Office of the City Clerk

City Hall
121 N. LaSalle St.
Room 107
Chicago, IL 60602
www.chicityclerk.com

Legislation Details (With Text)

File #:	F2011-7		
Type:	Communication	**Status:**	Placed on File
File created:	1/13/2011	**In control:**	City Council
		Final action:	1/13/2011
Title:	General Obligation Bonds Taxable Project Series, 2010B Build America Bonds Direct Payment		
Sponsors:	Dept./Agency		
Indexes:	BONDS & BOND ISSUES		
Attachments:	1. F2011-7.pdf		

Date	Ver.	Action By	Action	Result
1/13/2011	1	City Council	Placed on File	

December 14, 2010

Miguel Del Valle Cily Clerk
121 North LaSalle Street Room 107
Chicago, Illinois 60602

RE: City of Chicago, Illinois $213,555,000 General Obligation Bonds Taxable Project Series 2010B (Build America Bonds - Direct Payment)

Dear Mr. Del Valle:

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 12 of the ordinance authorizing the issuance of General Obligation Refunding Bonds Series 2010, which was passed by the City Council on July 28, 2010.

Please direct this filing to the City Council.

Very Truly Yours,

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Notification of Sale

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2010 DEC 1U PH3--31

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CITY CLERK

$213,555,000
General Obligation Bonds,
Taxable Project Series 2010B
(Build America Bonds - Direct Payment)

Being Issued By The City Of Chicago

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

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 Councir), of the City of Chicago (the "City") on July 28, 2010, authorizing the issuance of up to $900,000,000 aggregate principal amount of general obligation bonds of the City, a Bond Purchase Agreement dated December 1, 2010 (the "Bond Purchase Agreement") providing for the sale of $213,555,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Series 2010B 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 2010B Bonds were sold at a purchase price of $212,374,652.27 (representing the aggregate principal amount of the Series 2010B Bonds less an Underwriters' discount of $1,180,347.73).

The Underwriters for the Series 2010B Bonds are Loop Capital Markets LLC, Wells Fargo Bank, National Association, Duncan Williams, Inc., Estrada, Hinojosa & Company, Inc., In Capital LLC, Melvin & Company LLC, Robert W. Baird & Co., Inc., and Stifel Nicolaus & Co. The compensation (including all fees) being paid to the Underwriters in connection with the sale of the Series 2010B Bonds of $1,180,347.73 represents less than 1% of the aggregate principal amount of the Series 2010B Bonds.

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

The Series 2010B Bonds are being issued for the purpose of (i) paying a portion of the costs of the Project, (ii) funding capitalized interest on a portion of the Series 2010B Bonds and (iii) paying the costs of issuance of the Scries 2010B Bonds (including the Underwriters' discount).

Attached hereto as Exhibits A and B, respectively, are executed copies of the Bond Purchase Agreement and the Official Statement dated December 1, 2010.

Pursuant to Section 12 of the Ordinance, the undersigned hereby makes the following determinations: (a) the aggregate principal amount of the Series 2010B Bonds is $213,555,000, the Series 2010B Bonds are issued in fully registered form in the denominations of $5,000 or any integral multiple thereof, and the designation of the Series 201 OB Bonds is set forth in the first paragraph hereof, (b) the Series 201 OB Bonds are issued as Current Interest Bonds and as Build America Direct Payment Bonds, (c) the Series 2010B Bonds mature and are subject to mandatory redemption as set forth in Schedule I attached hereto, (d) the Series 2010B Bonds are subject to optional redemption as provided in Schedule 1 attached hereto, (e) the principal amount and interest rate on the Series 2010B Bonds are set forth in Schedule I attached hereto, (f) the Series 2010B Bonds are issued in book-entry form; the book entry depository is The Depository Trust Company, (g) the Underwriters of the Series 2010B Bonds are as set forth above, and (h) the Bond Registrar for the Series 2010B Bonds and Bond Fund depository is Wells Fargo Bank, National Association.

Pursuant to Section 12 of the Ordinance and on behalf of the City, the undersigned hereby makes the following elections under the Internal Revenue Code of 1986 (the "Code"). Pursuant to Section 54AA(d)(l)(C) of the Code, the City irrevocably elects to have Section 54AA of the Code apply to the Series 2010B Bonds. Pursuant to Section 54AA(g)(2)(B) of the Code, the City irrevocably elects to have subsection (g) of said Section 54AA apply to the Series 2010B Bonds. Pursuant to the foregoing elections, the Series 2010B Bonds will be issued as "build America bonds" as defined in Section 54AA(d)(l) of the Code and as "qualified bonds" as defined in Section 54AA(g)(2) of the Code.

Notification to the City Council of the disposition of collections of the tax levy authorized in Section 7 of the Ordinance in excess of any amount required for the payment of the principal and interest on the Series 2010B Bonds and for the payment of the principal and interest on any other Bonds to be issued pursuant to the Ordinance, will be made upon the sale of the final series of Bonds authorized by the Ordinance and as provided in Section 12 of the Ordinance.

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EXHIBIT A BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

CITY OF CHICAGO

$213,555,000 General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds-Direct Payment)

December 1,2010

City of Chicago Office of the City Comptroller 33 North LaSalle Street, 6th Floor Chicago, Illinois 60602 Attention: Chief Financial Officer

Ladies and Gentlemen:

The undersigned, Loop Capital Markets LLC (the "Representative"), on behalf of itself and the other underwriters listed below (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, Taxable Project Series 2010B (Build America Bonds-Direct Payment) (the "Bonds"). This offer is made subject to the acceptance by the City on or before 5:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in fiill 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 fiill authority to take such action as it may deem advisable with respect to all matters pertaining to this Agreement. Each Underwriter hereby severally represents to the City that it is registered and in good standing under the Securities Exchange Act of 1934, as amended, as a municipal securities dealer.

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 $213,555,000 aggregate principal amount of the Bonds, at the purchase price of $212,374,652.27 (representing the aggregate principal amount of the Bonds less an underwriters' discount of $1,180,347.73.

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 herein)

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 CounciF) on July 28, 2010 (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 October 26, 2010 relating to the Bonds (the "Preliminary Official Statement'). For purposes of Rule 15c2-12 ('"Rule 15c2-12") of the Securities and Exchange Commission ("SEC"), the Preliminary Official Statement is "deemed final" by the City as of its date except for the omission of such information as is pennitted by Rule 15C2-12.

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 Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate to establish the yield on the 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 within seven (7) business days after the City's acceptance of this Agreement, 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 ("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 hght 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

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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.

(c) At or prior to the Closing, the Representative shall file, or cause to be filed, the Official Statement with die 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, this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").***

c) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement and the Undertaking; (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.

d) The adoption of the Ordinance and compliance with the provisions thereof do not, and the execution and delivery of this Agreement and the Undertaking 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.

e) All approvals, consents and orders of, and filings (except, if any, under applicable state "blue sky" laws) with, any governmental authority, board, agency or

commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Undertaking, the Ordinance and the Bonds have been obtained or made.

f) The financial statements of the City contained in the Official Statement fairly present the financial position and resuhs 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.

g) The Official Statement (excluding any description of The Depository Tmst Company ("Z>7C"), Clearstream, Luxembourg ("Clearstream"), Euroclear Bank ("-Ew/vc/tfar"), information under the captions "THE BONDS - Book-Entry System," "CERTAIN VERIFICATIONS", "RATINGS", "UNDERWRITING," and "TAX MATTERS," Appendices D thereto, information sourced in Appendices A and B from sources other than the City or departments thereof, and any infonnation in or omitted from the Official Statement relating to DTC, Clearstream or Euroclear, all information and notices set forth under the caption "Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States," and information furnished by the Underwriters for use in the Official Statement) does not contain any untme 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.

h) The Ordinance, this Agreement 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 bankmptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(i) 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 bankmptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(j) 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 the validity or enforceability of the Bonds, the Ordinance, this Agreement or the Undertaking.

(k) 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.

(1) 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

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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(a) shall require the City to consent to general service of process in any state or jurisdiction other than the State of Illinois.

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

(n) The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriters, (ii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the City with respect to the purchase and sale of the Bonds or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters) and (iii) it has consulted its own legal, financial and other advisors 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 December 14, 2010, at the offices of Katten Muchin Rosenman LLP, 525 West Monroe Street, Suite 1900, Chicago, Illinois 60661 (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 maturity (Bonds with the same maturities but different interest rates will have separate certificates) 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 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 Katten Muchin Rosenman LLP, Chicago, Illinois and Cotillas and Associates, Chicago, Illinois, as co-bond counsel (^Co-Bond Counsel') shall be necessary in connection with the transactions contemplated hereby and thereby.

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<u>9. Termination of Agreement.</u>

(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 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, mling, 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 fhe Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Bonds, or

ii) there shall have occurred any event which in the Representative's reasonable opinion, after consultation with its legal counsel, makes the Official Statement either (A) contain an untme 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 untme 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

iii) 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

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

v) 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

vi) a war involving the United States, an outbreak or escalation of or adverse development in hostilities or terrorist activities or other national or international

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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

(vii) 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 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 D;

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;

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

v) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of McGaugh & Associates, Chicago, Illinois, counsel for the Underwriters (herein collectively "Underwriters' Counsef), substantially in the form attached hereto as Exhibit D;

vi) 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) to his knowledge, there has been no material adverse change in the financial condition of the City since December 31, 2009, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

vii) a certificate of Wells Fargo Bank, National Association, 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 imder the Ordinance;

(viii) a certificate, dated the date of the Closing, signed by the

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Representative, in form and substance satisfactory to the City and Co-Bond Counsel;

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

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

xi) 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;

xii) evidence satisfactory to the Representative that the Bonds have ratings of A+ from S&P, Aa3 from Moody's and AA- from Fitch;

xiii) such additional closing certificates and agreements, 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 hereimder.

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; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of DTC and the Bond Registrar; and (f) the fees for the municipal bond ratings on the Bonds. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds, including, but not limited to, the CUSEP Service Bureau charges, the fees and expenses of Underwriters' Counsel and -advertising expenses directly incurred by the Underwriters.

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

Loop Capital Markets LLC
200 West Jackson Blvd, Suite 1600
!
Chicago, Illinois 60606
Attention: Clarence Bourne, Senior Vice President

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),

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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, constmed 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 Securities Exchange Act of 1934, as amended (the "1934 Acf), 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 mies 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, mles 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, tmst 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 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, mle, 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

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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 public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

e) Each of the Underwriters undertakes to the City that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes the Preliminary Official Statement or the Official Statement or any related offering material, in all cases at its own expense and each underwriter undertakes and agrees to comply with the applicable selling restrictions as set forth in the Official Statement.

f) To the knowledge of the Underwriters after commercially reasonable and appropriate due diligence, the Underwriters have formed an independent reasonable belief that the City is currently in compliance with, and will provide ongoing, continuing disclosure in accordance with Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

(g) They have offered the Bonds for sale only in the United States of America.

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 waiting 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 Citv 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

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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.

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IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Taxable Project Series 201 OB (Build America Bonds-Direct Payment), to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Loop Capital Markets LLC

Wells Fargo Bank, National Association
Duncan Williams, Inc.
Estrada Hinojosa & Company, Inc.
Incapital LLC
Melvin & Company LLC
Robert W. Baird & Co., Inc.
Stife) Nicolaus & Co.

