred to the Corporate Fund.

Set forth in the table below is information about the City's long term reserves from 2009 through 2013.

Long-Term Reserves
2009 — 2013
($ in millions)

Year	Skyway	Metered Parking System	Total
2009	$500	$380	$880
2010	500	220	720
2011	500	80	580
2012	500	100	600
2013	500	115	615

Capital Improvements Program

The City's capital improvement program funds the physical improvement or replacement of City-owned infrastructure and facilities with long useful lives, such as roads, buildings and green spaces. The following discussion of the City's capital improvement program does not include the City's water and sewer or aviation systems, which are separate self-supporting systems.

The City accounts for proceeds of debt used for the capital improvement program in the City's basic financial statements under Capital Projects Funds. Capital Projects Funds are comprised of the Community Development and Improvement Projects Fund and the Non Major Capital Projects Fund. See APPENDIX B — "FINANCIAL AND OTHER INFORMATION — SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — Capital Projects Funds."

From 2003 to 2012, the City utilized proceeds from the issuance of general obligation bonds to fund $2.1 billion of its capital program. These bonds are utilized to support a wide variety of project types, including: (i) greening, such as streetscaping projects, green ways, medians, trees, fountains, community gardens, neighborhood parks, wetlands, and other natural areas; (ii) facilities, such as the improvement and construction of City buildings and operating facilities, police and fire stations, health clinics, senior centers, and libraries; (iii) infrastructure, such as the construction and maintenance of streets, viaducts, alleys, lighting, ramps, sidewalks, bridge improvements, traffic signals, bike lanes, and shoreline work; and (iv) aldermanic menu projects, which are selected by aldermen, each of whom is allotted $1.32 million of general obligation bond funding to be spent at their discretion on a specific menu of improvements in their respective wards. Over the past seven years, these funds have been used primarily for sidewalks, residential street resurfacing, street lighting, and curb and gutter replacement, with portions of these funds contributed to the Chicago Park District ($13.5 million), Chicago Public Schools ($2.6 million), and the Chicago Transit Authority ($500,000).

The capital uses of general obligation bond funds over the period 2003 to 2012 is set forth in the table below.

Capital Uses of General Obligation Bond Funding
2003 — 2012
($ in millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ald. Menu	$ 71.4	$ 64.7	$ 61.2	$ 54.2	$ 85.9	$ 93.4	$ 94.4	$ 81.4	$102.0	$ 84.0
Greening	30.4	46.5	23.3	32.7	28.0	20.7	19.0	15.7	5.8	4.2
Infrastructure	124.9	77.2	38.6	64.3	74.8	54.0	36.8	28.9	26.0	33.1
Facilities	169.5	9.4	41.6	47.4	47.3	14.9	35.8	40.0	24.9	12.7
Total	$396.2	$197.8	$164.7	$198.7	$236.1	$283.0	$185.9	$166.0	$158.7	$134.1

The City's current capital improvement plan calls for improvements of $2.3 billion over the period 2013 through 2017. Funding for the City's capital improvement program comes from general obligation bond issuances, state and federal funding, tax increment financing, and private funding through public/private ventures.

In addition to traditional sources of funding for capital projects, the City is undertaking new initiatives to fund capital improvements, which include the Chicago Infrastructure Trust, accessing federal programs under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA), and repaying from operating savings commercial paper issued to fund projects. The City is also emphasizing the use of current revenues for pay-as-you-go financing where practical.

The City's 2014 capital improvement program recommends investing approximately $629 million in capital improvements in 2014. The table below presents the anticipated sources of capital funding and the proposed uses of capital funding for 2014.

2014 Capital Improvements
($ in thousands)

CAPITAL FUNDING SOURCES:	Amount	Percent
Federal	$238,238	38.4%
General Obligation Bonds	133,492	21.5
Tax Increment Financing	111,635	18.0
Other	53,256	8.6
TIFIA	48,000	7.7
State Funding	36,311	5.8
Total	$620,932	100.0%

CAPITAL FUNDING USES:	Amount	Percent
City Infrastructure	$436,325	70.3%
Aldermanic Funds	84,000	13.5
Greening & Streetscapes	75,233	12.1
City Facilities	25,374	4.1
Total	$620,932	100.0%

Property Taxes

Revenue from the City's property tax levy is used to pay the City's general obligation debt service obligations, contributions to employee pension funds and library-related expenses. The City is one of several taxing districts reflected on a Chicago resident's property tax bill. The amount of property taxes collected by Cook County is divided among these districts, with the City allocated approximately 20 percent of the total bill. Cook County determines the amount that will be billed to an individual Chicago taxpayer based on the composite tax rate that results from dividing the districts' aggregate levy by the aggregate EAV, and then applying that rate to the EAV of the taxpayer's property. Changes in EAV do not affect the amount of the City's property tax revenue because the City's property taxes are levied at a flat dollar amount. For more information on real property assessment, tax levy and tax collection in Cook County, see APPENDIX A — "REAL PROPERTY TAX SYSTEM AND LIMITS"

Set forth in the table below are the uses of the property tax levies of the City for the years 2003 through 2012.

Property Tax Levy 2003 — 2012
($ in thousands)

	Uses of Property Tax Levy				
Tax Levy Year	Retirement Fund Contributions	General Obligation Debt Service	Library Debt Service	City Colleges Debt Service*	Total Tax Levy for Fiscal Year
2003	$291,838	$417,344	$ 4,784	$ 5,729	$719,695
2004	299,258	411,096	3,697	5,729	719,780
2005	324,068	333,759	54,515	5,729	718,071
2006	342,256	336,508	34,737	5,729	719,230
2007	334,700	352,039	29,103	33,509	749,351
2008	345,936	373,874	77,710	36,632	834,152
2009	351,234	368,533	77,710	36,632	834,109
2010	350,733	369,014	77,710	36,632	834,089
2011	348,666	370,934	77,711	36,637	833,948
2012	349,666	370,517	77,821	36,632	834,636

* The City previously issued bonds on behalf of City Colleges

Over the past five years, the City has chosen to keep the aggregate property tax levy stable.

The top property tax payers in the City in 2012 based on 2012 EAV are shown below.

Top Ten Property Tax Payers 2012
($ in thousands)

Rank	Property	2012 EAV ($ in thousands)	% of Total EAV
1	Willis Tower	$ 386,266	0.59%
2	AON Center	255,347	0.39
3	One Prudential Plaza	234,964	0.36
4	Blue Cross Blue Shield Tower	205,275	0.32
5	Water Tower Place	201,246	0.31
6	Chase Tower	200,708	0.31
7	The Franklin - AT&T Corp. Center	192,985	0.30
8	Three First National Plaza	187,449	0.29
9	131 S. Dearborn	184,596	0.28
10	300 N. LaSalle	179,804	0.28
	Total	$2,228,640	3.42%

As shown in the table, the top ten taxpayers account for less than 4% of the City's total tax base.

The 2014 budget provides a total appropriation of $595.1 million to service general obligation debt, $355.7 million of which will be funded with revenue from the City's property tax levy (but not including three other property tax levies used for debt service on three specified general obligation bond issues (the "Three Specified Bond Issues")). In 2013, general obligation debt service (excluding the Three Specified Bond Issues) was $531.1 million, $355.7 million of which was paid from revenue from the City's property tax levy.

The City Council adopted an ordinance on November 15, 2012 which authorized a property tax levy of $370.5 million (representing $355.7 million after losses in the collection of taxes) for the year 2013 to pay debt service payments on the City's outstanding general obligation bonds (except for the Three Specified Bond Issues). Each of the outstanding general obligation bond issues is secured by a separate, multi-year property tax levy established in the ordinance specifically authorizing that issue of general obligation bonds. The aggregate amount of the unabated property tax levies for the outstanding general obligation bond issues for the year 2013 equals approximately $485.0 million. The Bonds to be issued for refunding purposes are expected to be issued in such amounts and with such repayment terms as will allow an abatement of the property taxes levied for the Refunded Bonds sufficient to cause the property tax levies for the remaining outstanding general obligation bonds for the year 2013 to be not greater than $370.5 million (representing $355.7 million after losses in the collection of taxes).

General Obligation Debt

Debt Service Funds. The City accounts for the payment of principal and interest and the redemption of its general obligation bond issues in its basic financial statements under Debt Service Funds. Debt Service Funds are comprised of the Bond, Note Redemption and Interest Fund and the Debt Service Fund - Special Taxing Areas for General Obligation and Tax Increment Financing. See APPENDIX B — "FINANCIAL AND OTHER INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — Debt Service Funds."

General Obligation Bonds. General obligation bonds are generally issued annually by the City to pay for capital projects and equipment and, from time to time, refunding of outstanding general obligation bonds for interest cost savings, general obligation debt restructuring, settlements, judgments and certain retroactive employment and pension obligations.

For a significant portion of the City's general obligation bonds, an annual property tax levy has been established for each series of such bonds and pledged to the payment of debt service on such bonds. For certain other general obligation bonds issued by the City (which make up a small subset of the City's general obligation bonds), either (i) an annual property tax levy has been established for such bonds but such levy is annually abated if certain other specified revenues are available that year for payment of debt service on those bonds, or (ii) no annual property tax levy has been established for debt service on such bonds and payments of debt service on such bonds are appropriated from sources of revenue other than property taxes.

Set forth below is the City's outstanding general obligation bonds for the years 2009 through 2013.

General Obligation Bonds*
2009 — 2013
(in millions)

	Principal Amount of Bonds			
Year	**Paid from Property Tax Levy**	**Secured by Alternate Revenues**	**General Obligation without Levy**	**Total**
2009	$5,849	$535	$108	$6,492
2010	6,345	660	107	7,112
2011	6,818	629	105	7,552
2012	7,078	593	103	7,774
2013	7,005	555	101	7,661

*See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — General Obligation Bonds Debt Service Schedule."

Variable Rate Debt. The City has outstanding certain series of general obligation bonds that pay variable rates of interest. These issues are supported by letters of credit and/or liquidity facilities provided by banks for the payment of debt service or tender prices for the bonds. The City has not issued variable rate bonds since 2007.

Set forth in the table below is information about the City's bond liquidity and letter of credit facilities for the City's outstanding variable rate general obligation bond issues. A City general obligation debt rating below what is shown in the chart in the "Ratings Thresholds" column would constitute an event of default under the agreements with the related banks.

Bond Liquidity and Letter of Credit Facilities

Bond Series	Facility Expiration	Bond Maturity Date	Bank	Ratings Thresholds		
				Fitch	Moody's	S&P
2003 B-1	09/17/14	01/01/34	JPMorgan	BBB-	Baa3	BBB-
2003 B-2	09/17/14	01/01/34	JPMorgan	BBB-	Baa3	BBB-
2003 B-3	09/17/14	01/01/34	JPMorgan	BBB-	Baa3	BBB-
2007F	12/31/14	01/01/42	JPMorgan	BBB-	Baa3	BBB-
2007E	12/31/14	01/01/42	Barclays	*	*	*
2007G	12/31/14	01/01/42	Barclays	*	*	*
2005 D-1	01/12/15	01/01/40	Bank of Montreal	BBB-	Baa3	BBB-
2005 D-2	01/12/15	01/01/40	Northern Trust	BBB-	Baa3	BBB-
2002 B-3	10/02/15	01/01/37	RBC	BBB	Baa2	BBB
2002 B-4	10/02/15	01/01/37	Bank of New York	BBB	Baa2	BBB
2002 B-5	10/02/15	01/01/37	Bank of New York	BBB	Baa2	BBB

* The agreements with Barclays provide that (i) if the City's general obligation debt that is supported by property tax is rated by two or more rating agencies, if at any time two or more rating agencies rate that general obligation debt below BBB+ or below Baa1 for a period of 180 days, or (ii) if this debt is rated by only one rating agency and that rating agency rates this debt below BBB+ or below Baa1 for a period of 180 days, or (iii) any rating agency rates the unenhanced general obligation debt of the City supported by property tax below BBB or Baa2, this would constitute an event of default under these agreements.

Interest Rate Exchange Agreements. The City is authorized to enter into interest rate exchange agreements with counterparties in connection with its general obligation bonds. Interest rate exchange agreements, or options to enter into such agreements, can provide the City with (i) an interest rate basis, cash flow basis, or other basis different from that provided in the related City indebtedness for the payment of interest, or (ii) with respect to a future delivery of general obligation bonds, notes or commercial paper, one or more of a guaranteed interest rate, interest rate basis, cash flow basis, or purchase price. Interest rate exchange agreements can include, without limitation, agreements or contracts commonly known as interest rate exchange, swaps, including forward starting swaps, collar, caps, or derivative agreements, forward payment conversion agreements, interest rate locks, forward bond purchase agreements, bond warrant agreements, or bond purchase option agreements and also include agreements granting to the City or a counterparty an option to enter into any of the foregoing and agreements or contracts providing for payments based on levels of or changes in interest rates, including a change in an interest rate index, to exchange cash flows or a series of payments, or to hedge payment, rate spread, or similar exposure.

The stated aggregate notional amount (net of offsetting transactions) under all interest rate exchange agreements related to certain City indebtedness cannot exceed the principal amount of the indebtedness to which such interest rate exchange agreements relate. An "offsetting transaction" is any transaction which is intended to hedge, modify or otherwise affect another outstanding transaction or its economic results. The offsetting transaction need not be based on the same index or rate option as the related City indebtedness or the transaction being offset and need not be with the same counterparty as the transaction being offset. Examples of offsetting transactions include, without limitation, a floating to fixed rate interest rate swap being offset by a fixed to floating rate interest rate swap, and a fixed to floating rate interest rate swap being offset by a floating to fixed rate interest rate swap or an interest rate cap or floor or a floating to floating interest rate swap.

The City is a party to the following outstanding interest rate swaps in connection with the City's general obligation variable rate bonds.

Variable Rate General Obligation Bonds
Interest Rate Swaps

Issue Name	Current Notional Amount	Counterparty (Backup Counterparty)	Type	City Receives	City Pays	Effective Date	Termination Date	Total Mark-to-Market (Unaudited)*
General Obligation Series 2007 EFG	$200,000,000	Loop Financial (Deutsche Bank)	Floating-to-Fixed	SIFMA	3 998%	11/8/2007	1/2/2042	$(51,225,345)
		Morgan Stanley	Floating-to-Fixed	SIFMA	3 998%	11/8/2007	1/2/2042	
		Wells Fargo	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2014	1/1/2042	
		Wells Fargo	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2014	1/1/2042	
General Obligation Series 2005D	$222,790,000	Goldman Sachs	Floating-to-Fixed	SIFMA	4 104%	8/17/2005	1/2/2040	$(58,148,459)
		Loop Financial (Deutsche Bank)	Floating-to-Fixed	SIFMA	4 104%	8/17/2005	1/2/2040	
		Rice Financial (Bank of New York Mellon)	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2014	1/1/2031	
		Loop Financial (BMO Harris)	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2014	1/1/2031	
		Deutsche Bank AG, NY	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2014	1/1/2031	
		PNC	Floating-to-Floating	72 5% of LIBOR	SIFMA	1/1/2031	1/1/2040	
General Obligation Series 2003B	$192,765,000	Wells Fargo	Floating-to-Fixed	66 91% of 10yr USD-ISDA Swap Rate	4 052%	8/7/2003	1/1/2034	$(30,748,981)
		JP Morgan	Floating-to-Fixed	66 91% of 10yr USD-ISDA Swap Rate	4 052%	8/7/2003	1/1/2034	
		PNC	Floating-to-Floating	75% of LIBOR	66 91% of 10yr USD-ISDA Swap Rate	3/1/2014	1/1/2019	
		PNC	Floating-to-Floating	75% of LIBOR	66 91% of 10yr USD-ISDA Swap Rate	3/1/2014	11/1/2014	
		Bank of New York Mellon	Floating-to-Floating	75% of LIBOR	66 91% of 10yr USD-ISDA Swap Rate	11/1/2014	1/1/2019	
General Obligation Series 2002B	$206,700,000	JP Morgan	Floating-to-Fixed	70% of LIBOR	3 575%	10/3/2002	1/1/2037	$(33,034,266)
		Bank of America	Floating-to-Fixed	70% of LIBOR	3 575%	10/3/2002	1/1/2037	

*As of January 31, 2014

The City entered into the interest rate swaps listed above as a means of limiting, reducing or managing the City's interest cost with respect to the related general obligation bonds, limiting interest-rate risk inherent in variable rate debt, or managing risks associated with existing interest rate swaps on the same general obligation bonds. The interest rate swaps may expose the City to certain market and credit risks. The City may terminate the interest rate swaps at any time at market value, or upon the occurrence of certain events. In addition, either the City or the counterparties may terminate the related interest rate swaps if the other party fails to perform under the terms of such swaps. A counterparty may terminate its related interest rate swaps if the City's rating falls below "BBB+" (BBB for the swap relating to the Series 2002B bonds) from Standard and Poor's Ratings Services or "Baa1" (Baa2 for the swap relating to the Series 2002B bonds) from Moody's Investors Service, Inc. If the interest rate swaps are terminated, the related bonds would continue to bear interest at a variable rate (unless converted by the City to a fixed interest rate), and the City could be liable for a termination payment if the swaps have a negative market value. The estimated aggregate mark-to-market valuation for all of the interest rate swaps listed in the table above is negative $173 million. This estimate is based on the information provided by each counterparty and has not been independently verified by the City.

In 2012, the City terminated its general obligation swap option with a notional amount of $318.7 million. The swap option allowed the counterparty to execute a fixed to floating rate swap at a certain date in the future, if certain market conditions existed. The City received an upfront payment of $13.4 million and made a termination payment of $4.9 million, for a net benefit of $8.5 million. Terminating the swap option eliminated the future related variable rate risk.

Short-Term Borrowing Program. In addition to long-term general obligation bonds, the City utilizes certain types of general obligation short-term debt, such as commercial paper and lines of credit borrowings (collectively, the "Short-Term Borrowing Program"). The Short-Term Borrowing Program authorizes the issuance of debt to address various operating, liquidity, and capital needs of the City. Debt issued under the Short-Term Borrowing Program are general obligations of the City but are not supported by a City property tax levy.

The following table shows the City's outstanding balances under the Short-Term Borrowing Program as of December 31 of the years 2009 through 2013.

Short-Term Borrowings
2009 — 2013
($ in thousands)

Year	Principal Amount
2009	$159,838
2010	198,101
2011	127.707
2012	166,513
2013	415.256

Under the Bond Ordinance, the City has increased the maximum aggregate principal amount of debt that can be outstanding under the Short-Term Borrowing Program from $500 million to $1 billion. Under its current arrangements with its credit providers, the City has the ability to issue up to $300 million of commercial paper and borrow up to $300 million under its lines of credit. In the future, the City may enter into further arrangements with credit providers and obtain up to $400 million of additional letter of credit or lines of credit borrowing capacity to reach the $1 billion authorized amount under the Short-Term Borrowing Program.

Set forth in the table below is information on the City's current general obligation commercial paper program and lines of credit. A City general obligation debt rating below what is shown in the chart in the "Ratings Thresholds" column would constitute an event of default under the agreements with the related banks.

General Obligation
Commercial Paper and Lines of Credit

Facility	Series or Year	Borrowing Authority	Expiration or Termination	Bank	Ratings Thresholds Fitch	Moody's	S&P
Commercial Paper Notes	2002A/B	$ 200,000,000	5/8/2015	Wells Fargo	n/a	Baa3	BBB-
Commercial Paper Notes	2002C/D	$ 100,000,000	5/8/2015	BMO Harris	n/a	Baa3	BBB-
Line of Credit	2013	$ 200,000,000	3/22/2016	Bank of America	BBB+	Baa1	BBB+
Line of Credit	2014	$100,000,000	2/20/2016	Morgan Stanley	BBB	Baa2	BBB

A portion of the outstanding general obligation commercial paper notes (the "CP Notes") and borrowings under the general obligation line of credit with Bank of America (the "Line of Credit") will be retired or repaid with proceeds of the Bonds. See "SOURCES AND USES OF FUNDS." After giving effect to the issuance of the Bonds and the retirement and repayment of the CP Notes and the Line of Credit, the City will have borrowing capacity of approximately $199.7 million under its general obligation commercial paper program and $300.0 million under its general obligation lines of credit.

Collective Bargaining Agreements

The City has collective bargaining agreements with 46 unions representing approximately 90% of its 32,000 employees. Currently, the City is in negotiations with the following unions on successor collective bargaining agreements to replace agreements with expired terms: Fraternal Order of Police (representing approximately 10,800 police officers); Chicago Fire Fighters Union, Local 2 (approximately 4,600 employees); American Federation of State, County and Municipal Employees (approximately 3,400 employees); Illinois Nurses Association (approximately 75 employees); Policemen's Benevolent & Protective Association of Illinois, Unit 156C Captains (approximately 30 employees); and Teamsters Local 700/Shift Supervisors of the Security Communications Center (approximately 10 employees). While negotiations continue on successor agreements, the prior collective bargaining agreements remain in effect. The 2014 Corporate Fund budget includes funds for wage increases and anticipated wage increases with respect to successor agreements.

For the remaining City employees represented by other unions, the City has collective bargaining agreements currently in effect, which provide for annual wage increases. The 2014 Corporate Fund budget includes funds for wage increases for these employees scheduled to receive them for 2014.

Retirement Funds and Other Post-Employment Benefits

The City provides funding for four retirement funds (the "Retirement Funds"), which provide benefits upon retirement, death or disability to employees and beneficiaries. As described in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," the benefits provided to members of the Retirement Funds and the City's contributions to the Retirement Funds are governed by the provisions of the Illinois Pension Code (the "Pension Code"), and the Retirement Funds' sources of funding come from the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's contributions and the employees' contributions are based upon what is established under the Pension Code and are not based on the actuarially recommended levels. For a description of the Retirement Funds, the manner of funding the Retirement Funds, their historical and projected unfunded status, and recent legislative changes affecting the Retirement Funds and other information, see APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — RETIREMENT FUNDS," which a prospective purchaser of the Bonds should read in its entirety.

The City allocates a portion of its contributions to the Retirement Funds to its enterprise funds, including the City's aviation, water and sewer funds, based upon the amount of services provided by City employees to the enterprises or functions related to or paid out of those funds. The funds account for their allocable share of the City's contributions to the Retirement Funds as operating and maintenance expenses. In 2012, the enterprise funds reimbursed the City $35.7 million for their allocable share of retirement benefits.

Future Pension Contributions. Under current State law, beginning in 2016 the City must make actuarially-based annual contributions to its significantly underfunded police and firemen's pension funds. Such contributions, which are made out of the City's Corporate Fund, must be in amounts necessary to achieve specified funding levels by 2040. The current estimate of the City's 2016 annual contribution for these two pension funds is over $885 million, which is an increase of approximately $584 million over the projected 2015 contribution for these funds. This amount is in addition to the annual contributions the City must make, in large part from the Corporate Fund, to its municipal and laborers' funds, which are also significantly underfunded and face insolvency absent State legislative reforms in their funding and/or benefit levels. The City continues to pursue comprehensive pension reform at the State level to alleviate the substantial burden its annual pension contributions will likely have on the City's financial condition and its economy absent such reform. If the City fails to achieve such reform, then it will likely need to implement large property tax increases and/or significant reductions of City services. No assurance can be given that the City will be successful in achieving pension reform or that, if such reform is enacted, it will be upheld upon legal challenge. Even if such pension reform is enacted by the State and upheld upon legal challenge, the City will still likely face significant increases in its annual contributions to the pension funds. See "APPENDIX E — RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS." The foregoing description is qualified in its entirety by reference to "APPENDIX E — RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS," which a prospective purchaser of the Bonds should read in its entirety.

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to certain former City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. The Health Plan is funded on a pay-as-you-go basis and as such assets are not accumulated or dedicated to funding the Health Plan. On May 15, 2013, the City announced changes to the funding of the Health Plan, including, but not limited to, the phase-out of the Health Plan by the beginning of 2017. The phase-out of the Health Plan is expected to save the City approximately $100 million annually beginning in 2017. Litigation is currently pending with regard to the continuation of the Health Plan. For a description of the post-employment healthcare benefits, the manner of funding such benefits, the funded status of the benefits and pending litigation with regard to the Health Plan, see APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS — OTHER POST-EMPLOYMENT BENEFITS." The foregoing description is qualified in its entirety by reference to APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS —

OTHER POST-EMPLOYMENT BENEFITS," which a prospective purchaser of the Bonds should read in its entirety.

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, 2012 — Notes (1) and (4)."

PLAN OF FINANCING

General

The proceeds from the sale of the Bonds will be used as described below. For additional information, see "SOURCES AND USES OF FUNDS."

Financing of the Project

A portion of the net proceeds of the Series 2014A Bonds and the Taxable Series 2014B Bonds are expected to be used by the City to finance the following projects (collectively, the "Project"): alley resurfacing; installation of residential speed bumps; residential street resurfacing; installation of guard rails and bollards; installation of alley aprons; sidewalk replacement; curb and gutter replacement; installation of cul-de-sacs; installation of traffic signals; installation of street lights; park improvements (including (i) installation of playgrounds, walking paths, field houses, playlots, security cameras, water spray feature, baseball fields and lights, (ii) creation of a community garden, (iii) repair of tennis court surfaces and fences, and (iv) bench removals); installation of temporary parking signage; removal of decorative baskets; installation of ramps and markings; power wash of underpasses; painting of pedways; tree planting; installation of planters and LED lights; installation of decorative planters; fencing repairs; installation of pedestrian countdown signals; bikeway lanes; hazardous right-of-way repair; work on storm water tunnels; maintenance and repair of City facilities (include roofing repair, property maintenance, HVAC systems maintenance, onsite equipment maintenance, replacement of carpeting, and in-house labor costs); blue cart acquisitions; acquisition of police prisoner transport vans; acquisition of fire department ambulances; public library programs; and the establishment of the Bloomingdale Trail.

The Bond Ordinance authorizes the City to use the Bond proceeds to finance one or more of the following (collectively, the "Authorized Uses"): (i) public right-of-way infrastructure improvements in City neighborhoods, including street and alley construction and improvements, lighting improvements, sidewalk improvements and replacement, and curb and gutter repairs and replacement; (ii) infrastructure improvements to enhance the development of economic activity, including industrial street construction and improvements, streetscaping, median landscaping, demolition of hazardous, vacant or dilapidated buildings that pose a threat to public safety and welfare, shoreline reconstruction, riverbank stabilization, residential and commercial infrastructure redevelopment and railroad viaduct clearance improvements; (iii) transportation improvements to City property and facilities and to property and facilities located within the City limits which are owned by other governmental entities, including street resurfacing, bridge and freight tunnel rehabilitation, traffic signal modernization, new traffic signal installation, intersection safety improvements and transit facility improvements; (iv) grants or loans to assist not-for-profit organizations or educational or cultural institutions, or to assist other municipal corporations, units of local government, school districts, the State of Illinois or the United States of America; (v) cash flow needs of the City; (vi) the acquisition of personal property, including, but not limited to, computer hardware and software, vehicles or other capital items useful or necessary for City purposes; (vii) the duly authorized acquisition of improved and unimproved real property within the City for municipal, industrial, commercial or residential purposes, or any combination thereof, and the improvement, demolition and/or remediation of any such property; (viii) constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; (ix) the enhancement of economic development within the City by making direct grants or loans to, or deposits to funds or accounts to secure the obligations of, not-for-profit or for-profit organizations doing business or seeking to do business in the City; (x) the funding of (A) judgments entered against the City, (B) certain settlements or other payments required to be made by the City as a condition to the resolution of litigation or threatened litigation or arbitration and (C) such escrow accounts or other reserves as shall be deemed necessary for any of said purposes; (xi) the payment of certain contributions to the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, the Municipal Employees' Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago; (xii) the 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; and (xiii) acquiring motor vehicles for a term of years or lease period.

One or more components of the Project described above may later be changed by the City to include financing of other Authorized Uses.

Proceeds of the Taxable Series 2014B Bonds in the amount of $198 million are expected to be used to fund legal judgments or settlements incurred by the City.

Refunding and Restructuring

A portion of the proceeds of the Series 2014A Bonds and the Taxable Series 2014B Bonds will be used to refund all or a portion of the principal of and interest on certain maturities of outstanding general obligation bonds of the City (the "Refunded Bonds"), retire the CP Notes and repay borrowings under the Line of Credit. See "SOURCES AND USES OF FUNDS." The Refunded Bonds are set forth in APPENDIX H — "REFUNDED BONDS."

Portions of the refunding will result in debt service savings to the City and extend the average maturity of the City's general obligation debt. See APPENDIX B — "FINANCIAL AND OTHER INFORMATION — Debt Service Schedule."

To provide for the payment and retirement of the Refunded Bonds, certain proceeds of the Series 2014A Bonds and the Taxable Series 2014B Bonds will be used to purchase securities constituting direct obligations of the United States of America (collectively, the "Government Obligations"). The principal of and interest on the Government Obligations, together with available cash deposits, will be sufficient (i) to pay when due the interest on the Refunded Bonds to their respective maturity or redemption dates, and (ii) to pay or redeem the Refunded Bonds on their respective maturity or redemption dates at their respective principal amounts or redemption prices.

The Government Obligations purchased with the proceeds of the Series 2014A Bonds and the Taxable Series 2014B Bonds, together with available cash deposits, will be held in escrow accounts with the respective paying agents for the Refunded Bonds or an escrow agent (collectively, the "Escrow Accounts"). Neither the cash on deposit, the maturing principal of the Government Obligations nor the interest to be earned thereon will serve as security or be available for the payment of the principal of or the interest on the Bonds.

The mathematical computation of (i) the adequacy of maturing principal of and interest earnings on the Government Obligations together with initial cash deposits in the Escrow Accounts to provide for payments on the Refunded Bonds as described above and (ii) the actuarial yields on the Series 2014A Bonds and the Government Obligations will be verified at the time of the delivery of the Bonds by Robert Thomas CPA, LLC, Shawnee Mission, Kansas, independent certified public accountants. See "CERTAIN VERIFICATIONS."

Proceeds of the Bonds used to retire the CP Notes will be held by the trustee for the CP Notes until the maturity date of the CP Notes. Proceeds of the Bonds used to repay a portion of the outstanding balances under the Line of Credit will be applied to such payment on the date of issuance of the Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of Bond proceeds.

	Series 2014A Bonds	Taxable Series 2014B Bonds	Total
SOURCE OF FUNDS:			
Principal Amount of the Bonds	$432,630,000	$450,790,000	$883,420,000
Net Issue Premium	5,207,769		5,207,769
Total Sources of Funds	$437,837,769	$450,790,000	$888,627,769
USES OF FUNDS:			
Costs of Project	$205,123,000	$125,800,000	$330,923,000
Refunding of Refunded Bonds	44,175,105	141,048,874	185,223,979
Retirement of Commercial Paper	98,467,000	53,224,054	151,691,054
Repayment of Line of Credit	50,000,000	95,385,946	145,385,946
Capitalized Interest	36,928,833	31,408,858	68,337,691
Costs of Issuance (including the underwriters' discount and bond insurance premium)	3,143,831	3,922,268	7,066,099
Total Uses of Funds	$437,837,769	$450,790,000	$888,627,769

THE BONDS

General

Each series of Bonds will be dated the date of issuance, will mature on January 1 of the years and in the amounts set forth on the inside front cover page of this Official Statement, and will bear interest from the date of issuance. The Bonds will be issued only as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the inside front cover page of this Official Statement, on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2014, to the person in whose name the Bond is registered as of the 15th day of the month next preceding any such interest payment date. Each Bond will bear interest from the later of its date of issuance or the most recent interest payment date to which interest has been paid until the principal amount of such Bond is paid.

Amalgamated Bank of Chicago, Chicago, Illinois (the "Bond Registrar"), will serve as bond registrar and paying agent for the Bonds. Principal of and interest on the Bonds will be payable in lawful money of the United States at the designated corporate trust office of the Bond Registrar.

The Bonds initially are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC"). Details of payments of the Bonds when in the book-entry only system are described below under the subcaption "— Book-Entry System." Except as described under the subcaption "— Book-Entry System — General " below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, 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 "Direct Participant" or "Indirect Participant" (as defined below), the Direct or Indirect Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest or redemption price of the Bonds, and to exercise voting rights and (ii) the records of DTC and, if such beneficial owner is not a Direct or Indirect Participant, such beneficial owner's Direct or Indirect Participant, to evidence its beneficial ownership of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, references herein to Bondholders or registered owners of such Bonds mean DTC or its nominee and do not mean the beneficial owners of such Bonds. 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 Bond.

Payment of the Bonds

Principal of each Bond and redemption premium, if any, will be payable in lawful money of the United States upon presentation and surrender of such Bond at the designated corporate trust office of the Bond Registrar.

Payment of the installments of interest on each Bond shall be made to the registered owner of such Bond as shown on the registration books of the City maintained by the Bond Registrar at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Bond Registrar mailed to the address of such registered owner as it appears on such registration books or at such other address furnished in writing by such registered owner to the Bond Registrar or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as such registered owner shall request in writing to the Bond Registrar.

Redemption

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of Series 2014A Bonds. The Series 2014A Bonds maturing on and after January 1, 2025 are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2024, and if less than all of the outstanding Bonds of a single series, maturity and interest rate are to be redeemed, the Bonds to be called shall be called from such maturities and interest rates as shall be determined by the Chief Financial Officer of the City or the City Comptroller (each, an "Authorized Officer"), by lot in the manner hereinafter provided, at a redemption price equal to the principal amount of the Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes.

Optional Redemption of the Taxable Series 2014B Bonds with Make Whole Payment. The Taxable Series 2014B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, and if in part from such maturities and interest rates as shall be determined by an Authorized Officer on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of such Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Bonds are to be redeemed, discounted to the date of redemption of such Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points plus accrued interest on such Bonds being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2014B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An Authorized Officer shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2014B Bonds for optional redemption.

Mandatory Redemption of the Taxable Series 2014B Bonds. The Taxable Series 2014B Bonds are subject to mandatory redemption prior to maturity, in each case at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Taxable Series 2014B Bonds

Year	Principal Amount
2037	$ 37,770,000
2038	50,625,000
2039	57,670,000
2040	28,255,000
2041	32,255,000
2042	34,300,000
2043	101,745,000
2044	108,170,000 (maturity)

Reduction of Mandatory Redemption Amounts. In connection with any mandatory redemption of Bonds of a series as described above, the principal amounts of Bonds of such series to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemptions of such Bonds of such series credited against future mandatory redemption requirements in such order of the mandatory redemption dates as an Authorized Officer may determine. In addition, on or prior to the 60th day preceding any mandatory redemption date of Bonds of a series, the Bond Registrar may, and if directed by an Authorized Officer shall, purchase Bonds of such series required to be retired on such mandatory redemption date at such prices as an Authorized Officer shall determine. Any such Bonds so purchased shall be cancelled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date with respect to such series of Bonds.

Selection of Bonds for Redemption. While the Series 2014A Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of the Bonds of such series, if less than all of the Bonds of such series, maturity and interest rate are to be redeemed prior to maturity, the particular Bonds or portions of such Bonds of such series will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine. See "THE BONDS — Book-Entry System." If the Series 2014A Bonds are not registered in the book-entry system, the following procedures for the selection of the Bonds of such series shall apply. If fewer than all of the outstanding Bonds of such series, maturity and interest rate are to be optionally redeemed, the Bonds of such series, maturity and interest rate to be called shall be called from such maturities and within any maturity as may be determined by an Authorized Officer by lot. In the event of the redemption of less than all Bonds of such series of the same maturity and interest rate, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Bond Registrar shall assign to each Bond of such series of such maturity and interest rate a distinctive number for each $5,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds of such series, maturity and interest rate to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Bond of such series, maturity and interest rate shall be redeemed as shall equal $5,000 for each number assigned to it and so selected. The City shall, at least 45 days prior to any optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

While the Taxable Series 2014B Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of the Bonds of such series, if less than all of the Bonds of such series are to be redeemed prior to maturity, the particular Bonds of such series or portions thereof to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Taxable Series 2014B Bonds are registered in the book-entry system, the selection for redemption of the Bonds of such series will be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do not allow for redemption on a pro-rata pass-through distribution of principal basis, the Taxable Series 2014B Bonds subject to redemption will be selected for redemption, in accordance with DTC procedures, by lot.

It is the City's intent that the Taxable Series 2014B Bonds redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a pro-rata pass-through distribution of principal basis as described above. However, none of the City, the Underwriters or the Bond Registrar can provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of the Bonds of such series on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2014B Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Taxable Series 2014B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

If the Taxable Series 2014B Bonds are not registered in the book-entry system, any redemption of less than all of the Bonds of such series will be allocated by the Bond Registrar among the registered owners of the Bonds of such series on a pro-rata basis.

Notice of Redemption. Unless waived by any owner of the Bonds to be redeemed, notice of the call for any redemption of such Bonds will be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the registration books of the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar but the failure to mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as described in this paragraph will be conclusively presumed to have been given whether or not actually received by the addressee. With respect to an optional redemption of any series of Bonds, such notice may state that said redemption is conditioned upon the receipt by the Bond Registrar on or prior to the date fixed for redemption of moneys sufficient to pay the redemption price of Bonds of such series. If such moneys are not so received, such redemption notice will be of no force and effect, the City will not redeem such Bonds and the Bond Registrar will give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Unless the notice of redemption is made conditional as described above, on or prior to any redemption date, the City is required to deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions thereof of such series which are to be redeemed on that date.

Notice of redemption having been given as described above, the Bonds, or portions thereof, to be redeemed shall, on the redemption date, become due and payable at the redemption price specified in such notice, and from and after such date (unless the City shall default in the payment of the redemption price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Bonds, or portions thereof, shall cease to bear or accrue interest.

Book-Entry System

General

The following information concerning DTC 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the Book-Entry System for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. In accordance with DTC's procedures, the City has directed the Bond Registrar to notify DTC that in the event that less than all of the Taxable Series 2014B are redeemed any such redemption shall be on a pro-rata basis.

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Bond Registrar, 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 Bonds at any time by giving reasonable notice to the City or Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Discontinued Use of Book-Entry System

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, Bond certificates will be printed and delivered to DTC.

Procedures May Change

Although DTC has agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, DTC is under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by DTC.

The information in this section concerning DTC and the Book-Entry System has been obtained from sources that the City believes to be reliable, but neither the City nor any Underwriter takes any responsibility for the accuracy thereof.

Additional Information

For every transfer and exchange of the Bonds, DTC, the Bond Registrar 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 BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, 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 BONDS, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE SELECTION OF SPECIFIC BONDS FOR REDEMPTION, OR ANY OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF THE BONDS.

In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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.

Bonds Not Presented for Payment

If any Bond is not presented for payment when the principal amount thereof becomes due, either at maturity or at a date fixed for redemption thereof or otherwise, and if moneys sufficient to pay such Bond are held by the Bond Registrar for the benefit of the registered owner of such Bond, the Bond Registrar shall hold such moneys for the benefit of the registered owner of such Bond without liability to the registered owner for interest. The registered owner of such Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Bond.

Defeasance

If payment or provision for payment is made, to or for the registered owners of all or a portion of the Bonds, and the principal of and interest due and to become due on any Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Bond Registrar or such bank or trust company as shall be designated by an Authorized Officer (such bank or trust company hereinafter referred to as a "Defeasance Escrow Agent"), all sums of money due and to become due according to the provisions of the Bond Ordinance, then the Bond Ordinance and the estate and rights granted by the Bond Ordinance shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Any Bond shall be deemed to be paid within the meaning of the Bond Ordinance when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Bond Ordinance or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the applicable Bond Registrar or a Defeasance Escrow Agent, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2)(A) direct obligations of the United States of America; (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America; (C) obligations of the following agencies: Federal Home Loan Mortgage Corp. (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) debt obligations, Federal Home Loan Banks (FHL Banks) debt obligations, Fannie Mae debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations, and U.S. Agency for International Development (U.S. A.I.D.) Guaranteed notes; (D) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C), or (3) a combination of the investments described in clauses (1) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). At such times as a Bond shall be deemed to be paid under the Bond Ordinance, it shall no longer be secured by or entitled to the benefits of the Bond Ordinance, except for the purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations.

Registration and Transfers

The books for the registration and for the transfer of each series of Bonds will be kept at the designated corporate trust office of the Bond Registrar. See "THE BONDS — Book-Entry System" for a discussion of registration and transfer of the beneficial ownership interests in Bonds while they are in the Book-Entry System. The following provisions relate to the registration and transfer of Bonds when the Bonds are in certificated form.

Upon surrender for transfer of any Bond at the designated corporate trust office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Bond Registrar and duly executed by the registered owner or its attorney duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees one or more fully registered Bonds of the same series and maturity of authorized denominations, for a like principal amount. Any Bond or Bonds may be exchanged at said office of the Bond Registrar for a like aggregate principal amount of Bonds of the same series, interest rate and maturity of other authorized denominations.