Accepted by the City: CITY OF CHICAGO

By:
Gene'R. Saffol
Edward M. Burke Chairman, Committee on Finance of the City Council
By: Loop Capital Markets LLC As Representative

By
Clarence Bourne Senior Vice President

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SCHEDULE I TERMS OF BONDS

1. Aggregate Principal Amount: $213,555,000

2. Dated: December 14, 2010

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

$213,555,000 General Obligation Bonds Taxable Project Series 2010B (Build America Bonds-Direct Payment)

$213,555,000 7.517% Term Bonds due January 1,2040, Price 100.000% CUSIP: 167486MK2

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 Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds of such series to be redeemed (exclusive of interest accmed to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus accrued interest on the Bonds of such series being redeemed to the date fixed for redemption. The City's Chief Financial Officer or the City Comptroller (each such officer being hereinafter referred to as 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 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 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 Bonds for optional redemption.

Extraordinary Optional Redemption. The Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part on any date upon the occurrence of an "Extraordinary Event" (as defined below), at a redemption price equal to the greater of: (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds of such series to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 100 basis points plus accmed interest on the Bonds of such series being redeemed to the date fixed for redemption.

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An "Extraordinary Event" means any determination by the City that a material adverse change has occurred to Section 54AA or 6431 of the Code or any other applicable Section of the Code or there is any guidance published by the Internal Revenue Service or the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the Treasury, pursuant to which the Subsidy Payments from the Treasury with respect to the Taxable Series 201 OB Bonds is reduced, eliminated or adversely adjusted.

Mandatory Redemption of the Bonds. The Bonds are subject to mandatory redemption, in part and by lot, at a redemption price equal to the principal amount thereof, on January 1 of the following years and in the following principal amounts, provided, however, if less than all of the Taxable Bonds of a single maturity within such series are to be redeemed prior to maturity, the particular Taxable Bonds or portions thereof to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with DTC procedures. ,

Taxable Series 201 OB Bonds due January 1,2040

Year	Principal Amount
2036	$38,735,000
2037	40,630,000
2038	42,615,000
2039	44,695,000
2039	2040* 46,880,000

*Final Maturity

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EXHIBIT A

PRELIMINARY OFFICIAL STATEMENT

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PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 26, 2010

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

In the opinion of Co-Bond Counsel, under existing law, if Ihere is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2010A Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2010A Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Series 2010A Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Taxable Series 2010B Bonds and Taxable Series 2010C Bonds is not excludable from gross income for federal income tax purposes. Interest on the Bonds is not exempt from Illinois income taxes. See "TAX MATTERS" herein.

$123,155,000* General Obligation Bonds, Refunding Series 2010A

$804,285,000* CITY OF CHICAGO

$213,590,000* General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment)

$467,540,000* General Obligation Bonds, Taxable Project and Refunding Series 2010C

Due: As shown on the inside front cover page

The General Obligation Bonds, Refunding Series 2010A (the "Series 2010A Bonds"), the General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Taxable Series 2010B Bonds"), and the General Obligation Bonds, Taxable Project and Refunding Series 2010C (the "Taxable Series 2010C Bonds," and collectively, with the Series 2010A Bonds and the Taxable Series 2010B Bonds, the "Bonds") will be issuable as fiilly 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.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, conmiencing July 1,2011. Principal of and interest on the Bonds will be paid by Wells Fargo Bank, National Association as bond registrar and paying agent (the "Bond Registrar"), 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"). The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds.

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

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

The Bonds are being offered when, as and if issued, and subject lo the delivery ofappixwing legal opinions by

Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates, Chicago, Illinois, Co-Bond Counsel,

and to certain other conditions. Certain legdl matters will be passed upon for the City by its Corporation Counsel

and for the Underwriters by their counsel McGaugh & Associates, Chicago, Illinois. It is expected that the Bonds will

be available for delivery through Die facilities of DTC on or about , 2010.

Loop Capital Markets Duncan-Williams, Inc. Incapital LLC BAIRD
Wells Fargo Securities Estrada Hinojosa & Company, Inc. Melvin & Company Stifel Nicolaus & Co.

., 2010

* Preliminary; subject to change

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

S123,155,000* General Obligation Bonds, Refunding Series 2010A

Maturity (January I)	Principal Amount	Interest Rate	Price or Yield*	CUSIP	Maturity (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP

% Term Bonds due January 1, 20_, Price 100.000% CUSIP[1]:

S213,590,000*
General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment)

Maturity (January 1)	Principal Amount	Interest Rate	Price or Yield*	CUSIP	Maturity (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP

% Term Bonds due January 1, 20_, Price 100.000% CUSIP[f]:

$467,540,000*
General Obligation Bonds, Taxable Project and Refunding Series 2010C

Maturity (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP	Maturity (January 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP

% Term Bonds due January 1, 20_, Price 100.000% CUSIP[f]:

^ Copyright 2010, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Banters Association by Standard & Poor's, a subsidiary of The McGmw-Dill Companies, Inc. The CUSIP numbers liMcd arc being provided sulcly for the convenience of the Bondholders only at the time of issuance of the Bonds and the City docs not make any representation with respect lo such numbers or undertake any responsibility for their accuracy now or at any time in the future The CUSIP number for a specific matunty is subject to being changed 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 maikct portfolio insurance or other similar enhancement by investors that is applicable lo all or a portion of certain maturities of the Bonds.

Preliminary, subject to change.

CITY OF CHICAGO

MAYOR
Richard M. Daley

CITY TREASURER
Stephanie D. Neely

CITY CLERK
Miguel del Valle

CITY COUNCIL COMMITTEE ON FINANCE Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Gene R. Saffold

CITY COMPTROLLER
Steven J. Lux

BUDGET DIRECTOR
Eugene L. Munin

CORPORATION COUNSEL
Mara S. Georges, Esq.

CO-BOND COUNSEL
Katten Muchin Rosenman LLP Chicago, Illinois

Cotillas and Associates Chicago, Illinois

FINANCIAL ADVISOR
Gardner, Underwood & Bacon-Illinois, LLC Chicago, Illinois

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TABLE OF CONTENTS

Certain information contained in, or incorporated by reference in, this Official Statement has been obtained by the City of Chicago (the "City") from The Depository Trust Company and other sources that are deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following' sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriters. This Official Statement is being used in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesperson or any other person has been authorized by the City or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the inside 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.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City's beliefs, as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

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

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.

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INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

<u>MINIMUM UNIT SALES</u>

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

This Official Statement is not a prospectus, disclosure document or product disclosure statement for the purposes of the Corporations Act 2001 (Cth) (the "Act"). It is not required to contain, and does not contain, all the information which would be required in a prospectus, disclosure document or product disclosure statement. It has not been lodged with the Australian Securities and Investments Commission ("ASIC").

The offer or invitation contained in this Official Statement is only made to persons to whom an offer of securities can be made in Australia without a disclosure document in accordance with Chapter 6D of the Act as either:

1. a "sophisticated investor" who is exempt from the disclosure requirements under section 708(8) of the Act; or

2. a "professional investor" who is exempt from the disclosure requirements under section 708(11) of the Act.

This Official Statement and any other documents provided in connection with it are furnished solely on the basis that the recipient in Australia is a "sophisticated investor" or a "professional investor". The information may not be reproduced or redistributed to any other persons except with the City's prior written consent. This Official Statement and any other documents provided in connection with it are strictly confidential.

An investor may not transfer or offer to transfer or sell their securities to any person where the offer is received in Australia unless the transfer or the offer can be made without a disclosure document in accordance with Chapter 6D of the Act (for example, as an offer to cither a "sophisticated investor" or "professional investor" who. is exempt from the disclosure requirements under section 708(8) or (11) (respectively) of the Act).

NOTICE TO RESIDENTS OF BRAZIL

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (COM1SSAO DE VALORES MOBILIARIOS - "CVM"). ANY PUBLIC OFFERING, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS OF THE SECURITIES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW NO. 6.385/76.

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA

This Official Statement has not been and will not be circulated or distributed in the Peoples Republic of China ("PRC"), and the securities may not be offered or sold, and will not be offered or sold

to any person for re-offering or resale, directly or indirectly, to any residents of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, the PRC does not include Taiwan, Hong Kong or Macau.

NOTICE TO PROSPECTIVE INVESTORS IN DENMARK

This Official Statement does not constitute a prospectus under any Danish law and has not been filed with or approved by the Danish Financial Supervisory Authority as this Official Statement has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading Act or any Executive Orders issued pursuant thereto. Pursuant to Section 11 (1) of the Danish Prospectus Order No. 223 of 10 March 2010 and Section 2 of the Danish Executive Order No. 222 of March 10, 2010, this Official Statement will only be directed to:

i) qualified investors as defined in Section 2 of the Danish Prospectus Order No. 223 of 10 March 2010, and/or

ii) fewer than 100 natural or legal persons in Denmark, and/or

iii) investors who acquire securities for a total consideration of at least EUR 50,000 per investor for each single offer of securities.'and/or

iv) securities which are subject to a minimum denomination equivalent to at least EUR 50,000 per security.

Accordingly, this Official Statement may not be made available nor may the securities otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be considered as marketing or an offer to the public in Denmark.

NOTICE TO PROSPECTIVE INVESTORS IN DUBAI

This Official Statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority.

This Official Statement is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person.

The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Official Statement nor taken steps to verify the information set out in it, and has no responsibility for it.

The securities to which this Official Statement relates may be illiquid and/or subject to restrictions on their resale.

Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

If you do not understand the contents of this Official Statement you should consult an authorised financial adviser.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Official Statement has been prepared on the basis that all offers of the securities will be made pursuant to an exemption under Article 3 of Directive 2003/7 1/EC (the "Prospectus Directive"), as

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implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the securities. Accordingly, any person making or intending to make any offer within the EEA of the securities should only do so in circumstances in which no obligation arises for the City or any of the initial purchasers to produce a prospectus for such offer. Neither the City nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the securities contemplated in this Official Statement.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any securities which is the subject of the offering contemplated by this Official Statement is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last aimual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the securities shall require the City or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/7 I/BC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO RESIDENTS OF FRANCE

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, by way of a public offer in France (o/fre au public, as defined in articles L. 411-1 et seq., of the Code Monetaire el Financier (the "Monetary and Financial Code")).

The securities may not lawfully be offered or sold to persons in France nor may any offering material be distributed in connection therewith, except to (i) qualified investors (investisseurs qualifies) and/or (ii) a restricted circle of investors each investing for their own account and/or (iii) to persons carrying out the activity of portfolio management on behalf of third parties (gestion de portefeuille pour compte de tiers) in compliance with Articles L. 411-1 ct seq. of the Code Monetaire et Financier and the General Regulation of the Autorite des Marches Financiers.

Pursuant to Article 211-3 of the General Regulation of the Autorite des Marches Financiers, residents of France are hereby informed that:

1. the offer does not require a prospectus to be submitted for approval to the AMF. Neither this Official Statement nor any other offering document has been or will be submitted to the "Autorite des Marches Financiers" for approval;

2. persons or entities referred to in Point 4°, Section II of Article L.411-2"of the Monetary and Financial Code (qualified investors and/or restricted circle of investors) may take part in the offer

solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Monetary and Financial Code; and

3. the securities thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Monetary and Financial Code.

This Official Statement is furnished to potential qualified investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for qualified investors to which it was initially supplied.

This Official Statement or any other .material relating to the securities may not be distributed to the public in France or used in connection with any offer for subscription or sale of securities in France other than in accordance with articles L. 411-2, D. 411-1 and D. 411-2 of the Code Monetaire et Financier. Any contact with potential qualified investors in France does not and will not constitute financial and banking solicitation (Demarchage Bancaire et Financier) as defined in articles L. 341-1 et seq. of the Code Monetaire et Financier.

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

The securities have not been, will not be and may not be offered, promoted or sold, either directly or indirectly, in Germany by v/ay of an offer to the public within the meaning of section 2 No. 4 of the Securities Prospectus Act (Wertpapierprospektgesetz).

This Official Statement does not constitute an offer to subscribe for or buy any of the securities offered hereby to any person to whom it is unlawful to make such offer or solicitation in Germany. This Official Statement is given to potential investors solely for their information and may not be distributed to any other person. It is confidential and solely targeted at the recipients, i.e. qualified investors within the meaning of section 2 No. 6 of the Seciu"ities Prospectus Act, to which it has been initially supplied.

NOTICE TO RESIDENTS OF HONG KONG

The securities have not been authorised by the securities and futures commission in Hong Kong for public offering in Hong Kong, nor has a copy of this Official Statement been registered with the registrar of companies in Hong Kong.

The securities may not be offered or sold by means of any document other than (i) in circumstances which do not constitute, or form part of, an offer to the public within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), or (ii) to "professional investors" within the meaning of the securities and futures ordinance (Cap.571 of the laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstance which do not result in the document being a "prospectus" within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), and that no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the securities which are or are intended to be sold or otherwise disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the securities and futures ordinance (cap.571 of the laws of Hong Kong) and any rules made thereunder.

NOTICE TO RESIDENTS OF .JAPAN

The securities have not been and will not be registered under the financial instruments and exchange law of Japan (law no. 25 of 1948, as amended, the "FIEL"). The securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

NOTICE TO PROSPECTIVE INVESTORS IN KOREA

The securities have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "FSCMA") and the securities are offered in Korea only by way of private placement in conformance with the conditions required for exemption from registration under the FSCMA. Neither the City nor any of the Underwriters is making any representation with respect to the eligibility of any recipient of this Official Statement to acquire the securities under the laws of Korea. None of the securities may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction T.aw of Korea and the decrees and regulations thereunder (the "FETL"). For a period of one year from the issue date of the securities, the denomination of the securities may not be sub-divided. Furthermore, the purchaser of the securities shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the securities.

Each Underwriter will represent and agree that it has not offered, sold or delivered the securities directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea and will not offer, sell or deliver the securities direcdy or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FSCMA, the FETL and other relevant laws and regulations of Korea.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

1. In accordance with the Dutch Financial Supervision Act ("Wet op het Financieel Toezicht" or "Wft") and the Wft Exemptions Regulation (in Dutch: "Vrijstellingsregeling Wft") a straight forward offering of the securities to the public in the Netherlands requires publication of a prospectus that is duly approved by the competent Dutch authority (i.e. Netherlands Authority for the Financial Markets, in Dutch: "Autoriteit Financiele Marktcn" or "AFM") or by a competent authority of another European Member State, unless:

a) the securities are offered exclusively to qualified investors as defined in the Wft; and/or

b) the securities are offered to less than 100 people, not being qualified investors as defined in the Wft; and/or

c) the securities are offered in minimum lots of EUR 50,000 in terms of nominal value or subscription price; and/or

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d) the total consideration value of the offering of securities involves a total amount of less than EUR 100,000 calculated over a 12-month-period; and/or

e) the offering of securities forms part of an offer under which the total consideration value of the offer, calculated over a period of twelve months, does not exceed EUR 2.5 million, provided that in all relevant documentation and advertisements the offeror mentions that the offer in question is exempted from the statutory requirement to publish a prospectus; and/or

f) the securities are offered to investors, not being qualified investors, who have concluded a written mandate agreement ("schriftelijke overeenkomst van lastgeving") with an asset manager entitled to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions at his own discretion without taking orders from or consulting with the investors who granted the mandate.

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2. In light of the above, the securities that are offered to you without publication of a prospectus that is duly approved by the AFM or by a competent authority of another European Member State shall not be deemed to be in violation of the Wft and the Wft Exemption Regulation, if and insofar as:

a) you are a qualified investor as defined in the Wft; and /or

b) you are not a qualified investor as defined in the Wft, but you have concluded a written mandate agreement ("schriftelijke overeenkomst van lastgeving") with an asset manager entitied to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions in the securities at his own discretion without being required to take orders from or consult with you; and/or

c) you invest at least EUR 50,000 in the acquisition of the securities.

3. The offering of securities is only aimed at, directed and made to prospective investors in The Netherlands who fall within the scope of par. 2 above and, therefore, any response to an offer of securities made by an investor that does not fall within the scope of par. 2 above shall not be deemed to constitute nor imply acceptance of the offer and the offeror shall in that case not be held to sell the securities to that investor.

4. This notice is furnished to prospective investors in The Netherlands only in connection with this Official Statement and is solely for their information. This opinion is not to be used, circulated, quoted or otherwise relied upon by any other person or entity or. for any purpose.

NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND

No action has been taken to authorize the offer of any of the securities to the public in New Zealand. Accordingly, the securities may not be offered or sold, or re-offered or resold, and this Official Statement or any other material in connection with the securities may not be issued, circulated, delivered or distributed, in New Zealand, either directly or indirectly, other than to:

a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money;

b) persons who are each required to pay a minimum subscription price of at least $500,000 for the securities before the allotment of those securities;

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c) persons who have each, in a single transaction, previously paid the City a minimum subscription price of at least $500,000 for other securities issued by the same entity before the allotment of such other securities and provided that the offer of the current securities is made within 18 months of the date of the First allotment of the previous securities; or

d) persons who are "eligible persons" (as defined in Section 5(2CC) of the Securities Act 1978 (NZ)), in each case as interpreted in accordance with the Securities Act 1978 (NZ) and the laws of New Zealand.

All persons into whose possession this material may come must inform themselves about and strictly observe the restrictions detailed in the preceding sentence.

This Official Statement is not a New Zealand registered prospectus or investment statement, the content of which is prescribed by the Securities Act 1978 (NZ) and other laws, and does not contain the information that such documents would be required to contain.

NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

This Official Statement has not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 2007, nor in accordance with the prospectus requirements laid down in the Norwegian Securities Fund Act of 1981 as amended. This Official Statement has not been approved or disapproved by, or registered with, the Oslo Stock Exchange, the Norwegian FSA (Finanstilsynet) nor the Norwegian Registry of Business Enterprises. The interests described herein have not been and will not be offered or sold to the public in Norway and no offering or marketing materials relating to the shares may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in Norway. This Official Statement is for the recipient only and may not in any way be forwarded to any other person or to the public in Norway.

SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE TO ACCREDITED INVESTORS

AND INSTITUTIONAL INVESTORS

Neither this Official Statement nor any other document or material in connection with any offer of the securities has been or will be lodged or registered as a prospectus with the Monetary Authority of Singapore (MAS) under the Securities and Futures Act (Cap.289) of Singapore (SFA). Accordingly, MAS assumes no responsibility for the contents of this Official Statement. This Official Statement is not a prospectus as defined in the SFA and statutory liability under the SFA in relation to the contents of prospectuses would not apply.

This Official Statement and any other documents or materials in connection with this offer and the securities may not be directly or indirectly issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA;
ii) to a relevant person (as defined in section 275(2) of the SFA) pursuant to section 275(1) of the SFA;
iii) to any person pursuant to the conditions of section 275(1 A) of the SFA; or (iv) otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

Any subsequent offers in Singapore of securities acquired pursuant to an initial offer made in reliance on an exemption under section 274 of the SFA or section 275 of the SFA may only be made, pursuant to the requirements of section 276 of the SFA, for the initial six month period after such acquisition to persons who are institutional investors (as defined in section 4A of the SFA) or to accredited investors and certain other persons (as set out in section 275 of the SFA). Any transfer after such initial six month period in Singapore shall be made, pursuant to the requirements of section 257 of

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the SFA, in reliance on any applicable exemption under Subdivision (4) of Division 1 of Part XIII of the SFA.

In addition to the above, pursuant to the requirements of section 276(3) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA by a corporation (other than a corporation that is an accredited investor (as defined in section 4A of the SFA)) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals each of whom is an accredited investor (as defined in section 4A of the SFA), securities of such corporation shall not be transferred within 6 months after the corporation has acquired the securities pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined section 4A of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer referred to in section 275(1 A) of the SFA; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.

Pursuant to the requirements of section 276(4) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA for a trust (other than a trust the tmstee of which is an accredited investor (as defined in section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the tmst is an individual who is an accredited investor (as defined in section 4A of the SFA), the beneficiaries' rights and interest (howsoever described) in the tmst shall not be transferred within 6 months after the securities are acquired for the tmst pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined in section 4A<of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.

NOTICE TO SWEDISH INVESTORS

This Official Statement has not been, and will not be, registered with or approved by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen). Accordingly, this Official Statement is not intended for and may not be made available to the public in Sweden. Nor may the securities otherwise be marketed and offered for sale, other than under circumstances that are deemed not to be an offer to the public in Sweden under the Swedish Financial Instmments Trading Act (1991:980). Notwithstanding the above, if the offer is deemed as an offer to the public in Sweden, please note that the offer is directed solely to qualified investors.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Official Statement together with the any accompanying documents does not constitute an issue prospectus to Art. 1 156 and Art. 652a of the Swiss Federal Code of Obligations. The securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. This Official Statement together with any accompanying documents and any other supplement hereto are personal to each offeree and do not constitute an offer to any other person. This Official Statement together with any accompanying documents may only be used by those persons to whom they have been

distributed in connection with the offering of the securities and may neither be copied nor directly or indirectly be distributed nor be made available to other persons without the express prior written consent of the City.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

The offer of the securities has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations of Taiwan and the securities, including any copy of this Official Statement or any other documents relating to the securities, may not be offered, sold, delivered or distributed within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires the prior registration with or approval of the Financial Supervisory Commission of Taiwan. Taiwan investors who subscribe and purchase the securities shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

NOTICE TO PROSPECTIVE INVESTORS FROM THE KINGDOM OF THAILAND

Warnings:

Prior to making an investment decision, investors should exercise their own judgment when considering information relating to a party issuing securities or bonds as well as the terms and conditions of the securities or bonds, including the suitability of such securities or bonds for investment and their relevant risk exposure. Nothing in this Official Statement should be read to represent or even suggest that the Securities and Exchange Commission or the Office of the Securities and Exchange Commission have recommended investment in the offered securities or bonds; nor does this Official Statement contain any assurance in relation to the value or returns on the offered securities or bonds; nor has the Securities and Exchange Commission or the Office of the Securities and Exchange Commission noted, acknowledged or certified the accuracy and completeness of information contained in this Official Statement. The liability for certification of the accuracy and completeness of information contained in this Official Statement is vested in the offeror of the securities or bonds.

If this Official Statement contains any false statements or omits to state any material information which should have been disclosed, the securities or bond holders shall be entitled to claim damages from the securities or bond offeror or the securities or bond owners pursuant to section 82 of the Securities and Exchange Act B.E. 2535 (1992).

Risks and restrictions:

In respect of investing in securities or bonds in this Official Statement, investors shall be entitied to rights and protections similar in nature to those provided by any foreign jurisdiction to investors making direct investments in the securities or bonds offered. Accordingly, investors are strongly encouraged to review and update themselves on the pertinent laws and regulations of the Kingdom of Thailand, the foreign offeror's home jurisdiction and of any jurisdiction where the securities or bonds of the foreign offeror are traded on an exchange.