No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, except that no such payment may be required in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Bond Registrar shall not be required to transfer or exchange (a) any Bond after notice calling such Bond for redemption has been mailed, or (b) any Bond during a period of 15 days next preceding mailing of a notice of redemption of such Bond.

Registered Owner Treated as Absolute Owner

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, redemption premium, if any, or interest on any Bond, as appropriate, shall be made only to or upon the order of the registered owner thereof or its legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECURITY FOR THE BONDS

General Obligation of the City

The Bonds are direct and general obligations of the City and shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of the City legally available for such purpose, including, but not limited to, the proceeds of a direct annual tax levied by the City in the Bond Ordinance upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The City has pledged its full faith and credit to the payment of the Bonds. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Debt Service Schedule." In addition to the Bonds, the City has other direct and general obligations previously issued and outstanding under separate ordinances adopted by the City Council. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION — Property Tax Supported Bonded Debt — Computation of Direct and Overlapping Bonded Debt."

Under the Bond Ordinance, the City is obligated to appropriate amounts sufficient to pay principal of and interest on the Bonds for the years such amounts are due, and the City covenants in the Bond Ordinance to take timely action as required by law to carry out such obligation, but, if for any such year the City fails to do so, the Bond Ordinance constitutes a continuing appropriation of such amounts without any further action by the City.

If the taxes to be applied to the payment of the Bonds are not available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers of the City are directed in the Bond Ordinance 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 advancement of the collection of such taxes.

Property Tax Limit Considerations

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 Limit Considerations — The City." Pursuant to the Bond Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds are not subject to the limitations contained in 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 Limit Considerations — State of Illinois."

Bankruptcy

Municipalities cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding. Illinois law does not currently permit municipalities to do so, except under the provisions of the Local Government Financial Planning and Supervision Act, 50 ILCS 320, applicable only to units of local government which have a population under 25,000. It is unlikely that the broad grant of powers to home rule municipalities under the Illinois Constitution would satisfy the specific authorization required in order to permit the City to file for protection under the U.S. Bankruptcy Code.

Insured Bonds

The scheduled payment of principal of and interest on the Series 2014A Bonds maturing on (and only on) January 1, 2031 (the "Insured Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. ("AGM"). See APPENDIX G — "BOND INSURANCE."

Additional General Obligation Debt

The City may issue from time to time notes and bonds and other obligations that are general obligations 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.

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 Bonds, or which concerns the proceedings of the City taken in connection with the Bonds or the City's pledge of its full faith, credit and resources to the payment of the Bonds.

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: 2005-2010. The City's property tax levies for 2005 through 2010 varied between approximately $720 million and $835 million annually, excluding the School Building and Improvement Fund levy. See APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION—Property Tax Levies by Fund." 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 was 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 sole remaining claim against the City in this litigation was that police officers blocked, locked, or jammed access to the entry-exit door, causing a stampede of patrons to pile up on the only stairway leading to the door. On April 11, 2012, the circuit court granted the City's motion for summary judgment and dismissed the sole remaining claim against the City with prejudice. The City does not know whether the plaintiffs will appeal the issuance of summary judgment. If the plaintiffs do appeal, the City will vigorously defend the circuit court's judgment in the appellate court.

Parking Meters Litigation. On December 4, 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "Concession 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 is a defendant in a case brought by the Independent Voters of Illinois Independent Precinct Organization ("IVI-IPO") and an individual plaintiff, arguing that certain provisions of the Concession Agreement are illegal or unconstitutional, and requesting an injunction against certain expenditures in connection with the Concession Agreement. The plaintiffs later added the Concessionaire as a defendant. The Circuit Court dismissed part of the case and granted summary judgment to the defendants on the rest; the plaintiffs have appealed. 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 to challenge the City's use since 2003 of an automated red-light ticketing system. The plaintiffs allege, among other things, that the 2006 statute authorizing eight Illinois counties to enact red-light camera ordinances is unconstitutional local legislation and that the City lacks home-rule authority to enact a red-light camera ordinance and adjudicate violations administratively. The plaintiffs seek an injunction against the operation of the City's red-light ticketing system and restitution of fines paid. The Circuit Court granted the City's motion to dismiss the case; the Illinois Appellate Court affirmed. The plaintiffs then sought and were granted review in the Illinois Supreme Court. It is not known when the case will be decided. The City will continue to defend this matter vigorously.

Parking Garages Arbitration Claim. On November 3, 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Garages 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 Garages 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 Garages Lease Agreement, within a certain distance from the CLP Garages. CLP has asserted a claim under this provision. Pursuant to the Garages Lease Agreement, the matter was referred to the American Arbitration Association for arbitration. The arbitration panel issued an award of approximately $59 million in favor of CLP. The City filed a petition in the Circuit Court to enter a judgment on the award, stay the judgment, and modify the judgment. The Circuit Court entered and stayed the judgment but dismissed the City's request for modification. The City has filed an appeal. The City is actively defending the case and cannot predict the outcome at this time.

Parking Garages Litigation. On February 13, 2013, IVI-IPO and an individual plaintiff filed a complaint challenging the facial validity of the Garages Lease Agreement. The plaintiffs allege that certain compensation provisions in the Garages Lease Agreement violate the legal prohibition against the delegation, by a governmental entity, of its police powers to a private party. On January 16, 2014, the Circuit Court granted the motions to dismiss that were filed by the City and CLP. It is not known whether the plaintiffs will appeal the ruling of the Circuit Court; if they do, the City will continue to defend this case vigorously.

HUD Certifications Litigation. This is a False Claims Act case in which Albert C. Hanna (the "Relator") has sued the City seeking to recover funds on behalf of the U.S. government. The Relator alleges that the City has an affirmative obligation to dismantle racial and ethnic segregation in housing under Title VI of the Civil Rights Act of 1964 and the Fair Housing Act and that the City has falsely claimed to do so in certifications made by the City to the U.S. Department of Housing and Urban Development ("HUD") as a condition of receiving federal funding through certain HUD-funded grant programs. The Relator seeks the return to the federal government of approximately $880 million in funds received by the City under these programs and asks the court to treble that amount, as allowed by statute. The City has moved to dismiss the complaint. The City is actively defending the case and cannot predict the outcome at this time.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2012, included in APPENDIX C to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C.

RATINGS

The Bonds are rated "Baa1" (negative outlook) by Moody's Investors Service, Inc., "A+" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and "A-" (negative outlook) by Fitch, Inc., based upon each rating agency's assessment of the creditworthiness of the City.

The Insured Bonds are rated "AA-" by S&P and "A2" by Moody's, contingent upon issuance of the Policy by AGM. See APPENDIX G — "BOND INSURANCE."

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 Bonds may be resold.

CO-FINANCIAL ADVISORS

The City has retained Andrew Kalotay Associates, Inc. and Columbia Capital Management LLC to act as co-financial advisors (the "Co-Financial Advisors") in connection with the issuance and sale of the Bonds. Under the terms of their engagement, the Co-Financial Advisors will deliver a letter to the City regarding the fairness of the purchase price paid by the Underwriters to the City for the Bonds. Under the terms of their engagement, the Co-Financial Advisors are not obligated to undertake, and have 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.

CERTAIN VERIFICATIONS

Robert Thomas, CPA, LLC, Shawnee Mission, Kansas (the "Verifier"), upon delivery of the Bonds, will deliver to the City, Co-Bond Counsel and the Underwriters a report stating that the firm, at the request of the City and the Underwriters, has reviewed the mathematical accuracy of certain computations based on certain assumptions relating to (i) the sufficiency of the principal and interest received from the investment in Governmental Obligations, together with any initial cash deposit, to meet the timely payment of the applicable principal or redemption price of and interest on the Refunded Bonds, as described under "PLAN OF FINANCE" and (ii) the yields on the Series 2014A Bonds and on the Government Obligations.

The Verifier will express no opinion on the attainability of any assumptions or the tax-exempt status of the Series 2014A Bonds. The computations verified by the Verifier are intended in part to support conclusions of the City and Co-Bond Counsel concerning the federal income tax status of the Series 2014A Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2014A Bonds at a price equal to $435,549,851 (which represents the aggregate principal amount of the Series 2014A Bonds less an Underwriters' discount of $2,287,918 and plus a net offering premium of $5,207,769), and the Taxable Series 2014B Bonds at a price equal to $448,135,142 (which represents the aggregate principal amount of the Taxable Series 2014B Bonds less an Underwriters' discount of $2,654,858).

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in a Bond Purchase Agreement between the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased.

Wells Fargo Securities is the trade name for certain securities-related 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 Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting with respect to the Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GKST Inc. which is a direct, wholly-owned subsidiary of BMO Financial Corp. which is itself a wholly-owned subsidiary of Bank of Montreal.

Loop Capital Markets LLC ("LCM") as entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Bonds from LCM at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

North South Capital has entered into an agreement with BMO Capital Markets GKST Inc. whereby BMO Capital Markets is compensated for the assumption of the underwriting and retention risk of the Bonds in the form of a percentage of the overall commission (takedown) paid to North South Capital.

George K. Baum & Company and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, have a distribution agreement enabling Pershing LLC to obtain and distribute certain municipal securities underwritten by or allocated to George K. Baum & Company. Under the distribution agreement, George K. Baum & Company will allocate a portion of received takedowns, fees or commissions to Pershing for bonds sold under the agreement.

Williams Capital has entered into negotiated dealer agreements ("Dealer Agreements") with TD Ameritrade and E*Trade Securities LLC for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreements, TD Ameritrade and E*TRADE Securities LLC may purchase Bonds from Williams Capital at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

TAX MATTERS

The Series 2014A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series 2014A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2014A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2014A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014A Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Series 2014A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2014A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Co-Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge and upon the mathematical computations of the yield on the Bonds and the yield on certain investments by the Verifier. Additionally, Co-Bond Counsel will assume, without independent verification, the validity and tax-exempt status of the Refunded Bonds to the extent described in the opinions of bond counsel for the Refunded Bonds delivered in connection with the issuance thereof. Co-Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Series 2014A Bonds.

Ownership of the Series 2014A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2014A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2014A Bonds is the price at which a substantial amount of such maturity of the Series 2014A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2014A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2014A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2014A Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2014A Bonds who dispose of Series 2014A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Series 2014A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 2014A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Series 2014A Bond is purchased at any time for a price that is less than the Series 2014A Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Series 2014A Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2014A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2014A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2014A Bonds.

An investor may purchase a Series 2014A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2014A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2014A Bond. Investors who purchase a Series 2014A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2014A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2014A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2014A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2014A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2014A Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2014A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2014A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Series 2014A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2014A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The Taxable Series 2014B Bonds

Interest on the Taxable Series 2014B Bonds is includible in gross income for federal income purposes. Ownership of the Taxable Series 2014B Bonds may result in other federal income tax consequences to certain taxpayers. Taxable Series 2014B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Series 2014B Bonds in gross income for federal income tax purposes and any collateral tax consequences.

The City may deposit moneys or securities with a Defeasance Escrow Agent pursuant to the terms of the Bond Ordinance in such amount and manner as to cause the Taxable Series 2014B Bonds to be deemed to be no longer secured by the Bond Ordinance (a "defeasance"). See "THE BONDS – Defeasance." A defeasance of the Taxable Series 2014B Bonds may be treated as an exchange of the Taxable Series 2014B Bonds by the holders thereof and may therefore result in gain or loss to the holders. Bondholders should consult their own tax advisors about the consequences (if any) of such a defeasance. The City is required to provide notice of defeasance of the Taxable Series 2014B Bonds as a Reportable Event under its Continuing Disclosure Undertaking. See "SECONDARY MARKET DISCLOSURE."

State and Local Considerations

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

APPROVAL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinions of Co-Bond Counsel, who have been retained by, and act as, Bond Counsel to the City. Except as noted below, Co-Bond Counsel have not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel have, at the request and for the benefit of the City, reviewed only those portions of the Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith) and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the City and did not include any obligation to establish or confirm factual matters set forth herein.

Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (ii) in connection with the preparation of this Official Statement, Duane Morris LLP, Chicago, Illinois, and Shanahan & Shanahan LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (iii) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Peck, Shaffer & Williams, a division of Dinsmore & Shohl LLP, Chicago, Illinois, Underwriters' Counsel.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act. The MSRB has designated its Electronic Municipal Market Access system, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events 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 Bonds or the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "— Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The following is a brief summary of certain provisions of the Undertaking of the City and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the City.

Annual Financial Information Disclosure

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to 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," "— Use of Long-Term Reserves," "— Capital Improvements Program," "— Property Taxes," "— General Obligation Debt," and "— Retirement Funds and Other Post-Employment Benefits — *Future Pension Contributions*," and in APPENDIX B — "FINANCIAL AND OTHER CITY INFORMATION," APPENDIX D — "ECONOMIC, DEMOGRAPHIC AND SUPPLEMENTAL INFORMATION" (except for the information in APPENDIX D under the headings "— Economy," "— Percentage of Total Non-Farm Employment by Major Industry Sector" and "— Housing Market," and information relating to population, per capita personal income employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA) and Tables 1-10 included in APPENDIX E — "RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS" (said tables collectively referred to as the "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago, and the City takes no responsibility for the accuracy and completeness of such information. If the information contained in the Third-Party Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available.

"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 within 30 days of availability to the City.

Reportable Events Disclosure

The City covenants that it will disseminate in a timely manner, not in excess of ten business days, to the MSRB the disclosure of the occurrence of a Reportable Event (defined below). Certain Reportable Events are required to be disclosed only to the extent that such Reportable Event is material, as materiality is interpreted under the Exchange Act. The "Reportable Events," certain of which may not be applicable to the Bonds, are:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, notices of proposed issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014A Bonds, or other material events affecting the tax status of the Series 2014A Bonds;

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

(h) bond 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 (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 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 Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under the Undertaking. The Undertaking provides that any court action must be initiated in the Circuit Court. A default under the Undertaking shall not be deemed a default under the Bonds or the Bond Ordinance, 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.

Except as noted in "—Corrective Action Related to Certain Bond Disclosure Requirements" below, the City is currently in compliance with undertakings previously entered into by it pursuant to the Rule.

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 Bonds, as determined by a party unaffiliated with the City (such as the Bond Registrar or co-bond counsel), or by approving vote of the owners of the Bonds at the time of the amendment or waiver; or

(b) the amendment or waiver is otherwise permitted by the Rule.

EMMA

All documents submitted to the MSRB through EMMA pursuant to the Undertaking shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule. All documents submitted to the MSRB through EMMA will be word-searchable PDFs, configured to permit documents to be saved, viewed, printed and electronically retransmitted.

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds.

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

The City is currently in compliance with respect to its undertakings to file Annual Financial Information and notices of Events relating to previously issued bonds and notes in accordance with the Rule.

With respect to the City's Collateralized Single Family Mortgage Revenue Bonds, Series 2006A (the "Series 2006A Bonds"), S&P lowered its rating on the Series 2006A Bonds from "AA+" to "AA" and placed the Series 2006A Bonds on "Credit Watch with negative implications" effective December 16, 2011. The City did not cause the trustee as dissemination agent to file a notice of an Event with EMMA at that time. Subsequently, S&P upgraded the rating on the Series 2006A Bonds from "AA" to "AA+" effective March 12, 2012. On March 18, 2012, S&P removed the "Credit Watch with negative implications" characterization from the Series 2006A Bonds. The City caused the trustee, as dissemination agent, for the Series 2006A Bonds to file a notice of an Event with EMMA on March 26, 2012 disclosing the downgrade and subsequent upgrade of the Series 2006A Bonds by S&P.

With respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011, American Airlines is an "obligated person" with respect to such bonds. On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States-based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York. The City filed a notice with EMMA with respect to this event on March 30, 2012.

With respect to the City's outstanding Motor Fuel Tax Revenue Bonds, the City's pledge of additional City revenues to the payment of such bonds (in addition to the pledge of motor fuel tax revenues) became effective as of March 19, 2013. The City filed a notice with EMMA describing the pledge of this additional source of revenue on May 16, 2013.

With respect to the City's outstanding Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, Simply Wheelz, LLC d/b/a Advantage Rent A Car ("Advantage") is an "obligated person" with respect to such bonds. Advantage filed a voluntary bankruptcy petition in the Southern District of Mississippi on November 5, 2013. The City filed a notice with EMMA with respect to this event on December 5, 2013.

MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the Bond Ordinance and the Undertaking 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 Chief Financial Officer of the City.

The Bonds 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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APPENDIX A

CITY OF CHICAGO

REAL PROPERTY TAX SYSTEM AND LIMITS

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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 2012. The suburbs in the northern and northwestern portions of the County were reassessed in 2013. The suburbs in the western and southern portions of the County are being reassessed in 2014. The City will next be reassessed in 2015.

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, wind turbines with a nameplate capacity of at least 0.5 megawatts 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 2002 through 2012 (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 Limit Considerations" 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, currently up to a maximum reduction of $7,000 in Cook County and $6,000 in all other counties. 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 $5,000. A recent amendment to this exemption requires senior citizens to reapply for it on an annual basis. There is also an exemption 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 additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by $2,000. 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. Each year applicants for the Senior Citizens Assessment Freeze Homestead Exemption must file the appropriate application and affidavit with the chief county assessment office.

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 General Homestead Exemption (AGHE). 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 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 General Homestead Exemption law enacted in 2004 was allowed to sunset. Later in 2007, Public Act 95-0644 was enacted, which extended the AGHE law for an additional three years, subject to certain revisions and adjustments to the prior law. On May 1, 2011, Public Act 96-1418 was enacted to extend the AGHE for three more years, and to reduce the maximum amount of the exemption. For tax years beginning in 2008, the maximum exemption for homeowners is as follows: For homeowners in the City, $20,000 for the 2008 and 2009 tax years (taxes paid in 2009 and 2010), $16,000 for the 2010 tax year (taxes paid in 2011) and $12,000 for the 2011 tax year (taxes paid in 2012); for homeowners in the northern and northwestern portions of the County, $26,000 for the 2008 tax year (taxes paid in 2009), $20,000 for the 2009 and 2010 tax years (taxes paid in 2010 and 2011), $16,000 for the 2011 tax year (taxes paid in 2012) and $12,000 for the 2012 tax year (taxes paid in 2013); and for homeowners in the western and southern portions of the County, $33,000 for the 2008 tax year (taxes paid in 2009), $26,000 for the 2009 tax year (taxes paid in 2010), $20,000 for the 2010 and 2011 tax years (taxes paid in 2011 and 2012), $16,000 for the 2012 tax year (taxes paid in 2013) and $12,000 for the 2013 tax year (taxes paid in 2014). In the year that a homeowner loses all of its 7% savings, a Sunset Exemption provides an additional one-time deduction of $5,000 off the equalized assessed value of a property for eligible homeowners.

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 (including qualifying not-for-profit hospitals), 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 Exemption 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, (iv) whose property has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) 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 for the tax years 2003 to 2012; the first installment penalty date has been March 2 for all years.

Second Installment

Tax Year	Penalty Date
2012	August 1, 2013
2011	November 1, 2012
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

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 interest 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 2013, collectible in 2014, the allowance for uncollectible taxes is about four percent of the estimated 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 Limit Considerations

State Legislation. As described above under "Real Property Assessment, Tax Levy and Collection Procedures — Exemptions," the Alternative Homestead Exemption was not extended for years after 2013.

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 "Chicago Property 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) 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.

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.

Pursuant to the Bond Ordinance, the taxes levied by the City for the payment of principal and interest on the Bonds is not subject to the limitations contained in the City Tax Limitation Ordinance.

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APPENDIX B

CITY OF CHICAGO

FINANCIAL AND OTHER 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 2002 – 2012
(Dollars in Thousands)

Tax Levy Year[2]	Assessed Value[1] 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
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	18,120.678	1,476,291	10.407,012	561,682	30,565.663	3.3000	82,087,170	1.016	231,986,396	35.38
2011	17,976.208	1,161,634	10.411.363	544.416	30,093.621	2.9706	75,122.914	1.110	222,856,064	33.71
2012[10]						2.8056	65.250.387	1.279		

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 2012 tax levy became due and payable in 2013
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 2012 information not available at time of publication

Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2003 – 2012[1]

(Dollars in Thousands)

Tax Levy Year[2]	Total Tax Levy for Fiscal Year[3,4]	Collections within Fiscal Year		Collections in Subsequent Years	Total Collections to Date		Estimated Allowance for Uncollectible Taxes	Net Outstanding Taxes Receivable
		Amount	Percentage of Levy		Total Tax Collections[5]	Percent of Total Tax Collections to Tax Levy		
2003	$719,695	$674,325	93.7%	$ 23,662	$697.987	97.0%	$21,708	
2004	719,780	694.214	96.4	7,362	701,576	97.5	18.204	-
2005	718,071	694.593	96.7	6,229	700.822	97.6	17,249	-
2006	719,230	630,666	87.7	60,814	691,480	96.1	27,750	-
2007	749,351	712,008	95.0	14,766	726,774	97.0	22,578	-
2008	834,152	776.522	93.1	35,904	812.426	97.4	21,726	
2009	834,109	700,579	84.0	113,171	813,750	97.6	19,993	$ 366
2010	834,089	790.141	94.7	31.159	821,300	98.5	12.533	256
2011	833.948	800,582	96.0	16,859	817.441	98.0	16,012	495
2012	834,636	790.213	94.7	-	790.213	94.7	33,385	11,038

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 2012 tax levy become due and payable in 2013
3 Does not include the levy for the Special Services Areas and net of collections for Tax Increment Financing Districts
4 Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund
5 Reflects tax collections through December 23.2013

Property Tax Rates By Fund Per $100 Of Equalized Assessed Valuation 2003-2012[1]

Tax Levy Year	Tax Extension (in thousands)[2,3]	Bond, Note Redemption and Interest[4]	Policemen's Annuity and Benefit	Municipal Employees' Annuity and Benefit	Firemen's Annuity and Benefit	Laborers' and Retirement Board Employees' Annuity and Benefit	Total
2003	$719,695	$0.831169	$0.230466	$0.218316	$0.100049	–	$1.380
2004	719.780	0.760676	0.216752	0.229048	0.095524	–	1.302
2005	718.071	0.696607	0.231467	0.231683	0.083243	–	1.243
2006	719.230	0.569261	0.194953	0.197399	0.099974	–	1.062
2007	749,351	0.588843	0.191548	0.174302	0.088581	–	1.044
2008	834,152	0.602842	0.172426	0.162182	0.080787	$0.011763	1.030
2009	834,109	0.570806	0.167552	0.153704	0.078184	0.015754	0.986
2010	834,089	0.588774	0.170734	0.161435	0.078352	0.016705	1.016
2011	833,948	0.645918	0.191381	0.169036	0.088014	0.015651	1.110
2012	834.636	0.743122	0.220459	0.197892	0.100313	0.017166	1.279

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 Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund
4 Includes rates from the Chicago Public Library Bond, Note Redemption and Interest Fund

Combined Property Tax Rates of the City and Other Major Governmental Units Per $100 of Equalized Assessed Valuation 2003-2012[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
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	1.016	0.116	-	2.581	0.151	0.319	0.274	0.051	0.423	4.931
2011	1.110	0.119	-	2.875	0.165	0.346	0.320	0.058	0.462	5.455
2012	1.279	0.146	-	3.422	0.190	0.395	0.370	0.063	0.531	6.396

[1] Source Cook County Clerk's Office

CITY OF CHICAGO
PROPERTY TAX SUPPORTED BONDED DEBT
Computation of Direct and Overlapping Bonded Debt
As of March 13, 2014

(Adjusted for the issuance and application of proceeds from the Bonds)
(Dollars in Thousands)

Direct Debt.

General Obligation Bonds and Notes[1]	$7,878,373
The Bonds	883,420
Short-Term Obligations[1]	(395,797)
Net Direct Long-Term Debt	$8,365,996

Overlapping Debt[2]	Net Direct Debt[3]	Percent Overlapping[4]	Debt Applicable
City Colleges of Chicago	$ 250,000	100.00%	$ 250,000
Board of Education	6,117,455[5]	100.00	6,117.455
Chicago Park District	826,190[5]	100 00	826,190
Metropolitan Water Reclamation District Of Greater Chicago	2,458,516	48.91	1,202,560
Cook County	3,578,905	47 92	1,714,876
Cook County Forest Preserve District	179,655	47 92	86,084
Total Overlapping Long-Term Debt			$ 10,197,165
Net Direct and Overlapping Long-Term Debt			$ 18,563,161

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[1] Includes outstanding General Obligation Commercial Paper Notes and lines of credit consisting of (dollars in thousands)

Amount	Series
$187,502	2002B
63,295	2002D
145,000	2013 line of credit

[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 $5,944,515,661 and $396,570,000 of general obligation bonds of the Board of Education 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 Chicago Park District

Selected Debt Statistics

Population (2010)	2,695,598[1]
Total Equalized Assessed Value (2012)	$65,250,387,267[2]
Total Estimated Fair Cash Value (2011)	$222,856,063,501[3]

Percent of Total

	Amount	Per Capita	Percent of Total Estimated Fair Cash Value
Net Direct Long-Term Debt	$ 8,365,996,160	$3,103	3.75%
Total Net Direct and Overlapping Long-Term Debt	$18,563,160,160	$6,886	8.33%

[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

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General Obligation Bonds
Debt Service Schedule[1,2]
As of March 13, 2014

(Adjusted for the issuance and application of proceeds from the Bonds)

	The Bonds			Paid from Property Tax Levy			Secured by Alternate Revenues[3]		General Obligation Without Levy[4]		Total	
Year	Principal	Interest	Capitalized Interest	Principal	Interest[5,6]	Capitalized Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014		$ 38,840,213	$ (38,840,213)	$ 51,634,425	$ 366,934,013	$(25,724,452)	$ 40,100,000	$ 28,080,796	$ 1,830,000	$ 23,169,234	$ 93,564,425	$ 392,459,591
2015		50,478,256	(29,497,478)	182,431,371	363 197,010		42,215,000	26,173,240	11,030,000	5,595,215	235,676,371	415,946,243
2016		50,478,256		193,716,761	355,649,531		46,220,000	24,032,432	11,135,000	4,949,545	251,071,761	435 109,764
2017	$ 2,735,000	50,478,256		207,891,948	347,481,009		52,665,000	21,712,085	11,245,000	4,298,205	274,536 948	423 969,554
2018	2,850,000	50,368,856		216,996,972	338 493,783		55,955,000	19,118,526	11,350,000	3,640,925	287,151 972	411,622,089
2019	3,700,000	50,254,856		224,228,700	328,815,025		59,215,000	16,258,775	9,100,000	2,977,975	296,243,700	398,306,631
2020	4 950,000	50,106,856		230,283 918	320,884,253		66,340,000	13,223,135	9,100,000	2,436 525	310,673,918	386,650,769
2021	5,075,000	49,859,356		240,557,240	310,729,801		58 870,000	9,852,726	9,100,000	1,895 075	313,602 240	372,336 958
2022	4,920,000	49,605,606		245,913 400	305,787,090		57,405,000	6,799,766	9,100,000	1,353,625	317,338 400	363,546,087
2021	5,125,000	49,359,606		256,143,320	295,570,819		38 295,000	3,815,148	9,100,000	812,175	308,663,320	349,557,748
2024	5 000,000	49,109,606		269,602,012	284,424,580		20,760,000	1,907,452	9,100,000	270,725	304,462,012	335 712,362
2025	4 000,000	48,859,606		275,578,971	272,815,900		6,945,000	864,187			286,523,971	322,539 693
2026	10,675,000	48,659,606		276,196,163	260,861,766		7,665,000	511,912			294,536,163	310,033,284
2027	23,055,000	48,125,856		282,909 720	242,296,217		675,000	120,154			306,639,720	290,542,226
2028	30,270,000	46,915,468		283,084,806	236,123,167		715,000	83,947			314,069,806	283,122,582
2029	40,660,000	45,326,293		289 649 515	220,752,864		550,000	45,594			331,159,515	266,124 751
2030	15 425,000	43,200,918		327,232,520	210,526,136						342,657 520	253,727,054
2031	42,615,000	42,391,106		317,928,596	193,450,233						360,543,596	235,841,338
2032	44 875,000	40,153,818		349,048,762	162,305,402						393,923,762	202,459,220
2033	49 700,000	37,797,881		322,976,194	144,166,596						372,676 194	181,964,477
2034	69,000,000	35,312,881		251,437,377	127,168,524						320,437,377	162,481,405
2035	68 000,000	31,862,881		222,017,607	113,270,501						290,017,607	145,133,381
2036	37,770,000	28,462,881		204,386,559	101,770,466						242,156,559	130,233,346
2037	50,625,000	26,078,083		186,007 925	90,971,910						236,632,925	117,049,993
2038	57,670,000	22,881,620		192,161,380	80,977,912						249,831,380	103,859,532
2039	28 255,000	19,240,337		230,525,000	40,501,831						258,780,000	59,742,168
2040	32,255 000	17,456,316		241,285 000	27,525,320						273 540,000	44,981,635
2041	34,300,000	15,419,735		254,670,000	14,137,846						288,970,000	29,557,581
2042	101 745,000	13,254,033									101,745,000	13,254 033
2043	108,170,000	6,829,854									108,170,000	6,829,854
Total	$883,420,000	$1,157,168,889	$(68,337 691)	$6,826,496,160	$6 157 589,505	$(25 724,452)	$554,890,000	$172,599 875	$101,190 000	$ 51,399,224	$8 365,996,160	$7,444,695,350

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 2010 A (Modern Schools Across Chicago Program) (Tax-Exempt) and the General Obligation Bonds Taxable Series 2010B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) on June 1 and December 1 of that year

2 Excludes debt service on commercial paper and lines of credit See APPENDIX B – "Financial and Other Information – Property Tax Supported Bonded Debt · Computation of Direct and Overlapping Bonded Debt – Note (2)"

3 An ad valorem property tax levy is filed in an amount sufficient to pay debt service on bonds secured by alternative revenues When sufficient revenues have accumulated to pay annual debt service on alternate revenue bonds, the property tax levy is abated Bonds secured by alternate revenues include the General Obligation (Modern Schools Across Chicago Program) Bonds and the General Obligation (Emergency Telephone System) Bonds

4 General obligation bonds without levy are payable from legally available funds of the City and for which a property tax levy not has been established General obligation bonds without levy include the General Obligation Buildings Acquisition Certificates (Limited Tax) Bonds and the MRL Financing LLC Note

5 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), the General Obligation Bonds, Taxable Series 2010B (Modern Schools Across Chicago Program) (Build America Bonds – Direct Payment) and the General Obligation Bonds Taxable Project Series 2010B (Build America Bonds – Direct Payment) without adjustment for Subsidy Payments to be received by the City

6 The City has entered into interest rate hedge agreements which require 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 $192 765 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

Note May not total due to rounding

PROPERTY TAX LEVIES BY FUND
For Fiscal Years Ended 2008 – 2012[1,2]
(Dollars in Thousands)

	2008	2009	Change	2010	Change	2011	Change	2012	Change
Note Redemption and Interest[3]	$73,363	$73,363	0.00%	$ 73,377	0 02%	$ 73,377	0.00%	$ 73,481	0 14%
Bond Redemption and Interest	414,853	409.512	(1.29)	409,979	0 11	411,905	0 47	411,489	0.10
Policemen's Annuity and Benefit[4]	139,640	141.741	1.50	140,165	(1.11)	143,785	2.58	143,865	0 06
Municipal Employees' Annuity and Benefit[4]	131,344	130.026	(1.00)	132,531	1.93	126.997	(4.18)	129,138	1 69
Firemen's Annuity and Benefit[4]	65,426	66,140	1.09	64,323	(2.75)	66,125	2.80	65,461	(1 00)
Laborers' and Retirement Board Employees' Annuity and Benefit[4]	9,526	13,327	39 90	13,714	2.90	11,759	(14 26)	11,202	(4 74)
Total	$834.152	$834,109	(0 01)%	$834,089	(0.00)%	$833,948	(0 02)%	$834,636	0 08%

[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 2003-2012 " 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[1]
For Fiscal Years Ended 2008-2012[2]
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Revenues:					
Utility Tax	$ 524,842	$ 481,275	$ 467,411	$ 467,630	$ 462,475
Sales Tax	518,131	476,557	495,842	536,281	572,185
State Income Tax	378,545	251,820	282,011	236,521	282,779
Other Taxes	637,923	572,472	590,575	618,385	694,383
Federal/State Grants	2,347	1,714	1,735	1,294	1,074
Other Revenues[3]	813,983	777,788	773,278	921,056	907,760
Total Revenues	2,875,771	2,561,626	2,610,852	2,781,166	2,920,656
Expenditures:					
Current:					
Public Safety	1,856,634	1,862,914	1,828,984	1,895,404	1,956,152
General Government	889,266	857,626	903,890	863,622	864,556
Other[4]	356,066	288,559	296,063	278,561	258,501
Debt Service	5,318	4,978	5,004	2,849	2,160
Total Expenditures	3,107,284	3,014,077	3,033,941	3,040,436	3,081,369
Revenues Under Expenditures	(231,513)	(452,451)	(423,089)	(259,270)	(160,713)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	164,000	58,500	16,500	95,000	55,000
Transfers In	94,058	416,135	502,502	372,744	31,617
Transfers Out	(25,193)	(17,463)	(13,600)	(14,357)	(26,965)
Total Other Financing Sources (Uses)	232,865	457,172	505,402	453,387	59,652
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,352	4,721	82,313	194,117	(101,061)
Fund Balance – Beginning of Year	44,307	48,443	54,706	135,541	335,533
Change in Inventory	2,784	1,542	(1,478)	5,875	(3,170)
Fund Balance – End of Year	$48,443	$ 54,706	$ 135,541	$ 335,533	$ 232,096

[1] The General Fund is the chief operating fund of the City. It is comprised of the Corporate Fund as well as other non-major operating funds where fund balance is not restricted or committed as defined by the Government Accounting Standards Board (GASB).

[2] Source: Table 6 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012. The City's CAFR for the year ended December 31, 2012 is available upon request from the Office of the City Comptroller.

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

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

Special Revenue Funds
For Fiscal Years Ended 2008 – 2012[1]
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Revenues:					
Property Tax	$ 326.334	$ 334.792	$ 316,618	$ 373,163	$ 350,408
Utility Tax	82.373	75,688	72,201	83.317	63,883
Sales Tax	-	-	-	-	-
State Income Tax	56,848	95,994	103.657	108.153	108,506
Other Taxes	554,096	572.651	588.717	217,188	607,135
Federal/State Grants	794,564	751,555	814,144	974,757	876,790
Other Revenues[2]	120,401	131,295	121.017	105,705	149,956
Total Revenues	1.934.616	1.961.975	2,016,354	1,862,283	2,156,678
Expenditures:					
Current:					
Public Safety	35.518	50,797	80,744	88,908	119,807
General Government	915,659	799,236	882,553	1,193,781	941,885
Employee Pensions	413,690	430,915	435.432	481,407	458,951
Other[3]	677,990	566,612	521.876	522,377	725,578
Capital Outlay	4,360	3,357	4,903	2.964	5,259
Debt Service	5,628	3.632	3,898	2,533	723
Total Expenditures	2,052,845	1,854.549	1.929,406	2,291,970	2.252,203
Revenues Under Expenditures	(118,229)	107,426	86,948	(429,687)	(95,525)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/ Including Premium	163,628	72,925	88.018	72,925	70,541
Transfers In	155,637	185,358	94,424	149,574	76,640
Transfers Out	(48,604)	(1,746,126)	(65.807)	(380,543)	(56,622)
Total Other Financing Sources (Uses)	270,661	(1.487,843)	116,635	(158,044)	90,559
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	152,432	(1,380.417)	203,583	(587,731)	(4,966)
Fund Balance – Beginning of Year	883.097	1,035,529	(344.888)	(141,305)	(729,036)
Fund Balance – End of Year	$1.035.529	$(344,888)	$(141.305)	$(729,036)	$(734,002)

[1] Source Table 7 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012 The City's CAFR for the year ended December 31, 2012 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[1]
For Fiscal Years Ended 2008 - 2012[2]
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Revenues:					
Property Tax	$403,489	$471,218	$ 437,463	$ 515,368	$590,990
Utility Tax	22,282	22,138	22,324	13,289	22,324
Sales Tax	30,440	27,395	31,162	26,875	22,105
Other Taxes	220,220	131,993	129,566	146,126	18,717
Other Revenues[3]	6,562	38,720	61,004	44,101	53,340
Total Revenues	682,993	691,464	681,519	745,759	707,476
Expenditures:					
Debt Service	1,022,156	777,725	747,061	613,048	799,833
Total Expenditures	1,022,156	777,725	747,061	613,048	799,833
Revenues Over (Under) Expenditures	(339,163)	(86,261)	(65,542)	132,711	(92,357)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	405,311	340,324	560,524	580,015	337,410
Payment to Refunded Bond Escrow Agent	(186,421)	(213,435)	(412,184)	(476,787)	(268,397)
Transfers In	33,186	684,277	44,185	47,134	47,322
Transfers Out	(141,498)	(81,291)	(110,049)	(176,285)	(83,359)
Total Other Financing Sources (Uses)	110,578	729,875	82,476	(25,923)	32,976
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(228,585)	643,614	16,934	106,788	(59,381)
Fund Balance - Beginning of Year	(8,911)	(237,496)	406,118	423,052	529,840
Fund Balance - End of Year	$ (237,496)	$406,118	$423,052	$ 529,840	$ 470,459

[1] The Debt Service Funds - are comprised of the Bond, Note Redemption and Interest Fund and the Debt Service Fund - Special Taxing Areas for General Obligation and Tax Increment Financing

[2] Source: Table 8 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012. The City's CAFR for the year ended December 31, 2012 is available upon request from the Office of the City Comptroller

[3] Includes Investment Income and Miscellaneous Revenues

Capital Projects Funds[1]
For Fiscal Years Ended 2008-2012[2]
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Revenues:					
Other Revenues[3]	$ 44.464	$ 18,240	$ 43,135	$ 16,243	$ 11,343
Total Revenues	44,464	18,240	43,135	16,243	11,343
Expenditures					
Capital Outlay	657,104	615,916	624.007	467,249	430,341
Total Expenditures	657.104	615.916	624,007	467,249	430,341
Revenues Under Expenditures	(612,640)	(597,676)	(580,872)	(451,006)	(418,998)
Other Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	62,493	529,553	769,348	464,386	295,606
Transfers In	10,567	16,334	6,296	2,759	22,843
Transfers Out	(96)	(3.734)	(99)	(25)	(11.804)
Total Other Financing Sources (Uses)	72,964	542,153	775,545	467,120	306,645
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(539,676)	(55,523)	194,673	16,114	(112,353)
Fund Balance – Beginning of Year	983,823	444,147	388,624	583,297	599,411
Fund Balance – End of Year	$ 444,147	$ 388,624	$ 583,297	$ 599,411	$ 487,058

[1] The Capital Projects Funds are comprised of the Community Development and Improvement Projects Fund and the Non Major Capital Projects Fund

[2] Source Table 9 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2012 The City's CAFR for the year ended December 31, 2012 is available upon request from the Office of the City Comptroller

[3] 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, 2012[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	$ 350,408	$ 103,276	$ -	$ 453,684
Utility Tax	63,883	-	-	63,883
Sales Tax	-	-	-	-
Transportation Tax	177,019	-	-	177,019
State Income Tax	108,506	-	-	108,506
Transaction Tax	40,846	-	-	40,846
Special Area Tax	-	-	-	-
Other Taxes	18,816	-	-	18,816
Federal/State Grants	-	-	-	-
Internal Service	16,361	-	-	16,361
Fines	15,711	-	-	15,711
Investment Income	2,814	36	776	3,626
Charges for Services	37,297	-	-	37,297
Miscellaneous	21,433	991	1,333	23,757
Total Revenues	853,094	104,303	2,109	959,506
EXPENDITURES				
Current:				
General Government	244,116	-	-	244,116
Health	1,600	-	-	1,600
Public Safety	6,424	-	-	6,424
Streets and Sanitation	49,919	-	-	49,919
Transportation	68,224	-	-	68,224
Cultural and Recreational	77,738	-	-	77,738
Employee Pensions	458,951	-	-	458,951
Other	924	-	-	924
Capital Outlay	-	-	90,429	90,429
Debt Service:				
Principal Retirement	-	43,025	-	43,025
Interest and Other Fiscal Charges	720	29,136	-	29,856
Total Expenditures	908,616	72,161	90,429	1,071,206
Revenues Over (Under) Expenditures	(55,522)	32,142	(88,320)	(111,700)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	70,541	-	51,874	122,415
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	7,965	47,322	19,000	74,287
Transfers Out	-	(73,254)	(9,482)	(82,736)
Total Other Financing Sources (Uses)	78,506	(25,932)	61,392	113,966
Net Change in Fund Balances	22,984	6,210	(26,928)	2,266
Fund Balance – Beginning of Year	81,749	117,530	113,576	312,855
Fund Balance – End of Year	$ 104,733	$ 123,740	$ 86,648	$ 315,121

[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, 2012 The City's CAFR for the year ended December 31, 2012 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, 2012 included as APPENDIX C hereto

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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Deloitte.