This Official Statement is not intended to be distributed or offered in the Kingdom of Thailand and nothing in this Official Statement shall be constmcd as an invitation or a solicitation to investors in Thailand. Should an investor from Thailand be interested in the securities or bonds herein, it is at one's own free-will and one's endeavor to make a decision to invest in such securities or bonds, concerning proceedings including settlement shall be conducted in the jurisdiction of the securities or bonds issuer or any other jurisdiction except in the Kingdom of Thailand.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED ARAB EMIRATES

This Official Statement has not been reviewed, approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This Official Statement is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the United Arab Emirates, and is being issued to a limited number of institutional or private investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The securities may not be offered or sold directiy or indirectly to the public in the United Arab Emirates.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This Official Statement is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Official Statement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Official Statement relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Official Statement or any of its contents.

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5804,285,000* CITY OF CHICAGO

5123,155,000* General Obligation Bonds, Refunding Series 2010A
$213,590,000* General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment)
5467,540,000* General Obligation Bonds, Taxable Project and Refunding Scries
2010C

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 $123,155,000* aggregate principal amount of General Obligation Bonds, Refunding Series 201 OA (the "Series 201 OA Bonds"), $213,590,000* aggregate principal amount of General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Taxable Series 2010B Bonds") and $467,540,000* aggregate principal amount of General Obligation Bonds, Taxable Project and Refunding Series 20IOC (the "Taxable Series 20I0C Bonds," and together with the Series 2010A Bonds and the Taxable Series 2010B Bonds, the "Bonds").

The proceeds from the sale of the Series 2010A Bonds will be used to (i) refund certain outstanding general obligation bonds of the City described in APPENDIX E - "DESCRIPTION OF REFUNDED BONDS - Bonds Refunded by the General Obligation Bonds, Refunding Series 201 OA" (the "Series 201 OA Refunded Bonds"), and (ii) pay the costs of issuance of the Series 201 OA Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The proceeds from the sale of the Taxable Series 2010B Bonds will be used to (i) pay a portion of the costs of the Project (as defined herein), (ii) fund capitalized interest on a portion of the Taxable Series 2010B Bonds and (iii) pay the costs of issuance of the Taxable Series 2010B Bonds (including the underwriters' discount). Sec "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The proceeds from the sale of the Taxable Series 2010C Bonds will be used to (i)pay a portion of the costs of the Project, (ii) refund certain outstanding general obligation bonds of the City described in APPENDIX E - "DESCRIPTION OF REFUNDED BONDS - Bonds Refunded by the General Obligation Bonds, Taxable Project and Refunding Series 2010C[V] (the "Series 20 IOC Refunded Bonds" and together with the Series 2010A Refunded Bonds, the "Refunded Bonds"), (iii) refund principal amounts of certain outstanding commercial paper notes of the City to pay certain Project costs, (iii) fund capitalized interest on a portion of the Taxable Series 2010C Bonds and[v](iv) pay the costs of issuance of the Taxable Series 2010C Bonds (including the underwriters' discount). See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The City intends to designate the Taxable Series 2010B Bonds as "Build America Bonds." See "PLAN OF FINANCING - Build America Bonds."

The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on July 28, 2010 (the "Ordinance").

" Preliminary, subject to change

THE CITY

The City was incorporated in 1837. The City is a municipal corporation and home mle 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 mle 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 mle powers or to incur debt payable from real property taxes. See APPENDIX A - "REAL PROPERTY TAX SYSTEM AND LIMITS - Property Tax Limits - State of Illinois."

Corporate Fund

The Corporate Fund of the City is used to account for all financial resources of the City except those required to be accounted for in special revenue or enterprise funds. Information for the Corporate Fund is presented in the City's basic financial statements. The basic financial statements of the City for the year ended December 31, 2009 arc included as APPENDIX C to this Official Statement.

2009 *Corporate Fund Operations*

Under generally accepted accounting principles, actual revenues and other financing sources of approximately $3,036.2 million exceeded expenditures and other financing uses of approximately $3,031.5 million for the City's fiscal year ending December 31, 2009. On December 31, 2009, the Corporate Fund balance was approximately $54.7 million including an unreserved balance of approximately $2.7 million.

2010 *Corporate Fund Budget*

The City's 2010 Corporate Fund budget was approved by the City Council on December 2, 2009. The budget totals $3,179.7 million, reflecting a decrease of $6.8 million or less than 1% of the 2009 Corporate Fund budget. The 2010 budget includes $114.0 million in expense reductions, some of which are extensions of those implemented in 2009. Reductions include the elimination of 220 vacant positions across all departments and the elimination of cost-of-living increases for non-union employees. Additional cost-saving measures include fuel cost savings, equipment rental savings, real estate lease renegotiations, debt refunding and the closure of tax increment financing districts. The City will also use some of its existing asset concession proceeds to manage revenue decline brought on by the national economic recession. See "Use of Nonrecurring Revenue Sources for Budgetary Purposes" below.

2011 *Budget Reccommendations*

On October 13, 2011, the Mayor presented balanced 2011 budget recommendations to the City Council for consideration. The City's Corporate Fund budget recommendation totals $3,260.2 million, reflecting an increase of $80.5 million or approximately 2.5% of the 2010 Corporate Fund budget. The 2011 budget recommendations balance a preliminary shortfall of $654.7 million by reducing costs, better managing resources and utilizing strategic financial options, including the reduction of 277 full time

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budgeted positions. The City Council will hold hearings on the proposed budget and by law must pass a balanced budget before December 31,2010.

Use of Nonrecurring Revenue Sources for Budgetary Purposes

Due to severe economic conditions over recent years, the City has needed to utilize nonrecurring revenue sources for budgetary purposes. This has taken the form of expending asset concession reserves; for the 2011 Corporate Fund budget, the City also intends to utilize tax increment funds (by declaring a surplus in 25 tax increment financing districts). In 2009, the City transferred approximately 35% of the proceeds from reserves created from the parking meters concession transaction into the Corporate Fund to offset declining revenues. The City's 2010 budget contemplates that another 48% of these proceeds would be transferred to the Corporate Fund for 2010. The 2011 budget recommendations would, if enacted, make certain changes to the 2010 transfers of parking meters concession reserve proceeds and provide for another transfer of such proceeds to the Corporate Fund for 2011, resulting in 92% of such proceeds having been transferred to the Corporate Fund by the end of 2011. The 2011 budget recommendations also provide for the City to declare a surplus in 25 tax increment financing districts within the City and transfer an expected amount of $38.5 million to the Corporate Fund for 2011.

There can be no assurance that the City's final budget as approved for 2011 will reflect the 2011 budget recommendations.

Annual Budget Process

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

The Budget Director considers the proposed annual budgets requested by all of the departments and agencies whose budgets become part of the City's proposed annual budget. The Budget Director reviews each requested oudget with the respective department head. During the same time, the Budget Director forecasts the level of resources available to the City to fund requested budgets. The final recommendation compiles a budget recommendation that balances expenditures to forecasted available resources, and is submitted to the Mayor. Once it is approved by the Mayor, it is then submitted as the Mayor's Recommendation to City Council for consideration through the City Council's Committee on Budget and Governmental Operations. The City's proposed budget may be changed by the City Council through amendments made in the Committee on Budget and Governmental Operations. The Committee and then the full City Council vote on the budget and any amendments. When the City Council has approved the proposed annual budget as the annual appropriation ordinance, it is forwarded to the Mayor for approval.

Should the Mayor veto the approved annual appropriation ordinance, the City Council, with a two-thirds vote, may override the veto. The City Council may also refuse to approve the Mayor's proposed aiuiual budget. In such a case, the appropriate process for passage of the City budget may have to be judicially determined. By law, the City must have a balanced budget approved by December 31 of the year preceding the budget year.

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Collective Bargaining Agreements

The City has collective bargaining agreements with a coalition of various trade unions (including Laborers, Teamsters, Carpenters, and Electricians), representing approximately 7,800 employees. The agreements cover the period from July 1, 2007 through June 30, 2017, and provide for aimual wage increases. The agreements were ratified by the City Council and went into effect on December 12, 2007.

The City also has a collective bargaining agreement with the Illinois Nurses Association, covering approximately 120 public health nurses employed by the City. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on March 14, 2008. The City also has a collective bargaining agreement with the American Federation of State, County and Municipal Employees, covering approximately 3,900 administrative, clerical, professional, human services and library employees. The agreement covers the period from July 1, 2007 through June 30, 2012, and provides for annual wage increases. The agreement was ratified by the City Council and went into effect on August 5, 2008.

The City reached agreement with the Public Safety Employees Bargaining Unit/Unit II, covering approximately 2,500 non-sworn, non-Fire Department public safety employees. The agreement covers the period from July 1, 2007 through December 31, 2010, and provides for annual wage increases beginning in 2009. The agreement was ratified by the City Council effective August 6, 2009. The City also reached agreements with the Police Lieutenants and Captains Associations on collective bargaining agreements covering approximately 241 Police Lieutenants and 66 Police Captains. Each agreement covers the period from July 1, 2007 through June 30, 2012. Under both agreements, any increases in wages are to be determined by the outcome of the City's negotiations with the Fraternal Order of Police ("FOP") and the Chicago Fire Fighters Union, Local 2. These two agreements were ratified by the City Council in Febmary, 2010. The City concluded negotiations with the FOP, covering approximately 11,300 employees, and submitted the dispute to binding arbitration pursuant to the Illinois Public Labor Relations Act. In April 2010, the arbitrator issued his award, the terms of which were ratified by the City Council on June 30, 2010. The City also reached agreement with the Police Sergeants Association, and that agreement was also ratified by the City Council on June 30, 2010. The arbitrator's award for the FOP contract provides for wage increases effective in each of the years 2007 through 2012. The 2010 Corporate Fund budget includes funds for the 2010 wage increases mandated by the arbitrator's award. These same increases in base salary for the members of FOP will be applied to the three separate bargaining units representing approximately 1,258 Police Sergeants, 241 Police Lieutenants, and 66 Police

Captains. The retroactive wage increases for the years 2007 through 2009 for the members of the FOP and the other three separate bargaining units were paid as a lump-sum payment on or about August 9, 2010 in the amount of approximately $151,200,000 (the "Retroactive Police Payment").

The City remains in negotiations with the Chicago Fire Fighters Union, Local 2 (covering approximately 5,000 employees) for a successor agreement to the collective bargaining agreement covering the period July I, 2003 through June 30, 2007, and which has remained in effect during negotiations for the successor agreement. The 2010 Corporate Fund budget includes funds for wage increases and anticipated wage increases with respect to this successor agreement.

Pension Plans and Other Post-Employment Benefits

Pension Plans

Eligible City employees participate in one of four single-employer defined benefit pension plans (the "Pension Plans"). For a description of the Pension Plans and of the Pension Plans' assets and

liabilities, see APPENDIX C - "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 - Note (11)."

Other Post-Employment Benefits

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

The City contributes, on a pay-as-you-go method, the amount required to fund the City's share of current year costs for the Health Plan. For 2009, the City contributed approximately $87.8 million to the Health Plan (calculated on a basis net of pension and retiree contributions as well as Medicare Part D subsidy payments received by the City). Health Plan members receiving benefits contribute to the Health Plan based upon a schedule which takes into account their years of employment at the City and their projected dates of retirement. The City expects to continue to fund its share of costs of retiree healthcare benefits for each remaining year of the Settlement Period, on a pay-as-you-go basis.

The Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("Statement 45"), was applied by the City for retiree healthcare benefits in its financial reports beginning in fiscal year 2007.

An actuarial valuation of the Health Plan under Statement 45 provided that the unfunded actuarial accmed liabilities for the Health Plan for the 2009 fiscal reporting period, based upon the valuation date of December 31, 2008, was $787.4 million.