City of Chicago

Basic Financial Statements
for the Year Ended December 31, 2012

Rahm Emanuel, Mayor

Lois Scott, Chief Financial Officer
Amer Ahmad, City Comptroller

CITY OF CHICAGO, ILLINOIS
YEAR ENDED DECEMBER 31, 2012
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 statements were audited by other auditors whose reports 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 financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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, 2012, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Other Postemployment Benefits Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

Chicago, Illinois
June 29, 2013

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage the readers to consider the information presented here in conjunction with information contained within this report.

2012 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 $3,828.3 million (*net deficit*). Of this amount, $8,891.6 million is an unrestricted deficit, while $2,172.3 million is net investment in capital assets and $2,891.0 million is restricted for specific purposes.
- The City's total assets increased by $631.7 million. The increase primarily relates to a $1,004.0 million increase in capital assets as a result of the City's capital improvement program, offset by a $319.7 million decrease in cash and cash equivalents and investments primarily as a result of the City's financing of its operations.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2012 were $6,751.5 million, a decrease of $889.7 million (11.6 percent) from 2011 due to a decrease in the amount of bonds issued.
- The General Fund, also in the fund financial statements, ended 2012 with a total Fund Balance of $231.3 million. Total Fund Balance decreased from 2011 primarily because Revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by $101.1 million. Fund Balance at December 31, 2012 of $177.0 million was assigned. Unassigned Fund Balance was $33.4 million at December 31, 2012.
- The City's general obligation bonds and notes outstanding increased by $234.1 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 Basic 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 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 position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 19 individual governmental funds. Information for the six 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 six major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession and 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 position and a statement of changes in fiduciary net position. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund basic 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 for a full understanding of data provided in the government–wide and fund basic financial statements. The notes to the basic financial statements can be found immediately following the fiduciary fund basic financial statements.

Financial Analysis of the City as a whole

Net Position. As noted earlier, net position 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 $3,828.2 million at December 31, 2012.

A large portion of the City's net position, $2,172.3 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 Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and other assets	$ 5,789.0	$ 6,125.2	$ 4,444 1	$ 4,480.3	$ 10,233.1	$ 10,605 5
Capital assets	7,869.7	7,579 9	12,515 5	11,801 2	20,385.2	19,381 1
Total Assets	13,658 7	13,705.1	16,959 6	16,281 5	30,618 3	29,986 6
Deferred outflows	224 2	236 0	253 1	255.1	477 3	491 1
Total	13,882.9	13,941 1	17,212 7	16,536 6	31,095 6	30,477.7
Long-term liabilities outstanding	16,863 2	15,212.4	12,496.0	11,827 3	29,359.2	27,039.7
Other liabilities	1,245.8	1,484.0	1,018.4	1,223.6	2,264.2	2,707.6
Total Liabilities	18,109.0	16,696 4	13,514.4	13,050 9	31,623.4	29,747.3
Deferred Inflows	1,618.4	1,639.4	1,682.1	1,700.6	3,300 5	3,340 0
Net Position:						
Net investment in capital assets	(216.0)	(299.9)	2,388.3	2,451.8	2,172 3	2,151 9
Restricted	1,908.5	1,596.4	982.5	874.8	2,891 0	2,471.3
Unrestricted	(7,537.0)	(5,691.2)	(1,354 6)	(1,541.5)	(8,891.6)	(7,232.7)
Total net (deficit) position	$ (5,844 5)	$ (4,394.7)	$ 2,016 2	$ 1,785.1	$ (3,828 3)	$ (2,609 5)

An additional portion of the City's net position ($2,891.0 million) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities. Net position of the City's governmental activities decreased $1,449.8 million to a deficit of $5,844.5 million. However, a significant portion of net position is either restricted as to the purpose they can be used for or they are net investment in capital assets (buildings, roads, bridges, etc.) Consequently, unrestricted net position showed a $7,537.0 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 ($888.6 million) and Municipal employees, Policemen's and Firemen's net pension obligation and post-employment benefits ($6,364.9 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,618.4 million will be amortized into income over the life of the concession service agreements.

Revenues for all governmental activities in 2012 were $5,554.5 million, with over half of the City's revenue derived from taxes. Total tax receipts decreased slightly. Total tax revenue includes a decrease in property taxes received of $38 5 million (4.1 percent). Other taxes decreased by $115.8 million (5.3 percent) as a result of decreases 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 2012 were $7,004.3 million. This reflects an increase of $195.5 million (2.9 percent) over 2011. Public Safety accounted for approximately 41.5 percent of total expenses.

The cost of all governmental activities was $7,004.3 million The amount that taxpayers paid for these activities through City taxes was only $2,963.7 million. Some of the cost was paid by those who directly benefited from the programs ($750.2 million), or by other governments and organizations that subsidized certain programs with grants and contributions ($920.8 million).

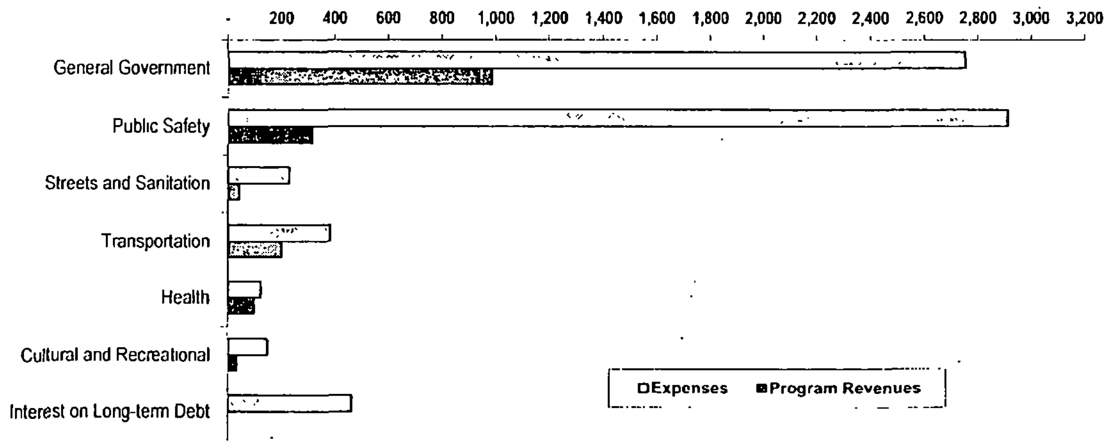
The City paid $919.8 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net position of business-types activities was $2,016.2 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer, tollway, and airports activities.

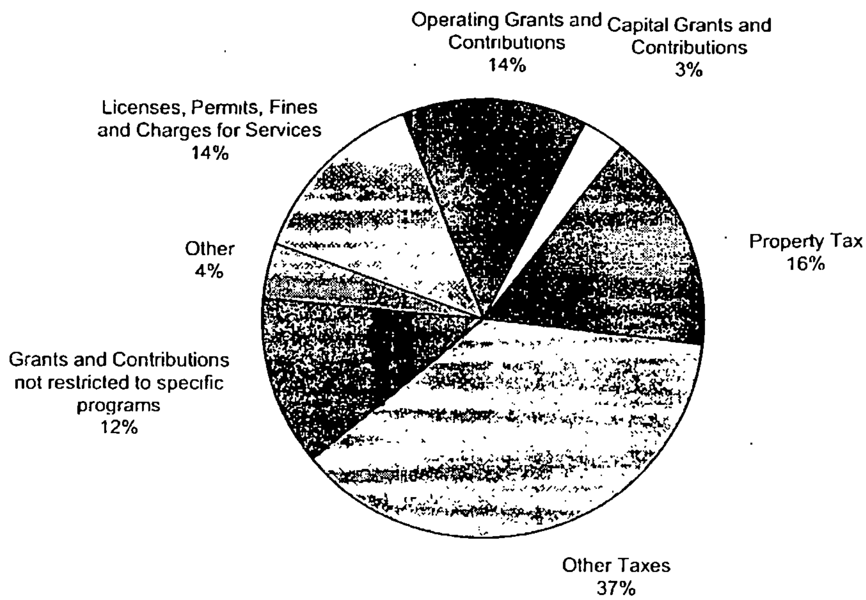
City of Chicago, Illinois
Changes in Net Position
Years Ended December 31,
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Licenses, Permits, Fines and						
Charges for Services	$ 750.2	$ 680.9	$ 1,889.1	$ 1,494.3	$ 2,639.3	$ 2,175 2
Operating Grants and Contributions	748.3	788.8	-	-	748.3	788.8
Capital Grants and Contributions	172.5	282 0	83.2	257 4	255.7	539.4
General Revenues:						
Property Taxes	896 3	934.8	-	-	896 3	934.8
Other Taxes	2,067.4	2,183.2	-	-	2,067 4	2,183.2
Grants and Contributions not						
Restricted to Specific Programs	692 2	598.4	-	-	692.2	598 4
Other	227.6	240 3	64.0	83.2	291 6	323.5
Total Revenues	5,554.5	5,708.4	2,036 3	1,834.9	7,590.8	7,543.3
Expenses:						
General Government	2,751.9	2,734 4	-	-	2,751.9	2,734.4
Public Safety	2,910 2	2,689.4	-	-	2,910.2	2,689.4
Streets and Sanitation	228 6	245.9	-	-	228 6	245.9
Transportation	383.5	410.8	-	-	383 5	410.8
Health	123.1	151.2	-	-	123.1	151 2
Cultural and Recreational	146.3	102.8	-	-	146.3	102 8
Interest on Long-term Debt	460.7	474 3	-	-	460.7	474 3
Water	-	-	417 5	416 3	417 5	416 3
Sewer	-	-	195 9	194.8	195 9	194.8
Midway International Airport	-	-	225.9	218.1	225.9	218.1
Chicago-O'Hare International Airport	-	-	955.3	879.3	955.3	879 3
Chicago Skyway	-	-	10.6	10.9	10.6	10 9
Total Expenses	7,004.3	6,808.8	1,805.2	1,719.4	8,809 5	8,528 2
Change in Net Position Before Transfers	(1,449 8)	(1,100.4)	231.1	115.5	(1,218.7)	(984.9)
Special Item				(53.9)		
Transfers	-	1.0	-	(1.0)	-	-
Change in Net Position	(1,449 8)	(1,099.4)	231.1	60 6	(1,218.7)	(1,038.8)
Net (Deficit) Position, Beginning of Year	(4,394.7)	(3,295.3)	1,785 1	1,724 5	(2,609.6)	(1,570 8)
Net (Deficit) Position, End of Year	$ (5,844 5)	$ (4,394.7)	$ 2,016.2	$ 1,785 1	$ (3,828 3)	$ (2,609.6)

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 $231.1 million in 2012 mostly from an increase in the charges for services and rental income revenues. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenue increased by $122.1 million (26.9%) from 2011 due to a 25% increase in water rates and increase in usage resulting from a drought summer in 2012. Operating expenses before depreciation and amortization for the year ended 2012 increased by $7.3 million (2.6%) from the year ended 2011 due to an increase in central services and General Fund reimbursements, increase in power and pumping and increase in administrative and general offset by a decrease in purification resulting from a decrease in costs of sediment disposals.

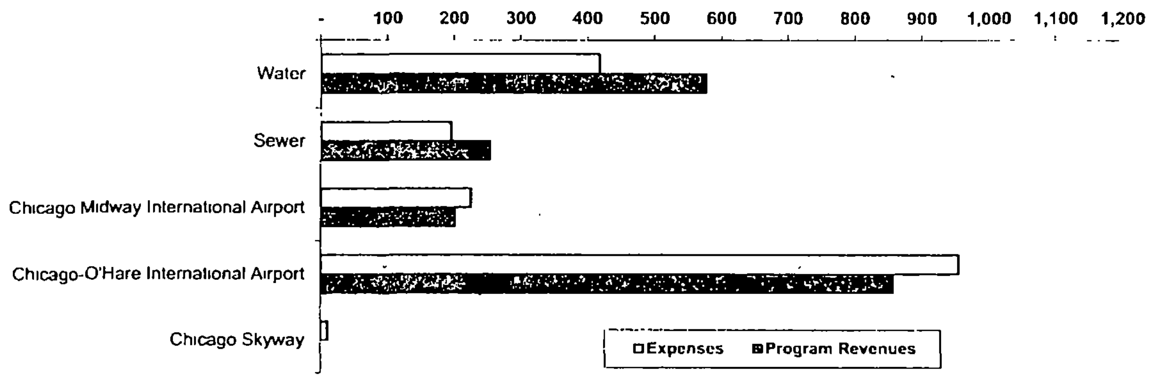
- The Sewer Fund's operating revenue increased in 2012 by $50.6 million (24.9%) primarily due to an increase in water and sewer rates. Operating expenses before depreciation and amortization for 2012 remained consistent with 2011. Depreciation and amortization increased slightly due to an increase in utility plant.

- Chicago Midway International Airport Fund's operating revenues for 2012 increased by $0.462 million (0.3%) from 2011 primarily due to increased other rentals and fueling fees, offset by decreased landings fees and terminal area use charges. Concessions increased by $1.8 million primarily due to an increase in auto parking, restaurants, and auto rental offset by a decrease in other concessions. Operating expenses before depreciation and amortization increased by $4.2 million (3.8%) million primarily due to an increase in salary and wages, adjustments to a capital lease and an increase in provision for doubtful accounts, offset by a decrease in repairs and maintenance expenses.

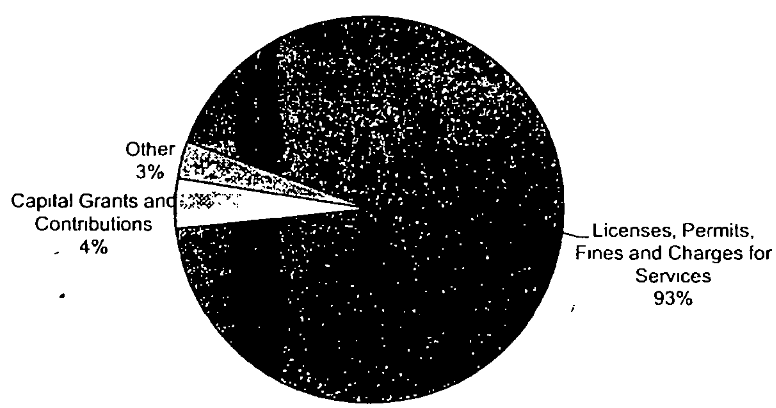
- Chicago O'Hare International Airport Fund's operating revenues for 2012 increased by $23.2 million (3.3%) compared to 2011 primarily due to an increased terminal rental and usage charges. Operating expenses before depreciation and amortization increased by $19.1 million (4.4%) primarily due to an increase in salaries and wages, employee benefits, professional and engineering services and capital asset impairment, offset by a decrease in repairs and maintenance expense.

- 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, *unassigned 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, 2012, the City's governmental funds reported combined ending fund balances of $1,593.4 million, a decrease of $262.6 million in comparison with the prior year. Of this total amount $882.1 million was committed to specific expenditures, $177.0 million was assigned to anticipated uses, a deficit of $1,819.5 million was unassigned, $2,332.9 million was of restricted in use by legislation, and $20.9 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $33.4 million with a total fund balance of $231.3 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 7.5 percent of total General Fund expenditures. The fund balance of the City's General Fund decreased by approximately $104.2 million during the current fiscal year.

The Federal, State and Local Grants Fund has a total deficit fund balance of $206.1 million. This is $84.4 million lower than 2011 primarily due to slower reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of $1,499.4 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from non-business type long-term concession and lease transactions and has $624.9 million committed to specific expenditures. The unassigned amount of $1,618.4 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund balance of $346.7 million. This is $65.6 million lower than 2011.

The Community Development and Improvement Projects Fund has a total fund balance of $400.4 million. This is $85.4 million lower than 2011 due to increase capital improvement efforts.

Changes in fund balance. The fund balance for the City's governmental funds decreased by $262.6 million in 2012. This includes an decrease in inventory of $3.2 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 position 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 $1,354.6 million. The unrestricted net position deficit decreased by $186.9 million due to an increase in the unrestricted net position in Chicago O'Hare International Airport, Chicago Midway International Airport, Water, and Sewer Funds. 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 2012 Original General Fund Budget was $3,104.3 million. This budget reflects a decrease of $159.4 million (4.9 percent) over the 2011 Budget. The City's 2012 General Fund Budget was approved by the City Council on November 16, 2011. The General Fund revenues on a budgetary basis were $27.4 million less than the final budget as a result of lower transfers in and lower than expected use of budgeted prior years' surplus, offset by higher than expected taxes. Expenditures were $27.4 million more than budgeted as a result of unfavorable variances in public safety, primarily as a result of higher than expected 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 2012 ended the current fiscal year with an unassigned fund balance of $33.4 million.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of December 31, 2012 amount to $20,385.2 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 continues its commitment to sustainable design in new construction projects utilizing the Leadership in Energy & Environmental Design (LEED) strategy. Completed construction in 2012 included a new fire house for Engine Company 16 totaling $16.8 million, Police District 12 totaling $3.4 million and the Grand Crossing Reading Garden totaling $0.6 million
- During 2012 the City completed $116.4 million in bridge and viaduct reconstruction projects, $90.3 million street construction projects and $3 5 million in street lighting projects. At year end, Infrastructure projects still in process had expenses totaling nearly $606 8 million.
- At the end of 2012 the Water Fund had $2,861.3 million invested in utility plant, net of accumulated depreciation. During 2012, the Water Fund expended $318.9 million on capital activities. This included $2.2 million for structures and improvements, $133.9 million for distribution plant, $5.8 million for equipment, and $177.2 million for construction in progress.
  During 2012, net completed projects totaling $63.7 million were transferred from construction in progress to applicable capital accounts. The major completed projects were related to installation and replacements of water mains ($63.4 million). The 2012 Water Main Replacement Program completed 79.7 miles of water mains of which approximately 31.0 miles were completed by in-house crews.
- At the end of 2012, the Sewer Fund totaled capital assets of $1,671.3 million. During 2012, the Sewer Fund had capital additions being depreciated of $246.6 million, and completed projects totaling $79.2 million were transferred from construction in progress to applicable facilities and structures capital accounts. The 2012 Sewer Main Replacement Program completed 17.4 miles of sewer mains and 51.4 miles of relining of existing sewer mains at a cost of $246.6 million.
- At the end of 2012, Chicago-Midway International Airport totaled $1,167.3 million, invested in net capital assets. During 2011, the Airport had additions of $64.8 million related to capital activities. This included $3.4 million for land acquisition and the balance of $61.4 million for construction projects relating to terminal improvements, parking and roadway enhancements, and runway improvements.
- At the end of 2012 Chicago-O'Hare International Airport totaled $6.5 billion, invested in net capital assets. During 2012, the Airport had additions of $476.5 million related to capital activities. This included $8.6 million for land acquisition and the balance of $467.9 million for terminal improvements, road and sidewalk enhancement, runway and taxiway improvements, along with general parking enhancements. During 2012, completed projects totaling $314.8 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway improvements, heating and refrigeration, road and sidewalk enhancements, electrical, water drainage, fuel system enhancements and terminal improvements.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 1,404.5	$ 1,401.0	$ 1,024.7	$ 1,012.6	$ 2,429.2	$ 2,413 6
Works of Art and Historical Collections	13.2	13.1	-	-	13.2	13 1
Construction in Progress	644.3	466.3	1,548 3	1,310 4	2,192.6	1,776 7
Buildings and Other Improvements	1,677.7	1,699.0	9,618 2	9,141.0	11,295.9	10,840.0
Machinery and Equipment	255 6	313.6	324.3	337.3	579.9	650.9
Infrastructure	3,874 4	3,686.9	-	-	3,874.4	3,686.9
Total	$ 7,869.7	$ 7,579 9	$ 12,515.5	$ 11,801.3	$ 20,385.2	$ 19,381.2

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

Debt. At the end of the current fiscal year, the City had $7,315.4 million in General Obligation Bonds and $696.4 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $193.0 million in Motor Fuel Tax Revenue Bonds; $577.3 million of Sales Tax Revenue Bonds; $112.2 million in Tax Increment Financing Bonds; and $11,967.8 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 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	
	2012	2011	2012	2011	2012	2011
General Obligation	$ 8,011.8	$ 7,777 7	$	$	$ 8,011 8	$ 7,777.7
Installment Purchase Agreement	-	-	-	-	-	-
Tax Increment	112.2	131.6	-	-	112 2	131.6
Revenue Bonds	770 3	776 0	11,967.8	11,715.0	12,738 1	12,491 0
Total	$ 8,894.3	$ 8,685.3	$ 11,967.8	$ 11,715 0	$ 20,862.1	$ 20,400 3

During 2012, the City issued the following:

General Obligation Bonds:

- General Obligation Bonds, Project Series 2012A, Taxable Project Series 2012B, and Refunding Series 2012C ($594.9 million)
- General Obligation Commercial Paper Notes ($133.8 million)

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2012A (Alternative Minimum Tax - AMT), Series 2012B (AMT) and Series 2012C (Non-AMT) ($728.9 million)
- Chicago-O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (Non-AMT) and 2012B (AMT) ($452.1 million)
- Chicago-O'Hare International Airport General Commercial Paper Notes ($50.6 million)
- Second Lien Water Revenue Bonds, Project Series 2012 ($399.4 million)
- Second Lien Wastewater Transmission Revenue Bonds, Project and Refunding Series 2012 ($276.5 million)

At December 31, 2012 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poor's	Fitch
General Obligation:			
City	Aa3	A+	AA-
Revenue Bonds:			
O'Hare Airport:			
First Lien General Airport Revenue Bonds	A2	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-	NR
Junior Lien	Aa3	A+	AA
Sales Tax	Aa3	AAA	AA-
Motor Fuel Tax	Aa3	AA+	A-

In 2012, the City closed and extinguished the First and Second General Airport Revenue (GAR) bonds. The third Lien bonds became the First Lien bonds.

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the local, national, and global economies. Throughout 2012, the local and national economies experienced moderate growth, continuing the recovery from the economic downturn. The strong commercial real estate market seen throughout 2011 continued into 2012, and 2012 also saw the housing market join in this recovery. Home sales increased by 22 percent over 2011, and home prices, which had been slower to recover, ticked up 5.7 percent over 2011. Nationwide, retail sales grew 5 percent over 2011 in 2012, and consumer confidence surged during the holiday season. The average national unemployment rate decreased from 8.9 percent in 2011 to 8.1 percent in 2012, and Chicago's unemployment rate fell from 11.3 percent in 2011 to 10.1 percent in 2012. Tourism and business and convention travel to Chicago reached near-record levels in 2012, with 46.2 million visitors to the City, an increase of 6 percent over 2011. This growth was evident in local hotel occupancy, which was up 4 percent in 2012 from 2011, and revenue per available room, which was up 10 percent in 2012 from 2011.

The City's 2013 General Fund budget, totaling $3,159 million, was approved by a 46 to 3 vote of City Council on November 15, 2012. The 2013 budget balanced a preliminary budget shortfall of $369 million by cutting spending and increasing efficiencies without raising any taxes or introducing any new fees. The 2013 Corporate Fund shortfall was the smallest preliminary budget deficit since the recession, demonstrating the progress and reforms made in the 2012 budget and throughout the year. The 2013 budget built on that progress, investing in youth, public safety, and critical infrastructure while continuing to phase out the heavy reliance on nonrecurring revenue sources, including funds from the City's asset concession reserves, seen prior to 2012. In 2012, the City returned $20 million to its long-term reserves, and the 2013 budget commits an additional $15 million to those reserves.

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.

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Exhibit 1
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
December 31, 2012
(Amounts are in Thousands of Dollars)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 729,095	$ 152,999	$ 882,094
Investments	1,626,647	170,373	1,797,020
Cash and Investments with Escrow Agent	499,754	-	499,754
Receivables (Net of Allowances):			
Property Tax	1,258,648	-	1,258,648
Accounts	929,230	336,613	1,265,843
Internal Balances	(35,190)	35,190	-
Inventories	20,885	18,819	39,704
Restricted Assets:			
Cash and Cash Equivalents	4,495	997,524	1,002,019
Investments	622,628	2,218,063	2,840,691
Other Assets	132,814	514,477	647,291
Capital Assets:			
Land, Art, and Construction in Progress	2,062,009	2,572,971	4,634,980
Other Capital Assets, Net of Accumulated Depreciation	5,807,660	9,942,547	15,750,207
Total Capital Assets	7,869,669	12,515,518	20,385,187
Total Assets	13,658,675	16,959,576	30,618,251
Deferred Outflows	224,236	253,120	477,356
Total Assets and Deferred Outflows	$ 13,882,911	$ 17,212,696	$ 31,095,607
LIABILITIES AND DEFERRED INFLOWS			
Voucher Warrants Payable	$ 601,946	$ 420,261	$ 1,022,207
Short-term Debt	672	-	672
Accrued Interest	210,413	236,915	447,328
Accrued and Other Liabilities	335,930	177,937	513,867
Unearned Revenue	96,867	183,206	280,073
Long-term Liabilities:			
Due Within One Year	280,720	215,231	495,951
Derivative Instrument Liability	255,376	253,120	508,496
Due in More Than One Year	16,327,129	12,027,650	28,354,779
Total Liabilities	18,109,053	13,514,320	31,623,373
Deferred Inflows	1,618,360	1,682,121	3,300,481
NET POSITION			
Net Investment in Capital Assets	(215,961)	2,388,310	2,172,349
Restricted for:			
Capital Projects	-	173,130	173,130
Debt Service	409,102	11,624	420,726
Special Taxing Areas	1,499,414	-	1,499,414
Passenger Facility Charges	-	140,142	140,142
Contractual Use Agreement	-	141,566	141,566
Noise Mitigation Program	-	245,200	245,200
Airport Purposes	-	270,855	270,855
Unrestricted (Deficit)	(7,537,057)	(1,354,572)	(8,891,629)
Total Net Position	$ (5,844,502)	$ 2,016,255	$ (3,828,247)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012
(Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services
Primary Government		
Governmental Activities:		
General Government	$ 2,751,944	$ 452,892
Public Safety	2,910,160	199,572
Streets and Sanitation	228,622	42,138
Transportation	383,510	39,343
Health	123,055	1,751
Cultural and Recreational	146,283	14,454
Interest on Long-term Debt	460,660	-
Total Governmental Activities	7,004,234	750,150
Business-type Activities:		
Water	417,499	576,287
Sewer	195,911	253,912
Chicago Midway International Airport	225,867	201,749
Chicago-O'Hare International Airport	955,276	857,114
Chicago Skyway	10,621	-
Total Business-type Activities	1,805,174	1,889,062
Total Primary Government	$ 8,809,408	$ 2,639,212

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
$ 521,362	$ 11,615	$ (1,766,075)	$ -	$ (1,766,075)
115,976	-	(2,594,612)	-	(2,594,612)
-	-	(186,484)	-	(186,484)
-	160,841	(183,326)	-	(183,326)
95,675	-	(25,629)	-	(25,629)
15,243	-	(116,586)	-	(116,586)
-	-	(460,660)	-	(460,660)
748,256	172,456	(5,333,372)	-	(5,333,372)
-	2,500	-	161,288	161,288
-	2,500	-	60,501	60,501
-	4,681	-	(19,437)	(19,437)
-	73,538	-	(24,624)	(24,624)
-	-	-	(10,621)	(10,621)
-	83,219	-	167,107	167,107
$ 748,256	$ 255,675	(5,333,372)	167,107	(5,166,265)

	Governmental Activities	Business-type Activities	Total
General Revenues			
Taxes:			
Property Tax	896,246	-	896,246
Utility Tax	548,682	-	548,682
Sales Tax	294,417	-	294,417
Transportation Tax	373,544	-	373,544
Transaction Tax	281,957	-	281,957
Special Area Tax	274,617	-	274,617
Recreation Tax	163,194	-	163,194
Other Taxes	131,086	-	131,086
Grants and Contributions not Restricted to Specific Programs	692,232	-	692,232
Unrestricted Investment Earnings	92,050	25,197	117,247
Miscellaneous	135,511	38,842	174,353
Total General Revenues	3,883,536	64,039	3,947,575
Change in Net Assets	(1,449,836)	231,146	(1,218,690)
Net Position - Beginning	(4,394,666)	1,785,109	(2,609,557)
Net Position - Ending	$ (5,844,502)	$ 2,016,255	$ (3,828,247)

Exhibit 3
CITY OF CHICAGO, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
ASSETS			
Cash and Cash Equivalents	$ 745	$ 20,931	$ 623,433
Investments	72,702	52,705	620,267
Cash and Investments with Escrow Agent	-	-	-
Receivables (Net of Allowances):			
Property Tax	-	-	350,032
Accounts	219,300	10,809	3,732
Due From Other Funds	165,078	29,694	258,238
Due From Other Governments	222,604	362,651	-
Inventories	20,885	-	-
Restricted Cash and Cash Equivalents	389	3,220	1
Restricted Investments	-	-	-
Other Assets	-	5,362	-
Total Assets	$ 701,703	$ 485,372	$ 1,855,703
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Voucher Warrants Payable	$ 181,998	$ 157,322	$ 49,612
Bonds, Notes and Other Obligations Payable - Current	-	271	-
Accrued Interest	-	-	-
Due To Other Funds	139,397	281,434	11,534
Accrued and Other Liabilities	110,177	9,467	3,872
Claims Payable	37,685	-	-
Deferred Revenue	1,144	242,966	291,271
Total Liabilities	470,401	691,460	356,289
Deferred Inflows	-	-	-
Fund Balance:			
Nonspendable	20,885	-	-
Restricted	-	27,821	1,499,414
Committed	-	-	-
Assigned	177,000	-	-
Unassigned	33,417	(233,909)	-
Total Fund Balance	231,302	(206,088)	1,499,414
Total Liabilities, Deferred Inflows and Fund Balance	$ 701,703	$ 485,372	$ 1,855,703

See notes to basic financial statements.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Other Governmental Funds	Total Governmental Funds
$ 202	$ 10,922	$ 442	$ 72,420	$ 729,095
40	128,886	528,111	223,936	1,626,647
-	399,260	1,781	98,713	499,754
-	470,746	-	437,870	1,258,648
1,305	37,658	2,204	10,910	285,918
-	30,068	67,799	93,854	644,731
-	3,017	-	51,040	639,312
-	-	-	-	20,885
674	-	211	-	4,495
622,628	-	-	-	622,628
-	-	-	-	5,362
$ 624,849	$ 1,080,557	$ 600,548	$ 988,743	$ 6,337,475
$ -	$ -	$ 99,249	$ 76,771	$ 564,952
-	89,970	-	5,910	96,151
-	208,254	-	2,159	210,413
-	-	97,857	205,273	735,495
-	-	3,032	19,255	145,803
-	-	-	-	37,685
-	435,614	-	364,254	1,335,249
-	733,838	200,138	673,622	3,125,748
1,618,360	-	-	-	1,618,360
-	-	-	-	20,885
-	189,883	400,410	215,383	2,332,911
624,849	156,836	-	100,442	882,127
-	-	-	-	177,000
(1,618,360)	-	-	(704)	(1,819,556)
(993,511)	346,719	400,410	315,121	1,593,367
$ 624,849	$ 1,080,557	$ 600,548	$ 988,743	$ 6,337,475

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,869,669
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	1,259,145
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(16,566,683)
Net position of governmental activities	$ (5,844,502)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Revenues:			
Property Tax	$ -	$ -	$ -
Utility Tax	462,475	-	-
Sales Tax (Local and State)	572,185	-	-
Transportation Tax	177,890	-	-
State Income Tax	282,779	-	-
Transaction Tax	241,111	-	-
Special Area Tax	-	-	370,454
Recreation Tax	163,194	-	-
Other Taxes	112,188	-	-
Federal/State Grants	1,074	876,790	-
Internal Service	302,924	-	-
Licenses and Permits	117,568	-	-
Fines	290,799	-	-
Investment Income	5,439	-	29,771
Charges for Services	133,021	-	406
Miscellaneous	58,009	-	5,130
Total Revenues	2,920,656	876,790	405,761
Expenditures:			
Current:			
General Government	864,556	391,817	305,952
Health	24,371	101,558	38
Public Safety	1,956,152	112,429	954
Streets and Sanitation	178,065	-	116
Transportation	53,815	325,491	66,773
Cultural and Recreational	13	16,076	8,557
Employee Pensions	-	-	-
Other	2,237	8,564	-
Capital Outlay	-	5,259	-
Debt Service:			
Principal Retirement	1,645	-	-
Interest and Other Fiscal Charges	515	-	3
Total Expenditures	3,081,369	961,194	382,393
Revenues (Under) Over Expenditures	(160,713)	(84,404)	23,368

Continued on following pages.

Service Concession and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 487,714	$ -	$ 453,684	$ 941,398
-	22,324	-	63,883	548,682
-	22,105	-	-	594,290
-	18,635	-	177,019	373,544
-	-	-	108,506	391,285
-	-	-	40,846	281,957
-	-	-	-	370,454
-	-	-	-	163,194
-	82	-	18,816	131,086
-	-	-	-	877,864
-	-	-	16,361	319,285
-	-	-	-	117,568
-	-	-	15,711	306,510
18,084	29,153	4,812	3,626	90,885
-	-	-	37,297	170,724
21,033	23,160	4,422	23,757	135,511
39,117	603,173	9,234	959,506	5,814,237
100	-	-	244,116	1,806,541
-	-	-	1,600	127,567
-	-	-	6,424	2,075,959
-	-	-	49,919	228,100
-	-	-	68,224	514,303
-	-	-	77,738	102,384
-	-	-	458,951	458,951
-	-	-	924	11,725
-	-	339,912	90,429	435,600
-	296,084	-	43,025	340,754
-	431,588	-	29,856	461,962
100	727,672	339,912	1,071,206	6,563,846
39,017	(124,499)	(330,678)	(111,700)	(749,609)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2012
(Amounts are in Thousands of Dollars)

	General	Federal, State and Local Grants	Special Taxing Areas
Other Financing Sources (Uses):			
Issuance of Debt	$ 55,000	$ -	$ -
Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers In	31,617	-	68,675
Transfers Out	(26,965)	-	(44,264)
Total Other Financing Sources (Uses)	59,652	-	24,411
Net Changes in Fund Balance	(101,061)	(84,404)	47,779
Fund Balance, Beginning of Year	335,533	(121,684)	1,451,635
Change in Inventory	(3,170)	-	-
Fund Balance, End of Year	$ 231,302	$ (206,088)	$ 1,499,414

See notes to basic financial statements.

Service Concession Agreements and Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 337,410	$ 207,566	$ 122,415	$ 722,391
-	-	36,166	-	36,166
-	(268,397)	-	-	(268,397)
328	-	3,843	74,287	178,750
(12,358)	(10,105)	(2,322)	(82,736)	(178,750)
(12,030)	58,908	245,253	113,966	490,160
26,987	(65,591)	(85,425)	2,266	(259,449)
(1,020,498)	412,310	485,835	312,855	1,855,986
-	-	-	-	(3,170)
$ (993,511)	$ 346,719	$ 400,410	$ 315,121	$ 1,593,367

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, 2012
(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	$	(259,449)
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		278,635
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(63,855)
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		(150,751)
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		(1,254,416)
Change in the net position of governmental activities	$	(1,449,836)

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (BUDGETARY BASIS)
Year Ended December 31, 2012
(Amounts are in Thousands of Dollars)

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues:				
Utility Tax	$ 475,306	$ 475,306	$ 462,475	$ (12,831)
Sales Tax	250,748	250,748	272,312	21,564
Transportation Tax	174,271	174,271	177,890	3,619
Transaction Tax	192,167	192,367	241,111	48,744
Recreation Tax	160,956	160,956	163,194	2,238
Business Tax	94,146	94,146	108,278	14,132
State Income Tax	209,401	209,401	282,779	73,378
State Sales Tax	284,421	284,421	299,873	15,452
State Auto Rental	3,354	3,354	3,910	556
Federal/State Grants	1,568	1,568	1,074	(494)
Internal Service	362,398	362,398	302,924	(59,474)
Licenses and Permits *	135,110	135,110	117,568	(17,542)
Fines	290,131	292,631	290,799	(1,832)
Investment Income	4,200	4,200	5,439	1,239
Charges for Services	125,141	125,141	124,606	(535)
Municipal Utilities	8,667	8,667	8,415	(252)
Leases, Rentals and Sales	9,680	9,680	14,747	5,067
Miscellaneous	57,100	57,100	43,262	(13,838)
Issuance of Debt, Net of Original Discount	50,000	50,000	55,000	5,000
Budgeted Prior Years' Surplus and Reappropriations	143,549	143,549	72,347	(71,202)
Transfers In/Out	72,000	72,000	31,617	(40,383)
Total Revenues	3,104,314	3,107,014	3,079,620	(27,394)
Expenditures:				
Current:				
General Government *	960,820	963,520	882,437	81,083
Health	25,407	25,407	25,896	(489)
Public Safety	1,881,453	1,881,453	1,938,657	(57,204)
Streets and Sanitation	178,644	178,644	178,338	306
Transportation	55,610	55,610	51,914	3,696
Debt Service:				
Principal Retirement	1,645	1,645	1,645	-
Interest and Other Fiscal Charges	735	735	733	2
Total Expenditures	3,104,314	3,107,014	3,079,620	27,394
Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -

See notes to basic financial statements.

* Housing Revenue Fund is included.

Exhibit 7
CITY OF CHICAGO, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(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:						
Cash and Cash Equivalents	$ 84,429	$ 17,722	$ 11,785	$ 38,226	$ 837	$ 152,999
Investments	44,188	16,952	36,079	72,758	396	170,373
Accounts Receivable (Net of Allowances)	128,805	74,328	13,663	91,589	58	308,443
Due from Other Funds	20,607	18,840	14,437	28,482	-	82,366
Due from Other Governments	-	-	-	28,170	-	28,170
Inventories	17,356	1,463	-	-	-	18,819
Total Current Assets	295,385	129,305	75,964	259,225	1,291	761,170
RESTRICTED ASSETS:						
Cash and Cash Equivalents	39,102	71,216	122,523	764,683	-	997,524
Investments	395,439	270,573	197,960	1,354,091	-	2,218,063
Total Restricted Assets	434,541	341,789	320,483	2,118,774	-	3,215,587
NONCURRENT ASSETS:						
Other Assets	16,446	11,694	134,927	341,223	10,187	514,477
Property, plant, and equipment:						
Land	5,083	560	112,840	893,588	12,609	1,024,680
Structures, Equipment and Improvements	3,462,288	2,072,542	1,415,216	7,014,287	490,818	14,455,151
Accumulated Depreciation	(868,311)	(434,774)	(430,549)	(2,566,099)	(212,871)	(4,512,604)
Construction Work in Progress	262,280	33,011	69,847	1,183,153	-	1,548,291
Total Property, Plant and Equipment	2,861,340	1,671,339	1,167,354	6,524,929	290,556	12,515,518
Total Noncurrent Assets	2,877,786	1,683,033	1,302,281	6,866,152	300,743	13,029,995
Total Assets	3,607,712	2,154,127	1,698,728	9,244,151	302,034	17,006,752
DEFERRED OUTFLOWS	126,371	89,955	36,794	-	-	253,120
Total Assets and Deferred Outflows	$ 3,734,083	$ 2,244,082	$ 1,735,522	$ 9,244,151	$ 302,034	$ 17,259,872

See notes to basic financial statements.

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
LIABILITIES						
CURRENT LIABILITIES.						
Voucher Warrants Payable	$ 31,875	$ 4,639	$ 21,738	$ 62,408	$ 265	$ 120,925
Due to Other Funds	11,196	12,113	20,142	3,710	15	47,176
Accrued and Other Liabilities	82,296	26,869	774	7,190	-	117,129
Unearned Revenue	26,746	20,386	9,836	126,238	-	183,206
Total Current Liabilities	152,113	64,007	52,490	199,546	280	468,436
PAYABLE FROM RESTRICTED ASSETS						
Current Liabilities Payable From Restricted Assets	130,427	138,032	74,793	468,011	-	811,263
Total payable from restricted assets	130,427	138,032	74,793	468,011	-	811,263
NONCURRENT LIABILITIES:						
Revenue Bonds Payable	2,061,696	1,386,443	1,412,016	7,167,495	-	12,027,650
Derivative Instrument Liability	126,371	89,955	36,794	-	-	253,120
Long-term Purchase Obligation	1,027	-	-	-	-	1,027
Total Noncurrent Liabilities	2,189,094	1,476,398	1,448,810	7,167,495	-	12,281,797
Total Liabilities	2,471,634	1,678,437	1,576,093	7,835,052	280	13,561,496
DEFERRED INFLOWS	-	-	-	-	1,682,121	1,682,121
NET POSITION						
Net Investement in Capital Assets	1,073,309	455,195	(82,226)	651,476	290,556	2,388,310
Restricted Net Position:						
Debt Service	-	-	11,624	-	-	11,624
Capital Projects	1,308	50,014	807	121,001	-	173,130
Passenger Facility Charges	-	-	5,117	135,025	-	140,142
Contractual Use Agreement	-	-	26,234	115,332	-	141,566
Noise Mitigation Program	-	-	124,576	120,624	-	245,200
Other	-	-	36,725	234,130	-	270,855
Unrestricted Net Position	187,832	60,436	36,572	31,511	(1,670,923)	(1,354,572)
Total Net Position	$ 1,262,449	$ 565,645	$ 159,429	$ 1,409,099	$ (1,380,367)	$ 2,016,255

See notes to basic financial statements

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2012
(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	$ 562,572	$ 252,943	$ 70,912	$ 436,909	$ -	$ 1,323,336
Rent	-	-	86,921	265,655	-	352,576
Other	13,715	969	-	-	-	14,684
Total Operating Revenues	576,287	253,912	157,833	702,564	-	1,690,596
Operating Expenses:						
Personal Services	109,525	21,254	44,463	163,542	-	338,784
Contractual Services	49,104	3,085	15,011	74,307	-	141,507
Repairs and Maintenance	1,671	57,527	37,990	88,784	-	185,972
Commodities and Materials	29,137	-	-	-	-	29,137
Depreciation and Amortization	48,887	27,735	55,119	216,762	10,621	359,124
Capital Asset Impairment	-	-	-	21,601	-	21,601
General Fund Reimbursements	68,183	31,709	-	-	-	99,892
Other	31,845	-	16,833	123,546	-	172,224
Total Operating Expenses	338,352	141,310	169,416	688,542	10,621	1,348,241
Operating Income (Loss)	237,935	112,602	(11,583)	14,022	(10,621)	342,355
Nonoperating Revenues (Expenses):						
Investment Income (Loss)	270	1,021	2,292	21,612	2	25,197
Interest Expense	(79,147)	(54,601)	(56,451)	(266,734)	-	(456,933)
Passenger Facility Charges	-	-	43,916	154,550	-	198,466
Other	(1,341)	(154)	2,126	19,565	18,646	38,842
Total Nonoperating Revenues (Expenses)	(80,218)	(53,734)	(8,117)	(71,007)	18,648	(194,428)
Capital Grants	2,500	2,500	4,681	73,538	-	83,219
Net Income (Loss)	160,217	61,368	(15,019)	16,553	8,027	231,146
Net Position (Deficit) - Beginning of Year	1,102,232	504,277	174,448	1,392,546	(1,388,394)	1,785,109
Net Position (Deficit) - End of Year	$ 1,262,449	$ 565,645	$ 159,429	$ 1,409,099	$ (1,380,367)	$ 2,016,255

See notes to basic financial statements.

Exhibit 9
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012
(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	$ 546,056	$ 242,313	$ 147,683	$ 621,441	$ -	$ 1,557,493
Payments to Vendors	(84,738)	(28,740)	(65,722)	(224,786)	-	(403,986)
Payments to Employees	(109,525)	(43,280)	(36,136)	(143,905)	-	(332,846)
Transactions with Other City Funds	(80,972)	(26,720)	(8,510)	(58,987)	-	(175,189)
Cash Flows Provided By Operating Activities	270,821	143,573	37,315	193,763	-	645,472
Cash Flows from Capital and Related Financing Activities.						
Proceeds from Issuance of Bonds	447,538	309,488	34,639	1,327,899	-	2,119,564
Proceeds from Federal Government	-	-	-	28,500	-	28,500
Acquisition and Construction of Capital Assets	(253,684)	(149,442)	(65,684)	(366,583)	-	(835,393)
Capital Grant Receipts	-	2,500	7,413	71,074	-	80,987
Bond Issuance Costs	(2,604)	(1,973)	-	(6,981)	-	(11,558)
Payment to Refund Bonds	(35,595)	-	(31,876)	(1,372,342)	-	(1,439,813)
Principal Paid on Debt	(59,859)	(28,429)	(23,366)	(140,620)	-	(252,274)
Interest Paid	(91,514)	(55,427)	(65,227)	(381,764)	-	(593,932)
Passenger Facility Charges	-	-	46,542	173,648	-	220,190
Noise Mitigation Program	-	-	(23,591)	(32,385)	-	(55,976)
Termination of Swaption	-	-	(8,250)	-	-	(8,250)
Deposit	-	-	-	-	15	15
Other	-	38	2,126	-	-	2,164
Cash Flows (Used in) Provided By Capital and Related Financing Activities	4,282	76,755	(127,274)	(699,554)	15	(745,776)
Cash Flows from Investing Activities·						
Sale (Purchases) of Investments, Net	(212,113)	(162,467)	79,541	457,313	(403)	161,871
Investment Interest	2,457	1,512	3,080	25,320	2	32,371
Cash Flows (Used in) Provided By Investing Activities	(209,656)	(160,955)	82,621	482,633	(401)	194,242
Net Increase (Decrease) in Cash and Cash Equivalents	65,447	59,373	(7,338)	(23,158)	(386)	93,938
Cash and Cash Equivalents, Beginning of Year	58,084	29,565	141,646	826,067	1,223	1,056,585
Cash and Cash Equivalents, End of Year	$ 123,531	$ 88,938	$ 134,308	$ 802,909	$ 837	$ 1,150,523

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2012
(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)	$ 237,935	$ 112,602	$ (11,583)	$ 14,022	$ (10,621)	$ 342,355
Adjustments to Reconcile:						
Depreciation and Amortization	48,887	27,735	55,119	238,363	10,621	380,725
Provision for Uncollectible Accounts	15,714	8,842	371	14,980	-	39,907
Change in Assets and Liabilities:						
(Increase) Decrease in Receivables	(42,570)	(22,658)	3,289	(5,716)	-	(67,655)
(Increase) Decrease in Due From Other Funds	(3,100)	4,305	(12,790)	(3,275)	-	(14,860)
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	(8,549)	1,820	16,648	9,015	-	18,934
Increase (Decrease) in Deferred Revenue and Other Liabilities	23,515	10,068	(14,182)	(75,409)	-	(56,008)
(Increase) Decrease in Inventories and Other Assets	(1,011)	859	443	1,783	-	2,074
Cash Flows from Operating Activities	$ 270,821	$ 143,573	$ 37,315	$ 193,763	$ -	$ 645,472
Supplemental Disclosure of Noncash Items:						
Capital asset additions in 2012 have outstanding accounts payable and accrued and other liabilities	$ 65,787	$ 63,913	$ 33,248	$ 148,476	$ -	$ 311,424

See notes to basic financial statements.

Exhibit 10
CITY OF CHICAGO, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 185,408	$ 118,148
Investments	-	92,504
Investments, at Fair Value		
Bonds and U.S. Government Obligations	2,336,591	-
Stocks	5,343,390	-
Mortgages and Real Estate	664,762	-
Other	1,906,928	-
Cash and Investments with Escrow Agent	-	10,046
Property Tax Receivable	-	91,534
Accounts Receivable, Net	663,429	57,380
Due From City	55,574	-
Invested Securities Lending Collateral	1,126,065	-
Total Assets	$ 12,282,147	$ 369,612
Deferred Outflows	301	
Total Assets and Deferred Outflows	12,282,448	
LIABILITIES		
Voucher Warrants Payable	$ 356,780	$ 35,481
Accrued and Other Liabilities	-	334,131
Deferred Revenue	-	-
Securities Lending Collateral	1,126,065	-
Total Liabilities	1,482,845	$ 369,612
NET POSITION		
Held in Trust for Employees	10,799,603	
Total Net Position	$ 10,799,603	

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2012
(Amounts are in Thousands of Dollars)

	Total
ADDITIONS	
Contributions:	
Employees	$ 295,990
City	464,168
Total Contributions	760,158
Investment Income:	
Net Appreciation in	
Fair Value of Investments	1,057,568
Interest, Dividends and Other	241,995
Investment Expense	(49,831)
Net Investment Income	1,249,732
Securities Lending Transactions:	
Securities Lending Income	3,741
Securities Lending Expense	1,440
Net Securities Lending Transactions	5,181
Total Additions	2,015,071
DEDUCTIONS	
Benefits and Refunds of Deductions	1,731,545
Administrative and General	20,059
Total Deductions	1,751,604
Net Increase in Net Position	263,467
Net Position:	
Beginning of Year	10,536,136
End of Year	$ 10,799,603

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). Effective January 1, 2012, the City adopted the following GASB Statements:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The objective of this Statement is to improve financial reporting by addressing uses related to service concession and reserve fund (SCAs), which are a type of public-private or public-public partnership. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 60.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30,1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure

The Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. The financial reporting impact resulting from the implementation of GASB Statement No. 62 was not material.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows or Resources, and Net Position.* Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The financial reporting impact resulting from the implementation of GASB Statement No. 63 is primarily the change in terminology from Net Assets to Net Position.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53.* Statement No. 64 clarifies whether an effective hedge relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. There was no impact on the City's Financial Statements as a result of the implementation of Statement No. 64.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections -2012- an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending December 31, 2013. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. Statement No. 68 will be effective for the City beginning with its year ending December 31, 2015. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Statement No. 69 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. Statement No. 70 will be effective for the City beginning with its year ending December 31, 2014. GASB Statement No. 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

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 include the following legal entities as fiduciary trust funds:

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

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago 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.

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

The Firemen's Annuity and Benefit Fund of Chicago 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 position 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 and reports all financial resources not accounted for and reported in 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 and Reserve Fund accounts for monies committed for mid and long term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives. Whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the leases.

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.

Within the governmental fund types, fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

Restricted - includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (i.e, City Council); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

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 services. Midway Airport is conveniently located 10 miles from downtown 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 funds:

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.

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 non-operating 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 and sewer 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 non-operating 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, deferred outflows, and net position 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 fair 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 expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.

iv) **Assets Held for Resale** includes land and buildings of $5.4 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 or committed in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants or specific City Council action.

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 $918 9 million, of which $126.4 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	15 - 40 years
Airport runways, aprons, tunnels, taxiways, and paved roads	5 - 40 years
Bridge infrastructure	10 - 40 years
Lighting infrastructure	25 years
Street infrastructure	10 - 25 years
Transit infrastructure	40 years
Equipment (vehicle, office, and computer)	5 - 20 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 hedges.

viii) **Employee Benefits** are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be partially 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. 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 position. 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 and/or cash flows 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 position and displayed in three components:

(1) Net investement in capital assets - 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 position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or are legally restricted through constitutional provisions or enabling legislation.

Restricted net position for business activities are provided in Exhibit #7, Statement of Net Position, Proprietary Funds.

(3) Unrestricted - All other net position that do not meet the definition of "restricted" or "net investement in capital assets."

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 position.**

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 $1,259.1 million are as follows (dollars in thousands):

Deferred revenue - property tax and grants	$	1,238,382
Other assets - pension excess		57,757
Accounts payable - infrastructure retainage		(36,994)
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities	$	1,259,145

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 $16,566.7 million are as follows (dollars in thousands):

Long-term liabilities:		
Total bonds, notes and certificates payable	$	9,182,943
Pension and other postemployment benefits		6,364,927
Lease obligation		163,013
Pollution remediation		8,373
Claims and judgments		888,593
Total Long-term liabilities		16,607,849
Bonds, notes and other obligations payable current		(95,479)
Other assets - issuance costs		(74,603)
Accrued interest		4,908
Derivative instruments		31,140
Accrued and other liabilities - compensated absences		92,868
Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities	$	16,566,683

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 position - 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 $278 6 million are as follows (dollars in thousands):

Capitalized asset expenditures	$	682,382
Depreciation expense		(403,747)
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	278,635

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 position." The details of this decrease of $150.8 million are as follows (dollars in thousands):

Proceeds of debt	$	(728,638)
Premium		(36,166)
Payment of refunded bond escrow agent		268,397
Principal retirement		340,754
Payment of cost of issuance		6,035
Interest expense		(1,133)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(150,751)

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 decrease of $1,254.4 million are as follows (dollars in thousands):

Claims and judgments	$	(220,943)
Pension and other post employment benefit liabilities		(1,049,315)
Pollution remediation		2,862
Vacation		12,376
Lease obligations		3,774
Inventory		(3,170)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(1,254,416)

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 included in "Unassigned" fund balance 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, 2012 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 2,920,656
Add:	
Proceeds of Debt	55,000
Transfers In	31,617
Prior Year's Surplus Utilized	72,347
Revenues, Budgetary Basis	$ 3,079,620
Expenditures, GAAP Basis	$ 3,081,369
Add:	
Transfers Out	26,965
Encumbered in 2012	16,605
Deduct:	
Payments on Prior Years' Encumbrances	(39,045)
Provision for Doubtful Accounts and Other	(6,274)
Expenditures, Budgetary Basis	$ 3,079,620

c) **Individual Fund Deficits** includes the Chicago Skyway Fund, an Enterprise Fund, has a fund deficit of $1,380.4 million which management anticipates will be funded through recognition of deferred inflows. Federal State and Local Grants, a governmental fund, has a deficit of $206.1 million and will be funded by the recognition of deferred grant revenues. Also, the Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of $993.5 million which will be funded through the recognition of deferred inflows.

4) **Restricted and Unrestricted Cash, Cash Equivalents and Investments**

a) **Investments** As of December 31, 2012, 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	Total
City Funds					
U.S. Treasuries	$ -	$ -	$ 2,490	$ 42,232	$ 44,722
U.S. Agencies*	345,580	2,621,259	857,328	145,684	3,969,851
Commercial Paper	284,644	-	-	-	284,644
Corporate Bonds	44,151	232,284	39,904	104,812	421,151
Corporate Equities	881	26	-	-	907
Municipal Bonds	24,465	245,260	183,334	20,715	473,774
Supra national Bonds	10,024	-	-	-	10,024
Certificates of Deposit and Other Short-term	1,464,492	4,590	-	-	1,469,082
Total City Funds	$ 2,174,237	$ 3,103,419	$ 1,083,056	$ 313,443	$ 6,674,155

*U.S. Agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp.

Pension Trust Funds	Less Than 1	1-5	6-10	More Than 10	Total
U.S. and Foreign Government Agencies	$ 280,778	$ 351,620	$ 172,501	$ 441,450	$ 1,246,349
Corporate Bonds	916,831	477,231	360,518	263,354	2,017,934
Corporate Equities	5,835,602	-	-	-	5,835,602
Pooled Funds	73,104	25,950	-	-	99,054
Real Estate	615,379	-	-	-	615,379
Securities Received from Securities Lending	1,126,065	-	-	-	1,126,065
Venture Capital	455,757	-	-	-	455,757
Certificates of Deposit and Other Short-term	125,245	-	-	-	125,245
Other	39,610				39,610
Total Pension Trust Funds	$ 9,468,371	$ 854,801	$ 533,019	$ 704,804	$ 11,560,995
Total	$ 11,642,608	$ 3,958,220	$ 1,616,075	$ 1,018,247	$ 18,235,150

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 (in thousands):

Quality Rating	City	Quality Rating	Pension Trust Funds
Aaa/AAA	$ 163,532	Aaa/AAA	$ 134,000
Aa/AA	4,230,548	Aa/AA	173,641
A/A	259,846	A/A	300,095
Baa/BBB	10,007	Baa/BBB	308,998
Ba/BB	-	Ba/BB	127,983
B/B	-	B/B	149,359
Caa/CCC	30,666	Caa/CCC	29,880
Ca	-	Ca	1,573
C/CC	-	C/CC	999
D/D	-	D/D	3,471
P1/A1	445,518	Not Rated	313,968
Not Rated*	1,534,038	Other	867,806
Total Funds	$ 6,674,155		$ 2,411,773

* Not rated is primarily composed of money market mutual funds

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 102 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 $532.3 million. 100 percent of the bank balance was either insured or collateralized with securities held by City agents in the City's name.

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. The City has no custodial credit risk exposure because investment 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 (in thousands):

Foreign Currency Risk		
Australian dollar	$	89,116
Brazilian real		41,595
British pound		353,039
Canadian dollar		103,772
Chilean peso		5,333
Chinese yuan		(605)
Columbian peso		5,120
Czech Republic koruna		1,421
Danish krone		25,158
Egyptian pound		420
European euro		452,912
Hong Kong dollar		172,221
Hungarian forint		472
Indian rupee		32,856
Indonesian rupiah		19,054
Japanese yen		307,725
Malaysian ringgit		13,056
Mexican peso		25,976
Moroccan dirham		143
New Israeli shekel		8,696
New Taiwan dollar		23,085
New Zealand dollar		3,218
Nigeria Naira		1,555
Norwegian krone		21,313
Pakistan rupee		269
Peruvian Nuevo Sol		1
Philippines peso		3,503
Polish zloty		3,604
Qatari riyal		2,259
Singapore dollar		31,025
South African rand		37,723
South Korean won		51,593
Swedish krona		44,158
Swiss franc		106,680
Taiwan dollar		3,774
Thailand baht		21,703
Turkish lira		12,230
United Arab Emirates dirham		1,039
Total Pension Trust Funds	$	2,026,212

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

Per Note 4:		
Investments - City	$	6,674,155
Investments - Pension Trust Funds		11,560,995
	$	18,235,150
Per Financial Statements:		
Restricted Investments	$	2,840,691
Unrestricted Investments		1,797,020
Investments with Fiduciary Funds		10,344,175
Investments with Escrow Agent		509,800
Invested Securities Lending Collateral		1,126,065
Investments Included as Cash and Cash Equivalents on the Statements of Net Position		1,617,399
	$	18,235,150

5) **Property Tax**

The City's property tax becomes 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, 2012 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental Funds:		
General	$ 165,078	$ 139,397
Federal, State and Local Grants	29,694	281,434
Special Taxing Areas	258,238	11,534
Service Concession and Reserve	-	-
Bond, Note Redemption and Interest	30,068	-
Community Development and Improvement Projects	67,799	97,857
Nonmajor Governmental Funds	93,854	205,273
Total Governmental Funds	644,731	735,495
Enterprise Funds:		
Water	20,607	11,196
Sewer	18,840	12,113
Chicago Midway International Airport	14,437	20,142
Chicago-O'Hare International Airport	28,482	3,710
Chicago Skyway	-	15
Total Enterprise Funds	82,366	47,176
Fiduciary activities:		
Pension Trust	55,574	-
Total Fiduciary activities	55,574	-
Total	$ 782,671	$ 782,671

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, 2012 represent interfund transfers among all funds (dollars in thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental Funds:		
General	$ 31,617	$ 26,965
Federal, State and Local Grants	-	-
Special Taxing Areas	68,675	44,264
Service Concession and Reserve	328	12,358
Reserve		
Bond, Note Redemption and Interest	-	10,105
Community Development and Improvement Projects	3,843	2,322
Nonmajor Governmental Funds	74,287	82,736
Total Governmental Funds	$ 178,750	$ 178,750

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, 2012 was as follows (dollars in thousands):

	Balance January 1, 2012	Additions	Disposals and Transfers	Balance December 31, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,400,977	$ 3,524	$ -	$ 1,404,501
Works of Art and Historical Collections	13,132	51	-	13,183
Construction in Progress	466,267	614,211	(436,153)	644,325
Total capital assets, not being depreciated	1,880,376	617,786	(436,153)	2,062,009
Capital assets, being depreciated:				
Buildings and Other Improvements	2,446,349	43,497	-	2,489,846
Machinery and Equipment	1,339,484	54,347	(28,186)	1,365,645
Infrastructure	6,965,900	413,971	-	7,379,871
Total capital assets, being depreciated	10,751,733	511,815	(28,186)	11,235,362
Less accumulated depreciation for:				
Buildings and Other Improvements	747,256	64,955	-	812,211
Machinery and Equipment	1,025,874	112,317	(28,186)	1,110,005
Infrastructure	3,279,011	226,475	-	3,505,486
Total accumulated depreciation	5,052,141	403,747	(28,186)	5,427,702
Total capital assets, being depreciated, net	5,699,592	108,068	-	5,807,660
Total governmental activities	$ 7,579,968	$ 725,854	$ (436,153)	$ 7,869,669
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,012,637	$ 12,043	$ -	$ 1,024,680
Construction in Progress	1,310,364	739,488	(501,561)	1,548,291
Total capital assets, not being depreciated	2,323,001	751,531	(501,561)	2,572,971
Capital assets, being depreciated:				
Buildings and Other Improvements	13,069,921	751,994	(20,564)	13,801,351
Machinery and Equipment	651,105	8,654	(5,959)	653,800
Total capital assets, being depreciated	13,721,026	760,648	(26,523)	14,455,151
Less accumulated depreciation for:				
Buildings and Other Improvements	3,928,965	250,195	3,943	4,183,103
Machinery and Equipment	313,807	20,459	(4,765)	329,501
Total accumulated depreciation	4,242,772	270,654	(822)	4,512,604
Total capital assets, being depreciated, net	9,478,254	489,994	(25,701)	9,942,547
Total business-type activities	$ 11,801,255	$ 1,241,525	$ (527,262)	$ 12,515,518
Total Capital Assets	$ 19,381,223	$ 1,967,379	$ (963,415)	$ 20,385,187

b) **Depreciation expense** was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General Government	$	86,528
Public Safety		21,776
Streets and Sanitation		13,981
Transportation		235,258
Health		1,694
Cultural and Recreational		44,510
Total Depreciation Expense - Governmental Activities	$	403,747
Business-type Activities:		
Water	$	48,275
Sewer		26,600
Chicago Midway International Airport		45,011
Chicago-O'Hare International Airport		140,258
Chicago Skyway		10,510
Total Depreciation Expense - Business-type Activities	$	270,654

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $18.4 million for the year ended December 31, 2012.

The future minimum lease payments for these leases are as follows (dollars in thousands):

2013	$	18,093
2014		12,231
2015		7,322
2016		2,950
2017		2,288
2018 - 2022		9,141
2023 - 2027		1,959
2028 - 2032		312
2033 - 2037		216
2038 - 2042		152
Total Future Rental Expense	$	54,664

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
2013	$ 104
2014	9,000
2015	9,000
2016	9,000
2017	9,000
2018 - 2022	35,631
2023 - 2027	76,370
2028 - 2032	167,164
Total Minimum Future Lease Payments	315,269
Less Interest	152,256
Present Value of Minimum Future Lease Payments	$ 163,013

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, 2012 (dollars in thousands):

2013	$ 84,203
2014	83,796
2015	66,513
2016	66,510
2017	66,789
2018 - 2022	133,707
2023 - 2027	8,867
2028 - 2032	9,656
2033 - 2036	5,738
Total Minimum Future Rental Income	$ 525,779

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 $365.8 million, including contingent rentals of $86.0 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, 2012 (dollars in thousands):

2013	$	30,900
2014		29,803
2015		27,282
2016		26,529
2017		26,529
Total Minimum Future Rental Income	$	141,043

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 $101.0 million, including contingent rentals of $40.4 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, 2012, 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, 2012 was as follows (in thousands):

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Amounts Due within One Year
Governmental activities:					
Bonds, notes and commercial paper payable.					
General obligation debt and commercial paper	$ 7,777,667	$ 728,638	$ 494,475	8,011,830	$ 97,228
Tax increment	131,561	-	19,410	112,151	23,200
Revenue	776,027		5,715	770,312	17,150
	8,685,255	728,638	519,600	8,894,293	137,578
Less unamortized debt refunding transactions	166,065	19,931	15,816	170,180	-
Add unamortized premium	196,637	36,166	56,983	175,820	-
Add accretion of capital appreciation bonds	264,402	33,148	14,540	283,010	22,042
Total bonds, notes and certificates payable	8,980,229	778,021	575,307	9,182,943	159,620
Other liabilities:					
Pension and other postemployment benefits obligations	5,386,668	1,017,243	38,984	6,364,927	
Lease obligations	166,787	8,957	12,731	163,013	9,104
Pollution Remediation	11,235	-	2,862	8,373	-
Claims and judgments	667,650	363,348	142,405	888,593	111,996
Total other liabilities	6,232,340	1,389,548	196,982	7,424,906	121,100
Total governmental activities	$ 15,212,569	$ 2,167,569	$ 772,289	$ 16,607,849	$ 280,720
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 1,721,187	$ 399,950	$ 90,960	$ 2,030,177	$ 42,232
Sewer	1,112,022	280,249	28,497	1,363,774	29,690
Chicago-O'Hare International Airport	7,420,349	1,211,687	1,499,475	7,132,561	111,085
Chicago Midway International Airport	1,461,490	34,639	54,800	1,441,329	23,475
	11,715,048	1,926,525	1,673,732	11,967,841	206,482
Less unamortized debt refunding transactions	110,535	29,597	17,080	123,052	
Add unamortized premium	141,020	58,550	(109,714)	309,284	
Add accretion of capital appreciation bonds	84,188	9,114	4,493	88,809	8,750
Total business-type activities	$ 11,829,721	$ 1,964,592	$ 1,551,431	$ 12,242,882	$ 215,232
Total long-term obligations	$ 27,042,290	$ 4,132,161	$ 2,323,720	$ 28,850,731	$ 495,952

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) Commercial Paper Notes

During 2012, the City issued $133.8 million in commercial paper notes for certain capital and operating uses. The City has excluded commercial paper from current liabilities, as it intends and has the ability to refinance the obligation on a long-term basis.

ii) General Obligation Bonds

General Obligation Bonds, Project Series 2012A ($179.9 million), Taxable Project and Refunding Series 2012B ($308.0 million),and Refunding Series 2012C ($107.0 million) were sold at a premium in May 2012. The bonds have interest rates ranging from 4.0 percent to 5.432 percent and maturity dates from January 1, 2020 to January 1, 2042. Net proceeds of $627.1 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 settlements agreements involving the City, including escrow accounts or other reserves needed for such purposes; payments of certain pension contributions; providing for facilities, services and equipment to protect and enhance public safety, and other uses permitted by the Ordinance ($292.4 million), to refund certain maturities of bonds outstanding ($268.2 million), and to fund capitalized interest ($66.5 million). The current refunding of the bonds increased the City's total debt service payments by $242.7 million, resulted in a net economic gain of approximately $ 8 million and a book loss of approximately $19.9 million.

In February 2012, the City entered into a swap overlay agreement (i.e., basis trade) associated with the General Obligation Series 2005D variable rate bonds with PNC Bank, N.A. for a notional amount of $207.9 million. The agreement is effective January 1, 2031 through January 1, 2040, and the City will pay SIFMA and receive 72.5 percent of one month LIBOR The City received an upfront payment of $4.0 million.

In February 2012, the City entered into a swap overlay agreement (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with PNC Bank, N A. for a notional amount of $144.6 million. The agreement is effective March 1, 2014 through November 1, 2014 and the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR. 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 November 1, 2014, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received an upfront payment of $1.3 million.

iii) Enterprise Fund Revenue Bonds and Notes

Chicago O'Hare International Airport Senior Lien Revenue Bonds, Series 2012A-C ($728.9 million) were sold at a premium in August 2012. The bonds have interest rates ranging from 1.0 percent to 5.0 percent and maturity dates from January 1, 2013 to January 1, 2032. Net proceeds of $796.3 million and other monies $155.3 million will be used to refund certain General Airport Revenue Bonds maturities of bonds outstanding ($837.2 million), to fund debt service reserves ($114 2 million), and to fund capitalized interest ($.2 million). The current refunding of the bonds decreased the City's total debt service payments by $156.2 million, resulted in a net economic gain of approximately $118.2 million and a book loss of approximately $19 7 million.

Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012 ($452.1 million) were sold at a premium in September 2012. The bonds have interest rates ranging from 2.5 percent to 5.0 percent and maturity dates from January 1, 2014 to January 1, 2032. Net proceeds of $493.7 million and other monies $55.9 million will be used to refund certain PFC maturities of bonds outstanding ($511.1 million) and to fund debt service reserves ($38.5 million). The current refunding of the bonds decreased the City's total debt service payments by $100.3 million, resulted in a net economic gain of approximately $73.5 million and a book loss of approximately $9.0 million.

Second Lien Water Revenue Project Bonds, Series 2012 ($399.4 million) were sold at a premium in May 2012. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from November 1, 2016 to November 1, 2042. Net proceeds of $444.4 million will be used to finance certain costs of improvements and extensions to the water system ($400.0 million), to retire water commercial paper notes outstanding ($35.9 million), and fund certain capitalized interest ($8.5 million).

In 2012, the Water Fund drew $0.5 million from the Illinois Environment Protection Agency loan agreement. The loan has no interest and has principal maturity dates from June 2, 2012 to December 2, 2031.

Second Lien Wastewater Revenue Project, Series 2012 ($276.5 million) were sold at a premium in September, 2012. The bonds have interest rates ranging from 3.0 percent to 5.0 percent and maturity dates from January 1, 2014 to January 1, 2042. Net proceeds of $303.8 million will be used to finance certain costs of improvements and extensions to the wastewater system ($300.0 million), and fund certain capitalized interest ($3.8 million).

In 2012, the Sewer Fund drew $3.7 million from the Illinois Environment Protection Agency loan agreement. The loan has an interest rate of 2.5% with maturity dates from June 21, 2013 to June 21, 2031.

In 2012, $30.6 million of Chicago O'Hare International Airport Commercial Paper Notes Series 2005 were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

In 2012, $34.6 million of Chicago Midway International Airport Commercial Paper Notes Series A, B, C & D were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

c) **Annual requirements** listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2013 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2012 are as follows (dollars in thousands):

	General Obligation		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest
2013	$ 112,132	$ 408,456	$ 26,114	$ 5,931
2014	214,375	409,006	14,602	11,819
2015	236,206	403,012	8,965	3,951
2016	251,617	392,344	11,160	3,400
2017	274,802	380,870	11,685	2,666
2018-2022	1,534,410	1,711,157	33,715	4,737
2023-2027	1,475,610	1,371,842	-	-
2028-2032	1,568,684	1,023,299	-	-
2033-2037	1,186,826	577,348	-	-
2038-2041	918,641	163,143	-	-
	$ 7,773,303	$ 6,840,477	$ 106,241	$ 32,504

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2013	$ 18,040	$ 36,140	$ 263,342	$ 582,754
2014	18,980	35,200	378,095	571,111
2015	18,400	34,228	381,052	553,539
2016	18,135	33,289	370,679	536,765
2017	18,525	32,355	423,016	519,332
2018-2022	107,075	147,318	1,951,670	2,312,220
2023-2027	132,903	121,499	2,181,607	1,845,583
2028-2032	119,841	135,032	2,708,989	1,204,226
2033-2037	191,334	71,914	2,194,130	582,979
2038-2041	109,930	11,172	866,590	100,285
	$ 753,163	$ 658,147	$ 11,719,170	$ 8,808,794

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, 2012. Standby bond purchase agreements or letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

The City's variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate, or the fixed rate as determined by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest. In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit agreements expire without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on the potential term loans within the next fiscal year.

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 and/or changes in cash flows, 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. The notional amounts related to bonds maturing on January 1, 2013 have been excluded below because funds for their payment have been provided for.

	Changes in Fair Value		Fair Value at December 31, 2012		Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Hedges:					
Pay-fixed Interest Rate SWAPS....	Deferred Outflow of Resources	$ 7,777	Deferred Outflow of Resources	$ (260,496)	$ 781,630
Investment Derivative Instruments:					
Pay-fixed Interest Rate SWAPS ..	Investment Income	3,167	Investment Revenue	(36,313)	199,040
Business-type Activities					
Hedges:					
Pay-fixed Interest Rate SWAPS...	Deferred Outflow of Resources	1,979	Deferred Outflow of Resources	(253,120)	957,030
Total..				$ (549,929)	

(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, 2012, 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. The notional amounts related to bonds maturing on January 1, 2013 have been excluded below because funds for their payment have been provided for. 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. The terms, including fair values of the swaptions as of December 31, 2012, are as follows (dollars in thousands):

Associated Bond Issue	Notional Amounts	Effective Date	Terms	Fair Values	Termination Date	Counterparty Credit Rating
Hedging Instruments						
Governmental Activities:						
						A2/A+
		11/8/2007	Pay 3 998%; receive SIFMA	$ (60,127)	1/1/2042	Baa1/A-
GO VRDB (Series 2007EFG)	$ 200,000	1/1/2014	Pay SIFMA, receive 72 5% of 1 Mo LIBOR *	(19,839)	1/1/2042	Aa3/AA-
						A3/A-
		8/17/2005	Pay 4 104%, receive SIFMA	(69,632)	1/1/2040	A2/A+
						Aa1/AA-
						A2/A+
		1/1/2014	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(14,089)	1/1/2031	A2/A+
GO VRDB (Series 2005D) .	222,790	1/1/2030	Pay SIFMA; receive 72.5% of 1 Mo. LIBOR *	(5,918)	1/1/2040	A2/A
GO VRDB (Neighborhoods Alive 21						Aa3/A+
Program, Series 2002B) . .	206,700	10/3/2002	Pay 3 575%; receive 70% of 1 Mo. LIBOR	(51,858)	1/1/2037	A3/A
Sales Tax Revenue Refunding Bonds						
(VRDB Series 2002) . .	113,240	6/27/2002	Pay 4 23%; receive 75 25% of 3 Mo. LIBOR	(32,559)	1/1/2034	Aa3/A+
Tax Increment Allocation Bonds						
(Near North TIF, Series 1999A) . .	38,900	9/1/1999	Pay 5 084%; receive 67% of I Mo LIBOR	(6,474)	1/1/2019	A3/A
Business-type Activities:						
Chicago Midway International Airport		12/14/2004	Pay 4 174%; receive SIFMA Plus 05%	(21,552)	1/1/2035	A3/A-
Revenue Bonds (Series 2004C&D)...	148,500	4/21/2011	Pay 4 247%; receive SIFMA Plus 05%	(15,242)	1/1/2035	Aa3/AA-
			Pay 3.886%, receive 95% of 3 Mo. LIBOR			
			(if LIBOR is < 3%) or			
	232,560	1/3/2011	67% of 3 Mo. LIBOR (if LIBOR is > 3%)	(62,760)	1/1/2039	A2/A+
			Pay 3 886%, receive SIFMA			
Wastewater Transmission Variable			(if LIBOR is < 3%)			Aa3/A+
Rate Revenue Bonds (Series 2008C) ...	99,670	7/29/2004	or 67% of 1 Mo LIBOR (if LIBOR is > 3%)	(27,195)	1/1/2039	A3/A
Water Variable Rate Revenue						
Refunding Bonds (Series 2004)	185,780	4/16/2008	Pay 3 8694%; receive SIFMA	(42,949)	11/1/2025	A2/A
Water Variable Rate Revenue						
Refunding Bonds (Series 2004) . . .	190,520	8/5/2004	Pay 3.8669%; receive SIFMA	(49,862)	11/1/2031	Aa3/AA-
Second Lien Water Revenue						
Refunding Bonds (Series 2000) .. .	100,000	4/16/2008	Pay 3.8694%; receive SIFMA	(33,560)	11/1/2030	A2/A
Investment Instruments						
Governmental Activities:						
		8/7/2003	Pay 4.052%, receive 66 91% of 10 Yr LIBOR	(32,986)	1/1/2034	Aa3/AA-
			Pay 66 91% of 10 Yr LIBOR,			Aa3/A+
		3/1/2011	receive 75% of 1 Mo. LIBOR *	(2,070)	3/1/2014	Aa1/AA-
GO VRDB (Series 2003B)	199,040	3/1/2014	receive 75% of 1 Mo LIBOR *	(1,257)	11/1/2014	A2/A
Total	$ 1,937,700			$ (549,929)		

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.
VRDB means variable rate demand bonds.

(3) *Fair Value*. As of December 31, 2012, the swaps had a negative fair value of $549.9 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 the combination of the negative fair value of $549.9 million and the unamortized interest rate swap premium balance of $5.1 million related to investment derivative instruments and $36.3 million related to governmental cash flow hedges represent the total fair value of the derivative liability in the statement of net position.

(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, 2013 have been excluded because funds for their payment have been provided for. As of December 31, 2012, 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):

	Variable-Rate Bonds		Interest Rate	
Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2013	$ 22,070	$ 4,844	$ 71,650	$ 98,564
2014	36,320	4,866	70,701	111,887
2015	37,865	4,818	69,379	112,062
2016	57,465	4,759	67,786	130,010
2017	60,150	4,563	65,663	130,376
2018 - 2022	390,265	19,706	291,232	701,203
2023 - 2027	383,250	13,566	213,664	610,480
2028 - 2032	445,040	9,035	144,946	599,021
2033 - 2037	360,745	3,754	60,522	425,021
2038 - 2042	133,855	441	10,943	145,239
	$ 1,927,025	$ 70,352	$ 1,066,486	$ 3,063,863

ii) **Swaptions**

During 2012, the City terminated all outstanding swaptions, as noted below.

In April 2012, the City terminated the swaption transaction with J.P. Morgan in relation to Chicago Midway International Airport bonds with an original notional amount of $397.7 million and a trade date of October 27, 1999. The City paid $8.2 million to terminate the swaption. Note that $8.3 million of Chicago Midway Airport Commercial Paper Notes Series 2003 were issued to fund the swaption termination payment.

In May 2012, the City terminated three swaption transactions with J.P. Morgan in relation to Chicago Sales Tax Revenue bonds with notional amounts of $69.3 million, $60.6 million and $23 3 million and a trade date of June 21, 2002. The City paid $0.54 million, $0.365 million and $0.02 million respectively to terminate the swaptions. Note that $1.0 million of General Obligation Commercial Paper Notes Series 2002 were issued to fund the Sales Tax Revenue Bonds swaptions termination payments.

In July 2012, the City terminated the swaption transaction with Goldman Sachs in relation to General Obligation bonds with a total notional amount of $318.7 million and a trade date of December 18, 2003. The City paid a total of $4.9 million to terminate the swaption. Note that $4.9 million of General Obligation Commercial Paper Notes Series 2003 were issued to fund the swaption termination payment.

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, 2012. The Water Rate Stabilization account had a balance in restricted assets of $74.9 million at December 31, 2012.

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, 2012.

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, 2012. The Sewer Rate Stabilization account had a balance in restricted assets of $29.6 million at December 31, 2012.

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, 2012.

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, 2012.

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, 2012. 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, 2012.

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 Position 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, 2012, not including principal payments due January 1, 2013, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Emergency Telephone System - Series 1993	$ 213,730	$ 123,115
General Obligation Refunding Bonds - Series 1993B	27,515	6,000
General Obligation Project and Refunding Bonds - Series 1998	345,770	14,005
General Obligation Bonds - Series 2001A	404,131	131,515
General Obligation Project and Refunding Bonds - Series 2003A	108,000	67,690
General Obligation Project Bonds - Series 2003C	126,960	116,710
General Obligation Project Bonds - Series 2004A	276,620	256,060
General Obligation Project and Refunding Bonds - Series 2005A	72,690	59,630
General Obligation Project and Refunding Bonds - Series 2005B	8,725	4,465
General Obligation Direct Access Bonds - Series 2005E	22,186	10,835
General Obligation Project and Refunding Bonds - Series 2006A	23,775	13,285
General Obligation Direct Access Bonds - Series 2006	4,755	2,635
General Obligation Project and Refunding Bonds - Series 2007A	10,505	9,710
General Obligation Project and Refunding Bonds - Series 2007C	23,805	11,530
General Obligation Project and Refunding Bonds - Series 2008	210	105
Neighborhoods Alive 21 Program - Series 2001A	213,825	60,170
Neighborhoods Alive 21 Program - Series 2003	90,600	83,440
Lake Millenium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Near South Redevelopment Project Tax Increment - Series 1994A	23,000	3,825
Chatham Ridge Redevelopment Project Tax Increment - Series 2002	6,565	3,575
Special Transportation Revenue Bonds - Series 2001	118,715	97,290
Midway 2nd Lien Series 2010D-1	4,435	4,435
Midway 2nd Lien Series 2010D-2	16,460	16,460
Total	$ 2,292,857	$ 1,140,365

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 131 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 81 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2012 are as follows: market value of securities loaned $1,122.8 million, market value of cash collateral from borrowers $1,126.1 million and market value of non-cash collateral from borrowers $17.3 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)	(a)	(a)	(a)	(a)	n/a
Plan members	8.5%	8.5%	9%	9.125%	n/a
Annual required contribution	$ 690,823	$ 77,566	$ 431,010	$ 271,506	$ 1,470,905
Interest on net pension obligation	117,591	(10,377)	165,221	120,807	393,242
Adjustment to annual required contribution	(120,895)	10,668	(112,872)	(124,201)	(347,300)
Annual pension cost	687,519	77,857	483,359	268,112	1,516,847
Contributions made	148,859	11,853	197,886	81,522	440,120
Increase in net pension obligation	538,660	66,004	285,473	186,590	1,076,727
Net pension obligation (excess), beginning of year	1,469,886	(129,712)	2,065,266	1,510,089	4,915,529
Net pension obligation (excess), end of year	$ 2,008,546	$ (63,708) *	$ 2,350,739	$ 1,696,679	$ 5,992,256

* Laborers' net pension excess is recorded in other assets in the statement of net position.