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

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). The City Council has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the Office of the City Treasurer in the investment of City hinds in accordance with the Municipal Code.

See APPENDIX C - "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 - Notes (1) and (4)."

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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."

Refunding of Certain General Obligation Bonds

To provide for the refunding of the Refunded Bonds, a portion of the net proceeds of the Series 201 OA Bonds and a portion of net proceeds of the Taxable Series 20IOC Bonds will be used to purchase obligations of the United States Treasury (the "Treasury") and obligations of agencies of the United States guaranteed as to timely payment of principal and interest by the United States (collectively, the "Government Securities"), the principal of which, together with interest to be earned thereon and any initial cash balances, shall be sufficient to pay (i) the interest on the Refunded Bonds when due, and (ii) the principal amount or redemption price of the Refunded Bonds on the applicable maturity date or redemption date. The principal of, redemption premium (if any) and interest on the Refunded Bonds shall be payable from the separate escrow accounts established and administered for the benefit of the City and the holders of the outstanding Refunded Bonds.

Neither the maturing principal of the Government Securities purchased to refund the Refunded Bonds nor the interest earned thereon will serve as security or be available for the payment of the principal of or interest on the Bonds.

The arithmetical computations of (i) the sufficiency of the escrow accounts to provide for payments on the Refunded Bonds as described above and (ii) the actuarial yields on the Series 2010A Bonds and the Government Securities providing for the refunding of the Series 201 OA Refunded Bonds 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."

The City will notify the Municipal Securities Rulemaking Board ("MSRB") of the Refunded Bonds to be refunded in accordance with the continuing'disclosure undertaking of the City with respect to each series of Refimded Bonds, as and to the extent required by Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Financing of the Project

A portion of the net proceeds of the Taxable Series 201 OB Bonds and Taxable Series 20IOC Bonds will be used by die City to finance one or more of the following projects (collectively, the "Project"): (i) public right-of-way infrastmcture improvements in City neighborhoods, including street and alley constmction and improvements, lighting improvements, sidewalk improvements and replacement, and curb and gutter repairs and replacement; (ii) infrastmcture improvements to enhance the development of economic activity, including industrial street constmction and improvements, streetscaping, median landscaping, demolition of hazardous, vacant or dilapidated buildings that pose a threat to public safety and welfare, shoreline reconstmction and riverbank stabilization, residential and commercial infrastmcture redevelopment and railroad viaduct clearance improvements; (iii) transportation improvements, including street resurfacing, bridge and freight tunnel rehabilitation, traffic signal modernization, new traffic signal installation, intersection safety improvements and transit facility improvements; (iv) grants 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) constmcting, 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 to, or deposits to .hinds 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 (the "Pension Contributions") to the Policemen's Annuity and Benefit Fund, the Firemen's Annuity and Benefit Fund, the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund and the Laborers' and Retirement Board Employees'-Annuity and Benefit Fund, (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, (xiii) any expenditure qualifying as a "qualified economic development purpose" pursuant to the provisions of the hereinafter defined Code, including expenditures for public infrastructure and constmction of public facilities, and (xiv) acquiring motor vehicles for a term of years or lease period.

Build America Bonds

The City intends to designate the Taxable Scries 201 OB Bonds as taxable "Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"). Build America Bonds may generally be issued by a governmental entity to finance capital expenditures for which it could otherwise issue tax-exempt bonds and, at the election of the issuer, either provide for tax credits to the holders of such bonds or for certain direct payments to the governmental issuer from the Treasury.

The City intends to elect under Section 54AA(g) of the Code to receive cash subsidy payments from the Treasury under Section 6431 of the Code ("Subsidy Payments") equal to 35% of the interest payable on the Taxable Scries 2010B Bonds. No tax credit or other tax benefits will be available to holders of the Taxable Series 201 OB Bonds.

The Subsidy Payments with respect to the Taxable Scries 201 OB Bonds are not pledged to the payment of the Bonds and may be applied to any lawful purpose of the City.

SOURCES AND USES OF FUNDS

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

	Senes2010A Bonds	Taxable Series.2010B Bonds	Taxable Series 20IOC Bonds	Total
SOURCE OF FUNDS: Principal Amounl of the Bonds				

Plus: Net Original Issue Premium			
Total Sources of Funds	^^^^^_^^^^^	^^^^^^^__^_	==_=-
USES OF FUNDS:			
Costs of Project			
Refunding of Commercial Paper Refunding of Refunded Bonds			
Capitalized Interest on the Bonds Costs of Issuance (including the underwriters' discount)			-
Total Uses of Funds	========	======= .==_-=^^=_	

THE BONDS

General

Each series of Bonds will be dated their 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 their date of issuance.

Interest on the Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2011. 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 on the basis of a 360-day year of twelve 30-day months.

Wells Fargo Bank, National Association, 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 will be initially registered through the book-entry system (the "Book-Entry System") operated by The Depository Tmst Company, New York, New York ("DTC"). Details of payments of the Bonds when in the book-entry form and the Book-Entry 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 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 Direct 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 the owners of the Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Bonds. The laws of some states may require that certain purchasers of securities take physical delivery of

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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 will be payable in lawful money of the United States upon presentation and surrender of such Bond at the designated corporate tmst office of the Bond Registrar.

Each Bond shall be payable as to interest as follows:

i) Payments of the installments of interest on the Bonds will be paid 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 such interest payment date.

ii) All payments of interest on the Bonds will be paid to the persons entitled thereto by the Bond Registrar on the interest payment date (A) at the option of any registered owner of Bonds of a series in the principal amount of $ 1,000,000 or more, by wire transfer of immediately available funds, to such bank in the continental United States as such registered owner requests in writing to the Bond Registrar, or (B) by check or draft of the Bond Registrar mailed to the persons entitled thereto at such address appearing on the registration books of the Bond Registrar or such other address as has been furnished to the Bond Registrar in writing by such person.

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 the Series 20 J OA Bonds. The Series 2010A Bonds due on and after January 1, 20 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. 20 at a redemption price equal to the principal amount of the Series 201 OA Bonds being redeemed plus accmed 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 201 OA Bonds for optional redemption, in whole or in part; provided, that such sale or waiver shall not adversely affect the exclusion of interest on the Series 201 OA Bonds for federal income tax purposes.

Optional Redemption of the Taxable Series 20 J 0B Bonds and Taxable Series 2010C Bonds. The Taxable Series 2010B Bonds and Taxable Series 2010C Bonds (collectively, the "Taxable Bonds") shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of (A) the principal amount of Bonds of such series to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds of such series to be redeemed (exclusive of interest accmed to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus basis points plus accmed and unpaid interest on the Bonds of such series being redeemed to the date fixed for redemption. The City's Chief Financial Officer or the City Comptroller (each such officer being hereinafter referred to as 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" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published

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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 United States 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 Bonds for optional redemption.

Extraordinary Optional Redemption of the Taxable Series 2010B Bonds. The Taxable Series 201 OB Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part on any date upon the occurrence of an "Extraordinary Event" (as defined below), at a redemption price equal to the greater ofi (A) the principal amount of Taxable Series 201 OB 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 201 OB Bonds to be redeemed (exclusive of interest accmed to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus basis points plus accmed interest on the Taxable Series 2010B Bonds being redeemed to the date fixed for redemption.

An "Extraordinary Event" means any determination by the City that a change has occurred to Section 54AA or 6431 of the Code or any other applicable Section of the Code or there is any guidance published by the Internal Revenue Service or the United

States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the Subsidy Payments from the United States Treasury with respect to the Taxable Series 201 OB Bonds is reduced, eliminated or adversely adjusted.

Mandatory Redemption of the Bonds. The Bonds are subject to mandatory redemption, in part, at a redemption price equal to the principal amount thereof, on January I of the following years and in the following principal amounts, and, if less than all of the Bonds of a single maturity within a series arc to be redeemed prior to maturity, the particular Series 2010A Bonds will be selected by lot and the Taxable Bonds of a series 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 DTC procedures (see "THE BONDS - Redemption - Selection of Bonds for Redemption"):

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Series 2010A Bonds due January 1, 20

Year	Principal Amount

Taxable Series 2010B Bonds due January 1, 20

Year	Principal Amount

Taxable Series 2010C Bonds due January 1, 20

Year	Principal Amount

* Final 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. If fewer than all of the outstanding Series 201 OA Bonds are to be optionally redeemed, the Series 20I0A Bonds to be called shall be called from such maturities and interest rates as may be determined by the City and within any Series 2010A Bonds of the same maturity and interest rate by lot. In the event of the redemption of fewer than all Scries 201 OA Bonds 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 Series 2010A Bond of such maturity

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and interest rate a distinctive number for each $5,000 principal amount of such Series 201 OA 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 Series 201 OA Bonds to be redeemed. The Series 201 OA Bonds to be redeemed shall be those to which were assigned numbers so selected; provided that only so much of the principal amount of each Series 201 OA Bond 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 the 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 Series 2010A Bonds to be redeemed. So long as DTC or its nominee is the registered owner of the Series 201 OA Bonds, if fewer than all of the Series 201 OA Bonds of the same maturity and interest rate are called for redemption, the particular Bonds or portions of such Series 2010A Bonds will be selected by lot by DTC in such manner as DTC may determine. See "THE BONDS - Book-Entry System."

If fewer than all of the outstanding Taxable Bonds of a series are to be optionally redeemed, the Taxable Bonds of such series to be called shall be called from such maturities and interest rates as may be determined by the City. While the Taxable Bonds are registered in the Book-Entry System and so long as DTC or a successor securities depository is the sole registered owner of such Taxable Bonds, if less than all of the Taxable Bonds of the same maturity and interest rate within such series are to be redeemed prior to maturity, the particular Taxable Bonds 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 Bonds are registered in the Book-Entry System, the selection for redemption of such Taxable Bonds 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 Bonds subject to redemption will be selected for redemption, in accordance with DTC procedures, by lot.

It is the City's intent that redemption allocations made by DTC 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 Direct Participants, Indirect Participants or any other intermediary will allocate the redemption of Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Bonds on a pro-rata pass-through distribution of principal basis as discussed above, then the Taxable Bonds will be selected for redemption in accordance with DTC procedures, by lot.

If the Taxable Bonds are not registered in the Book-Entry System, any redemption of less than all of a maturity of the Taxable Bonds will be allocated by the Bond Registrar among the registered owners of such Taxable Bonds on a pro-rata basis.

Notice of Redemption. Unless waived by any owner of the Bonds to be redeemed, notice of redemption of such Bonds will be given by the Bond Registrar on behalf of the City and in accordance with the provisions of the Ordinance by first class mail at least 30 days and not more than 45 days prior to the redemption date to each registered owner of the 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. Failure to give such notice of redemption as to any Bond, or any defect therein as to any Bond, will not affect the validity of the proceedings for the redemption of any other Bond of the same series. Any notice 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 Bonds, such notice may, at the option of the City, 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 such Bonds. If such moneys are not so received by the redemption date, such redemption notice will be of no force and effect, the City will not redeem such

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Bonds, the redemption price will not be due and payable 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 which are to be redeemed on that date.

The Bonds called for redemption will become due and payable on the redemption date at the applicable redemption price. When funds sufficient for redemption are deposited with the Bond Registrar, interest on such Bonds to be redeemed will cease to accmc on the date fixed for redemption.

Book-Entry System

The following information under "- Book-Entry System - General" 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.

General. 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 depository, is a limited-purpose tmst 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 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 instmments 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, tmst companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Tmst & 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. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, tmst companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. Direct Participants and Indirect Participants are collectively referred to as "DTC Participants." The DTC Rules applicable to DTC Participants are on file with the Commission. More information about DTC can be found at www.dtcc.com <http://www.dtcc.com> and www.dtc.org <http://www.dtc.org>.