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2012	12/31/2012	12/31/2012	12/31/2012
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)	7.5%	7.5%	7.75%	8.0%
Projected salary increases (a):				
Inflation	3.0	3.0	3.0	3.0
Seniority/Merit	(b)	(c)	(d)	(e)
Postretirement benefit increases	(f)	(f)	(g)	(g)

(a) Proceeds from a tax levy not more than the amount equal to the total amount of contributions by the employees to the Fund made in the calendar year, two years prior to the year for which the annual applicable tax is levied multiplied by 1.25 for Municipal, 1.00 for Laborers', 2.00 Policemen's and 2.26 for Firemen's

(b) Service-based increases equivalent to a level annual rate increase of 1 4 percent over a full career.

(c) Service-based increases equivalent to a level annual rate increase of 1 2 percent over a full career.

(d) Service-based increases equivalent to a level annual rate increase of 2.8 percent over a full career.

(e) Service-based increases equivalent to a level annual rate increase of 3.0 percent over a full career.

(f) 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.

(g) 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 (Asset) / Obligation
Municipal Employees':			
2010	$ 482,420	32.08 %	$ 1,007,406
2011	609,491	24.12	1,469,886
2012	687,519	21.65	2,008,546
Laborers':			
2010	47,129	32.57	(174,585)
2011	57,651	22.17	(129,712)
2012	77,857	15.22	(63,707)
Policemen's:			
2010	403,228	43.28	1,791,146
2011	448,153	38.83	2,065,266
2012	483,359	40.94	2,350,739
Firemen's:			
2010	215,666	37.53	1,345,927
2011	247,031	33.55	1,510,089
2012	268,112	30.41	1,696,679

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':							
2010	12/31/10	$ 6,003,390	$ 11,828,666	$ 5,825,276	51 %	$ 1,541,388	378 %
2011	12/31/11	5,552,291	12,292,930	6,740,639	45	1,605,993	420
2012	12/31/12	5,073,320	13,475,377	8,402,057	38	1,590,794	528
Laborers':							
2010	12/31/10	1,529,404	2,030,025	500,621	75	199,863	250
2011	12/31/11	1,422,414	2,152,854	730,440	66	195,238	374
2012	12/31/12	1,315,914	2,336,189	1,020,275	56	198,790	513
Policemen's:							
2010	12/31/10	3,718,955	9,210,056	5,491,101	40	1,048,084	524
2011	12/31/11	3,444,690	9,522,395	6,077,705	36	1,034,403	588
2012	12/31/12	3,148,930	10,051,827	6,902,897	31	1,015,171	680
Firemen's:							
2010	12/31/10	1,198,114	3,655,026	2,456,912	33	400,404	614
2011	12/31/11	1,101,742	3,851,919	2,750,177	29	425,385	647
2012	12/31/12	993,284	4,020,138	3,026,854	25	418,965	722

The unfunded liability to the Plans poses significant financial challenges. The unfunded liability has consistently increased in recent years, and actuaries for the Municipal Employees' Plan and the Laborers' Plan indicate that the unfunded liability of those plans will continue to increase for the foreseeable future. Although the actuaries for the Policemen's and the Firemen's Plans project that the unfunded liabilities of those Plans will decrease in the future, such a decrease will result from significantly increased contributions to those Plans as a result of State Law. Furthermore, the contributions made by the City to the Plans have been lower than the cash outlays of the Plans in recent years. As a result, the Plans have used investment earnings or assets of the Plans to satisfy these cash outlays. The use of investment earnings or assets of the Plans for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Plans from recognizing the full benefits of compounding investment returns. Since 2001, the City has contributed to the Plans as required by State Law. However, this amount has not been sufficient to fully fund the Normal Cost plus an amortized portion of the UAAL in each year as a result of a contribution limitation which has had the effect, and may have the effect in the future, of limiting the Pension Levy to an amount insufficient to fully fund the Plans to the amount of the Actuarially Required Contribution. No assurance can be made that the State Law applicable to the Plans will not be amended in the future.

b) **Other Post Employment 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 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, 2012

	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	$ 14,632	$ 3,070	$ 10,474	$ 4,276	$ 32,452
Interest on Net OPEB Obligation	3,041	248	479	398	4,166
Adjustment to Annual - Required Contribution	(3,970)	(324)	(380)	(520)	(5,194)
Annual OPEB Cost	13,703	2,994	10,573	4,154	31,424
Contributions Made	9,522	2,562	9,766	2,622	24,472
Increase in Net OPEB Obligation	4,181	432	807	1,532	6,952
Net OPEB Obligation, Beginning of Year	67,575	5,519	10,654	8,850	92,598
Net OPEB Obligation, End of Year	$ 71,756	$ 5,951	$ 11,461	$ 10,382	$ 99,550

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	12/31/2012	12/31/2012	12/31/2012	12/31/2012
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 1.4 percent over a full career
(c) Service-based increases equivalent to a level annual rate of increase of 1.2 percent over a full career
(d) Service-based increases equivalent to a level annual rate of increase of 1.8 percent over a full career
(e) Service-based increases equivalent to a level annual rate of increase of 1.8 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'	2010	$ 22,375	42.68 %	$ 55,045
	2011	22,047	43.16	67,575
	2012	13,703	69.49	71,756
Laborers'	2010	3,559	72.68	4,619
	2011	3,479	74.15	5,519
	2012	2,994	85.56	5,951
Policemen's	2010	10,736	87.13	9,619
	2011	10,627	90.25	10,654
	2012	10,573	92.37	11,461
Firemen's	2010	4,354	60 74	7,107
	2011	4,372	60.12	8,850
	2012	4,154	63.13	10,382

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'	12/31/2012	$ -	$ 162,083	$ 162,083	-	$ 1,590,794	10.19 %
Laborers'	12/31/2012	-	38,653	38,653	-	198,790	19.44
Policemen's	12/31/2012	-	168,811	168,811	-	1,015,171	16 63
Firemen's	12/31/2012	-	46,206	46,206	-	418,965	11.03

12) **Other Post Employment 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 per month for each Medicare eligible annuitant and $95 per month for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $67.8 million in 2012 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 2012, the net expense to the City for providing these benefits to approximately 24,408 annuitants plus their dependents was approximately $97.5 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 (see Note 17 for subsequent update).

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 NPO valuation reports of the respective four Pension Funds (see Note 11).

Special Benefits under the Collective Bargaining Agreements (CBA) - Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Police pension fund contributes $95 per month towards coverage for police officers (which is assumed to continue); the Fire Pension Fund does not contribute. Once CBA early retirees reach Medicare eligibility age, their healthcare benefits are provided under the provisions of the Settlement Plan.

No extension of the CBA has been negotiated as of the end of the governing contract period (June 30, 2012), and therefore this valuation assumes the expiration of the early retirement special benefits as of December 31, 2012, but includes the liabilities for continuation of payments to those members already retired under the CBA as of December 31, 2012.

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 one year (the remaining year of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan and changes in the City's net OPEB obligation. The *Net OPEB Obligation* is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other postemployment benefits – the retiree health plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2012 is the *Annual OPEB Cost (expense)*.

Annual OPEB Cost and Contributions Made
(dollars in thousands)

	Retiree Settlement Health Plan	CBA Special Benefits	Total
Contribution Rates			
City	Pay As You Go	Pay As You Go	Pay As You Go
Plan Members	N/A	N/A	N/A
Annual Required Contribution	$ 194,291	58,456	$ 252,747
Interest on Net OPEB Obligation	2,353	1,463	3,816
Adjustment to Annual Required Contribution	(159,200)	(20,386)	(179,586)
Annual OPEB Cost	37,444	39,533	76,977
Contributions Made	97,531	18,430	115,961
Decrease in Net OPEB Obligation	(60,087)	21,103	(38,984)
Net OPEB Obligation, Beginning of Year	156,847	97,498	254,345
Net OPEB Obligation, End of Year	$ 96,760	118,601	$ 215,361

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 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
Settlement Plan			
12/31/2012	$ 37,444	260 5%	$ 96,760
12/31/2011	48,954	202.4	254,345
12/31/2010	82,874	129.6	304,483
CBA Special Benefits			
12/31/2012	$ 39,533	46.6%	$ 118,601
Total			
12/31/2012	$ 76,977	150.6%	$ 215,361
12/31/2011	48,954	202.4	254,345
12/31/2010	82,874	129.6	304,483

Funded Status and Funding Progress - As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $471.0 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,518.7 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.7 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	UAAL as a Percentage of Covered Payroll
Settlement Plan						
12/31/2011	$ -	$ 191,378	$ 191,378	0%	$ 2,518,735	7.6 %
CBA Special Benefits						
12/31/2011	$ -	$ 279,574	$ 279,574	0%	$ 1,471,692	19 0 %
Total						
12/31/2011	$ -	$ 470,952	$ 470,952	0%	$ 2,518,735	18 7 %

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, 2012, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 10 5 percent initially, reduced by decrements to an ultimate rate of 10.0 percent. Both rates included a 3.0 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 1.5 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over one year.

For the Special Benefits under the CBA for Police and Fire, the contract expiration date of June 30, 2012 is reflected, such that liabilities are included only for payments beyond 2012 on behalf of early retirees already retired and in pay status as of December 31, 2012. Assumptions and methods were selected to reflect the expiring obligation. The projected unit credit method was selected. The actuarial assumptions included an annual healthcare cost trend rate of 10.5% in 2012, reduced by decrements to an ultimate rate of 5.0% in 2030. Rates included a 3% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 1.50%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over five years.

Summary of Assumptions and Methods

	Settlement Health Plan	CBA Special Benefits
Actuarial Valuation Date	December 31, 2011	December 31, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Dollar	Level Dollar
Remaining Amortization Period	1 year	5 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	1.50%	1.50%
Projected Salary Increases	3.0%	3 0%
Healthcare Inflation Rate	10 5% in 2012 to 10 0% in 2013	10.5% initial to 5.0% in 2030

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 Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2012, the total amount of non-Enterprise Fund claims was $556.5 million and Enterprise Fund was $52.0 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):

	2012	2011
Balance, January 1	$ 554,797	$ 555,285
Claims incurred and change in estimates	755,278	585,980
Claims paid on current and prior year events	(701,590)	(586,468)
Balance, December 31	$ 608,485	$ 554,797

14) Expenditure of Funds and Appropriation of Fund Balances

The City expends funds by classification as they become available, and "Restricted" funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "*Committed*". The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "*Assigned*". Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered "*Unassigned*" until such allocation is completed.

In addition to the categories above, any amounts which will be used to balance a subsequent year's budget will be considered *"Assigned"* as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available *"Unassigned"* fund balance at the end of the previous fiscal year.

a) Fund Balance Classifications

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

Nonspendable for Inventory	$ 20,885
Restricted for Grants and Donations	27,821
Restricted for Debt Service	313,623
Restricted for TIF & Special Service Area Programs and Redevelopment	1,499,414
Restricted for Capital Projects	487,762
Committed for Debt Service	156,836
Committed for Budget and Credit Rating Stabilization	624,849
Committed for Repair, Maintenance and City Services	100,442
Assigned for Future Appropriated Fund Balance	160,395
Assigned for Encumbrances	16,605
Restricted for Special Events	4,291
Unassigned	(1,819,556)
Total Government Fund Balance	$ 1,593,367

At the end of the fiscal year, total encumbrances for the General Operating Fund amounted to $16.6 million, $19.1 million for the Special Taxing Areas Fund, $34.8 million for the Capital Projects Fund and $10.8 million for the Non Major Special Revenue Fund.

15) 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, 2012, the Enterprise Funds have entered into contracts for approximately $565.5 million for construction projects.

The City's pollution remediation obligation of $8.4 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.

16) Concession Agreements

The major fund entitled Service Concession and Reserve Fund is used for the 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. The City recognizes $15.3 million of revenue for each 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 agreement. 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. The City recognizes $5.7 million of revenue for each 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 agreement. 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 agreement. The City recognizes $18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position 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 Position.

17) Subsequent Events

As of December 31, 2012, the outstanding balance for Chicago General Obligation Commercial Paper Notes (G.O. CP) was $166 5 million. As of the date of this report, the City has paid $95.0 million of G.O. CP, issued $69.1 million to fund various authorized capital projects, and had an outstanding balance of $140.6 million.

Since January 2013, the City Motor Fuel Tax Revenue Bonds have been downgraded by Moody's Investors Service and Fitch Ratings. Moody's downgraded the rating from Aa3 to A3 in March and from A3 to Baa1 in June. Fitch downgraded the rating from A- to BBB+ in June. Moody's and Fitch currently have a negative outlook on the ratings.
In January 2013, the City entered into two swap overlay agreements (i.e., Constant Maturity Swap (CMS) reversal) associated with the General Obligation Series 2003B variable rate bonds with PNC Bank, N.A. (PNC) for a notional amount of $48.2 million and The Bank of New York Mellon (BNYM) for a notional amount of $144.6 million. The

agreement with PNC is effective March 1, 2014 through January 1, 2019 and the agreement with BNYM is effective November 1, 2014 through January 1, 2019. Under both agreements the City will pay 66.91 percent of 10 year LIBOR and receive 75 percent of one month LIBOR. 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 January 1, 2019, after which time the City will receive 66.91 percent of 10 year LIBOR through expiration (January 1, 2034). The City received a total upfront payment of $7.5 million.

In February 2013, the City increased the Letter of Credit (LOC) support for the Chicago Midway International Airport Commercial Paper Program from $85.0 million to $150.0 million. The $65.0 million LOC is provided by PNC Bank. While the City has City Council authorization to issue up to an aggregate principal of $250.0 million of Chicago Midway International Airport Commercial Paper Notes (Midway CP Notes), the LOC support provides only for the issuance of up to $150.0 million aggregate principal amount of Midway CP Notes. The Midway CP Notes are authorized to be issued by the City for the financing and refinancing of certain projects (which may include payments on certain related bonds and notes) at Chicago Midway International Airport.

In March 2013, the City entered into a Revolving Credit Agreement with Bank of America, N.A., which allows the City to draw on the line of credit in an aggregate amount not to exceed $200.0 million. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires March 1, 2016.

In May 2013, the City issued $23.0 million aggregate principal amount of Midway CP Notes. The proceeds will be used to finance a portion of the costs of authorized airport projects.

In May 2013, the City extended the OPEB benefits for retirees under the OPEB Settlement Health Care Plans from June 30, 2013 until December 31, 2013, with a commitment to provide reduced subsidies after 2013, with a complete phase out in five years. The liability associated with six additional months of payments for the remaining Settlement Plan retirees is approximately $45 million. The liability associated with the five year phase out is unknown since the level of subsidy and plan provisions are not yet determined.

In June 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to complete the Wacker Drive Reconstruction Project. The loan amount of $98.66 million will fund the Chicago Riverwalk along the main branch of the Chicago River. The interest rate is 3.33% and the final maturity of the loan is 1/1/2048.

The 1996 Reauthorization Act, Title 49 United States Code §47134, authorized the Federal Aviation Administration ("FAA") to establish the Airport Privatization Pilot Program (the "Pilot Program"), pursuant to which the FAA is authorized to permit public airport sponsors to sell or lease an airport. The 2012 Reauthorization Act increased the number of airports that could participate in the program from five to ten. Only one of the ten airports can be a "large hub" airport (having enplanements that equal or exceed one percent of the enplanements at all U.S. commercial airports). On September 2006, the City applied to the FAA under the Pilot Program with respect to Chicago Midway International Airport ("Midway") with extensions requested periodically and most recently in April 2012. The City is currently pursuing bids for a lease of Midway under the provisions of the Pilot Program. The City is not under any obligation to accept any bids, and it is not possible at this time to predict whether or not the City will enter into a lease of Midway pursuant to the Pilot Program or when such a transaction might occur.

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'							
2010	12/31/2010	$ -	$ 223,564	$ 223,564	- %	$ 1,541,388	14.50 %
2011	12/31/2011	-	163,242	163,242	-	1,605,993	10.16
2012	12/31/2012	-	162,083	162,083	-	1,590,794	10.19
Laborers'							
2010	12/31/2010	-	41,361	41,361	- %	199,863	20.69 %
2011	12/31/2011	-	38,328	38,328	-	195,238	19.63
2012	12/31/2012	-	38,654	38,654	-	198,790	19.44
Policemen's							
2010	12/31/2010	-	164,796	164,796	- %	1,048,084	15.72 %
2011	12/31/2011	-	165,955	165,955	-	1,034,404	16.04
2012	12/31/2012	-	168,811	168,811	-	1,015,171	16.63
Firemen's							
2010	12/31/2010	-	48,222	48,222	- %	400,404	12.04 %
2011	12/31/2011	-	46,980	46,980	-	425,385	11.04
2012	12/31/2012	-	46,206	46,206	-	418,965	11.03
City of Chicago							
2010	12/31/2009	-	533,387	533,387	- %	2,546,961	20.94 %
2011	12/31/2010	-	390,611	390,611	-	2,475,080	15.78
2012	12/31/2011	-	470,952	470,952	-	2,518,735	18.70

APPENDIX D

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.

The City

Chicago is the third largest city in the United States and located in the second most populous county in the country – Cook County, Illinois. On the shores of Lake Michigan, the City has a 228 square mile footprint and is 26 miles long.

Economy

Chicago's large and diverse economy contributes to a gross regional product of more than $500 billion. With 9.5 million people, 4.2 million employees, and over 270,000 businesses, the Chicago metropolitan area is home to more than 400 major corporate headquarters, including 30 Fortune 500 headquarters, and 29 S&P 500 companies.

Since the 1850s, Chicago has been an important center for North American transportation and distribution. Because of its unique geography, Chicago's distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.5 million tons of freight, mail, and goods annually. Chicago is also the only city where the country's six largest freight railroad companies interchange traffic.

Manufacturing employs over 400,000 workers in the Chicago metropolitan area and makes up nearly than 10 percent of the regional economy.

Health care and life science-related businesses employ over 500,000 workers in the Chicago metropolitan area. Five of the nation's 15 major teaching hospitals are located in Chicago.

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Population

Chicago is home to nearly 2.7 million people that live in more than one million households across 77 communities. Total number of households over past 40 years has remained very stable at 1.2 million, providing a stable and robust population base. City's population edged up 0.7% over the past two years to 2.71 million while other Midwest cities have seen declines.

The population of the United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 is set forth below.

Population
1980 — 2012

Year	United States	State of Illinois	Cook County	City
1980	226,545,805	11,427,409	5,253,655	3,005,072
1990	248,709,873	11,430,602	5,105,067	2,783,726
2000	281,421,906	12,419,293	5,376,741	2,896,016
2010	308,745,538	12,830,632	5,194,675	2,695,598
2012 Estimate	313,873,685	12,868,192	5,231,351	2,714,856

Source: U.S. Census Bureau

More than 100 languages are spoken and more than 26 ethnic groups have populations greater than 25,000. 33.6 percent of Chicago's residents have bachelor's degrees, which is higher than the national averages of 28 percent. The age distribution of Chicago's population closely matches its peer cities, with the highest relative percentage of the population between the ages of 25 and 44.

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United States, the State of Illinois, Cook County and the Chicago MSA is set forth below for the years 2003 through 2012.

Per Capita Income
2003 — 2012

Year	United States	State of Illinois	Cook County	City of Chicago
2003	$32,676	$34,726	$36,554	$37,151
2004	34,300	36,184	38,559	38,635
2005	35,888	37,702	40,549	40,553
2006	38,127	40,194	43,541	43,369
2007	39,804	42,271	46,264	45,556
2008	40,873	43,338	47,752	46,230
2009	39,357	41,544	46,161	43,907
2010	40,163	42,074	45,318	44,294
2011	42,299	44,119	47,008	46,305
2012	43,741	45,857	48,943	48,305

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Data as recorded in February 2014.

Chicago's median household income is $47,408, compared to $56,853 in Illinois and $51,914 in the U.S., and Chicago ranks 36th among other major metropolitan areas on the cost of living index.

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2003 through 2013 is set forth below.

Employment
2003-2013

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2003	1,215,104	2,417,183	4,378,289	5,916,830
2004	1,212,169	2,413,682	4,414,548	5,968,561
2005	1,198,929	2,393,339	4,432,502	6,033,421
2006	1,228,075	2,453,204	4,577,389	6,225,095
2007	1,249,238	2,490,758	4,658,245	6,322,029
2008	1,237,856	2,461,017	4,619,024	6,248,336
2009	1,171,841	2,325,536	4,374,965	5,937,296
2010	1,116,830	2,309,021	4,350,762	5,925,554
2011	1,120,402	2,316,502	4,372,294	5,942,809
2012	1,144,896	2,367,143	4,455,488	6,007,953
2013	1,153,725*	2,385,399*	4,473,324**	5,975,726**

Source: U S Department of Labor, Bureau of Labor Statistics. Data as recorded in February 2014

*November 2013 data
**December 2013 data.

The percentage of total (nonfarm) employment by sector for the Chicago MSA, State of Illinois and the United States for November 2008 versus November 2013 is shown in the following table.

Percentage of Total Non Farm Employment by Major Industry Sector
November 2008 vs. November 2013

	Chicago MSA		Illinois		United States	
Sector	**Nov-08**	**Nov-13**	**Nov-08**	**Nov-13**	**Nov-08**	**Nov-13**
Trade, Transportation and Utilities	20.5%	20.5%	20.4%	20.4%	19.2%	19.2%
Government	12.8%	12.3%	14.7%	14.3%	16.9%	16.1%
Education and Health Services	13.8%	15.2%	13.7%	15.2%	14.3%	15.5%
Professional and Business Services	16.1%	17.4%	14.3%	15.4%	12.8%	13.7%
Leisure and Hospitality	8.9%	9.4%	8.8%	9.1%	9.5%	10.2%
Manufacturing	10.2%	9.2%	10.9%	9.8%	9.6%	8.7%
Financial Activities	6.9%	6.4%	6.5%	6.3%	5.9%	5.7%
Construction	4.4%	3.3%	4.3%	3.3%	5.1%	4.3%
Other Services	4.4%	4.3%	4.4%	4.3%	4.0%	3.9%
Information	1.9%	1.8%	1.9%	1.7%	2.2%	1.9%
Mining and logging	0.0%	0.0%	0.2%	0.2%	0.6%	0.6%
Total	100%	100%	100%	100%	100%	100%

Source U S Department of Labor, Bureau of Labor Statistics Data as recorded in February 2014

Chicago's average annual unemployment rate decreased from 11.3 percent in 2011 to 10.1 percent in 2012, while statewide, Illinois' unemployment rate dropped from 9.7 percent in 2011 to 8.9

percent in 2012. In November 2013, Chicago's unemployment rate before seasonal adjustment was 9.6 percent, which is down from the November 2012 rate of 9.7 percent.

The annual unemployment rates (percent of population, not seasonally adjusted) for the United States, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2003 through 2013.

Annual Unemployment Rates
2003 — 2013

Year	Chicago	Cook County	Chicago MSA	State of Illinois	United States
2003	8.1%	7.4%	6.8%	6.7%	6.0%
2004	7.5	6.7	6.2	6.2	5.5
2005	7.1	6.4	5.9	5.8	5.1
2006	5.3	4.8	4.5	4.6	4.6
2007	5.7	5.2	4.9	5.1	4.6
2008	6.9	6.4	6.1	6.4	5.8
2009	10.9	10.4	10.1	10.0	9.3
2010	11.6	10.8	10.4	10.5	9.6
2011	11.3	10.3	9.8	9.7	8.9
2012	10.1	9.3	8.9	8.9	8.1
2013	9.6*	8.6*	8.3**	8.6**	7.4

Source. U.S. Department of Labor, Bureau of Labor Statistics Data as recorded in February 2014
*November 2013 data
**December 2013 data

Employers

Chicago has a strong and vibrant business community. In 2012, there were over 600 corporate expansions and relocations in the Chicago region, accounting for more than 50,000 created and retained jobs. Tech companies accounted for more than 6,000 new jobs in 2012.

The companies employing the greatest number of workers in the City as of the end of 2012 are set forth below.

Chicago's Largest Employers
2012

Employer	Number of Employees	Percentage of Total City Employment
J.P. Morgan Chase Bank, N.A.	8,168	0.76%
United Airlines	7,521	0.70
Accenture LLP	5,590	0.52
Northern Trust Corporation	5,448	0.51
Jewel Food Stores, Inc.	4,572	0.43
Ford Motor Company	4,187	0.39
Bank of America NT & SA	3,811	0.36
ABM Janitorial Services – North Central	3,398	0.32
American Airlines	3,076	0.29
Walgreen's Co.	2,789	0.26

Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.

Tourism

Chicago hosted 46.3 million domestic and overseas visitors in 2012, including 34.1 million domestic leisure travelers, 10.9 million domestic business travelers, and 1.3 million overseas visitors. In 2012, visitors to Chicago spent more than $12.76 billion, generated $805.6 million in tax revenue, and helped create over 132,000 jobs.

According to statistics compiled by Airports Council International in 2012, O'Hare ranked fifth worldwide and second in the United States in terms of total passengers while Midway ranked 27th in the United States. According to CDA and USDOT survey data, O'Hare and Midway had 33,231,201 and 9,671,619 total enplaned passengers in 2012, respectively. O'Hare supports substantial international service with international passengers constituting 14.9% of total enplaned passengers in 2012.

McCormick Place is North America's largest convention facility, and hosted close to 3 million in 2012.

There are over 37,000 hotel rooms in Chicago's central business district, and over 108,000 rooms in the Chicagoland area.

In April 2014, Chicago will host the U.S. Travel Association's IPW, the world's largest U.S. tourism marketplace for international inbound travel.

Transportation

Chicago has been an important center for North American transportation and distribution. Chicago's distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1.5 million tons of freight, mail, and goods annually. Chicago is also the only city where the country's six largest freight railroad companies interchange traffic.

The Chicago Transit Authority operates the second largest public transportation system in the nation, with: 1,781 buses operating over 140 routes and 1,959 route miles, making 25,000 trips per day and serving 12,000 bus stops; 1,200 rail cars operating over eight routes and 242 miles of track, making 2,145 trips each day and serving 144 stations; and 1.64 million rides on an average daily basis and over 550 million rides a year (bus and train combined).

Schools

The Chicago Public School system is the third largest school district in the nation, serving approximately 404,000 students. CPS is comprised of 472 elementary schools, 106 high schools, 7 contract schools, and 96 charter school campuses. The City Colleges of Chicago operate seven colleges and serve approximately 120,000 students.

Government

The number of full-time employees of the City for the years 2006 through 2013 is included in the following table.

City Full-Time Employees
2006 — 2013

Year	Budgeted Full-Time Equivalent Positions
2006	40,297
2007	40,207
2008	39,921
2009	37,419
2010	36,889
2011	36,448
2012	33,708
2013	33,554*

Source: Chicago Comprehensive Annual Financial Report for the year ended December 31, 2012.
* Estimate from the City of Chicago 2013 Annual Financial Analysis.

The City has 1.27 million registered voters.

Arts & Culture

The city has more than 200 theater companies and is the only U.S. city with five Tony award-winning theater companies. Chicago is home to the Chicago Symphony, the Lyric Opera, and the Joffrey Ballet. Chicago has over 35 museums and was voted the #3 art destination in the country by American Style Magazine. The Chicago Cultural Center, the first free municipal cultural center in the country, attracted more than 800 thousand visitors in 2012.

Recreation

The Chicago metro area has 80 miles of public shoreline and 94 beaches. Lincoln Park Zoo is the oldest public zoo in the country, with an estimated annual attendance of 3 million. Chicago has 552 parks, including Lincoln Park which is the second most visited city park in the country, attracting 20 million visitors annually. Chicago is home to nine major professional sports teams. Chicago has more free festivals and events than any other city in the country. Millennium Park, a 25-acre park in the heart of downtown, attracts 4 million visitors annually.

Restaurants and Shopping

There are over 600 stores in and around Michigan Avenue. There are more than 5,500 restaurants in Chicago, including four that were awarded a Five-Star rating by Forbes Travel.

Housing Market

Home prices in the Chicago MSA housing market have strengthened through 2013, and City residential home sales experienced its 30th consecutive month of year-over-year growth by number in December 2013. According to the Freddie Mac Housing Price Index, the Chicago MSA index went from 103.54 in September 2012 to 114.08 in September 2013.

The Chicago MSA traditionally lags the national housing market. As experienced nationally, the Chicago market is recovering and the property tax base remains robust. Recently, the number of home sales has increased while the number of foreclosure filings has decreased.

The monthly home sales and the median home sale prices for Chicago for the years 2009 through 2013 are shown below.

Chicago Monthly Home Sales
2009 — 2013

	2009	2010	2011	2012	2013
January	917	1,202	1,034	1,123	1,485
February	866	1,225	1,056	1,250	1,378
March	1,212	1,814	1,450	1,664	1,894
April	1407	1,984	1,466	1,816	2,331
May	1,557	2,057	1,703	2,125	2,762
June	1,981	2,526	1,841	2,332	2,623
July	1,975	1,588	1,655	2,164	2,838
August	1,927	1,486	1,787	2,293	2,797
September	1,918	1,403	1,498	1,906	2,352
October	2,012	1,216	1,312	2,076	2,231
November	1,859	1,144	1,429	1,798	1,800
December	1,767	1,444	1,576	1,849	2,080

Source: Illinois Association of Realtors

Chicago Median Home Sale Prices
2009 — 2013

	2009	2010	2011	2012	2013
January	$205,000	$195,000	$150,000	$148,000	$159,000
February	218,625	176,500	150,000	140,000	158,000
March	219,000	209,000	163,200	172,000	187,500
April	218,000	225,000	169,000	182,000	222,000
May	225,000	230,000	190,000	200,000	234,000
June	242,050	234,250	207,000	217,000	254,900
July	245,000	196,500	210,000	200,000	250,000
August	229,900	200,000	192,500	200,000	245,000
September	225,000	180,000	190,000	188,400	231,000
October	215,000	183,000	162,000	175,000	218,500
November	215,000	182,500	157,000	180,000	200,000
December	210,000	166,250	155,000	185,000	210,000

Source: Illinois Association of Realtors

APPENDIX E

RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS

APPENDIX E

RETIREMENT FUNDS AND OTHER POST-EMPLOYMENT BENEFITS

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RETIREMENT FUNDS

General

Pursuant to the Illinois Pension Code, as revised from time to time (the "Pension Code"), the City contributes to four retirement funds, which provide benefits upon retirement, death or disability to employees and beneficiaries. Such retirement funds are, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"); (ii) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"); (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF" and, together with MEABF, PABF and FABF, the "Retirement Funds").

The Retirement Funds are established, administered and financed under the Pension Code, as separate bodies politic and corporate and for the benefit of the employees of the City and their beneficiaries. The City's contributions to the Retirement Funds, and benefits for annuitants of the Retirement Funds, are governed by the provisions of the Pension Code. See "— Determination of City's Contributions" below. This Appendix describes, among other things, the current provisions of the Pension Code applicable to the City's funding of the Retirement Funds; no assurance can be made that the Pension Code will not be amended in the future.

The Retirement Funds have been actuarially determined to be significantly underfunded. The unfunded liabilities have increased in recent years, and actuaries for MEABF and LABF indicate that, under current law, the unfunded liabilities of those Retirement Funds will continue to increase for the foreseeable future and jeopardize the solvency of MEABF and LABF. See "— Funded Status of the Retirement Funds" and "— Projection of Funded Status" below. Furthermore, although the actuaries for PABF and FABF project that the unfunded liabilities of those Retirement Funds will decrease in the future, such a decrease is expected to result from significantly increased City contributions to those Retirement Funds as a result of the enactment of P.A. 96-1495, which is described and defined herein. The increases in the City's contributions to PABF and FABF mandated by P.A. 96-1495 are expected to substantially burden the City's financial condition.

In 2010, the Illinois General Assembly enacted legislation to address the pension benefits of members who joined the Retirement Funds on or after January 1, 2011. See "— Legislative Changes" below. While this legislation is expected to reduce the Retirement Funds' unfunded liabilities over time, it is not expected to materially reduce such liabilities in the near future.

With respect to the unfunded liabilities associated with members who joined the Retirement Funds before January 1, 2011, the only significant action taken to date by the Illinois General Assembly has been the enactment of P.A. 96-1495 which, among other things, significantly increased future contributions to be made by the City to PABF and FABF. See "— Determination of City's Contributions – City's Required Contributions to PABF and FABF Beginning with the Levy made in 2015" below. P.A. 96-1495 has been projected to require an increase in the City's contributions to PABF and FABF by more than $584,000,000, or 200%, starting in 2016 and increasing by approximately three percent each year thereafter. See "TABLE 13 – PROJECTION OF FUTURE FUNDING STATUS – FABF" and "TABLE 14 – PROJECTION OF FUTURE FUNDING STATUS – PABF" below. Given the substantial burden these increased contributions would place on the City's financial condition, the City is exploring options which would reduce the near-term burden of such increased contributions.

As discussed under "— Pension Reform" below, the City believes that reductions in the benefits provided by each of the Retirement Funds are necessary, in combination with any increases in employer and employee contributions, to adequately address the unfunded liabilities of the Retirement Funds. Any reduction in benefits would require action by the Illinois General Assembly to modify the Pension Code. No assurance can be given that any proposal to modify benefits will be enacted. Furthermore, given the Illinois Pension Clause (defined below) of the Illinois Constitution, no assurance can be given that legislation to modify benefits, if enacted, will be upheld upon a legal challenge. See "— Background Information Regarding the Retirement Funds — General" below.

The Retirement Funds' sources of funding are the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's and employees' contribution levels are determined pursuant to the Pension Code. There is no mechanism in the Pension Code by which the funding can self-adjust, because contributions are not affected by a change in benefits, assets or investments, but only by a change in current payroll, as described in "— Determination of City's Contributions" below.

The financial health of the Retirement Funds and the projected impact of the Retirement Funds' underfunding on future contributions to be made by the City has impacted the rating agencies' determination of the City's creditworthiness. On April 17, 2013, Moody's Investors Service ("Moody's") issued a release (the "Release") announcing a new approach to analyzing state and local government pensions. The method of evaluating public pension plans established in the Release is intended to be a method of standardizing information among public pension plans and does not impact the City's required contributions, the value of the Retirement Funds' assets, or the liabilities owed by the Retirement Funds. The City does not endorse the method of analysis adopted by Moody's in the Release.

Moody's new pension analysis will include, among other things, adjusting pension plan Actuarial Accrued Liabilities by using certain common assumptions, such as the discount rate and amortization period. Certain other actuarial assumptions, such as mortality and salary growth rates, were not standardized across governmental plans. To accomplish their review, Moody's has stated that it will use a discount rate based on Citibank's Pension Liability Index discount rate as of a pension plan's valuation date. Such a discount rate will be lower than the discount rate currently used by the Retirement Funds and is closer to the discount rate for a typical pension plan in the private sector. The City estimates that Moody's new method of analysis would result in the following Funded Ratios, as hereinafter defined, of the Retirement Funds (based on data as of December 31, 2012): 25.2% for MEABF, 38.4% for LABF, 20.3% for PABF, and 15.8% for FABF. See Tables 5 through 8 below for information on the Retirement Funds' historical Funded Ratios. For information regarding the Retirement Funds' discount rate, see "— Actuarial Assumptions —Assumed Investment Rate of Return" below. The Release can be obtained from Moody's; provided, however, that the Release is not incorporated herein by such reference.

On July 17, 2013, Moody's downgraded the ratings of the City's general obligation bonds and sales tax revenue bonds from "Aa3" to "A3," the City's water and sewer senior lien revenue bonds from "Aa2" to "A1," and the City's water and sewer second lien revenue bonds from "Aa3" to "A2," each with a negative outlook. Moody's indicated in the ratings action report associated with these downgrades (the "Rating Report") that the downgrades "reflect Chicago's very large and growing pension liabilities and accelerating budget pressures associated with those liabilities." The City makes no prediction as to whether the Moody's rating action described above will result in additional downgrades, or the impact that the financial condition of the Retirement Funds will have on Moody's or any other rating agency's judgment of the City's creditworthiness or on the City's future financing costs. The Rating Report can be obtained from Moody's; provided, however, that the report is not incorporated herein by such reference.

On September 13, 2013, Standard & Poor's Ratings Group ("S&P") affirmed the City's "A+" general obligation bond rating, but changed its outlook on the City's general obligation debt from "stable" to "negative." In changing the City's general obligation bond outlook, S&P cited the City's pension liabilities. Furthermore, S&P indicated that the increased contributions required by current state law could result in ratings downgrades for the City if the City substantially reduces its reserves to make these increased payments.

On November 8, 2013, Fitch Ratings Inc. ("Fitch") reduced the City's general obligation bond and sales tax bond ratings from "AA-" to "A-" and the rating on the City's commercial paper notes from "A+" to "BBB+." Fitch assigned a negative outlook to each of these ratings. In announcing these ratings downgrades, Fitch cited, among other things, the City's pension liability and the "strong legal protection to pension benefits" in Illinois.

In addition, other rating agencies may have established, or may establish in the future, methods for evaluating the financial health of the Retirement Funds and their impact on the City's creditworthiness that are different from the information provided in this Appendix.

Source Information

The information contained in this Appendix relies in part on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the "Source Information"). Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy of the Source Information.

Furthermore, where the tables in this Appendix present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("GASB") or the Pension Code.

Certain of the comprehensive annual financial reports of the Retirement Funds (each, a "CAFR" and together, the "CAFRs"), and certain of the actuarial valuations of the Retirement Funds (each, an "Actuarial Valuation" and together, the "Actuarial Valuations"), may be obtained by contacting the Retirement Funds. Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org; www.chipabf.org; www.labfchicago.org; and www.fabf.org); provided, however, that the contents of these reports and of the Retirement Funds' websites are not incorporated herein by such reference.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit to retired employees and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined benefit pension plan, both employees and employers make contributions to the plan. Generally in a defined-benefit pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan. See "Table 1 - Membership," "— Determination of Employee Contributions" and "— Determination of City's Contributions" below.

The benefits available under the Retirement Funds accrue throughout the time a member is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee to generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City. The Retirement Funds also provide certain disability benefits and retiree healthcare benefits to eligible members.

Section 5 of Article XIII of the Illinois Constitution (the "Illinois Pension Clause") provides as follows:

> "Membership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

For a discussion of the Illinois Pension Clause in the context of possible pension reform related to the Retirement Funds, see "— Pension Reform" below.

For purposes of this Appendix, references to "employee" or "member" are references to the employees of the City, the employees of the Retirement Funds participating in the Retirement Funds, and with regard to MEABF, certain employees and annuitants of the Chicago Board of Education who are members of MEABF as described below.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago. MEABF is established by and administered under Article 8 of the Pension Code. MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members and survivors. MEABF is administered under the direction of a five-member board of trustees (the "MEABF Board"), whose members are responsible for managing and administering MEABF for the benefit of its members. In addition to City employees, MEABF's membership includes non-instructional employees of the Chicago Board of Education ("CBOE Employees"). With respect to MEABF, the terms "employee" and "member" include the CBOE Employees. The CBOE Employees account for almost half of MEABF's membership. The Mayor of the City, the City Clerk, the City Treasurer, and members of the City Council may participate in MEABF if such persons file, while in office, written application to the MEABF Board.

Policemen's Annuity and Benefit Fund of Chicago. PABF is established by and administered under Article 5 of the Pension Code. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children. PABF is administered by an eight-member board of trustees (the "PABF Board"). Members of the PABF Board are charged with administering the PABF under the Pension Code for the benefit of its members.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF provides retirement and disability benefits to fire service employees and their survivors. FABF is governed by an eight-member board of trustees (the "FABF Board"). Members of the FABF Board are statutorily mandated to discharge their duties solely in the interest of FABF's participants and beneficiaries.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of the Pension Code. LABF provides retirement and disability benefits for employees of the City who are employed in a title recognized by the City as labor service and for the survivors of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). Members of the LABF Board are statutorily mandated to discharge their duties solely in the interest of LABF's participants and beneficiaries.

The membership of the Retirement Funds as of December 31, 2012, was as follows:

TABLE 1 - MEMBERSHIP

Retirement Fund	Active Members	Inactive/ Entitled to Benefits	Retirees and Beneficiaries	Totals
MEABF	31,326	13,465	24,120	68,911
PABF	12,026	664	12,966	25,656
FABF	4,740	60	4,613	9,413
LABF	2,865	1,408	3,976	8,249
Total	50,957	15,597	45,675	112,229

Source: CAFRs of the Retirement Funds as of December 31, 2012

Overlapping Taxing Bodies

The City's tax base overlaps with numerous other units of government, including the Chicago Board of Education, the Chicago Park District ("CPD"), the County of Cook, and the State of Illinois (collectively, all such other units are referred to herein as the "Governmental Units"). Certain of the Governmental Units maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion of the contributions of the Governmental Units.

On December 5, 2013, Governor Pat Quinn signed Public Act 98-0599 into law (the "State Pension Reform Act"). The State Pension Reform Act provides for certain cost-saving and other reforms to the State's four largest pension plans, including, but not limited to, changes to the employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes are scheduled to take effect on June 1, 2014. The State Pension Reform Act has been challenged by five separate lawsuits on behalf of various classes of annuitants, current and former workers, and labor organizations, alleging, among other things, that the legislation violates the Illinois Pension Clause. On March 3, 2014, the Illinois Supreme Court consolidated four of these lawsuits and ordered that the consolidated lawsuit proceed in Sangamon County Circuit Court. The fifth lawsuit was filed after such consolidation. The City makes no prediction as to whether the filing of these lawsuits or their outcome will impact the City's pension reform efforts.

On January 7, 2014, Governor Pat Quinn signed Public Act 98-0622 into law (the "CPD Pension Reform Act"). The CPD Pension Reform Act provides for certain cost-saving and other reforms to CPD's pension plan, including, but not limited to, changes to the employer contribution formula, cost of living adjustments, retirement ages and employee contributions. Such changes are scheduled to take effect on June 1, 2014. To date, no lawsuit has been filed challenging the CPD Pension Reform Act. The City makes no prediction as to whether lawsuits will be filed challenging the CPD Pension Reform Act, or whether the filing of any such lawsuit or its outcome will impact the City's pension reform efforts, nor does the City make any prediction as to whether the outcome of the four lawsuits against the State Pension Reform Act will impact the CPD Pension Reform Act.

For more information on these Other Retirement Funds, please refer to the State's Commission on Government Forecasting and Accountability ("COGFA") website at http://cgfa.ilga.gov/home.aspx; provided, however, that the contents of the COGFA website are not incorporated herein by such reference. The City believes the information on COGFA's website to be reliable; however, the City takes no responsibility for the continued accuracy of the Internet address or for the accuracy or timeliness of information posted on the website.

Certain Duties

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation of the Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain autonomous decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenses are the obligation of the Retirement Funds exclusively, as separate bodies politic and corporate.

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members of the Retirement Fund Boards, who are fiduciaries of the

Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds. Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, that the contents of such websites are not incorporated into this Appendix by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds.

TABLE 2 - INVESTMENT RATES OF RETURN, 2003-2012

Fiscal Year	MEABF	FABF	LABF	PABF
2003	19.6%	28.3%	17.5%	21.2%
2004	10.3	12.8	11.5	11.0
2005	6.6	9.5	7.8	7.3
2006	12.7	14.0	11.2	12.1
2007	7.3	11.0	8.0	8.8
2008	(28.7)	(33.8)	(29.2)	(27.8)
2009	19.4	23.7	21.5	21.5
2010	13.7	17.7	15.5	12.7
2011	0.1	(2.0)	(0.3)	0.8
2012	12.9	16.2	14.6	12.4
Assumed Rate[(1)]	7.5	8.0	7.5	7.75

Source: The audited financial statements of the FABF as of December 31 of the years 2003-2012; and for MEABF, LABF and PABF, the CAFRs of the respective Retirement Fund for the fiscal years ending December 31, 2003-2012

(1) Reflects the assumed rate of return for each fund as of December 31, 2012, as discussed in further detail under "Actuarial Assumptions—Assumed Investment Rate of Return" below.

Determination of Employee Contributions

City employees who are members of the Retirement Funds are required to contribute to their respective Retirement Fund as set forth in the Pension Code.

Members of MEABF contribute 8.5% of their salary to MEABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit).

Members of PABF contribute 9.0% of their salary to PABF (consisting of a 7.0% contribution for employee benefits, a 1.5% contribution for spouse benefits and a 0.5% contribution for an annuity increase benefit).

Members of FABF contribute 9.125% of their salary to FABF (consisting of a 7.125% contribution for employee benefits, a 1.5% contribution for spouse benefits, a 0.375% contribution for an annuity increase benefit and a 0.125% contribution for disability benefits).

Members of LABF contribute 8.5% of their salary to LABF (consisting of a 6.5% contribution for employee benefits, a 1.5% contribution for spouse benefits, and a 0.5% contribution for an annuity increase benefit).

For each Retirement Fund, if an employee leaves without qualifying for an annuity, accumulated employee contributions are refunded.

Determination of City's Contributions

Under the Pension Code, the City's contributions to fund the Retirement Funds are determined pursuant to a statutory formula on an annual basis. The Pension Code provides that the City's contributions to the Retirement Funds are to be made from the proceeds of an annual levy of property taxes for each of the Retirement Funds (collectively, the "Pension Levy") by the City solely for such purpose. The Pension Levy is exclusive of and in addition to the amount of property tax which the City levies for other purposes.

The amount of the Pension Levy may not exceed the product of a multiplier established in the Pension Code for each Retirement Fund (each, a "Multiplier") and the amount contributed by the City's employees two years prior to the year in which the tax is levied (the "Multiplier Funding"). For levy years 2011 and 2012, the Multiplier for each Retirement Fund was as follows: 1.25 for MEABF; 2.00 for PABF; 2.26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and are not based on the Actuarially Required Contribution (as hereinafter defined). See "— The Actuarial Valuation—City's Contributions Not Related to GASB Standards" below.

The Pension Code provides that the Retirement Fund Boards must each annually certify to the City Council a determination of the required City contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council levy for a particular contribution amount. The City has generally paid the amounts so requested. See "City Contributions to FABF" below.

In lieu of levying all or a portion of the annual Pension Levy, the City is permitted under the Pension Code to deposit with the City Treasurer other legally available funds to be used for the same purpose as the Pension Levy (collectively, the "Other Available Funds"). In recent years, the City has utilized these provisions by depositing with the City Treasurer certain amounts paid by the State to the City from the Personal Property Replacement Tax Fund ("PPRT") of the State pursuant to Section 12 of the Revenue Sharing Act of the State. The City's distributive share of PPRT is not required to be used for this purpose but it can be used by the City for corporate purposes. Since 2003, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately $78,387,000 annually. In 2011, 2012 and 2013, the amounts of PPRT contributed to the Retirement Funds in the aggregate were approximately $108,153,000, $101,875,000 and $126,629,000, respectively. For those same years, the City's total distributive share of PPRT was $144,332,846, $139,461,000 and $159,559,000, respectively. 2013 PPRT information is based on unaudited City data. As such, the 2013 data is subject to change.

For purposes of this Appendix, references to "Pension Levy" may include the Other Available Funds of the City.

The City's contributions to the Retirement Funds have equaled the Multiplier Funding and certain other amounts required by the Pension Code and have not been in excess of that amount. The City's contributions in accordance with the Pension Code, which are generally lower than the Actuarially Required Contribution, as described below, have contributed to the significant underfunding of the Retirement Funds. Moreover, the City's contributions in accordance with the Pension Code have had the effect of deferring the funding of the Retirement Funds' liabilities, which increases the costs of such liabilities and the associated financial risks, including the risk that each Retirement Fund will not be able to pay its obligations as they become due. Any significant increases in the City's contributions to the Retirement Funds can be expected to place further strain on the City's finances.

City's Contributions to FABF

For levy year 2014, the FABF has requested certain amounts which the City has determined are not required by the Pension Code. The amount requested by the FABF Board in excess of the amount the City has determined to be the statutory requirement for 2014 was $18,147,000. The FABF Board has made similar requests for amounts in excess of the amount the City has determined to be the statutory requirement in each of the last several years. In each such year, including the current year, the City has indicated that it will not contribute amounts in excess of the amount the City has determined to be the statutory contribution requirement to FABF.

City's Required Contributions to PABF and FABF Beginning with the Levy made in 2015

On December 30, 2010, Governor Pat Quinn signed into law Public Act 096-1495 ("P.A. 96-1495") which, among other things, created a new method of determining the contribution to be made by the City to PABF and FABF. P.A. 96-1495 requires that, beginning in 2015, the Pension Levy each year for PABF and FABF will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90% in PABF and FABF by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan").

Pursuant to the P.A. 96-1495 Funding Plan, the Pension Levy for PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040. In Cook and DuPage Counties (in which the City is located), property taxes (including the Pension Levy) levied in one year become payable during the following year in two installments. As such, the Pension Levy for PABF and FABF made in calendar year 2015 will be payable in calendar year 2016.

The P.A. 96-1495 Funding Plan, if implemented, would significantly increase the City's required contributions to PABF and FABF beginning in 2016 and, if implemented, would impose a significant financial burden on the City. The City is exploring options to change the P.A. 96-1495 Funding Plan to reduce the near-term burden on the City's financial condition imposed by dramatically increased contributions to PABF and FABF under P.A. 96-1495, including shifting all or a portion of such burden to future years. Any change to the P.A. 96-1495 Funding Plan which would reduce the contributions required of the City would have the effect of increasing the unfunded liabilities and decreasing the Funded Ratio with respect to PABF and FABF when compared to the projected unfunded liabilities and Funded Ratio as set forth in Tables 13 and 14 below. Furthermore, any such change would require legislative action by the Illinois General Assembly.

Illinois House Bill 3088 ("HB 3088") contains a proposed amendment that would: (i) delay implementation of the actuarial funding required by the P.A. 96-1495 Funding Plan until tax levy year 2022, and instead require the City to continue contributing to PABF and FABF under the Multiplier Funding system through tax levy year 2021; and (ii) provide that PABF and FABF achieve a 90% Funded Ratio by 2061 rather than 2040 as currently required by P.A. 96-1495 (collectively, the "96-1495 Delay Bill"). If enacted, the 96-1495 Delay Bill would increase the cost of PABF's and FABF's respective liabilities, as well as the associated financial risks, including the risk that the PABF and FABF will become insolvent. For more information regarding the possible insolvency of the Retirement Funds, see "Projection of Funded Status and Insolvency" below.

No assurance can be given that a bill modifying the P.A. 96-1495 Funding Plan, including the 96-1495 Delay Bill, will be enacted into law.

P.A. 96-1495 does not affect the manner in which the City contributes to MEABF and LABF.

The Actuarial Valuation

General

In addition to the process outlined above, the Pension Code requires that the Retirement Funds annually submit to the City Council a report containing a detailed statement of the affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. The Actuarial Valuation measures the financial position and determines the Actuarially Required Contribution (as defined below) of such Retirement Fund for reporting purposes pursuant to GASB Statement No. 25 ("GASB 25").

A description of the statistics generated by the Retirement Funds' actuaries in the Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City. The references to GASB principles in this Appendix do not suggest and should not be construed to suggest otherwise.

Actuaries and the Actuarial Process

GASB standards require disclosure of an "Actuarially Required Contribution," which is a financial reporting requirement but not a funding requirement. One of the primary purposes of the Actuarial Valuations is to determine the Actuarially Required Contribution, which is the annual contribution amount that GASB standards would calculate is needed to fully fund the Retirement Funds. GASB pronouncements refer to this concept as the "Annual Required Contribution"; however, this Appendix refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to GASB standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under the Pension Code.

The Actuarially Required Contribution consists of two components: (1) that portion of the present value of pension plan benefits which is allocated to the valuation year by the actuarial cost method (as described in "— Actuarial Methods — Actuarial Accrued Liability" below), termed the "Normal Cost"; and (2) an amortized portion of any UAAL (defined below).

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rates) to calculate, as of the valuation date, the Normal Cost, the Actuarial Accrued Liability (defined below), the Actuarial Value of Assets (defined below), and the actuarial present values for the Retirement Fund. The Retirement Funds' actuaries use this data to determine the following fiscal year's Actuarially Required Contribution. The Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. See "— Source Information" above.

The Actuarial Accrued Liability is an estimate of the present value of the benefits each Retirement Fund must pay to current and retired employees as a result of their past employment with the City and participation in such Retirement Fund. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by each Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets, see "— Actuarial Methods" and "— Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represents the present value of benefits attributed to past service that are in excess of plan assets. In addition, the actuary will compute the "Funded Ratio," which is the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

City's Contributions Not Related to GASB Standards

The City's contributions to the Retirement Funds are not based on the contribution standards promulgated by GASB for reporting purposes. Instead, the City's contributions are based on the formulas and amounts established in the Pension Code. Whereas GASB's contribution standards are actuarially based, the contribution amounts required by the Pension Code, with the exception of the P.A. 96-1495 Funding Plan discussed above, are not actuarially based. See "— Determination of City's Contributions" above.

The difference between the City's actual contributions and the Actuarially Required Contribution (as calculated by the Retirement Funds' actuaries) for fiscal years 2003-2012 is shown in "Table 4 - Information Regarding City's Contributions - Aggregated" below. The Retirement Funds' Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period. MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. Both methods of calculating the Actuarially Required Contribution are acceptable under the standards promulgated by GASB.

City's Contributions to PABF and FABF under P.A. 96-1495 Will Not Conform to GASB Financial Reporting Benchmarks

As discussed above, beginning with the property tax levy made in 2015 (and collectible in 2016), the Pension Levy for PABF and FABF is required to be calculated pursuant to P.A. 96-1495. The P.A. 96-1495 Funding Plan differs from the manner of calculation GASB requires for financial reporting purposes. The primary difference between GASB's financial reporting standards and the P.A. 96-1495 Funding Plan is that the goal of the P.A. 96-1495 Funding Plan is for PABF and FABF to reach a Funded Ratio of 90% by 2040. GASB's financial reporting standards require amortization of the entire UAAL towards attainment of a 100% Funded Ratio.

Actuarial Methods

The Retirement Funds' actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Retirement Funds calculate their respective Actuarial Value of Assets by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20% of the investment gain or loss realized in that year and each of the previous four years. The Asset Smoothing Method is an allowable method of calculation according to GASB.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the UAAL and the Funded Ratio, that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

Table 3 provides a comparison of the assets of the Retirement Funds (as aggregated) on a fair value basis and after application of the Asset Smoothing Method.

TABLE 3 - ASSET SMOOTHED VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS[1] - AGGREGATED

Fiscal Year	Actuarial Value of Assets[2]	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2003	$13,297,599	$12,277,994	108.30%
2004	13,108,645	12,952,096	101.21
2005	13,086,060	13,245,445	98.80
2006	13,435,692	14,164,347	94.86
2007	14,254,816	14,595,514	97.67
2008	13,797,344	9,844,339	140.16
2009	13,051,349	10,876,846	119.99
2010	12,449,863	11,408,555	109.13
2011	11,521,138	10,536,135	109.35
2012	10,531,447	10,799,603	97.51

Source: 2003 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. 2011 and 2012 data is sourced from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds.

(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

Actuarial Accrued Liability

As the final step in the Actuarial Valuation, the actuary applies a cost method to allocate the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of the Actuarial Accrued Liability and the Normal Cost. Currently, all of the Retirement Funds use the entry age normal actuarial cost method (the "EAN Method") with costs allocated on the basis of earnings. The EAN Method is a GASB-approved actuarial cost method.

Under the EAN Method, the present value of each member's projected pension is assumed to be funded by annual installments equal to a level percent of the member's earnings for each year between entry age and assumed exit age. Each member's Normal Cost for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the Normal Cost for the plan for the year is the sum of the normal costs of all active members.

P.A. 96-1495 requires that, beginning in 2015, PABF and FABF calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the "PUC Method"). Under the PUC Method, Normal Cost represents the actuarial present value of that portion of a member's projected benefit that is attributable to service in the current year, based on future compensation projected to retirement. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member's projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

Under either cost method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date, i.e., for past service.

This value changes as the member's salary changes and years of service increases, and as some members leave and new members are hired. Future Normal Cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

As compared to the EAN Method, the PUC Method will produce a more back-loaded growth in liabilities because the PUC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions (assuming funding is actuarially based, as is the P.A. 96-1495 Funding Plan). Deferring contributions in this manner increases the cost of the liabilities and the associated financial risks for PABF and FABF.

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions in order to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution. Additional information on each Retirement Fund's actuarial assumptions is available in the 2011 Actuarial Valuations, with respect to PABF and FABF, and the 2012 Actuarial Valuations with respect to MEBF and LABF. See "— Source Information" above.

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice of the actuaries. The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use. The purpose of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rate of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. As described in Table 2 above, the Retirement Funds all assumed an average long-term investment rate of return of 8.00% for the fiscal year ended December 31, 2011. Due to the volatility of the marketplace, however, the actual rate of return earned by the Retirement Funds on their assets in any year may be higher or lower than the assumed rate. See Table 2 for the rates of return earned on the Retirement Funds' assets for the last ten fiscal years. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio. As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years. See "— Actuarial Methods — Actuarial Value of Assets" above.

Beginning with calendar year 2012, the Retirement Fund Boards of MEABF, LABF and PABF reduced the assumed investment rate of return to be used by their respective actuaries in preparing future actuarial valuations. For MEABF and LABF, the assumed investment rate of return has been decreased to 7.5% beginning with calendar year 2012. For PABF, the assumed investment rate of return was decreased to 7.75% for calendar year 2012 and 7.50% beginning with calendar year 2013. FABF continues to assume an investment rate of return of 8.0%. For a discussion of the rate to be used by Moody's in analyzing public pension plans, see "— General" above.

The assumed investment rate of return is used by each Retirement Fund's actuary as the discount rate to determine the present value of future payments to such Retirement Fund's members. Such a determination is part of the actuary's process to develop the Actuarial Accrued Liability. Reducing the assumed investment rate of return will, taken independently of other changes, produce a larger Actuarial Accrued Liability for each Retirement Fund. Furthermore, as discussed above, an increase in the Actuarial Accrued Liability will, taken independently, increase the UAAL, decrease the funded ratio and increase the Actuarially Required Contribution.

These changes to the assumed investment rate of return will not impact contributions by the City to MEABF and LABF because these Retirement Funds are funded pursuant to the statutory Multiplier Funding system. However, beginning in 2016, the City's contributions to PABF are expected to increase even further as a result of the change in the assumed investment rate of return, taken independently of other factors, because PABF's UAAL will increase as described above and the P.A. 96-1495 Funding Plan requires an amortization of the UAAL to reach the 90% funding target by 2040.

Funded Status of the Retirement Funds

In recent years, the City has contributed to the Retirement Funds the full amount of Multiplier Funding and certain other amounts determined by the City to be required by the Pension Code through a combination of property tax revenues (through the Pension Levy) and PPRT funds.* However, these amounts have not been sufficient to fully fund the Retirement Funds' Actuarially Required Contribution. Moreover, expenses related to the Health Plan (as defined below) are paid from the City's contributions, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the income from all sources (including employee contributions, City contributions and investment earnings) to the Retirement Funds has been lower than the cash outlays of the Retirement Funds in recent years. As a result, the Retirement Funds have liquidated investments and used assets of the Retirement Funds to satisfy these cash outlays. The use of investment earnings or assets of the Retirement Funds for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Retirement Funds from recognizing the full benefits of compounding investment returns.

Table 4 provides information on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

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* As discussed under "— Determination of City's Contributions" above, the City and FABF have disagreed over whether certain amounts are required under the Pension Code. In addition, pursuant to the Pension Code, the City did not make any contributions to or levy the Pension Levy for LABF in fiscal years 2001 through 2006 because LABF had funds on hand in excess of its liabilities. The Pension Code provides that the City will cease to make contributions to LABF in such a situation. The City continued to levy the Pension Levy for the other Retirement Funds during those years.

TABLE 4 - INFORMATION REGARDING CITY'S CONTRIBUTIONS[1] - AGGREGATED

Fiscal Year	Actuarially Required Contribution	Actual Employer Contribution[2]	Percentage of Actuarially Required Contribution Contributed[3]
2003	$451.239	$343.291	76.1%
2004	545.232	345.398	63.3
2005	698.185	423.515	60.7
2006	785.111	394.899	50.3
2007[4]	865.776	395.483	45.7
2008[4]	886.215	416.130	47.0
2009[4]	990,381	423,929	42.8
2010[4]	1.112,626	425.552	38.2
2011[4]	1.321,823	416.693	31.5
2012[4]	1.470,905	440.120	29.9

Sources. Actuarial Valuations of the Retirement Funds as of December 31. 2010. December 31. 2011 and December 31. 2012. CAFRs of the Retirement Funds for the fiscal year ending December 31. 2010. and CAFRs of the City for the fiscal year ending December 31. 2011 and December 31. 2012.

(1) In thousands of dollars. Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each of the Retirement Funds. For the data presented as of December 31. 2001 through December 31. 2006. contribution information includes amounts related to other post-employment benefits. Beginning in 2007. as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits.

(2) Includes the portion of the PPRT contributed to the Retirement Funds in each of the years 2002-2010

(3) The estimated multiplier that would have been necessary for each Retirement Fund to make the full Actuarially Required Contribution in 2012 were as follows: 4.45 for MEABF; 6.52 for FABF; 5.44 for LABF; and 6.73 for PABF. Beginning with the levy made in 2015 (and collectible in 2016). the City's contributions to PABF and FABF will not be calculated in accordance with the Multiplier as described in "— Determination of City's Contributions" above.

(4) Beginning in 2007. as a result of a change in GASB standards. the information in this Table 4 does not include other post-employment benefits. which the City's Comprehensive Annual Financial Report presents separately.

The continued decline in the percentage of the Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the actuarial liability continues to grow and as a result of the delayed recognition of gains and losses resulting from the Retirement Funds' use of the Asset Smoothing Method for financial reporting purposes. See "— Actuarial Methods—Actuarial Value of Assets" above.

The City contributed approximately $463 million to the Retirement Funds in Fiscal Year 2013. This contribution is divided among the Retirement Funds as follows: MEABF – $159.1 million; LABF – $14.5 million; PABF – $204.8 million; and FABF – $84.6 million. The amount of the City's 2013 contribution to the Retirement Funds is provided by the City and is unaudited. This information is preliminary and no assurance can be given that the information will not change once an audit is completed.

As of the end of fiscal year 2010, the Retirement Funds had an aggregate UAAL of approximately $15.315 billion on a fair value basis and $14.274 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 42.7% and 46.6%. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of (i) insufficient contributions compared to the Actuarially Required Contribution and (ii) investment losses brought on by the severe global economic downturn.

As of the end of fiscal year 2011, the Retirement Funds had an aggregate UAAL of approximately $17.284 billion on a fair value basis and $16.299 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 37.9% and 41.4%.

As of the end of fiscal year 2012, the Retirement Funds had an aggregate UAAL of approximately $19.084 billion on a fair value basis and $19.352 billion on an actuarial basis (using the Asset Smoothing Method). The respective Funded Ratios for these UAALs are 36.1% and 35.2%.

The following tables summarize the financial condition and the funding trends of the Retirement Funds.

TABLE 5 - FINANCIAL CONDITION OF THE MEABF
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Net Assets (Fair Value)	$5,128,210	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,739,614	$5,166,224	$5,435,593	$5,053,249
Income										
- Member Contributions	129,644	155,885	122,542	129,466	132,442	137,749	130,981	133,300	132,596	130,266
- City Contributions	141,883	153,919	155,067	148,332	139,552	146,803	157,698	164,302	156,525	158,381
- Investment Income[1]	961,889	578,730	402,311	778,726	485,926	(1,947,576)	778,562	638,569	31,583	589,198
- Miscellaneous Income	-	-	-	-	-	-	-	24	-	-
Total	$1,233,416	$ 888,534	$ 679,920	$1,056,524	$ 757,921	$(1,663,024)	$1,067,241	$ 936,195	$ 320,705	$ 877,845
Expenditures										
- Benefits and Refunds	434,158	538,910	560,228	565,887	582,046	599,137	632,864	660,081	695,674	741,583
- Administration[2]	4,679	29,672	5,545	6,398	6,995	7,279	7,766	6,745	7,375	6,841
Total	$ 438,837	$ 568,582	$ 565,773	$ 572,285	$ 589,041	$ 606,416	$ 640,630	$ 666,826	$ 703,050	$748,425
Ending Net Assets (Fair Value)	$5,922,789	$6,242,741	$6,356,888	$6,841,127	$7,010,007	$4,740,567	$5,166,225	$5,435,593	$5,053,249	$5,182,670
Actuarial Value of Assets[3]	$6,384,099	$6,343,076	$6,332,379	$6,509,146	$6,890,463	$6,669,502	$6,295,788	$6,003,390	$5,552,291	$5,073,320
Actuarial Accrued Liabilities[4]	7,988,637	8,808,501	9,250,212	9,476,118	9,968,747	10,383,158	10,830,119	11,828,666	12,292,930	13,475,376
UAAL (Fair Value)[4]	2,065,848	2,565,760	2,893,324	2,634,991	2,958,740	5,642,591	5,663,894	6,393,073	7,239,681	8,292,706
UAAL (Actuarial Value)[3]	1,604,538	2,465,425	2,917,833	2,966,972	3,078,284	3,713,656	4,534,331	5,825,276	6,740,639	8,402,057
Funded Ratio (Fair Value)[5]	74.1%	70.9%	68.7%	72.2%	70.3%	45.7%	47.7%	46.0%	41.1%	38.5%
Funded Ratio (Actuarial Value)[3]	79.9%	72.0%	68.5%	68.7%	69.1%	64.2%	58.1%	50.8%	45.2%	37.6%

Source: 2003 through 2010 data is from the Actuarial Valuation of the MEABF as of December 31, 2010, and CAFR of the MEABF for the fiscal year ending December 31, 2010. 2011 and 2012 data is from the Actuarial Valuations of the MEABF as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2009, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 6 - FINANCIAL CONDITION OF THE PABF
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Net Assets (Fair Value)	$3,224,037	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,051	$3,439,669	$3,175,509
Income										
- Member Contributions	79,816	78,801	89,110	91,965	93,300	93,207	95,614	108,402	98,222	95,892
- City Contributions	140,735	135,669	177,911	157,689	178,678	181,526	180,511	183,835	183,522	207,228
- Investment Income[1]	627,291	367,908	261,389	447,275	349,914	(1,104,909)	567,315	369,558	33,656	353,176
- Miscellaneous Income	73	75	368	1,070	28	160	799	20	104	423
Total	$ 847,915	$ 582,453	$ 528,778	$ 697,999	$ 621,920	$ (830,016)	$ 844,239	$ 661,815	$ 315,504	$ 656,719
Expenditures										
- Benefits and Refunds	375,503	407,301	437,089	458,060	477,685	497,721	514,883	544,272	575,305	613,907
- Administration[2]	3,166	2,626	2,661	2,700	3,077	4,499	4,304	3,925	4,359	4,888
Total	$ 378,669	$ 409,927	$ 439,750	$ 460,760	$ 480,762	$ 502,220	$ 519,187	$ 548,197	$ 579,664	$ 618,795
Ending Net Assets (Fair Value)	$3,693,283	$3,865,809	$3,954,837	$4,192,076	$4,333,234	$3,000,998	$3,326,050	$3,439,669	$3,175,509	$3,213,433
Actuarial Value of Assets[3]	$4,039,696	$3,933,031	$3,914,432	$3,997,991	$4,231,682	$4,093,720	$3,884,978	$3,718,955	$3,444,690	$ 3,148,930
Actuarial Accrued Liabilities[4]	6,581,433	7,034,271	7,722,737	7,939,561	8,220,353	8,482,574	8,736,102	9,210,056	9,522,395	10,051,827
UAAL (Fair Value)[5]	2,888,150	3,168,462	3,767,900	3,747,485	3,887,119	5,481,576	5,410,052	5,770,387	6,346,886	6,839,394
UAAL (Actuarial Value)[3]	2,541,737	3,101,240	3,808,305	3,941,570	3,988,671	4,388,854	4,851,124	5,491,101	6,077,705	6,902,898
Funded Ratio (Fair Value)[5]	56.1%	55.0%	51.2%	52.8%	52.7%	35.4%	38.1%	37.3%	33.4%	32.0%
Funded Ratio (Actuarial Value)[3]	61.4%	55.9%	50.7%	50.4%	51.5%	48.3%	44.5%	40.4%	36.2%	31.3%

Source 2003 through 2010 data is from the Actuarial Valuation of the PABF as of December 31, 2010, and CAFR of the PABF for the fiscal year ending December 31, 2010. 2011 and 2012 data is from the Actuarial Valuations of the PABF as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(5) Calculated using net assets

TABLE 7 - FINANCIAL CONDITION OF THE FABF
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Net Assets (Fair Value)	$907,804	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,644	$1,106,078	$993,774
Income										
- Member Contributions	42,665	37,734	35,697	44,222	41,120	40,480	41,605	41,730	51,918	56,718
- City Contributions	60,234	55,532	90,129	78,971	74,271	83,744	91,857	83,592	85,498	84,144
- Investment Income[1]	249,995	139,497	112,017	174,406	148,806	(484,093)	208,537	150,835	(22,434)	135,203
- Miscellaneous Income	84	24,322	456	87	162	107	36	30	17	8
Total	$ 352,978	$ 257,085	$ 238,299	$ 297,686	$ 264,359	$(359,762)	$ 342,035	$ 276,187	$ 114,999	$ 276,073
Expenditures										
- Benefits and Refunds	149,174	158,372	167,527	178,214	183,304	192,644	201,146	217,565	223,580	233,840
- Administration[2]	2,047	2,097	2,290	2,647	3,084	2,856	3,439	4,187	3,723	3,584
Total	$ 151,221	$ 160,469	$ 169,817	$ 180,861	$ 186,388	$ 195,500	$ 204,585	$ 221,752	$ 227,303	$ 237,424
Ending Net Assets (Fair Value)	$1,109,561	$1,206,177	$1,274,659	$1,391,484	$1,469,455	$ 914,193	$1,051,643	$1,106,079	$993,774	$1,032,423
Actuarial Value of Assets[3]	$1,194,008	$1,182,579	$1,203,654	$1,264,497	$1,374,960	$1,335,695	$1,269,231	$1,198,114	$1,101,742	$ 993,284
Actuarial Accrued Liabilities[4]	2,517,268	2,793,524	2,882,936	3,088,124	3,215,874	3,311,269	3,428,838	3,655,026	3,851,919	4,020,138
UAAL (Fair Value)[5]	1,407,707	1,587,347	1,608,277	1,696,640	1,746,419	2,397,076	2,377,195	2,548,947	2,858,145	2,987,715
UAAL (Actuarial Value)[3]	1,323,260	1,610,945	1,679,282	1,823,627	1,840,914	1,975,574	2,159,607	2,456,912	2,750,177	3,026,854
Funded Ratio (Fair Value)[5]	44.1%	43.2%	44.2%	45.1%	45.7%	27.6%	30.7%	30.3%	25.8%	25.7%
Funded Ratio (Actuarial Value)[5]	47.4%	42.3%	41.8%	40.9%	42.8%	40.3%	37.0%	32.8%	28.6%	24.7%

Source: 2003 through 2010 data is from the Actuarial Valuation of the FABF as of December 31, 2010, and CAFR of the FABF for the fiscal year ending December 31, 2010. 2011 and 2012 data is from the Actuarial Valuations of the FABF as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2001, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets

TABLE 8 - FINANÇIAL CONDITION OF THE LABF
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Net Assets (Fair Value)	$1,388.090	$1,552,361	$1,637,369	$1,659,061	$1,739,660	$1,782,818	$1,188,580	$1,332,929	$1,427,214	$1,313.604
Income										
- Member Contributions	19.798	22,591	16,257	18,791	18,413	19,419	17,538	16.320	16.069	16,559
- City Contributions	344	197	40	106	15,459	17,580:	17,190	17.939	15,359	14,415
- Investment Income[1]	231,584	171,045	117,785	174,536	125,205	(510,463)	237.102	193,187	(4,511)	173.460
- Miscellaneous Income	22	5	-	-	-	-	-	-	-	-
Total	$ 251,748	$ 193.838	$ 134.082	$ 193,433	$ 159,077	$(473,464)	$ 271.830	$ 227.446	$ 26.917	$204,434
Expenditures										
- Benefits and Refunds	85,567	105,958	109,405	110,003	112,567	117.147	123,817	129,297	136,533	142.215
- Administration[2]	1.910	2.872	2,985	2,831	3,352	3,626	3,665	3,864	3,994	4,746
Total	$ 87.477	$ 108,830	$ 112,390	$ 112,834	$ 115,919	$ 120,773	$ 127,482	$ 133,161	$ 140.527	$146,961
Ending Net Assets (Fair Value)	$1,552.361	$1,637,369	$1,659.061	$1,739.660	$1,782.818	$1,188,581	$1,332.928	$1,427.214	$1,313.604	$1,371,077
Actuarial Value of Assets[3]	$1,679.796	$1,649,959	$1,635,595	$1,664,058	$1,757,711	$1,698.427	$1,601.352	$1,529.404	$1,422.414	$1,315,914
Actuarial Accrued Liabilities[4]	1,628.563	1,674,615	1.742,300	1.767,682	1,808,295	1,915.324	1.975.749	2,030.025	2.152.854	2,336,189
UAAL (Fair Value)[5]	76.202	37.246	83,239	28,022	25,477	726.743	642,821	602.811	839,250	965,112
UAAL (Actuarial Value)[3]	(51.233)	24.656	106,705	103,624	50,584	216.897	374,397	500.621	730,440	1,020,276
Funded Ratio (Fair Value)[5]	95.3%	97 8%	95.2%	98.4%	98.6%	62.1%	67.5%	70.3%	61%	58.7%
Funded Ratio (Actuarial Value)[3]	103.1%	98.5%	93.9%	94.1%	97.2%	88.7%	81.1%	75.3%	66.1%	56.3%

Source. 2003 through 2010 data is from the Actuarial Valuation of the LABF as of December 31, 2010, and CAFR of the LABF for the fiscal year ending December 31. 2010 2011 and 2012 data is from the Actuarial Valuations of the LABF as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2008, includes expenses related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(5) Calculated using net assets.

TABLE 9 - FINANCIAL CONDITION OF THE RETIREMENT FUNDS COMBINED
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Beginning Net Assets (Fair Value)	$10,648,141	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,843,385	$10,876,848	$11,408,554	$10,536,136
Income										
- Member Contributions	271,923	295,011	263,606	284,444	285,275	290,855	285,738	299,752	298,805	299,435
- City Contributions	343,196	345,317	423,147	385,098	407,960	429,653	447,256	449,668	440,904	464,168
- Investment Income[1]	2,070,759	1,257,180	893,502	1,574,943	1,109,851	(4,047,041)	1,791,516	1,352,149	38,295	1,251,037
- Miscellaneous Income	179	24,402	824	1,157	190	267	835	74	121	$431
Total	$ 2,686,057	$ 1,921,910	$ 1,581,079	$ 2,245,642	$ 1,803,277	$(3,326,266)	$ 2,525,345	$ 2,101,643	$ 778,125	$ 2,015,071
Expenditures	-	-	-	-	-	-	-	-	-	
- Benefits and Refunds	1,044,402	1,210,541	1,274,249	1,312,164	1,355,602	1,406,649	1,472,710	1,551,215	1,631,093	1,731,545
- Administration[2]	11,802	37,267	13,481	14,576	16,508	18,260	19,174	18,721	19,452	20,059
Total	$ 1,056,204	$ 1,247,808	$ 1,287,730	$ 1,326,740	$ 1,372,110	$ 1,424,909	$ 1,491,884	$ 1,569,936	$ 1,650,544	$ 1,751,604
Ending Net Assets (Fair Value)	$12,277,994	$12,952,096	$13,245,445	$14,164,347	$14,595,514	$ 9,844,339	$10,876,846	$11,408,555	$10,536,135	$10,799,603
Actuarial Value of Assets[3]	$13,297,599	$13,108,645	$13,086,060	$13,435,692	$14,254,816	$13,797,344	$13,051,349	$12,449,863	$11,521,138	$10,531,448
Actuarial Accrued Liabilities[4]	18,715,901	20,310,911	21,598,185	22,271,485	23,213,269	24,092,325	24,970,808	26,723,773	27,820,098	29,883,532
UAAL (Fair Value)[5]	6,437,907	7,358,815	8,352,740	8,107,138	8,617,755	14,247,986	14,093,962	15,315,218	17,283,963	19,083,929
UAAL (Actuarial Value)[3]	5,418,302	7,202,266	8,512,125	8,835,793	8,958,453	10,294,981	11,919,459	14,273,910	16,298,960	19,352,084
Funded Ratio (Fair Value)[5]	65.60%	63.77%	61.33%	63.60%	62.88%	40.86%	43.56%	42.69%	37.87%	36.1%
Funded Ratio (Actuarial Value)[3]	71.05%	64.54%	60.59%	60.33%	61.41%	57.27%	52.27%	46.59%	41.41%	35.2%

Source: 2003 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. 2011 and 2012 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding.

(1) Investment income is shown net of fees and expenses.

(2) Includes expenses related to other post-employment benefits beginning in each of the fiscal years as shown in Footnote (2) in Tables 6-9 herein for each respective Retirement Fund. See "Other Post-Employment Benefits" below.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above.

(4) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below.

(5) Calculated using net assets.

TABLE 10 - SCHEDULE OF FUNDING PROGRESS - COMBINED FOR THE RETIREMENT FUNDS
FISCAL YEARS 2003-2012
($ IN THOUSANDS)

Fiscal Year	Actuarial Accrued Liability[1]	Actuarial Value of Assets[2]	Fair Value of Net Assets	UAAL (Actuarial)[3]	UAAL (Fair Value)[4]	Funded Ratio (Actuarial)[3]	Funded Ratio (Fair Value)[4]	Payroll	UAAL to Payroll (Actuarial)[3]	UAAL to Payroll (Fair Value)[4]
2003	$18,715,901	$13,297,599	$12,277,994	$5,418,302	$ 6,437,907	71.0%	65.6%	$2,823,932	191.9%	228.0%
2004	20,310,911	13,108,64	12,952,096	7,202,266	7,358,815	64.5	63.8	2,683,331	268.4	274.2
2005	21,598,18	13,086,06	13,245,445	8,512,125	8,352,740	60.6	61.3	2,880,358	295.5	290.0
2006	22,271,48	13,435,69	14,164,347	8,835,793	8,107,138	60.3	63.6	3,069,479	287.9	264.1
2007	23,213,26	14,254,81	14,595,514	8,958,453	8,617,755	61.4	62.9	3,185,388	281.2	270.5
2008	24,092,32	13,797,34	9,844,339	10,294,981	14,247,986	57.3	40.9	3,180,484	323.7	448.0
2009	24,970,80	13,051,34	10,876,846	11,919,459	14,093,962	52.3	43.6	3,172,716	375.7	444.2
2010	26,723,77	12,449,86	11,408,555	14,273,910	15,315,218	46.6	42.7	3,189,739	447.5	480.1
2011	27,233,00	11,521,13	10,536,135	16,298,960	16,696,869	41.4	37.9	3,261,021	499.8	512.0
2012	29,883,532	10,531,448	10,799,603	19,352,084	19,083,929	35.2	36.1	3,223,720	600.0	592.0

Source: 2003 through 2010 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2010, and CAFRs of the Retirement Funds for the fiscal year ending December 31, 2010. 2011 and 2012 data is from the Actuarial Valuations of the Retirement Funds as of December 31, 2011 and December 31, 2012, respectively. Table may not add due to rounding.

Note: For fiscal year 2012 asset, liability, UAAL and Funded Ratio information for MEABF and LABF, see Tables 5 and 8, respectively. Fiscal year 2012 information has yet to be released for PABF and FABF

(1) Beginning with fiscal year 2006, does not include liability related to other post-employment benefits. See "Other Post-Employment Benefits" below

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "— Actuarial Methods — Actuarial Value of Assets" above

(3) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(4) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the fair value of Net Assets

A variety of factors impact the Retirement Funds' UAAL and Funded Ratio. A lower return on investment than that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio.

Projection of Funded Status and Insolvency

The Retirement Funds' funding level has decreased in recent years due to a combination of factors, including: adverse market conditions and investment returns as a result of the financial downturns experienced in 2001 and in 2008 and beyond; and contributions that are lower than the Actuarially Required Contribution.

The following projections (collectively, the "Projections") are based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection.

The Projections are based on the 2012 Actuarial Valuations of the Retirement Funds and are provided to indicate expected trends in the funded status of the Retirement Funds under current law.