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 Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership

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interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as 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 Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

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

Payment of principal of, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Bond Registrar or the City on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instmctions 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 principal of, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct Participants 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 the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

Additional Information. For every transfer and exchange of the Bonds, DTC, the Bond Registrar and the DTC 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 DTC 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 OR OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF THE BONDS.

The City is entitled to treat Owners as absolute owners of the Bonds for the purpose of paying principal, interest and redemption price.

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.

Global Clearance Procedures

The information set out below has been obtained from sources that the City believes to be reliable, but prospective investors are advised to make their own inquiries as to such procedures. In particular, such information is subject to any change in or interpretation of the mles, regulations and procedures of Euroclear Bank or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect and investors wishing to use the facilities of any of the Clearing Systems arc therefore advised to confirm the continued applicability of the mles, regulations and procedures of the relevant Clearing System. Neither the City nor the Underwriters will have any responsibility for the performance by the Clearing Systems, the Clearstream, Luxembourg participants or the Euroclear Operator or their respective direct or indirect participants or accountholders ("Participants") of their respective obligations under the mles and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof

Clearstream

Clearstream Banking, socicte anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.," a company with limited liability under Luxembourg law (a societe anonyme). Cedel S.A. subsequently changed its name to

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Cedelbank. On January 10, 2000, Cedelbank's parent company, Cedel International, societe anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Borse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Borse Clearing (DBC), to a new Luxembourg company, which with effect January 14, 2000 was renamed Clearstream International, societe anonyme, and was then 50% owned by CI and 50% owned by DBAG. Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On January 18, 2000, Cedelbank was renamed "Clearstream Banking, societe anonyme," and Cedel Global Services was renamed "Clearstream Services, societe anonyme." On January 17, 2000, Deutsche Borse Clearing AG was renamed "Clearstream Banking AG." Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF," and the Banque Centralc du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and 'dealers, banks, tmst companies and clearing corporations.

Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator (the "Euroclear Operator") of the Euroclear System, as defined below, in Bmssels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear Bank

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry' changes in accounts of such Participants or other securities intermediaries (the "Euroclear System").

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranational, custodians, investment managers, corporations, tmst companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the

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Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entity through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

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Initial Settlement; Distributions; Actions Upon Behalf df Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear Bank may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and/or Euroclear Bank's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream, Luxembourg and JPMorgan Chase Bank acts as depository for Euroclear Bank (the "U.S. Depositories"). Holders of the Bonds may hold the Bonds through DTC (in the United States) or Clearstream, Luxembourg or Euroclear Bank (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold the Bonds through Euroclear Bank or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear Bank and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream, Luxembourg will be credited to the cash accounts of Clearstream, Luxembourg customers in accordance with its mles and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear Bank will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream, Luxembourg customer or Euroclear Participant only in accordance with the relevant mles and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Each of the persons shown in the records of Euroclear Bank or Clearstream, Luxembourg as the holder of the Bond must look solely to Euroclear Bank or Clearstream, Luxembourg for his share of each payment made by the City to the registered holder of the Bonds and in relation to all other rights arising under the Bonds, subject to and in accordance with the respective mles and procedures of Euroclear Bank or Clearstream, Luxembourg (as the case may be). The City expects that payments by Euroclear Participants or Clearstream, Luxembourg customers to owners of beneficial interests in the Bonds held through such Euroclear Participants or Clearstream, Luxembourg customers will be governed by standing instmctions and customary practices. Euroclear Participants or Clearstream, Luxembourg customers should note that for so long as the Bonds are held in book entry form, the obligations of the City will be discharged by payment to the registered holder of the Bonds in respect of each amount so paid.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream, Luxembourg customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream, Luxembourg customer, the purchaser must send instmctions to the applicable U.S. Depository one business day before the settlement date. Euroclear Bank or Clearstream, Luxembourg, as the case may be, will instmct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream, Luxembourg customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accme from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear Bank or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream, Luxembourg customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear Bank or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear Bank or Clearstream, Luxembourg until the securities are credited to their accounts one day later. As an alternative, if Euroclear Bank or Clearstream, Luxembourg has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream, Luxembourg customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accme from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream, Luxembourg customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream, Luxembourg customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear Bank will instmct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream, Luxembourg customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream, Luxembourg customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream, Luxembourg customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream, Luxembourg customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream, Luxembourg and Euroclear Bank have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream, Luxembourg and Euroclear Bank they are 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 any of them.

General Statement

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG,

CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK, EUROCLEAR PARTICIPANTS OR THE BENEF1CL\L OWNERS* WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, LUXEMBOURG, CLEARSTREAM PARTICIPANTS, EUROCLEAR BANK OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE DOCUMENTS RELATED TO THE BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

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 will 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 will 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 the Bonds, of 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 a bank or trust company (the "Defeasance Escrow Agent") designated by an Authorized Officer of the City, all sums of money due or to become due according to the Ordinance, then the provisions of the Ordinance and the estates and rights granted by the Ordinance will cease, determine and be void as to those Bonds or portions thereof, except for those provisions of the Ordinance governing the registration, transfer and exchange of Bonds and the payment of such moneys or obligations to or for the registered owners of the Bonds.

Any Bond shall be deemed to have been paid with the effect expressed in the immediately preceding paragraph when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether at maturity, upon redemption or otherwise), either shall have been made in

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accordance with its terms or shall have been provided for by irrevocably depositing with the Bond Registrar or the Defeasance Escrow Agent in tmst and exclusively for such payment: (1) moneys sufficient to make such payment; or (2) (a) direct obligations of the United States, (b) obligations of agencies of the United States, the timely payment of principal of and interest on which arc guaranteed by the United States, (c) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the United States Government: 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 as defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instmmentality 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 instmctions have been given by the obligor to call on the date specified in the notice, or (e) instmments evidencing an ownership interest in obligations described in (a), (b) and (c) above; or (3) a combination of the investments described in (1) and (2) above, such amounts so deposited being available or maturing in such amounts and at such times, without consideration of any reinvestment thereof, as will ensure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized finn of independent public accountants).

Registration and Transfers

The books for registration and transfer of the Bonds will be kept at the designated corporate tmst 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 tmst office of the Bond Registrar, duly endorsed by, or accompanied by a written instmment or instmments 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 Bond or Bonds of the same series, interest rate and maturity of authorized denominations, for a like aggregate principal amount. Any fully registered Bond or Bonds may be exchanged at the 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.

In all cases in which the privilege of exchanging Bonds or registering the transfer of Bonds is exercised, the City is required to execute and the Bond Registrar is required to authenticate, date and deliver Bonds in accordance with the provisions of the Ordinance. For every such exchange or registration of transfer of Bonds, whether temporary or definitive, the Bond Registrar may make a charge in an amount sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer (except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption), which sum or sums shall be paid by the person requesting such exchange or registration of transfer as a condition precedent to the exercise of the privilege of making such exchange or registration of transfer. The Bond Registrar is not required to transfer or exchange (i) any Bond after notice calling such Bond for redemption has been mailed, or (ii) any Bond during a period of 15 days next preceding mailing of a notice of redemption of such Bond.

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Registered Owner Treated as Absolute Owner

The City and the Bond Registrar may deem and treat a registered owner of a Bond as the absolute owner of such Bond for all purposes, and payment of the principal of or interest on any Bond, as appropriate, shall be made only to the registered owner thereof or its legal representative. All such payments so made shall be valid and effectual to satisty 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 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. Sec APPENDLX B' - "FINANCIAL AND OTHER CITY INFORMATION - Property Tax Supported Bonded Debt - Computation of Direct and Overlapping Bonded Debt."

Under the 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 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 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 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 Limits

The City. In 1993, the City Council adopted an ordinance (the "City Tax Limitation Ordinance") limiting the City's aggregate property tax levy for any one year to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of five percent or the increase in the Consumer Price Index. The City Tax Limitation Ordinance also established a safe harbor amount for each year equal to a specified 1994 base amount increased annually by the lesser of five (5%) percent or the increase in the Consumer Price Index. See APPENDIX A - "REAL PROPERTY TAX SYSTEM AND LIMITS - Property Tax Limits - The City." Pursuant to the Ordinance, the taxes levied by the City for the payment of the principal of 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 of Illinois on non-home mle units of local government in Cook Coimty 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

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will not be enacted by the Illinois General Assembly. For additional information, see APPENDIX A - "REAL PROPERTY TAX SYSTEM AND LIMITS - Property Tax Limits - State of Illinois."

Additional General Obligation Debt

The City may issue from time to time notes and bonds 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 Objections: 2004-2007. The City's property tax levies for 2004 through 2007, varied between approximately $720 and $833 million annually. Objections have been filed in the Circuit Court to these levies, which objections remain pending. The City' is unable to predict the outcome of proceedings concerning the objections.

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

Parking Meters Litigation. On December 4, 2008, the City entered into the Chicago Metered Parking System Concession Agreement (the "Agreement") with Chicago Parking Meters, LLC (the "Concessionaire"), whereby the Concessionaire paid the City approximately $1,151 billion, and the City granted the Concessionaire the right to operate the City's metered parking system, including the right to collect revenues derived from the metered parking spaces. The City Comptroller (along with the State's Comptroller) has been named as a defendant in a case brought by the Independent Voters of Illinois Independent Precinct Organization and an individual plaintiff, arguing that certain provisions of the Agreement are illegal or unconstitutional, and requesting that the City and the State be enjoined from making certain expenditures in connection with the City's metered parking system. In March, 2010, the Circuit Court of Cook County granted the motion to dismiss the plaintiffs' complaint but gave the

plaintiffs leave to file an amended complaint. The plaintiffs have filed an amended complaint. While the City cannot predict the outcome of this litigation, the City will continue to defend the case vigorously.

Automatic Red-Light Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants in the Circuit Court. The plaintiffs allege that the State statute governing the use of automated red-light ticketing systems violates several provisions of the State Constitution, and that all such systems are therefore unlawful. The alleged grounds are that the State statute constitutes special legislation, violates the uniformity requirement, and violates equal protection because most of the State's African-American population lives in the eight counties covered by the statute. Plaintiffs seek to enjoin the operation of the City's red-light ticketing system, along with all others, and restitution of fines paid. Although the City cannot predict the outcome of this litigation, the City will vigorously defend this suit.

Firefighter Hiring Process Litigation. A class action was filed challenging the 1995 exam the City used as the first step of the hiring process for firefighter candidates. The City admitted in the district court that the exam had a disparate impact on African-American candidates but argued that the case was filed too late. The City also defended the exam on the basis that it was job-related and valid, and that the cut-off score was consistent with business necessity. The district court rejected all these defenses and entered judgment against the City. The court of appeals reversed, agreeing that the case was filed too late. The Supreme Court then reversed and remanded the case to the court of appeals. The City is unable to predict the outcome of this litigation.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2009, 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.

CERTAIN VERIFICATIONS

Robert Thomas CPA, LLC, Shawnee Mission, Kansas (the "Verification Agent"), independent certified public accountants, upon delivery of the Bonds, will deliver to the City a report stating that the firm, based upon infomiation supplied by the City in connection with such matters, has reviewed the mathematical accuracy of certain computations relating to (i) the sufficiency of the maturing principal of and interest on the Government Securities to pay, when due, the principal and redemption price of and interest on the Refunded Bonds as described under the caption "PLAN OF FINANCING - Refunding of Certain General Obligation Bonds," and (ii) the actuarial yields on the Series 201 OA Bonds and the Government Securities, such computations with respect to such yields to be used to support the conclusion of Co-Bond Counsel that the Series 2010A Bonds are not "arbitrage bonds" under Section 148 of the Code and the regulations promulgated thereunder. The Verification Agent will express no opinion on the attainability of any assumptions or the tax-exempt status of the Series 201 OA Bonds.

RATINGS

The Bonds arc rated " by S&P, " " by Moody's and " by Fitch based upon each rating agency's assessment of the creditworthiness of the City. 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.

FINANCIAL ADVISOR

The City has engaged Gardner, Underwood & Bacon-Illinois, LLC, to act as financial advisor (the "Financial Advisor") in connection with the issuance and sale of the Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2010A Bonds at a price equal to $ (which represents the aggregate principal amount of the Series 201 OA Bonds less an Underwriters' discount of $ plus/less a net reoffering premium/discount of $), to purchase the Taxable Series 201 OB Bonds at a price equal to $ (which represents the aggregate principal amount of the Series 2010B Bonds less an Underwriters' discount of $) and to purchase the Taxable Series 20I0C Bonds at a price equal to $ (which represents the aggregate principal amount of the Series 20I0C Bonds less an Underwriters' discount of $). The Underwriters have agreed, subject to certain conditions, to purchase the Bonds at a price equal to $ (which represents the aggregate principal amount of the Bonds less an Underwriters' discount of $).

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.

Loop Capital Markets LLC, an underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

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

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association is serving as one of the underwriters for the Bonds and as Bond Registrar for the Bonds.

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TAX MATTERS

Series 2010A Bonds

Summary of Co-Bond Counsel Opinion

Katten Muchin Rosenman LLP and Cotillas and Associates, Co-Bond Counsel, are of the opinion that under existing law, interest on the Scries 201 OA Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Co-Bond Counsel arc of the opinion that interest on the Series 201 OA Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Series 201 OA Bonds is not an item of tax preference for purposes of computing individual or corporatc alternative minimum taxable income. However, interest on the Scries 201 OA Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Interest on the Scries 201 OA Bonds is not exempt from Illinois income taxes.

Exclusion from Gross Income: Requirements

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Scries 201 OA Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 201 OA Bonds. These requirements relate to the use and investment of the proceeds of the Scries 201 OA Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 201 OA Bonds and the use of the property financed with the proceeds of the Series 201 OA Bonds. Among these specific requirements arc the following:

Investment Restrictions. Except during certain "temporary periods," proceeds of the Scries 201 OA Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the Series 201 OA Bonds.

Rebate of Permissible Arbitrage Earnings. Earnings from the investment of the "gross proceeds" of the Scries 201 OA Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 201 OA Bonds arc required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Scries 201 OA Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Scries 201 OA Bonds.

Limitations on Private Use. The Code includes limitations on the amount of Scries 201 OA Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Covenants to Comply

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 201 OA Bonds.

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Risk of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Series 201 OA Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the City's agreements with the owners of the Series 2010A Bonds require neither acceleration of payment of principal of or interest on the Series 201 OA Bonds nor payment of any additional interest or penalties to the owners of the Series 201 OA Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 201 OA Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Series 201 OA Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

Cost of Carry. Owners of the Series 201 OA Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2010A Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Series 201 OA Bonds.

Corporate Owners. Interest on the Series 2010A Bonds is generally taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 201 OA Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Series 2010A Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Series 201 OA Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Series 2010A Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 201 OA Bonds held by such a company is properly allocable to the shareholder.

Series 201 OA Bonds Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 201 OA Bonds is sold to the public (the "Offering Price") and the principal amount payable at

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maturity of such Scries 201 OA Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Series 201 OA Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a Scries 2010A Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Scries 2010A Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accmal period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accming during each period is subtracted from the owner's tax basis in the Scries 201 OA Bond. The amount of original issue discount accming during each period is treated as interest that is excludable from the gross income of the owner of such Scries 2010A Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 201 OA Bond. A Scries 2010A Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Series 2010A Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 201 OA Bond).

Owners who purchase Scries 201 OA Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Series 2010A Bonds. In addition, owners of Series 2010A Bonds should consuh their tax advisors with respect to the state and local tax consequences of owning the Series 201 OA Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Taxable Bonds

General

Interest on the Taxable Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. In addition, interest on the Taxable Bonds is not exempt from State of Illinois income taxes.

Certain United States Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of ownership of Taxable Bonds. It deals only with Taxable Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Taxable Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar. The summary is based on the Code, its legislative history, existing and proposed regulations thereunder, published mlings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

The Code contains a number of provisions relating to the taxation of the Taxable Bonds (including bin not limited to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of Taxable Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of Taxable Bonds.

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Payments of Interest to United Slates Holders

Interest on the Taxable Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accmed, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

A United States Holder for purposes of this discussion is a beneficial owner of a Taxable Bond for U.S. federal income tax law purposes and:

a citizen or resident of the United States;

a corporation or partnership which is created or organized in or under the laws of the United States or of any political subdivision thereof;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a tmst if (1) a court within the United States is able to exercise primary supervision over the administration of the tmst and one or more United States persons have the authority to control all substantial decisions of the tmst or (2) the tmst was in existence on August 10, 1996 and properly elected to continue to be treated as a U.S. person.

The term "Non-U.S. Holder" refers to any beneficial owner of a Taxable Bond who or which is not a United States Holder.

Original Issue Discount

In general, if the excess of a Taxable Bond's stated redemption price at maturity over its issue price is less than one-quarter of one percent (0.25%) of the Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity, then such excess, if any, constitutes de minimis original issue discount. In such case, the Taxable Bond is not considered to be a Taxable Bond issued with original issue discount that is required to be included in income calculated using a constant-yield method without regard to the receipt of cash attributable to such income. Such excess will be treated as gain recognized upon retirement of the Taxable Bond.

Sale and Retirement of the Taxable Bonds

United States Holders of Taxable Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Taxable Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Taxable Bond and the United States Holder's adjusted tax basis in the Taxable Bond. Such gain or loss will be capital gain or loss, except to the extent of accmed market discount not previously included in income, and will be long term capital gain or loss if at the time of disposition such Taxable Bond has been held for more than one year.

United States Federal Income Tax Considerations for Non-U.S. Holders

Withholding Tax on Payments of Principal and Interest on Taxable Bonds. Generally, payments of principal and interest on a Taxable Bond will not be subject to U.S. federal withholding lax, provided that in the case of an interest payment:

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the holder is not a bank to whom the Taxable Bonds would constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and

cither (A) the beneficial owner of the Taxable Bond certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides such owner's name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Taxable Bond, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof

Except to the extent otherwise provided under an applicable tax treaty, a Non-U.S. Holder generally will be taxed in the same manner as a United States Holder with respect to interest and original issue discount payments on a Taxable Bond if such interest and original issue discount is effectively connected with its conduct of a trade or business in the United States. Effectively connected interest and original interest discount received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest and original issue discount will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Taxable Bonds. A Holder generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of a Taxable Bond unless:

the Holder is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) has a "tax home" in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to its office or other fixed place of business in the United States; or

the gain is effectively connected with your conduct of a trade or business in the United States.

US. Federal Estate Tax. A Taxable Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) will not be subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. The United States federal estate tax was repealed effective January 1, 2010. In addition, the legislation repealing the estate tax expires in 2011, and thus the estate tax will be reinstated at that time unless future legislation extends the repeal.

Backup Withholding and Information Reporting

United States Holders. Information reporting applies to payments of interest made by the City, or the proceeds of the sale or other disposition of the Taxable Bond with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding mles may be allowed as a reflmd or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

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Non-U.S. Holders. Backup withholding and information reporting on Form 1099 will not apply to payments of principal and interest on the Taxable Bonds by the City or its agent to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Taxable Bonds" or otherwise establishes an exemption (provided that neither the City nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other cxeinptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Fonn 1042-S.

Information reporting and backup withholding generally will not apply to a payment of the proceeds of a sale of Taxable Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Taxable Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. holder (and has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Taxable Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding mles may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Circular 230 Disclaimer

The description of certain tax matters under the heading "TAX MATTERS," above is not intended to be used, and cannot be used by any purchaser of the Bonds, for the purpose of avoiding penalties that may be imposed on such purchaser. This advice is written to support the promotion or marketing of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors concerning the particular federal, state, local and foreign tax consequences of their ownership of Bonds.

Change of Law

The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, mlings, and other official interpretations of law in existence on the date the Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds arc outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

APPROVAL OF LEGAL MATTERS

Legal matters with regard to the authorization, issuance and sate of the Bonds are subject to the approving opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Cotillas and Associates,

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Chicago, Illinois, Co-Bond Counsel, which opinions will be substantially in the forms included as APPENDIX D hereto.

Certain legal matters will be passed upon for the City by its Corporation Counsel and for the Underwriters by their counsel, McGaugh & Associates, Chicago, Illinois.

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 MSRB pursuant to the requirements of Section (b)(5) of the Rule. 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 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 infonnation generally consistent with that contained under the caption "THE CITY - Corporate Fund" and in APPENDIX B hereto.

"Audited Financial Statements" means the audited basic financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB not more than 210 days after the last day of the City's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed when available.

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Events Notification; Material Events Disclosure

The City covenants that it will disseminate in a timely manner to the MSRB the disclosure.of the occurrence of an Event (as described below) that is material, as materiality is interpreted under the Exchange Act. The "Events," certain of which may not be applicable to the Bonds, are:

principal and interest payment delinquencies;

non-payment related defaults;

unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit

enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to

perform; adverse tax opinions or events affecting the tax-exempt status of the security; modifications to rights

of security holders; Bond calls; defeasances;

release, substitution or sale of property securing repayment of the securities; and rating changes.

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 of Cook County, Illinois. A default under the Undertaking shall not be deemed a default under the Bonds or the 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.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the City may amend the Undertaking, and any provision of the Undertaking may be waived, ifi

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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 accoimt 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 bond counsel), or by approving vote of the owners of the Bonds pursuant to the terms of the Ordinance at the time of the amendment or waiver; or

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

Termination of Undertaking

The Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds. If this provision is applicable, the City shall give notice in a timely manner to the MSRB.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material 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 material 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 an Event.

Corrective Action Related to Certain Bond Disclosure Requirements

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

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MISCELLANEOUS

The foregoing summaries or descriptions of provisions of the 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 mle unit under Article VII of the Illinois Constitution of 1970. This Official Statement has been authorized by the City Council.

CITY OF CHICAGO

By:

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 Properly 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 DuPagc 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 DuPagc 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 reassessed in 2009. In 2008, the suburbs in the western and southern portions of the County were reassessed. The suburbs in the northern and northwestern portions of the County will be reassessed in 2010.

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 statewide administrative body, or to the Circuit Court of Cook County (the "Circuit Court"). The P TAB 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 scries 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

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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 Cucuit 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 instmctions to allow the City to proceed with its petitions to intervene. In addition, in cases where the Assessor agrees that an assessment error has been made after tax bills have been issued, the Assessor can correct the Assessed Valuation, and thus reduce the amount of taxes due, by issuing a Certificate of Error.

Equalization

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

The Equalized Assessed Valuation for each parcel is the final property valuation used for determination of tax liability. The aggregate Equalized Assessed Valuation for all parcels in any taxing body's jurisdiction, after reduction for all applicable exemptions, plus the valuation of property assessed directly by the State, constitutes the total real estate tax base for the taxing body and is the figure used to calculate tax rates (the "Assessment Base"). The Equalization Factor for a given year is used in computing the taxes extended for collection in the following year. The Equalization Factors for levy years 1999 through 2008 are listed in APPENDIX B in the table captioned "Property Tax Infonnation."