TABLE 11 - PROJECTION OF FUTURE FUNDING STATUS - MEABF(1)

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution
2014	$14,536,397	$4,891,512	$ 9,644,885	33.65%	$156,091
2015	15,048,196	4,678,909	10,369,287	31.09	162,992
2016	15,560,462	4,418,517	11,141,945	28.40	168,394
2017	16,082,630	4,116,817	11,965,813	25.60	174,085
2018	16,601,674	3,757,415	12,844,259	22.63	179,934
2019	17,114,069	3,333,218	13,780,851	19.48	185,880
2020	17,616,057	2,863,458	14,752,599	16.25	191,946
2021	18,104,325	2,260,041	15,844,284	12.48	198,105
2022	18,576,408	1,596,843	16,979,565	8.60	204,365
2023	19,044,224	853,400	18,190,824	4.48	210,645
2024	19,493,710	10,479	19,483,231	0.05	217,119
2025	19,922,976	-	19,922,976	0.00	224,610
2026	20,330,539	-	20,330,539	0.00	231,509
2027	20,714,947	-	20,714,947	0.00	238,478
2028	21,075,196	-	21,075,196	0.00	245,611
2029	21,409,418	-	21,409,418	0.00	252,856
2030	21,715,387	-	21,715,387	0.00	260,223
2031	21,992,990	-	21,992,990	0.00	267,721
2032	22,243,068	-	22,243,068	0.00	275,359
2033	22,467,127	-	22,467,127	0.00	282,999
2034	22,667,597	-	22,667,597	0.00	290,786
2035	22,846,617	-	22,846,617	0.00	298,804
2036	23,006,737	-	23,006,737	0.00	307,058
2037	23,150,602	-	23,150,602	0.00	315,512
2038	23,280,753	-	23,280,753	0.00	324,231
2039	23,400,356	-	23,400,356	0.00	333,228
2040	23,512,563	-	23,512,563	0.00	342,489
2041	23,622,082	-	23,622,082	0.00	352,018
2042	23,734,828	-	23,734,828	0.00	361,889
2043	23,855,936	-	23,855,936	0.00	372,010

Source. For fiscal years 2014-2025, Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Beginning with fiscal year 2025, the City has adjusted Gabriel Roeder Smith & Company's projections by using different assumptions. In particular, the City has assumed that it will continue to contribute to MEABF pursuant to the Multiplier Funding System upon the insolvency of MEABF. Projection derived from actuarial data as of December 31, 2012.

(1) In thousands of dollars.

TABLE 12 - PROJECTION OF FUTURE FUNDING STATUS - LABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution
2014	$2,463,253	$1,318,110	$1,145,143	53.51%	$14,472
2015	2,519,158	1,280,233	1,238,925	50.82	15,267
2016	2,573,437	1,234,100	1,339,337	47.96	15,582
2017	2,628,859	1,182,049	1,446,810	44.96	15,972
2018	2,682,630	1,120,849	1,561,781	41.78	16,425
2019	2,734,485	1,049,746	1,684,739	38.39	16,932
2020	2,783,726	967,528	1,816,198	34.76	17,480
2021	2,830,103	873,379	1,956,724	30.86	18,057
2022	2,873,247	766,264	2,106,983	26.67	18,660
2023	2,913,025	645,342	2,267,683	22.15	19,280
2024	2,948,881	509,366	2,439,515	17.27	19,935
2025	2,980,541	357,263	2,623,278	11.99	20,620
2026	3,007,674	187,822	2,819,852	6.24	21,313
2027	3,029,960	-	3,029,960	0.00	22,217
2028	3,047,254	-	3,047,254	0.00	22,758
2029	3,059,371	-	3,059,371	0.00	23,540
2030	3,066,267	-	3,066,267	0.00	24,344
2031	3,068,479	-	3,068,479	0.00	25,175
2032	3,066,566	-	3,066,566	0.00	26,030
2033	3,061,130	-	3,061,130	0.00	26,866
2034	3,053,004	-	3,053,004	0.00	27,715
2035	3,042,845	-	3,042,845	0.00	28,587
2036	3,031,278	-	3,031,278	0.00	29,474
2037	3,019,032	-	3,019,032	0.00	30,343
2038	3,006,471	-	3,006,471	0.00	31,151
2039	2,993,998	-	2,993,998	0.00	31,937
2040	2,982,375	-	2,982,375	0.00	32,710
2041	2,972,440	-	2,972,440	0.00	33,476
2042	2,964,758	-	2,964,758	0.00	34,216
2043	2,959,792	-	2,959,792	0.00	34,931

Source: For fiscal years 2014-2027, Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Beginning with fiscal year 2028, the City has adjusted Gabriel Roeder Smith & Company's projections by using different assumptions. In particular, the City has assumed that it will continue to contribute to LABF pursuant to the Multiplier Funding System upon the insolvency of LABF. Projection derived from actuarial data as of December 31, 2012

(1) In thousands of dollars.

TABLE 13 - PROJECTION OF FUTURE FUNDING STATUS - FABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution
2014	$4,308,913	$ 941,185	$3,367,728	21.84%	$109,532
2015	4,452,548	891,353	3,561,195	20.02	113,915
2016	4,594,292	972,576	3,621,716	21.17	255,005
2017	4,732,564	1,055,322	3,677,242	22.30	262,352
2018	4,865,986	1,139,769	3,726,217	23.42	270,459
2019	4,993,722	1,226,299	3,767,423	24.56	278,982
2020	5,115,953	1,316,101	3,799,852	25.73	287,895
2021	5,233,558	1,410,714	3,822,844	26.96	296,875
2022	5,346,933	1,512,021	3,834,912	28.28	306,529
2023	5,456,021	1,622,484	3,833,537	29.74	317,645
2024	5,560,197	1,743,090	3,817,107	31.35	329,021
2025	5,659,686	1,875,596	3,784,090	33.14	340,809
2026	5,752,106	2,020,813	3,731,293	35.13	351,914
2027	5,837,310	2,180,795	3,656,515	37.36	362,004
2028	5,917,012	2,356,907	3,560,105	39.83	371,235
2029	5,993,837	2,549,978	3,443,859	42.54	379,748
2030	6,067,128	2,759,815	3,307,313	45.49	387,404
2031	6,135,774	2,985,293	3,150,481	48.65	393,386
2032	6,200,107	3,227,475	2,972,632	52.06	399,100
2033	6,260,250	3,487,783	2,772,467	55.71	404,588
2034	6,318,352	3,768,672	2,549,680	59.65	409,351
2035	6,375,454	4,071,910	2,303,544	63.87	413,540
2036	6,432,317	4,399,407	2,032,910	68.40	417,415
2037	6,491,291	4,755,142	1,736,149	73.25	421,670
2038	6,554,092	5,142,726	1,411,366	78.47	426,181
2039	6,623,040	5,566,252	1,056,788	84.04	430,865
2040	6,697,483	6,027,735	669,748	90.00	435,877
2041	6,777,096	6,099,386	677,710	90.00	27,164

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection derived from actuarial data as of December 31, 2012

(1) In thousands of dollars.

TABLE 14 - PROJECTION OF FUTURE FUNDING STATUS - PABF[1]

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution
2014	$10,679,810	$2,971,019	$7,708,791	27.82%	$191,784
2015	11,034,979	2,800,866	8,234,113	25.38	187,071
2016	11,395,936	3,053,949	8,341,987	26.80	630,587
2017	11,761,717	3,323,004	8,438,713	28.25	651,583
2018	12,130,320	3,606,440	8,523,880	29.73	671,892
2019	12,499,767	3,903,754	8,596,013	31.23	692,290
2020	12,867,620	4,215,416	8,652,204	32.76	713,832
2021	13,231,797	4,541,104	8,690,693	34.32	735,563
2022	13,591,726	4,882,757	8,708,969	35.92	758,198
2023	13,946,178	5,242,297	8,703,881	37.59	781,920
2024	14,293,787	5,620,728	8,673,059	39.32	805,966
2025	14,633,563	6,020,954	8,612,609	41.14	831,501
2026	14,964,374	6,445,257	8,519,117	43.07	857,847
2027	15,285,111	6,896,318	8,388,793	45.12	885,110
2028	15,594,800	7,380,260	8,214,540	47.33	914,849
2029	15,888,196	7,898,871	7,989,325	49.72	942,743
2030	16,153,064	8,450,706	7,702,358	52.32	966,719
2031	16,393,712	9,033,687	7,360,025	55.10	986,247
2032	16,614,659	9,648,140	6,966,519	58.07	1,003,249
2033	16,817,565	10,294,939	6,522,626	61.22	1,017,798
2034	17,005,616	10,978,965	6,026,651	64.56	1,031,828
2035	17,182,873	11,707,115	5,475,758	68.13	1,045,281
2036	17,353,593	12,485,517	4,868,076	71.95	1,057,977
2037	17,521,586	13,320,879	4,200,707	76.03	1,070,245
2038	17,690,275	14,219,878	3,470,397	80.38	1,082,388
2039	17,861,422	15,188,465	2,672,957	85.04	1,094,165
2040	18,036,440	16,232,796	1,803,644	90.00	1,106,278
2041	18,216,283	16,394,654	1,821,629	90.00	189,858
2042	18,401,525	16,561,373	1,840,152	90.00	193,339
2043	18,592,418	16,733,176	1,859,242	90.00	197,089

Source: Gabriel Roeder Smith & Company. Gabriel Roeder Smith & Company is the consulting actuary for the Retirement Funds. Projection derived from actuarial data as of December 31, 2012

(1) In thousands of dollars.

TABLE 15 - PROJECTION OF FUTURE FUNDING STATUS - AGGREGATE(1)(2)

Fiscal Year	Actuarial Accrued Liability (a)	Market Assets (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Market Funded Ratio (b/a)	Employer Contribution
2014	$31,988,373	$10,121,826	$21,866,547	31.64%	$ 471,879
2015	33,054,881	9,651,361	23,403,520	29.20	479,245
2016	34,124,127	9,679,142	24,444,985	28.36	1,069,568
2017	35,205,770	9,677,192	25,528,578	27.49	1,103,992
2018	36,280,610	9,624,473	26,656,137	26.53	1,138,710
2019	37,342,043	9,513,017	27,829,026	25.48	1,174,084
2020	38,383,356	9,362,503	29,020,853	24.39	1,211,153
2021	39,399,783	9,085,238	30,314,545	23.06	1,248,600
2022	40,388,314	8,757,885	31,630,429	21.68	1,287,752
2023	41,359,448	8,363,523	32,995,925	20.22	1,329,490
2024	42,296,575	7,883,663	34,412,912	18.64	1,372,041
2025	43,196,766	8,253,813	34,942,953	19.11	1,417,540
2026	44,054,693	8,653,892	35,400,801	19.64	1,462,583
2027	44,867,328	9,077,113	35,790,215	20.23	1,507,809
2028	45,634,262	9,737,167	35,897,095	21.34	1,554,453
2029	46,350,822	10,448,849	35,901,973	22.54	1,598,887
2030	47,001,846	11,210,521	35,791,325	23.85	1,638,690
2031	47,590,955	12,018,980	35,571,975	25.25	1,672,529
2032	48,124,400	12,875,615	35,248,785	26.75	1,703,737
2033	48,606,072	13,782,722	34,823,350	28.36	1,732,251
2034	49,044,569	14,747,637	34,296,932	30.07	1,759,681
2035	49,447,789	15,779,025	33,668,764	31.91	1,786,213
2036	49,823,925	16,884,924	32,939,001	33.89	1,811,924
2037	50,182,511	18,076,021	32,106,490	36.02	1,837,771
2038	50,531,591	19,362,604	31,168,987	38.32	1,863,951
2039	50,878,816	20,754,717	30,124,099	40.79	1,890,195
2040	51,228,861	22,260,531	28,968,330	43.45	1,917,355
2041	51,587,901	22,494,040	29,093,861	43.60	602,517

Source: The aggregated information presented in this table is derived from the projections presented in Tables 11-14. Please refer to Tables 11-14 for source information.

(1) In thousands of dollars.

(2) Aggregate data presented in this table includes data for all four Retirement Funds.

The projections in Tables 11 and 12 show that the assets of MEABF and LABF will be depleted by 2025 and 2028, respectively, under current law. This means that, under the Pension Code as currently enacted, MEABF and LABF will not have assets on hand to make payments to beneficiaries beginning in 2025 and 2028, respectively. The employer contributions in Tables 11 and 12 reflect the formula for such contributions under current law, namely, Multiplier Funding. See "— Determination of City's Contributions" herein. These employer contributions, when combined with employee contributions and other sources of revenue, such as investment returns, are projected to be insufficient to provide for full payments to beneficiaries by MEABF and LABF upon insolvency.

The City cannot predict the impact that the insolvency of MEABF or LABF would have on its contributions to these Retirement Funds. One possibility upon insolvency of MEABF or LABF would be changes in the Pension Code to provide for pay-as-you-go funding. Under pay-as-you-go funding, the employer contribution equals the amount necessary, when added to other income, specifically employee contributions, to fund the current year benefits to be paid by the retirement fund. Gabriel Roeder Smith & Company ("*GRS*") projects that, should the City be required to adopt pay-as-you-go funding to ensure that payments to beneficiaries are made to MEABF and LABF beneficiaries following the insolvency of such Retirement Funds, the City's contributions to such Retirement Funds would increase substantially. With respect to MEABF, GRS projects that pay-as-you-go funding would increase the City's contribution from approximately $217 million in 2024 to $1.129 billion in 2025, $1.686 billion in 2042 and $1.684 billion in 2060. With respect to LABF, GRS projects that pay-as-you-go funding would increase the City's contribution from approximately $22.7 million in 2027 to $222 million in 2028, $251 million in 2036 and $229 million in 2060. Such large increases in the City's contributions, if required, could have a material adverse impact on the City's financial condition.

Additionally, the City cannot predict if or when changes to the Pension Code or judicial decisions relevant to its contributions will be enacted or decided, respectively, and the impact any such legislation or judicial decisions would have on the manner in which it contributes to the Retirement Funds. Contributing pursuant to Multiplier Funding or pay-as-you-go funding, as discussed in this subsection, represent two possible outcomes, however the City can make no representation that some other method of determining contributions, including payments that are possibly even larger than pay-as-you-go funding, would not be required.

The projections in Tables 13 and 14 show that the assets of both FABF and PABF will, under current law, begin to increase in 2016. This increase assumes the implementation of the P.A. 96-1495 Funding Plan, beginning with levy year 2015. This projection does not consider the impact of any pending legislation. The City projects that, should the 96-1495 Delay Bill be enacted in its current form, the Funded Ratio of such Retirement Funds would continue to decrease during the period by which P.A. 96-1495 is delayed.

The statements made in this subsection are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and 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. This information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Report and Recommendations of the Commission to Strengthen Chicago's Pension Funds

The information contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report. The Final Report is available at http://www.chipabf.org/ChicagoPolicePension/PDF/Financials/pension_commission/CSCP_Final_Report_Vol.1_4.30.2010.pdf; however, the content of the Final Report and such website is not incorporated herein by such reference. The City makes no representation nor expresses any opinion as to the accuracy of the Final Report, the statements made or the information therein, some of which may be conflicting. Furthermore, information about the Final Report is being provided for historical purposes only.

On January 11, 2008, then Mayor Richard M. Daley announced the formation of the Commission to Strengthen Chicago's Pension Funds (the "CSCP"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting. The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "Final Report").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and, therefore, does not consider the impact of these acts on the Retirement Funds. See "— Determination of City's Contributions" and "— Legislative Changes" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by either act.

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., non-recurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Multiplier Funding); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. With regard to the CSCP's finding of inadequate contributions, P.A. 96-1495 addresses this finding with regard to PABF and FABF. As described in "— Determination of City's Contributions" and "— Legislative Changes — P.A. 96-1495" above, the City's Pension Levy applicable to PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90% Funded Ratio target by 2040 pursuant to the P.A. 96-1495 Funding Plan, which will significantly increase the City's contributions to PABF and FABF beginning with the levy made in 2015 (and collectible in 2016).

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds.

The CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dates but all within twenty years of the date of the Final Report. However, the CSCP's approval of the

Final Report occurred before the enactment of the Pension Reform Act and P.A. 96-1495 and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation. See "— Projection of Funded Status" above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations: (i) the defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure); (ii) new employees should continue to become members of the Retirement Funds; (iii) the Retirement Funds should be funded on an actuarial basis; (iv) changes in the Retirement Funds for new members, while recognized by the CSCP as undesirable, will probably be necessary; (v) contributions to the Retirement Funds should be increased and revenue sources identified; (vi) employee contributions should not exceed the value of benefits on a career basis; (vii) review any provisions in current law for refunds or for alternative benefit calculations to ensure that the anticipated financial results of a reform program are actually obtained; (viii) in general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future; (ix) a variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and (x) any reform legislation must comprehensively and simultaneously address all aspects of the pension funding program.

CSCP's recommendations were made prior to the enactment of the Pension Reform Act and P.A. 96-1495. Certain of the CSCP's recommendations, including changes in the Retirement Funds for new members, were part of the Pension Reform Act (with regard to MEABF and LABF) and P.A. 96-1495 (with regard to PABF and FABF).

Diversion of Grant Money to Police and Fire Funds Under P.A. 96-1495

P.A. 96-1495 allows the State Comptroller to divert State grant money intended for the City to either of PABF and FABF to satisfy contribution shortfalls by the City (the "Recapture Provision"). If the City fails to contribute to PABF and FABF as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice of the failure to the City, and (iii) such Retirement Fund certifies to the State Comptroller that such payment has not been made. Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions: (i) in fiscal year 2016, one-third of the City's State grant money, (ii) in fiscal year 2017, two-thirds of the City's State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100% of the City's State grant money. Should the Recapture Provision in P.A. 96-1495 be invoked as a result of the City's failure to contribute all or a portion of its required contribution, a reduction in State grant money may have a significant adverse impact on the City's finances.

A delay bill such as the P.A. 96-1495 Delay Bill may, if enacted, delay the implementation of the Recapture Provision of P.A. 96-1495. No assurance can be given that a bill such as the P.A. 96-1495 Delay Bill will be enacted. See "— Determination of City's Contributions— City's Required Contributions to PABF and FABF Beginning with the Levy made in 2015"

GASB Statements 67 and 68

On June 25, 2012, GASB announced it was adopting new Statements 67 and 68 (collectively, the "Statements") covering the manner in which pension plans and governments, respectively, account for and report information regarding those pension plans. The Statements take effect in fiscal years 2014 and 2015, respectively. The City expects they will significantly alter the financial statements produced by the City and the Retirement Funds; however, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the Statements would not impact the contributions made by the City without legislative action.

Legislative Changes

P.A. 96-0889

On April 14, 2010, Governor Quinn signed Public Act 96-0889 (the "Pension Reform Act") into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of MEABF and LABF on or after January 1, 2011 as compared to those provided to employees prior to such date. The Pension Reform Act does not impact persons who first became members or participants prior to its effective date of January 1, 2011.

Among other changes, the Pension Reform Act: (i) increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service; (ii) increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the annual cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired after January 1, 2011, compared with a cost of living adjustment of 3%, compounded, under prior law; and (v) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

The Pension Reform Act does not change City or employee contributions to MEABF or LABF. The Pension Code continues to require that the City contribute to MEABF and LABF pursuant to the respective Multiplier.

The Pension Reform Act as described in this subsection, taken independently of any other legislative or market effects, is expected to reduce benefits afforded new hires and therefore reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases over time, and as a greater percentage of the City's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law. Consequently, the UAAL is expected to grow more slowly and the Funded Ratio to improve. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience going forward.

P.A. 96-1495

P.A. 96-1495 has a significant impact on PABF and FABF. Certain provisions of P.A. 96-1495 are discussed above in "— Determination of City's Contributions — City's Required Contributions to PABF and FABF Beginning with the Levy made in 2015." The P.A. 96-1495 Funding Plan will have the effect of significantly increasing the portion of the Pension Levy applicable to PABF and FABF because, among other things, the Multiplier Funding will no longer serve to cap the Pension Levy (applicable to PABF and FABF) and because the P.A. 96-1495 Funding Plan is designed to require larger contributions by the City. The greater contributions projected to be required under the P.A. 96-1495 Funding Plan are expected to pose a substantial burden for the City's financial condition beginning in 2016. See "— Projection of Funded Status and Insolvency" above.

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in PABF and FABF on or after January 1, 2011. Among other changes, P.A. 96-1495: (i) increases the minimum eligibility age for unreduced retirement benefits from 50 (with ten years of service) to 55 (with ten years of service); (ii) provides for retirement at age 50 (with ten years of service) with the annuity reduced by .5% per month; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, commencing at age 60; (v) provides that widow benefits are 66 2/3% of the employee's annuity at the date of death; and (vi) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

While the reforms discussed in this section are expected to contribute to a reduction in the Retirement Funds' respective UAALs over time, such reforms are not expected to materially reduce such UAALs in the near future.

Pension Reform

The City believes that significant legislative changes are required to properly fund the Retirement Funds and is considering the options available to address those unfunded liabilities. Based on its work in developing the Mayor's 2012 pension reform proposal (see below) and other analysis, the City believes that the Retirement Funds' unfunded liabilities cannot be adequately and practically addressed through increases in the City's contributions alone and without a modification to the current level of benefits. If the City attempted to fund such increased contributions through an increase in taxes, the increase would be larger than any increase in recent history, politically difficult to enact, and harmful to the City's financial condition and, likely, its economy. If the City attempted to fund such increased contributions through expenditure cuts, essential City services, including, but not limited to, public health and safety, would be jeopardized. And the amount that could be derived from the sale of City assets would be inconsequential when compared to the Retirement Funds' unfunded liabilities. Finally, a combination of revenue increases and expenditure cuts likely would not be practical to address the unfunded liabilities, given their magnitude. This is true both when considering the Retirement Funds on their own, and when viewed collectively with the unfunded liabilities of the Other Retirement Funds, whose sponsoring Governmental Units' have tax bases that overlap with the City's tax base. See "—Overlapping Tax Bodies." Therefore, the City believes that reductions in the benefits provided by each of the Retirement Funds are necessary, in combination with any increases in employer and employee contributions, to adequately address the unfunded liabilities of the Retirement Funds.

On May 8, 2012, Mayor Rahm Emanuel testified before the Committee on Personnel and Pensions of the Illinois House of Representatives and presented the following proposal to amend provisions of the Pension Code in order to help address the unfunded liabilities of the Retirement Funds: (a) suspending for a period of time automatic increases in pension amounts payable to annuitants; (b) increasing the required employee contribution to the applicable Retirement Fund by an additional five percent of pensionable compensation (phased in over time); (c) increasing the retirement age for active members hired before January 1, 2011; and (d) offering new members and certain existing members options to make their retirement plans more competitive and consistent with those offered in the private sector.

No assurance can be given that a bill embodying the proposed plan will be introduced in the Illinois General Assembly or that any such bill would be enacted, or that if enacted, any such bill would contain any of the proposed changes described above. Furthermore, any reduction in benefits (whether pursuant to the proposed plan or otherwise) would require action by the Illinois General Assembly to modify the Pension Code, and no assurance can be given that any proposal to modify benefits will be enacted. Given the Illinois Pension Clause in the Illinois Constitution, any legislation which reduces benefits may be challenged under this constitutional provision, and no assurance can be given that such legislation will be upheld upon a legal challenge.

The City continues to make its statutory contributions to each Retirement Fund.

OTHER POST-EMPLOYMENT BENEFITS

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to City employees participating in the Retirement Funds through a single-employer, defined benefit healthcare plan (the "Health Plan"), which is administered by the City. Prior to June 30, 2013, the costs of the Health Plan were shared pursuant to a settlement agreement (as amended, the "Settlement") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "— The Settlement."

MEABF and LABF participants older than 55 with at least 20 years of service and PABF and FABF participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant. The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

The City contributes a percentage toward the cost of the Health Plan for each eligible annuitant. Annuitants who retired prior to July 1, 2005 receive a 55% subsidy from the City, whereas annuitants retiring on or after such date receive a subsidy equal to 50%, 45%, 40% or zero percent based on the annuitant's length of actual employment with the City. The Retirement Funds contribute a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum of the subsidies provided by the City and the related Retirement Fund.

The Retirement Funds' subsidies are paid from the Pension Levy, as provided in the Pension Code. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities. See Tables 5-9 in "Retirement Funds—Funded Status of Retirement Funds" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part of the "Administration" line item. The Pension Levy is described in "Retirement Funds — Determination of City's Contributions" above.

The Settlement

In 1987, the City sued the Retirement Funds asserting, among other things, that the City was not obligated to provide healthcare benefits to certain retired City employees. Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time. The City contributed to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "Settlement Period"). The Settlement expired on June 30, 2013. See "— Status of Healthcare Benefits After the Settlement Period" below.

City Financing of the Health Plan

The Health Plan is funded on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets are not accumulated or dedicated to funding the Health Plan. Instead, the City contributes the amount necessary to fund its share of the current year costs of the Health Plan. The City's contributions are made from funds derived from the Pension Levy, which is described above in "Retirement Funds — Determination of City's Contributions" as required by the Pension Code. See Table 17 below for a schedule of historical contributions made by the City to the Health Plan.

Actuarial Considerations

City Obligation

The City has an Actuarial Valuation completed for its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "Retirement Funds — The Actuarial Valuation — Actuaries and the Actuarial Process." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan.

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, the City's Actuarial Valuation only reflects the portion of liabilities the City owes under the Settlement. Second, the Actuarial Valuations of the City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix addresses the funded status of the City's obligation to make payments for the Health Plan. For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "Retirement Funds — Source Information" above, and Note 11(b) to the City's Basic Audited Financial Statements, which are available on the City's website at http://www.cityofchicago.org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements.html; provided, however, that the contents of the City's website are not incorporated herein by such reference.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "Retirement Funds" above with respect to the Retirement Funds. The City does not use an Actuarial Method to calculate the Actuarial Value of Assets of the Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's Actuarial Valuation employs the PUC Method to allocate the City's obligations under the Settlement. For more information on the PUC Method, see "Retirement Funds — Actuarial Methods" above.

The City's 2012 Actuarial Valuation amortizes the Health Plan's UAAL over a closed 1-year period, in order to reflect the remainder of the Settlement Period. The use of a closed, 1-year period has the effect of increasing the Actuarially Required Contribution as compared to the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period is one year as opposed to remaining at 30 years for each period going forward.

Funded Status

The following tables provide information on the financial health of the Health Plan. The Health Plan is funded on a pay-as-you-go basis, which means no assets are accumulated to pay for the liabilities of the Health Plan. As such, the Funded Ratio with respect to the Health Plan is perpetually zero.

Table 16 summarizes the current financial condition and the funding progress of the Health Plan.

TABLE 16 - SCHEDULE OF FUNDING PROGRESS[(1)]

	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2008	$0	$1,062.864	$1.062.864	0%	$2.562.007	41.5%
2009	0	787,395	787,395	0	2.475.107	31.8
2010	0	533,387	533.387	0	2,546.961	20.9
2011	0	390.611	390.611	0	2.475,000	15.8
2012	0	470.952	470,952	0	2.518,735	18.7

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending December 31, 2010-2012.
(1) In thousands of dollars
(2) The City, as required, adopted GASB Statement No. 45 in fiscal year 2007. The information provided in this table was produced in 2007 or later

Table 17 shows the amounts actually contributed to the Health Plan by the City.

TABLE 17 - HISTORY OF CITY'S CONTRIBUTIONS[1]

	Actual City Contribution
2008	$98,065
2009	98,000
2010	107,431
2011	99,091
2012	97,531

Sources: Comprehensive Annual Financial Report of the City for the fiscal years ending 2008-2012

(1) In thousands of dollars.

(2) The City, as required, adopted GASB Statement No. 45 in fiscal year 2007.

Retiree Health Benefits Commission

The Settlement provided for the creation of the Retiree Health Benefits Commission (the "RHBC"), which was tasked with, among other things, making recommendations concerning retiree health benefits after June 30, 2013. The RHBC's members were appointed by the Mayor of the City for terms that do not expire. The Settlement required that the RHBC be composed of experts who will be objective and fair-minded as to the interest of both retirees and taxpayers, and include a representative of the City and a representative of the Retirement Funds.

On January 11, 2013, the RHBC released its "Report to the Mayor's Office on the State of Retiree Healthcare" (the "RHBC Report"). The RHBC Report can be found on the City's website at http://www.cityofchicago.org/city/en/depts/fin/provdrs/ben/alerts/2013/jan/retiree_healthcarebenefits commissionreporttothemayor.html; provided, however, that the contents of the RHBC Report and of the City's website are not incorporated herein by such reference.

The RHBC Report concluded that maintaining the funding arrangement then in place for the Health Plan was untenable, would prevent the City from continuing to provide the current level of benefits to retirees in the future, and could result in other financial consequences, such as changes to the City's bond rating and its creditworthiness. The RHBC Report presented several options for the Mayor to consider which would reduce the level of spending with respect to the Health Plan from approximately $108 million annually to between $90 million and $12.5 million annually depending on the option.

Status of Healthcare Benefits After the Settlement Period

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the beginning of 2017.

On May 30, 2013, the General Assembly passed Senate Bill 1584, which was signed into law by the Governor on June 28, 2013. Senate Bill 1584 extends the Retirement Funds' subsidies for retiree healthcare costs until such time as the City no longer provides a health care plan for annuitants or December 31, 2016, whichever comes first.

After the June 30, 2013 expiration of the Settlement, on July 5, 2013, certain participants in the Health Plan filed a motion to "re-activate" the 1987 litigation covered by the Settlement. On July 17, 2013, the Circuit Court of Cook County, Illinois denied that motion. On July 23, 2013, certain of the participants filed a new lawsuit (the "Lawsuit") in the Circuit Court against the City and the Trustees of each of the four Retirement Fund Boards, seeking to bring a class action on behalf of former and current City employees who previously contributed or now contribute to one of the four Retirement Funds. The plaintiffs assert, among other things, that pursuant to the Illinois Pension Clause, each such City employee is entitled to a permanent and unreduced level of healthcare coverage by the City, which vests as of the date they began participating in any of the four Retirement Funds and is subsidized by their respective Retirement Fund. The City subsequently moved the Lawsuit to federal court, and filed a motion to dismiss the Lawsuit with prejudice. The court granted the City's motion to dismiss, and plaintiffs appealed and motioned for an injunction pending the appeal. The court denied plaintiffs' motion for an injunction and subsequently determined that the plaintiffs' appeal should be held in abeyance pending the resolution of Kanerva (defined below). The City intends to vigorously defend the appeal.

On August 16, 2013, the City filed a brief as *amicus curiae* with the Supreme Court of Illinois in the case of *Kanerva v. Weems* ("Kanerva"). Although the City is not a party in the Kanerva litigation, the City believes that the outcome of the Kanerva case may impact the law at issue in the Lawsuit, particularly with respect to the question of whether retiree health benefits are protected by the Pension Clause.

The City expects to save approximately $100 million annually beginning in 2017 as a result of the phase-out of the Health Plan.

APPENDIX F

FORMS OF OPINIONS OF CO-BOND COUNSEL

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PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the "*Proceedings*") of the City Council of the City of Chicago (the "*City*"), including an ordinance adopted by the City Council of the City on the 5th day of February, 2014 (the "*Ordinance*"), as supplemented by a Notification of Sale (the "*Notification of Sale*"), relating to the issue of its fully registered General Obligation Bonds, Project and Refunding Series 2014A (the "*Bonds*"), in the aggregate principal amount of $432,630,000, dated March 24, 2014, due on January 1 of the years and in the amounts and bearing interest as follows:

2018	$ 2,735,000	4.00%
2019	2,850,000	4.00%
2020	3,700,000	4.00%
2021	4,950,000	5.00%
2022	5,075,000	5.00%
2023	4,920,000	5.00%
2024	625,000	4.00%
2024	4,500,000	5.00%
2025	5,000,000	5.00%
2026	4,000,000	5.00%
2027	10,675,000	5.00%
2028	23,055,000	5.25%
2029	30,270,000	5.25%
2030	3,710,000	5.00%
2030	36,950,000	5.25%
2031	15,425,000	5.25%
2032	42,615,000	5.25%
2033	44,875,000	5.25%
2034	49,700,000	5.00%
2035	69,000,000	5.00%
2036	68,000,000	5.00%

The Bonds due on or after January 1, 2025, are subject to redemption prior to maturity at the option of the City as a whole or in part, on January 1, 2024, or on any date thereafter, at the redemption price of par plus accrued interest to the redemption date, as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City and is payable from any funds of the City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

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

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[LETTERHEAD OF CO-BOND COUNSEL]

[TO BE DATED CLOSING DATE]

We have examined a certified copy of the record of the proceedings (the *"Proceedings"*) of the City Council of the City of Chicago (the *"City"*), including an ordinance adopted by the City Council of the City on the 5th day of February, 2014 (the *"Ordinance"*), as supplemented by a Notification of Sale (the *"Notification of Sale"*), relating to the issue of its fully registered 6.314% General Obligation Bonds, Taxable Project and Refunding Series 2014B (the *"Bonds"*), in the aggregate principal amount of $450,790,000, dated March 24, 2014, due on January 1, 2044, and subject to mandatory redemption, in integral multiples of $5,000 at a redemption price of par plus accrued interest to the redemption date, selected as provided in the Ordinance and the Notification of Sale, on January 1 of the years and in the principal amounts as follows:

2037	$ 37,770,000
2038	50,625,000
2039	57,670,000
2040	28,255,000
2041	32,255,000
2042	34,300,000
2043	101,745,000
2044	108,170,000 (maturity)

The Bonds are further subject to redemption prior to maturity at the option of the City as a whole or in part, on any business day, upon the terms as provided by the Ordinance and the Notification of Sale.

The Bonds are authorized and issued pursuant to the provisions of Section 6 of Article VII of the Illinois Constitution of 1970 and by virtue of the Ordinance, and we are of the opinion that the Proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, in the amount named herein, is valid and legally binding upon the City and is payable from any funds of the City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount, except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that under present law, interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX G

BOND INSURANCE

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BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2014A Bonds maturing on January 1, 2031 (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included at the end of this APPENDIX G — "BOND INSURANCE."

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On February 10, 2014, Moody's issued a press release stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At December 31, 2013, AGM's policyholders' surplus and contingency reserves were approximately $3,529 million and its net unearned premium reserve was approximately $1,891 million. Such amounts represent the combined surplus, contingency reserves and net unearned premium reserve of AGM and its wholly owned subsidiary Assured Guaranty (Europe) Ltd., plus 60.7% of the contingency reserve and net unearned premium reserve of AGM's indirect subsidiary, Municipal Assurance Corp.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "INSURED BONDS" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this APPENDIX G — "BOND INSURANCE."

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 826-0100

Form 500NY (5/90)

APPENDIX H

REFUNDED BONDS

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REFUNDED BONDS

From Proceeds of the Series 2014A Bonds

Series	Current CUSIP*	Dated	Maturity	Coupon (%)	Total Refunded	Redemption	Price	Unrefunded CUSIP*†
2003A	167485-Y54	04/03/03	01/01/18	5.250	$ 900,000	04/24/14	100.000	
2003A	167485-Y62	04/03/03	01/01/19	5.250	945,000	04/24/14	100.000	
2003A	167485-Y70	04/03/03	01/01/20	5.250	995,000	04/24/14	100.000	
2003A	167485-Y88	04/03/03	01/01/21	5.250	1,050,000	04/24/14	100.000	
2003A	167485-Y96	04/03/03	01/01/22	5.250	1,105,000	04/24/14	100.000	
2003A	167485-Z20	04/03/03	01/01/23	5.250	1,160,000	04/24/14	100.000	
2003A	167486-QJ1	04/03/03	01/01/27	5.000	5,270,000	04/24/14	100.000	167486-TJ8
2004A	167486-HV4	08/24/04	01/01/18	5.250	1,890,000	04/24/14	100.000	
2004A	167486-HW2	08/24/04	01/01/19	5.250	1,985,000	04/24/14	100.000	
2004A	167486-QW2	08/24/04	01/01/20	5.250	2,775,000	04/24/14	100.000	
2004A	167486-RB7	08/24/04	01/01/21	5.000	1,085,000	04/24/14	100.000	
2004A	167486-QX0	08/24/04	01/01/21	5.250	2,850,000	04/24/14	100.000	
2004A	167486-RC5	08/24/04	01/01/22	5.000	1,105,000	04/24/14	100.000	
2004A	167486-QY8	08/24/04	01/01/22	5.250	2,930,000	04/24/14	100.000	
2004A	167486-QZ5	08/24/04	01/01/23	5.000	1,125,000	04/24/14	100.000	
2004A	167486-RD3	08/24/04	01/01/23	5.000	2,710,000	04/24/14	100.000	
2004A	167486-RA9	08/24/04	01/01/24	5.000	1,155,000	04/24/14	100.000	
2004A	167486-RE1	08/24/04	01/01/24	5.000	2,775,000	04/24/14	100.000	
2004A	167486-RF8	08/24/04	01/01/25	5.000	1,190,000	04/24/14	100.000	
2004A	167485-2H3	08/24/04	01/01/25	5.000	2,690,000	04/24/14	100.000	
2004A	167485-2J9	08/24/04	01/01/26	5.000	2,825,000	04/24/14	100.000	
2004A	167485-2K6	08/24/04	01/01/27	5.000	2,965,000	04/24/14	100.000	
	TOTAL REFUNDED				$43,480,000			

From Proceeds of the Taxable Series 2014B Bonds

Series	Current CUSIP*	Dated	Maturity	Coupon (%)	Total Refunded	Redemption	Price	Unrefunded CUSIP*†
1993B	167486-QB8	09/15/93	01/01/15	5.125	$ 12,425,000	To Maturity		
1995A2	167484-CN2	04/01/96	01/01/15	6.250	15,385,000	To Maturity		
1998	167486-KU2	03/01/98	01/01/15	5.500	6,830,000	To Maturity		
2001A	167485-EG2	03/28/01	01/01/15	5.500	2,440,000	04/24/14	100.000	
2002A	167485-GB1	06/13/02	01/01/15	5.375	160,000	04/24/14	100.000	
2002A	167485-GC9	06/13/02	01/01/16	5.375	170,000	04/24/14	100.000	
2002A	167485-GD7	06/13/02	01/01/17	5.375	180,000	04/24/14	100.000	
2002A	167485-W23	06/13/02	01/01/18	5.000	190,000	04/24/14	100.000	
2002A	167485-W31	06/13/02	01/01/19	5.000	80,000	04/24/14	100.000	
2003A	167485-EQ0	04/03/03	01/01/15	5.250	770,000	04/24/14	100.000	
2003A	167485-ER8	04/03/03	01/01/16	5.250	330,000	04/24/14	100.000	167486-TT6
2003A	167485-Y47	04/03/03	01/01/17	5.250	345,000	04/24/14	100.000	167486-TG4
2004A	167485-EY3	08/24/04	01/01/15	5.250	1,640,000	04/24/14	100.000	
2004A	167485-EZ0	08/24/04	01/01/16	5.250	30,000	04/24/14	100.000	167486-TL3
2004A	167486-HU6	08/24/04	01/01/17	5.250	20,000	04/24/14	100.000	167486-TN9
2004A	167486-HV4	08/24/04	01/01/18	5.250	20,000	04/24/14	100.000	
2004A	167486-HW2	08/24/04	01/01/19	5.250	25,000	04/24/14	100.000	
2004A	167486-QW2	08/24/04	01/01/20	5.250	1,570,000	04/24/14	100.000	
2004A	167486-RB7	08/24/04	01/01/21	5.000	695,000	04/24/14	100.000	
2004A	167486-QX0	08/24/04	01/01/21	5.250	1,650,000	04/24/14	100.000	
2004A	167486-RC5	08/24/04	01/01/22	5.000	725,000	04/24/14	100.000	
2004A	167486-QY8	08/24/04	01/01/22	5.250	1,735,000	04/24/14	100.000	
2004A	167486-QZ5	08/24/04	01/01/23	5.000	770,000	04/24/14	100.000	
2004A	167486-RD3	08/24/04	01/01/23	5.000	1,825,000	04/24/14	100.000	
2004A	167486-RA9	08/24/04	01/01/24	5.000	805,000	04/24/14	100.000	
2004A	167486-RE1	08/24/04	01/01/24	5.000	1,920,000	04/24/14	100.000	
2004A	167486-RF8	08/24/04	01/01/25	5.000	845,000	04/24/14	100.000	
2004A	167485-2H3	08/24/04	01/01/25	5.000	30,000	04/24/14	100.000	
2004A	167485-2J9	08/24/04	01/01/26	5.000	30,000	04/24/14	100.000	
2004A	167485-2K6	08/24/04	01/01/27	5.000	30,000	04/24/14	100.000	
2005A	167485-BT7	03/16/05	01/01/15	5.000	63,590,000	To Maturity		
2005C	167485-JJ1	08/17/05	01/01/15	4.880	4,205,000	To Maturity		
2005B	167486-JN0	08/17/05	01/01/15	5.000	2,710,000	To Maturity		
2006B	167485-RU7	03/29/06	01/01/15	5.350	4,920,000	To Maturity		167486-TQ2
2007C	167485-P96	11/08/07	01/01/15	4.000	5,735,000	To Maturity		
	TOTAL REFUNDED				$134,830,000			

† Unrefunded CUSIP is the CUSIP number assigned to the unrefunded bonds of a maturity upon a partial refunding of the maturity.

SCHEDULE I

TERMS AND AUTHORIZATION

SCHEDULE IA

$432,630,000 GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2014A

1. *Aggregate Principal Amount*: $432,630,000

2. *Dated*: March 24, 2014

3. *Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers*:

MATURITY JANUARY 1	PRINCIPAL AMOUNT	INTEREST RATE (%)	PRICE	CUSIP
2018	$ 2,735,000	4.00	108.935	167486 SE0
2019	2,850,000	4.00	109.338	167486 SF7
2020	3,700,000	4.00	108.289	167486 SG5
2021	4,950,000	5.00	112.361	167486 SH3
2022	5,075,000	5.00	110.911	167486 SJ9
2023	4,920,000	5.00	109.262	167486 SK6
2024	625,000	4.00	100.397	167486 SL4
2024	4,500,000	5.00	108.436	167486 TA7
2025	5,000,000	5.00	106.598	167486 SM2
2026	4,000,000	5.00	104.716	167486 SN0
2027	10,675,000	5.00	103.351	167486 SP5
2028	23,055,000	5.25	104.580	167486 SW0
2029	30,270,000	5.25	103.706	167486 SQ3
2030	3,710,000	5.00	100.000	167486 SR1
2030	36,950,000	5.25	102.918	167486 SZ3
2031	15,425,000	5.25	103.864	167486 SY6
2032	42,615,000	5.25	101.673	167486 SS9
2033	44,875,000	5.25	101.134	167486 ST7
2034	49,700,000	5.00	98.511	167486 SU4
2035	69,000,000	5.00	98.217	167486 SV2
2036	68,000,000	5.00	97.658	167486 SX8

4. *Interest Payment Dates*: July 1, 2014, and semiannually thereafter on each January 1 and July 1.

5. *Redemption:* The Series 2014A Bonds are subject to optional redemption prior to maturity, as described below.. The Series 2014A Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of the Series 2014A Bonds. The Series 2014A Bonds maturing on and after January 1, 2025, are subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January 1, 2024, and if less than all of the outstanding Series 2014A Bonds of a single maturity and interest rate are to be redeemed, the Series 2014A

Bonds to be called shall be called by lot and in accordance with the procedures of the Depository Trust Company ("*DTC*"), at a redemption price equal to the principal amount of the Series 2014A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2014A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes.

SCHEDULE IB

$450,790,000 GENERAL OBLIGATION BONDS, TAXABLE PROJECT AND REFUNDING SERIES 2014B

1. *Aggregate Principal Amount*: $450,790,000

2. *Dated*: March 24, 2014

3. *Maturity, Principal Amount, Interest Rate, Price and CUSIP Number*:

MATURITY JANUARY 1	PRINCIPAL AMOUNT	INTEREST RATE (%)	PRICE	CUSIP
2044	$450,790,000	6.314	100.00	167486 SD2

4. *Interest Payment Dates*. July 1, 2014, and semiannually thereafter on each January 1 and July 1.

5. *Redemption*. The Taxable Series 2014B Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Taxable Series 2014B Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption of the Taxable Series 2014B Bonds with Make Whole Payment. The Taxable Series 2014B Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day (as defined below) at a redemption price equal to the greater of: (A) the principal amount of the Taxable Series 2014B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Series 2014B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2014B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 40 basis points, plus accrued interest on the Taxable Series 2014B Bonds being redeemed to the date fixed for redemption.

The make whole optional redemption price of the Taxable Series 2014B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the *"Calculation Agent"*) retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the make whole optional redemption price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the redemption price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Series 2014B Bonds to be redeemed; *provided, however*, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2014B Bonds for optional redemption.

Mandatory Redemption of the Taxable Series 2014B Bonds. The Taxable Series 2014B Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

YEAR	PRINCIPAL AMOUNT
2037	$ 37,770,000
2038	50,625,000
2039	57,670,000
2040	28,255,000
2041	32,255,000
2042	34,300,000
2043	101,745,000
2044	108,170,000 (maturity)

Selection of Taxable Series 2014B Bonds for Redemption. If less than all of the Taxable Series 2014B Bonds are to be redeemed prior to maturity, the Taxable Series 2014B Bonds being redeemed, or portions thereof to be redeemed, will be selected on a pro-rata pass-through distribution of principal basis to the extent permitted by and in accordance with procedures of The Depository Trust Company (*"DTC"*). If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2014B Bonds on a pro-rata pass-through distribution of principal basis, then the Taxable Series 2014B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

SCHEDULE IC

REFUNDED OUTSTANDING INDEBTEDNESS

GENERAL OBLIGATION BONDS, REFUNDING SERIES 1993B

Original Principal Amount:	$153,280,000
Dated:	September 15, 1993
Originally Issued:	October 14, 1993
Escrow Agent, Bond Registrar and Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$12,425,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	12,425,000	12,425,000	5.125	167486 QB8

(the *"Refunded 1993B Bonds"*)

Call Feature:	The Refunded 1993B Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 1995A-2

Original Principal Amount:	$220,390,000
Dated:	April 1, 1996
Originally Issued:	April 3, 1996
Escrow Agent, Bond Registrar and Paying Agent:	Amalgamated Bank of Chicago
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$15,385,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	15,385,000	15,385,00	6.25	167484 CN2

(the *"Refunded 1995A-2 Bonds"*)

Call Feature:	The Refunded 1995A-2 Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 1998

Original Principal Amount:	$426,600,000
Dated:	March 1, 1998
Originally Issued:	April 1, 1998
Escrow Agent, Bond Registrar and Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$6,830,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	6,830,000	11,070,000	5.50	167486 KU2

(the *"Refunded 1998 Bonds"*)

Call Feature:	The Refunded 1998 Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2001A

Original Principal Amount:	$491,760,262.50
Dated:	March 28, 2001
Originally Issued:	March 28, 2001
Escrow Agent, Bond Registrar and Paying Agent:	Amalgamated Bank of Chicago
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$2,440,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	2,440,000	9,345,000	5.50	167485 EG2

(the *"Refunded 2001A Bonds"*)

Call Feature:	The Refunded 2001A Bonds are called for redemption and payment prior to maturity on April 24, 2014, at the redemption price of par plus accrued interest to the redemption date.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2002A

Original Principal Amount:	$169,765,000
Dated:	June 13, 2002
Originally Issued:	June 13, 2002
Escrow Agent, Bond Registrar and Paying Agent:	Amalgamated Bank of Chicago
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$780,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	160,000	5,510,000	5.375	167485 GB1
2016	170,000	5,810,000	5.375	167485 GC9
2017	180,000	6,120,000	5.375	167485 GD7
2018	190,000	6,450,000	5.000	167485 W23
2019	80,000	2,720,000	5.000	167485 W31

(the *"Refunded 2002A Bonds"*)

Call Feature:	The Refunded 2002A Bonds are called for redemption and payment prior to maturity on April 24, 2014, at the redemption price of par plus accrued interest to the redemption date.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2003A

Original Principal Amount:	$157,990,000
Dated:	April 3, 2003
Originally Issued:	April 3, 2003
Escrow Agent, Bond Registrar and Paying Agent:	Seaway Bank and Trust Company
Principal Amount Refunded by the Series 2014A Bonds:	$11,425,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2018	900,000	2,515,000	5.25	167485 Y54
2019	945,000	2,645,000	5.25	167485 Y62
2020	995,000	2,785,000	5.25	167485 Y70
2021	1,050,000	2,930,000	5.25	167485 Y88
2022	1,105,000	3,085,000	5.25	167485 Y96
2023	1,160,000	3,250,000	5.25	167485 Z20
2024	1,225,000*	3,420,000*	5.00	167486 QJ1
2025	1,285,000*	3,590,000*	5.00	167486 QJ1
2026	1,345,000*	3,770,000*	5.00	167486 QJ1
2027	1,415,000	3,960,000	5.00	167486 QJ1

* Mandatory sinking fund installment of 2027 term bond.

Principal Amount Refunded by
the Taxable Series 2014B Bonds: $1,445,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	770,000	2,155,000	5.25	167485 EQ0
2016	330,000	2,270,000	5.25	167485 ER8
2017	345,000	2,390,000	5.25	167485 Y47

(collectively, the *"Refunded 2003A Bonds"*)

Call Feature: The Refunded 2003A Bonds are called for redemption and payment prior to maturity on April 24, 2014, at the redemption price of par plus accrued interest to the redemption date.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2004A

Original Principal Amount:	$408,110,000
Dated:	August 24, 2004
Originally Issued:	August 24, 2004
Escrow Agent, Bond Registrar and Paying Agent:	Wells Fargo Bank, N.A.
Principal Amount Refunded by the Series 2014A Bonds:	$32,055,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2018	1,890,000	11,000,000	5.25	167486 HV4
2019	1,985,000	11,580,000	5.25	167486 HW2
2020	2,775,000	12,190,000	5.25	167486 QW2
2021	1,085,000	5,385,000	5.00	167486 RB7
2021	2,850,000	12,830,000	5.25	167486 QX0
2022	1,105,000	5,650,000	5.00	167486 RC5
2022	2,930,000	13,500,000	5.25	167486 QY8
2023	1,125,000	5,935,000	5.00	167486 QZ5
2023	2,710,000	14,210,000	5.00	167486 RD3
2024	1,155,000	6,230,000	5.00	167486 RA9
2024	2,775,000	14,920,000	5.00	167486 RE1
2025	2,690,000	6,545,000	5.00	167485 2H3
2025	1,190,000	15,665,000	5.00	167486 RF8
2026	2,825,000	16,450,000	5.00	167485 2J9
2027	2,965,000	17,270,000	5.00	167485 2K6

Principal Amount Refunded by the Taxable Series 2014B Bonds: $14,365,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	1,640,000	9,435,000	5.25	167486 EY3
2016	30,000	9,930,000	5.25	167486 EZ0
2017	20,000	10,455,000	5.25	167486 HU6
2018	20,000	11,000,000	5.25	167486 HV4
2019	25,000	11,580,000	5.25	167486 HW2
2020	1,570,000	12,190,000	5.25	167486 QW2
2021	695,000	5,385,000	5.00	167486 RB7
2021	1,650,000	12,830,000	5.25	167486 QX0
2022	725,000	5,650,000	5.00	167486 RC5
2022	1,735,000	13,500,000	5.25	167486 QY8
2023	770,000	5,935,000	5.00	167486 QZ5
2023	1,825,000	14,210,000	5.00	167486 RD3
2024	805,000	6,230,000	5.00	167486 RA9
2024	1,920,000	14,920,000	5.00	167486 RE1
2025	30,000	6,545,000	5.00	167486 2H3
2025	845,000	15,665,000	5.00	167486 RF8
2026	30,000	16,450,000	5.00	167486 2J9
2027	30,000	17,270,000	5.00	167486 2K6

(collectively, the *"Refunded 2004A Bonds"*).

Call Feature: The Refunded 2004A Bonds are called for redemption and payment prior to maturity on April 24, 2014, at the redemption price of par plus accrued interest to the redemption date.

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A

Original Principal Amount:	$441,090,000
Dated:	March 16, 2005
Originally Issued:	March 16, 2005
Escrow Agent, Bond Registrar and Paying Agent:	Wells Fargo Bank, N.A.
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$63,590,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	63,590,000	63,590,000	5.00	167485 BT7

(the *"Refunded 2005A Bonds"*)

Call Feature:	The Refunded 2005A Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2005B

Original Principal Amount:	$300,350,000
Dated:	August 17, 2005
Originally Issued:	August 17, 2005
Escrow Agent, Bond Registrar and Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$2,710,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	2,710,000	3,230,000	5.00	167486 JN0

(the *"Refunded 2005B Bonds"*)

Call Feature:	The Refunded 2005B Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, TAXABLE SERIES 2005C

Original Principal Amount:	$38,925,000
Dated:	August 17, 2005
Originally Issued:	August 17, 2005
Escrow Agent, Bond Registrar and Paying Agent:	The Bank of New York Mellon Trust Company, N.A.
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$4,205,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	4,205,000	4,205,000	4.88	167485 JJ1

(the *"Refunded 2005C Bonds"*)

Call Feature:	The Refunded 2005C Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, TAXABLE SERIES 2006B

Original Principal Amount:	$67,560,000
Dated:	March 29, 2006
Originally Issued:	March 29, 2006
Escrow Agent, Bond Registrar and Paying Agent:	U.S. Bank National Association
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$4,920,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	4,920,000	8,685,000	5.35	167485 RU7

(the *"Refunded 2006B Bonds"*)

Call Feature:	The Refunded 2006B Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2007C

Original Principal Amount:	$312,540,000
Dated:	November 8, 2007
Originally Issued:	November 8, 2007
Escrow Agent, Bond Registrar and Paying Agent:	U.S. Bank National Association
Principal Amount Refunded by the Taxable Series 2014B Bonds:	$5,735,000

YEAR (JANUARY 1)	PRINCIPAL AMOUNT REFUNDED ($)	ORIGINAL PRINCIPAL AMOUNT ($)	INTEREST RATE (%)	CUSIP
2015	5,735,000	5,735,000	4.00	167485 P96

(the *"Refunded 2007C Bonds"*)

Call Feature:	The Refunded 2007C Bonds are not subject to optional redemption prior to maturity.

GENERAL OBLIGATION COMMERCIAL PAPER NOTES AND LINES OF CREDIT

Proceeds from the Series 2014A Bonds and the Taxable Series 2014B Bonds in the amount of $151,691,054 will be paid to The Bank of New York Mellon Trust Company, N.A. (*"BNY"*), and used to retire a portion of the City's Commercial Paper Notes, 2002 Program.

Proceeds from the Series 2014A Bonds and the Taxable Series 2014B Bonds in the amount of $145,109,175 will be paid to Bank of America, N.A. (*"BOA"*), pursuant to the Revolving Credit Agreement, dated March 1, 2013. Proceeds from the Taxable Series 2014B Bonds in the amount of $276,771.18 will be paid to the City for interest expenses under said Agreement.

FUND	ACCOUNT	PAYMENT TO BNY	PAYMENT TO BOA	PAYMENT TO CITY
2014A Project Fund	2013A Capital Project Account	$ 19,085,922.19	$ 15,429,893.41	
	2012/2013 Lewis Capital Projects Account	66,000,104.00	34,570,106.59	
Equipment Fund	2013 Equipment Account	13,380,973.81		
Taxable 2014B Project Fund	2013B Capital Projects Account	53,224,054.00	95,109,175.00	$276,771.18
TOTAL		$151,691,054.00	$145,109,175.00	

Schedule II

Notification of Tax Abatement

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

NOTIFICATION OF TAX ABATEMENT

$432,630,000
GENERAL OBLIGATION BONDS, PROJECT AND REFUNDING SERIES 2014A

$450,790,000
GENERAL OBLIGATION BONDS, TAXABLE PROJECT AND REFUNDING SERIES 2014B

OF THE CITY OF CHICAGO

To: The City Council of the City of Chicago and the County Clerks of The Counties of Cook and DuPage, Illinois

Please be advised that responsive to authority contained in an Ordinance (the *"Ordinance"*) adopted by the City Council (the *"City Council"*) of the City of Chicago (the *"City"*) on February 5, 2014, authorizing the issuance of up to $900,000,000 aggregate principal amount of general obligation bonds of the City plus original issue discount, on March 24, 2014 the City issued its $432,630,000 General Obligation Bonds, Project and Refunding Series 2014A, and $450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B (collectively, the *"Bonds"*), having the terms described in that certain Bond Purchase Agreement dated March 13, 2014 (the *"Bond Purchase Agreement"*) between the City and Wells Fargo Bank, National Association, acting on behalf of itself and as representative of certain underwriters named therein.

Capitalized terms used herein without definition have the meanings assigned to such terms in the Ordinance.

Notification of the sale of the Bonds to the City Council and of the determinations made by the Chief Financial Officer of the City with respect to the sale of the Bonds, the filing of the Bond Purchase Agreement, and the Official Statement for the Bonds, all as provided for or required by the Ordinance was made by the filing with the City Clerk of a Notification of Sale executed and delivered by the Chief Financial Officer on the date of issuance of the Bonds.

Please be further advised that Section 7 of the Ordinance provides for a direct annual tax in and for each of the years 2013 to 2054, inclusive, to pay the interest on the Bonds promptly when and as the same falls due and to pay and discharge the principal thereof at maturity. Pursuant to Section 12 of the Ordinance, please be further advised that the amount of the annual tax levy requirements for the payment of the principal of and interest on the Bonds resulting from the sale of the Bonds is less than the levy of taxes authorized in Section 7 of the Ordinance. I have determined that a reduction in the amount of the tax levy in the years 2013 to 2054, inclusive, is deemed desirable in connection with the sale of the Bonds. The amount of the taxes levied in the Ordinance to pay debt service on the Bonds, the amount of the taxes to be abated resulting from the sale of the Bonds, and the remainder of the taxes levied which is to be extended for collection are as follows:

LEVY YEAR	AMOUNT LEVIED IN BOND ORDINANCE	EXCESS LEVY TO BE ABATED	TAX TO BE EXTENDED FOR PAYMENT OF THE BONDS
2013	$150,000,000.00	$150,000,000.00	$ 0.00
2014	150,000,000.00	129,019,222.00	20,980,778.00
2015	150,000,000.00	99,521,744.40	50,478,255.60
2016	150,000,000.00	96,786,744.40	53,213,255.60
2017	150,000,000.00	96,781,144.40	53,218,855.60
2018	150,000,000.00	96,045,144.40	53,954,855.60
2019	150,000,000.00	94,943,144.40	55,056,855.60
2020	150,000,000.00	95,065,644.40	54,934,355.60
2021	150,000,000.00	95,474,394.40	54,525,605.60
2022	150,000,000.00	95,515,394.40	54,484,605.60
2023	150,000,000.00	95,890,394.40	54,109,605.60
2024	150,000,000.00	97,140,394.40	52,859,605.60
2025	150,000,000.00	90,665,394.40	59,334,605.60
2026	150,000,000.00	78,819,144.40	71,180,855.60
2027	150,000,000.00	72,814,531.90	77,185,468.10
2028	150,000,000.00	64,013,706.90	85,986,293.10
2029	150,000,000.00	91,374,081.90	58,625,918.10
2030	150,000,000.00	64,993,894.40	85,006,105.60
2031	150,000,000.00	64,971,181.90	85,028,818.10
2032	150,000,000.00	62,502,119.40	87,497,880.60
2033	150,000,000.00	45,687,119.40	104,312,880.60
2034	150,000,000.00	50,137,119.40	99,862,880.60
2035	150,000,000.00	83,767,119.40	66,232,880.60
2036	150,000,000.00	73,296,917.20	76,703,082.80
2037	150,000,000.00	69,448,379.70	80,551,620.30
2038	150,000,000.00	102,504,663.50	47,495,336.50
2039	150,000,000.00	100,288,684.20	49,711,315.80
2040	150,000,000.00	100,280,264.90	49,719,735.10
2041	150,000,000.00	35,000,966.90	114,999,033.10
2042	150,000,000.00	35,000,146.20	114,999,853.80
2043	150,000,000.00	150,000,000.00	0.00
2044	150,000,000.00	150,000,000.00	0.00
2045	150,000,000.00	150,000,000.00	0.00
2046	150,000,000.00	150,000,000.00	0.00
2047	150,000,000.00	150,000,000.00	0.00
2048	150,000,000.00	150,000,000.00	0.00
2049	150,000,000.00	150,000,000.00	0.00
2050	150,000,000.00	150,000,000.00	0.00
2051	150,000,000.00	150,000,000.00	0.00
2052	150,000,000.00	150,000,000.00	0.00
2053	150,000,000.00	150,000,000.00	0.00
2054	150,000,000.00	150,000,000.00	0.00

Respectfully submitted as of this 24th day of March, 2014.

[redacted]

Chief Financial Officer

ACKNOWLEDGMENT OF FILING
NOTIFICATION OF TAX ABATEMENT

The foregoing Notification of Tax Abatement relating to $432,630,000 General Obligation Bonds, Project and Refunding Series 2014A, and $450,790,000 General Obligation Bonds, Taxable Project and Refunding Series 2014B, of the City of Chicago (the *"City"*) has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

IN WITNESS WHEREOF, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this 24th day of March, 2014.

Susana A. Mendoza
Susana A. Mendoza
City Clerk

[SEAL]

SCHEDULE III

REFUNDED BONDS TAX ABATEMENT

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

CERTIFICATE OF REDUCTION OF CERTAIN TAXES LEVIED TO PAY PRINCIPAL OF AND INTEREST ON CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY OF CHICAGO

To: THE COUNTY CLERKS OF THE COUNTIES OF COOK AND DUPAGE, ILLINOIS

Please be advised that on February 5, 2014, the City Council of the City of Chicago (the *"City Council"*) adopted an ordinance (the *"Bond Ordinance"*) authorizing, among other things, the issuance of (i) $432,630,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2014A (the *"Series 2014A Bonds"*) and (ii) $450,790,000 aggregate principal amount of General Obligation Bonds, Taxable Project and Refunding Series 2014B (the *"Taxable Series 2014B Bonds,"* and together with the Series 2014A Bonds, the *"Refunding Bonds"*) for the purpose of refunding the outstanding General Obligation Bonds of the City described herein (collectively, the *"Refunded Bonds"*).

Please be further advised that on the 13th day of March, 2014, the Chief Financial Officer of the City (the *"Chief Financial Officer"*), with the concurrence of the Chairman of the Committee on Finance of the City Council, entered into a Bond Purchase Agreement on behalf of the City with Wells Fargo Bank, National Association, as Representative of certain underwriters named therein, for the sale of the Refunding Bonds.

Please be further advised that pursuant to the authority provided in Section 15 of the Bond Ordinance, the Chief Financial Officer is now filing in the offices of (i) the County Clerk of The County of Cook, Illinois (the *"Cook County Clerk"*) and (ii) the County Clerk of The County of DuPage, Illinois (the *"DuPage County Clerk"*), a certificate of reduction of taxes levied for the years from and after 2013 for the payment of the Refunded Bonds.

You are Therefore Ordered and Directed to abate the taxes levied in each of the ordinances authorizing the issuance of the Refunded Bonds, as follows.

1. *Series 1993B Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on September 15, 1993 (the *"Series 1993B Bond Ordinance"*) and filed in each of your offices on October 14, 1993, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Refunding Series 1993B (the *"Series 1993B Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 1993B Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 1993B Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

Levy Year	(a) Taxes Levied by Series 1993B Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 1993B Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 1993B Bond Ordinance
2013	$15,593,019.00	$13,061,781.25	$ 2,531,237.75
2014	15,801,238.00	0.00	15,801,238.00
2015	17,691,150.00	0.00	17,691,150.00
2016	5,184,350.00	0.00	5,184,350.00
2017	5,186,919.00	0.00	5,186,919.00
2018	5,188,469.00	0.00	5,188,469.00
2019	5,188,488.00	0.00	5,188,488.00
2020	2,491,463.00	0.00	2,491,463.00

*As adjusted for any prior abatements.

2. *Series 1995A-2 Bonds.* For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on November 8, 1995 (the *"Series 1995A-2 Bond Ordinance"*) and filed in each of your offices on December 13, 1995, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 1995A-2 (the *"Series 1995A-2 Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 1995A-2 Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 1995A-2 Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

LEVY YEAR	(a) TAXES LEVIED BY SERIES 1995A-2 BOND ORDINANCE*	(b) AMOUNT OF TAXES ABATED AS A RESULT OF THE REFUNDING OF SERIES 1995A-2 BONDS	(c) EXACT AMOUNT OF TAXES REQUIRED TO BE EXTENDED PURSUANT TO THE SERIES 1995A-2 BOND ORDINANCE
2013	$19,194,462.50	$16,346,562.50	$ 2,847,900.00
2014	19,192,900.00	0.00	19,192,900.00
2015	19,193,925.00	0.00	19,193,925.00
2016	19,190,450.00	0.00	19,190,450.00

*As adjusted for any prior abatements.

3. *Series 1998 Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on December 10, 1997 (the *"Series 1998 Bond Ordinance"*) and filed in the office of (i) the Cook County Clerk on March 10, 1998 and (ii) the DuPage County Clerk on March 11, 1998, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 1998 (the *"Series 1998 Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 1998 Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 1998 Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

LEVY YEAR	(a) TAXES LEVIED BY SERIES 1998 BOND ORDINANCE*	(b) AMOUNT OF TAXES ABATED AS A RESULT OF THE REFUNDING OF SERIES 1998 BONDS	(c) EXACT AMOUNT OF TAXES REQUIRED TO BE EXTENDED PURSUANT TO THE SERIES 1998 BOND ORDINANCE
2013	$ 8,877,925.00	$7,205,650.00	$ 1,672,275.00
2014	13,147,275.00	0.00	13,147,275.00
2015	19,971,150.00	0.00	19,971,150.00

*As adjusted for any prior abatements.

4. *Series 2001A Bonds.* For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on November 15, 2000 (the *"Initial Series 2001A and B Bond Ordinance"*) and filed in the office of (i) the Cook County Clerk on January 2, 2001 and (ii) the DuPage County Clerk on December 28, 2000, as amended by the Ordinance adopted by the City Council on February 7, 2001 and filed in the office of (i) the Cook County Clerk on March 23, 2001 and (ii) the DuPage County Clerk on March 22, 2001 (the *"Amendatory Series 2001A and B Bond Ordinance"* and, collectively with the Initial Series 2001 and B Bond Ordinance, the *"Series 2001A and B Bond Ordinance"*), authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 2001, issued as (x) General Obligation Bonds, Project and Refunding Series 2001A (the *"Series 2001A Bonds"*) and (y) Taxable General Obligation Bonds, Series 2001B (the *"Series 2001B Bonds"* and, collectively with the Series 2001A Bonds, the *"Series 2001A and B Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2001A Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2001A and B Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

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Levy Year	(a) Taxes Levied by Series 2001A and B Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2001A Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2001A and B Bond Ordinance
2013	$ 6,845,552.69	$	$
2014	10,597,709.19	0.00	10,597,709.19
2015	10,599,904.69	0.00	10,599,904.69
2016	10,599,397.69	0.00	10,599,397.69
2017	10,605,941.19	0.00	10,605,941.19
2018	10,602,466.19	0.00	10,602,466.19
2019	10,599,974.19	0.00	10,599,974.19
2020	10,601,838.19	0.00	10,601,838.19
2021	3,961,980.19	0.00	3,961,980.19
2022	3,965,895.19	0.00	3,965,895.19
2023	3,962,015.19	0.00	3,962,015.19
2024	3,965,313.19	0.00	3,965,313.19
2025	3,964,920.19	0.00	3,964,920.19
2026	3,959,940.69	0.00	3,959,940.69
2027	3,960,920.19	0.00	3,960,920.19
2028	3,962,012.69	0.00	3,962,012.69

*As adjusted for any prior abatements.

5. *Series 2002A Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on December 5, 2001 (the *"Series 2002A Bond Ordinance"*) and filed in each of your offices on June 7, 2002, and June 4, 2002, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 2002A (the *"Series 2002A Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2002A Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2002A Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

Levy Year	(a) Taxes Levied by Series 2002A Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2002A Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2002A Bond Ordinance
2013	$	$	$
2014			
2015			
2016			
2017			
2018			
2019			

*As adjusted for any prior abatements.

6. *Series 2003A Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on May 1, 2002 (the *"Series 2003A Bond Ordinance"*) and filed in each of your offices on April 1, 2003, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 2002C, which were ultimately issued as General Obligation Bonds, Project and Refunding Series 2003A (the *"Series 2003A Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2003A Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2003A Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

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Levy Year	(a) Taxes Levied by Series 2003A Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2003A Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2003A Bond Ordinance
2013	$3,226,475.00	$1,432,500.00	$1,793,975.00
2014	3,226,050.00	952,075.00	2,273,975.00
2015	3,228,525.00	949,750.00	2,278,775.00
2016	3,228,637.50	1,486,637.50	1,742,000.00
2017	3,226,387.50	1,484,387.50	1,742,000.00
2018	3,226,775.00	1,484,775.00	1,742,000.00
2019	3,229,537.50	1,487,537.50	1,742,000.00
2020	3,229,412.50	1,487,412.50	1,742,000.00
2021	3,226,400.00	1,484,400.00	1,742,000.00
2022	3,230,500.00	1,488,500.00	1,742,000.00
2023	3,229,250.00	1,487,250.00	1,742,000.00
2024	3,805,000.00	1,483,000.00	2,322,000.00
2025	3,198,750.00	1,485,750.00	1,713,000.00
2026	3,198,000.00	0.00	3,198,000.00
2027	3,198,750.00	0.00	3,198,750.00
2028	3,900,750.00	0.00	3,900,750.00
2029	3,898,750.00	0.00	3,898,750.00
2030	3,901,000.00	0.00	3,901,000.00
2031	3,087,000.00	0.00	3,087,000.00
2032	3,087,250.00	0.00	3,087,250.00
2033	3,087,750.00	0.00	3,087,750.00
2034	3,088,250.00	0.00	3,088,250.00
2035	3,088,500.00	0.00	3,088,500.00
2036	3,088,250.00	0.00	3,088,250.00
2037	3,087,250.00	0.00	3,087,250.00
2038	3,085,250.00	0.00	3,085,250.00
2039	3,087,000.00	0.00	3,087,000.00
2040	3,087,000.00	0.00	3,087,000.00

*As adjusted for any prior abatements.

7. *Series 2004A Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on May 26, 2004 and filed in each of your offices on August 24, 2004 (the *"Series 2004A and B Bond Ordinance"*), authorizing, among other things, the issuance of general obligation bonds of the City, including the City's (x) General Obligation Bonds, Project and Refunding Series 2004A (the *"Series 2004A Bonds"*) and (y) General Obligation Bonds, Taxable Series 2004B (the *"Series 2004B Bonds"* and, collectively with the Series 2004A Bonds, the *"Series 2004A and B Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2004A Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2004A and B Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

LEVY YEAR	(a) TAXES LEVIED BY SERIES 2004A AND B BOND ORDINANCE*	(b) AMOUNT OF TAXES ABATED AS A RESULT OF THE REFUNDING OF SERIES 2004A BONDS	(c) EXACT AMOUNT OF TAXES REQUIRED TO BE EXTENDED PURSUANT TO THE SERIES 2004A AND B BOND ORDINANCE
2013	$ 9,058,900.00	$4,008,800.00	$ 5,050,100.00
2014	9,062,100.00	2,312,700.00	6,749,400.00
2015	12,646,950.00	2,301,125.00	10,345,825.00
2016	12,647,687.50	4,190,075.00	8,457,612.50
2017	12,645,237.50	4,189,800.00	8,455,437.50
2018	14,873,787.50	6,419,275.00	8,454,512.50
2019	11,200,175.00	8,126,162.50	3,074,012.50
2020	11,089,925.00	8,015,912.50	3,074,012.50
2021	10,688,512.50	7,614,500.00	3,074,012.50
2022	10,592,012.50	7,518,000.00	3,074,012.50
2023	8,359,262.50	5,285,250.00	3,074,012.50
2024	6,221,512.50	3,147,500.00	3,074,012.50
2025	6,218,762.50	3,144,750.00	3,074,012.50
2026	6,219,012.50	0.00	6,219,012.50
2027	6,221,762.50	0.00	6,221,762.50
2028	6,218,250.00	0.00	6,218,250.00
2029	23,614,500.00	0.00	23,614,500.00
2030	23,612,250.00	0.00	23,612,250.00
2031	4,437,500.00	0.00	4,437,500.00
2032	4,436,250.00	0.00	4,436,250.00

*As adjusted for any prior abatements.

8. *Series 2005A Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on February 9, 2005 and filed in each of your offices on March 3, 2005 and March 7, 2005 (the "*Series 2005A Bond Ordinance*"), authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Refunding Bonds, Series 2005A (the "*Series 2005A Bonds*"), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2005A Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2005A Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

Levy Year	(a) Taxes Levied by Series 2005A Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2005A Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2005A Bond Ordinance
2013	$79,315,025.00	$66,769,500.00	$12,545,525.00
2014	70,052,962.50	0.00	70,052,962.50
2015	57,164,587.50	0.00	57,164,587.50
2016	32,388,837.50	0.00	32,388,837.50
2017	30,858,737.50	0.00	30,858,737.50
2018	30,734,487.50	0.00	30,734,487.50
2019	15,510,237.50	0.00	15,510,237.50
2020	15,491,237.50	0.00	15,491,237.50
2021	7,828,487.50	0.00	7,828,487.50
2022	8,645,487.50	0.00	8,645,487.50
2023	5,880,737.50	0.00	5,880,737.50
2024	5,207,062.50	0.00	5,207,062.50
2025	3,386,562.50	0.00	3,386,562.50
2026	3,096,812.50	0.00	3,096,812.50

*As adjusted for any prior abatements.

9. *Series 2005B Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on July 27, 2005 and filed in each of your offices on August 17, 2005 (the *"Series 2005B and Direct Access Bond Ordinance"*) authorizing, among other things, the issuance of general obligation bonds of the City, including the City's (x) General Obligation Bonds, Project and Refunding Series 2005B (the *"Series 2005B Bonds"*), (y) General Obligation Direct Access Bonds, Series 2005-1, Series 2005-2 and Series 2005-3 (collectively, the *"Series 2005 Direct Access Bonds"*) and (z) General Obligation Direct Access Bonds, Series 2006-1 (the *"Series 2006 Direct Access Bonds"* and, collectively with the Series 2005B Bonds and the Series 2005 Direct Access Bonds, the *"Series 2005B and Direct Access Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2005B and Direct Access Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2005B and Direct Access Bonds that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

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Levy Year	(a) Taxes Levied by Series 2005B and Direct Access Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2005B and Direct Access Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2005B and Direct Access Bond Ordinance
2013	$38,128,146.45	$	$
2014	35,496,159.16	0.00	35,496,159.16
2015	40,356,185.28	0.00	40,356,185.28
2016	55,145,303.82	0.00	55,145,303.82
2017	45,508,416.32	0.00	45,508,416.32
2018	41,135,716.32	0.00	41,135,716.32
2019	48,243,137.78	0.00	48,243,137.78
2020	42,093,968.82	0.00	42,093,968.82
2021	49,571,965.32	0.00	49,571,965.32
2022	48,258,822.82	0.00	48,258,822.82
2023	44,673,011.78	0.00	44,673,011.78
2024	44,849,170.32	0.00	44,849,170.32
2025	52,546,405.32	0.00	52,546,405.32
2026	52,336,855.32	0.00	52,336,855.32
2027	44,648,226.78	0.00	44,648,226.78
2028	48,910,015.32	0.00	48,910,015.32
2029	38,637,209.32	0.00	38,637,209.32
2030	38,635,357.26	0.00	38,635,357.26
2031	28,606,294.64	0.00	28,606,294.64
2032	28,228,740.46	0.00	28,228,740.46
2033	22,865,480.45	0.00	22,865,480.45
2034	32,838,827.53	0.00	32,838,827.53
2035	21,953,674.52	0.00	21,953,674.52
2036	35,864,808.46	0.00	35,864,808.46
2037	35,871,456.58	0.00	35,871,456.58
2038	20,353,388.59	0.00	20,353,388.59

*As adjusted for any prior abatements.

10. *Series 2005C Bonds.* For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on July 27, 2005 (the *"Series 2005C Bond Ordinance"*) and filed in each of your offices on August 17, 2005, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Taxable Series 2005C (the *"Series 2005C Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2005C Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2005C Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

Levy Year	(a) Taxes Levied by Series 2005C Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2005C Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2005C Bond Ordinance
2013	$	$	$
2014			
2015			
2016			
2017			

*As adjusted for any prior abatements.

11. *Series 2006B Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on March 1, 2006 (the *"Series 2006B Bond Ordinance"*) and filed in each of your offices on March 28, 2006, and March 27, 2006, authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Taxable Series 2006B (the *"Series 2006B Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2006B Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2006B Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

Levy Year	(a) Taxes Levied by Series 2006B Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2006B Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2006B Bond Ordinance
2013	$	$	$
2014			

*As adjusted for any prior abatements.

12. *Series 2007C Bonds*. For each of the following levy years specified below are (a) the taxes levied by Section 7 of the Ordinance of the City adopted by the City Council on September 27, 2007 and filed in each of your offices on November 7, 2007 (the *"Series 2007C Bond Ordinance"*), authorizing, among other things, the issuance of general obligation bonds of the City, including the City's General Obligation Bonds, Project and Refunding Series 2007C (the *"Series 2007C Bonds"*), as adjusted to reflect any prior abatement of taxes by the City; (b) the amount of taxes that are being abated pursuant to this Certificate of Reduction as a result of the refunding of certain of the Series 2007C Bonds with a portion of the proceeds of the Refunding Bonds; and (c) the remainder of those taxes required to be extended to pay when due the principal of and interest on all outstanding general obligation bonds issued pursuant to the Series 2007C Bond Ordinance that have not been so refunded (such amount being equal, for each levy year, to the difference between the amount specified in column (a) and the amount specified in column (b)).

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Levy Year	(a) Taxes Levied by Series 2007C Bond Ordinance*	(b) Amount of Taxes Abated as a Result of the Refunding of Series 2007C Bonds	(c) Exact Amount of Taxes Required to be Extended Pursuant to the Series 2007C Bond Ordinance
2013	$30,173,326.50	$	$
2014	30,323,610.00	0.00	30,323,610.00
2015	35,664,960.00	0.00	35,664,960.00
2016	40,960,721.00	0.00	40,960,721.00
2017	35,424,059.00	0.00	35,424,059.00
2018	31,814,429.00	0.00	31,814,429.00
2019	27,468,947.00	0.00	27,468,947.00
2020	28,751,591.00	0.00	28,751,591.00
2021	28,930,361.00	0.00	28,930,361.00
2022	27,706,213.00	0.00	27,706,213.00
2023	43,942,650.00	0.00	43,942,650.00
2024	42,863,150.00	0.00	42,863,150.00
2025	35,042,900.00	0.00	35,042,900.00
2026	35,968,400.00	0.00	35,968,400.00
2027	40,713,650.00	0.00	40,713,650.00
2028	39,637,900.00	0.00	39,637,900.00
2029	39,202,650.00	0.00	39,202,650.00
2030	21,800,150.00	0.00	21,800,150.00
2031	47,436,400.00	0.00	47,436,400.00
2032	47,311,979.00	0.00	47,311,979.00
2033	26,491,151.06	0.00	26,491,151.06
2034	14,085,634.50	0.00	14,085,634.50
2035	14,058,981.00	0.00	14,058,981.00
2036	14,040,349.75	0.00	14,040,349.75
2037	7,748,666.00	0.00	7,748,666.00
2038	23,262,782.20	0.00	23,262,782.20
2039	23,211,221.00	0.00	23,211,221.00
2040	23,148,985.50	0.00	23,148,985.50

*As adjusted for any prior abatements.

IN WITNESS WHEREOF, I have executed this Certificate on this ____ day of ____________, 2014.

[redacted]

Lois A. Scott, Chief Financial Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

FILING CERTIFICATE

I, David D. Orr, County Clerk of The County of Cook, Illinois (the *"County"*), do hereby certify that on the ____ day of ___________, 2014, there has been filed in my office as tax extension officer of the County and remains on file in my office a certificate of the Chief Financial Officer of the City of Chicago, dated ___________, 2014, entitled:

CERTIFICATE OF REDUCTION OF CERTAIN TAXES LEVIED TO PAY PRINCIPAL OF AND INTEREST ON CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY OF CHICAGO

IN WITNESS WHEREOF, I have set my hand and affixed the seal of The County of Cook, Illinois, this ____ day of ___________, 2014.

____
County Clerk of The County of Cook, Illinois

[SEAL]

STATE OF ILLINOIS)
) SS
COUNTY OF DUPAGE)

FILING CERTIFICATE

I, Gary A. King, County Clerk of The County of DuPage, Illinois (the *"County"*), do hereby certify that on the ____ day of ___________, 2014, there has been filed in my office as tax extension officer of the County and remains on file in my office a certificate of the Chief Financial Officer of the City of Chicago, dated ___________, 2014, entitled:

CERTIFICATE OF REDUCTION OF CERTAIN TAXES LEVIED TO PAY PRINCIPAL OF AND INTEREST ON CERTAIN OUTSTANDING GENERAL OBLIGATION BONDS OF THE CITY OF CHICAGO

IN WITNESS WHEREOF, I have set my hand and affixed the seal of The County of DuPage, Illinois, this ____ day of ___________, 2014.

____
County Clerk of The County of DuPage, Illinois

[SEAL]

ACKNOWLEDGMENT OF FILING NOTIFICATION OF SALE

The foregoing Notification of Sale of $432,630,000 aggregate principal amount of General Obligation Bonds, Project and Refunding Series 2014A, and $450,790,000 aggregate principal amount of General Obligation Bonds, Taxable Project and Refunding Series 2014B, of the City of Chicago (the *"City"*) has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

IN WITNESS WHEREOF, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this 24th day of March, 2014.

Susana A. Mendoza

Susana A. Mendoza
City Clerk

[SEAL]