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

Exemptions

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

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The annual general homestead exemption provides for the reduction of the Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount of the increase over the 1977 EAV, up to a maximum reduction of S5,000. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by a maximum of S4.000. An additional exemption is available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. In addition, there is a homestead exemption of $5,000 for the taxable year in which a veteran returns from active duty in an armed conflict involving the armed forces of the United States. 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 stmcture for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained.

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

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

In October 2004, the Chicagoland Chamber of Commerce, along with multiple other plaintiffs, filed a Complaint for

Declaratoty and Injunctive Relief in the Circuit Court, requesting the court to enter an order declaring the 2004 Alternative Homestead Exemption law unconstitutional and enjoining the application and enforcement of its provisions. (The Chicagoland Chamber of Commerce, et al. v. Maria Pappas, et al., 04 CH 16874). On April 22, 2005, the circuit court dismissed the complaint, and that mling was appealed. On appeal, the Appellate Court affirmed the decision of the Circuit Court.

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

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral

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

Tax Levy

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

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

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

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

The Illinois Tmth in Taxation Law (the "Tmth 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 Collcctor/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 bdl, and is based on the current levy, assessed value and Equalization Factor and applicable tax rates, and reflects any changes from the prior year in those factors. Taxes on railroad real property used for transportation purposes are payable in one lump sum on the same date as the second installment.

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

Second Installment

Tax Year	Penalty Date
2008	December 1, 2009
2007	November 3, 2008
2006	December 3, 2007
2005	September 1, 2006
2004	November 1, 2005
2003	November 15, 2004
2002	October 1, 2003
2001	November 1,2002
2000	November 1, 2001
1999	October 2, 2000

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 atmual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties. Unpaid taxes accrue penalties at the rate of 1.5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 18 percent for 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 2009, collectible in 2010, the allowance for uncollectible taxes is four percent of the gross tax levy. For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved after one year.

Property Tax Limits

State Legislation

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

State of Illinois

The Property Tax Code limits (a) the amount of properly taxes that can be extended for non-home mle 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 Refomi Act.

As a home mle 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 mle 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 mle units of local government that propose to issue general obligation debt. These requirements do not apply to the City.

The City

In 1993, the City Council of the City adopted an ordinance (the "City Tax Limitation Ordinance") limiting, beginning in 1994, the City's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the

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percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing of the preliminary budget estimate report. The City Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable to the greater of (i) for any levy year, interest and principal on general obligation notes and bonds of the City outstanding on January 1, 1994, to be paid from collections of the levy made for such levy year, or (ii) $395,255,686, the amount of the aggregate interest and principal payments on the City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in the manner described above for the aggregate levy (the "Safe Harbor"). Additional safe harbors are provided for portions of any levy attributable to payments under installment contracts or public building commission leases or attributable to payments due as a result of the refunding of general obligation bonds or notes or of such installment contracts or leases. Pursuant to the Ordinance, the taxes levied by the City for the payment of principal of and interest on the Bonds arc not subject to the limitations contained in the City Tax Limitation Ordinance. See "SECURITY FOR THE BONDS - Property Tax Limits."

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-supportcd bonds.

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APPENDIX B CITY OF CHICAGO FINANCIAL AND OTHER CITY INFORMATION

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.

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 1998-

(Dollars in Thousands)

Assessed Value'

Tax Levy Year[1]

State Equalization Factor'

Total Equalized Assessed

Value'

Total Direct Tax Kate

Total Estimated Fair Cash

Value*

Total Equalized Assessed Value as a Percentage

of Total Estimated Fair Cash Value

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008"

$6,646,198 6,777,400 8,758,682 8,973,796 9,221,622 12,677,199 12,988,216 13,420,538 18,521,873 18.937,256 19,339,573

S2,047,577 2,021,411 1,966,921 1,923,256 1,865,646 2,233,572 1,883,048 1,842,613 2,006,898 1,768,927 1,602,768

$7,848,335 7,910,838 8,807,444 8,757,366 8,878,142 10,303,732 10,401,429 10,502,698 12,157,149 12,239,086 12,359,537

$267,007 282,255 342,943 354,036 349,372 487,680 465,462 462,099 688,868 678,196 693,239

$16,809,117 16,991,904 19,875,990 20,008,454 20,314,782 25,702,183 25,738,155 26,227,948 33,374,788 33,623,465 33,995,117

2.1799 2 2505 2 2235 2.3098 2.4689 2.4598 2.5757 2 7320 2.7076 2 8439 2 9786

$33,940,146 33.354,802 40,480,077 41,981,912 45,330,892 53,168,632 55,277,096 59,304,530 69,511,192 73,645,316 80,977,543

1 998 1.860 1 660 1 637 1 591 1 380 1.302 1.243 1 062 1 044 1.030

$122,726,446 135,522,333 162,593,364 185,912,246 201,938,231 223,572,427 262,080,627 283,137,884 329,770,733 320,503,503 310,888,609

27.66%
24 61
24.90
22.58
22 45
23.78
21.09
2095
21.08
22 98
2605

Source Cook County Assessor's Office Excludes portion ofCity in DttPage County [1] Taxes for each year become due and payable in the fol lowing year For example, taxes for ihe 2009 tax levy became due and payable in 2010. [1] Residential, six units and under [1] Residential, seven units and over and mixed-use. ' Industrial/commercial. ' Vacant, not-for-profit and industrial/commercial incentive classes ' Source Illinois Department of Revenue

[1] Source: Cook County Clerk's Office Calculations are net of exemptions and exclude portions of the City in DuPagc County Calculations also include assessment of pollution control facilities and railroad property. ' Source[1] The Civic Federation Excludes railroad propeny. pollution control facilities and portion of Cily in DuPagc County [10] 2009 information not available at lime ofpublication

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Property Taxes for All City Funds, Collections and Estimated Allowance for Uncollectible Taxes 2000 - 2009' (Dollars in Thousands)

Collections within Fiscal Year
Total Collections to Date

Tax Levy YeaH
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

Total Tax Levy for Fiscal Year[3] $672,104 687,381 707,181 719,695 ' - 719,780 [5] 718,071 [5] 719,230 [s] 749,351 [5] 834,152 ' 833,206 [5]

Amount
$646,409 664,393 676,997 674,325 694,214 694,593 630,666 712,008 776,522 423,547

Percentage of Levy
96.2%
96.7
95.7
93.7
96.4
96.7
87.7
95.0

93.1
50.8

Collections in Subsequent Years S 7,157 13,078 1.3,310 25,237 9,077 8,636 69,979 27,976 42,625

Total Tax Collections'*
$653,566 677,471 690,307 699,562 703,291 703,229 700,645 739,984 819,147 423,547

Percent of Total Tax Collections to Tax Levy

97.2%
98.6
97.6
97 2 97.7 97.9 97.4
98 7 98.2 50.8

Estimated Allowance for Uncollectible Taxes

$18,538
9,910 16,874 20,133 16,489 14,842 18,250
9,180
8,997 16,386
Net Outstanding
Taxes Receivable

335 187 6,008 393,273

[1] Source. Cook County Clerk's Office
[1] Taxes for each year become due and payable in ihe following year For example, taxes for the 2009 tax levy become due and payable in 2010
' Does noi include the levy for the Special Services Areas and net of collections for Tax increment Financing Districts
[4] Reflects lax collections through October 21.2010
[1] Does not include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund

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PROPERTY TAX RATES BY FUND PER $100 OF EQUALIZED ASSESSED VALUATION
1999-2008'

Tax
Levy
Year
Tax Extension
(in thousands)'
Bond, Note Policemen's
Redemption and Annuity and
Interest[3] Benetlt
Laborers' and Retirement
Municipal Board
Employees'
Firemen's Employees'
Annuity and Annuity and Annuity and
Benefit Benefit Benefit Total

1999	$657,731	1.076812.314836
2000	672,104	0.980950.301167
2001	687,381	0.942710.289912
2002	707,181	0.943061.271463
2003	719,695*	0.831169.230466
2004	719,780*	0.760676.216752
2005	718,071"	0.696607.231467
2006	719,230"	0 569261.194953
2007	749,351 '	0.588843.191548

2007 2008[s] 834,152 * 0.602842 .172426
$.298024 $.134637 $.035691 $1 860
260291 117590 -1.660
.277774 126603 -1.637
.259848 .116628 -1.591

.218316	.100049	-1.380	
.229048	.095524	-1.302	
231683	.083243	-1.243	
197399	.099974	-1.062	
.174302	.088581	-1.044	
.162182	.080787	.011763	1.030

Source Cook County Clerk "s Office
Docs not include levy for Spccul Service Arcjs and net ofcollections for Tj\ Increment Financing districts Includes raies from the Chicago Public Library Bond, Note Redemption and Interest Fund
Docs not Include the levy for the Schools Building and Improvement Fund, which is accounted for in an agency fund. 2009 information not available at time of.publication

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COMBINED PROPERTY TAX RATES OF THE CITY AND OTHER MAJOR GOVERNMENTAL UNITS PER $100 OF EQUALIZED ASSESSED VALUATION 1999-2008[1]

Tax Levy Year

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008[2]

City

$1,860 1.660 1.637 1 591 1.380 1.302 1.243 1.062 1.044 1.030

City of Chicago School Building & Improvement Fund

$.117
Chicago School Finance

City Colleges of

Board of
6 255 .223 223 .177 .151 .177 .127 .118 .091
$.627 572 .567 545 464 .455 .443 .379 .355 .323
$.347 .31 1 .307
2S0 .246 .242 .234 .205 .159

156

Authority Education Chicago District

$4,104 3.714 3.744 3.562 3.142 3.104 3 026 2 697 2.583 2 472

Metropolitan Water Reclamation District

$.419 .415 .401 .371 .361 347 .315 284 .263 252

Forest Preserve District of Cook County

$070 .069 .067 .061 .059 .060 .060 .057 .053 .051

Cook County

$854 824 .746 .690 .630 .593 .533 .500 .446 .415

Total

$8 536 7.788 7.692 7.277 6.433 6.280 5.981 5.302 4.994 4.816

[1] Source Cook County Clerk's Office.
[3] 2009 information not available at time of publication

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CITY OF CHICAGO PROPERTY TAX SUPPORTED BONDED DEBT Computation of Direct and Overlapping Bonded Debt AsofOctober21,2010 (Not Adjusted for the issuance of the Bonds and the refunding of the Refunded Bonds)
(Dollars in Thousands)

Direct Debt.

General Obligation Bonds and Notes'	57,272,1 50
The Bonds	
General Obligation Short Term Obligations'	(3 19.762)
Net Direct Long-Term Debt	S _

Overlapping Dcbr	Net Direct Deb'[3]	Percent Overlapping[4]	Debt Applicable
City Colleges of Chicago	S -0-	100.00%	$ -0-
Board of Education	5,263,309[s]	100.00	5,263,309
Chicago School Finance Authority	-0-	100.00	-0-
Chicago Park District	813,095[s]	100.00	813,095
Metropolitan Water Reclamation District Of Greater Chicago	1,991,704	47.61	948,250
Cook County	3,577,455	46.63	1,668,167
Cook County Forest Preserve District	108,665	46.63	50.670
Total Overlapping Long-Term Debt			$ 8.743.492

Net Direct and Overlapping Long-Term Debt.

' Includes Fixed Rate General Obligation, General Obligation Tender and Commercial Paper Notes consisting of

a) Fixed Rate Notes outstanding in the amounts shown below (dollars in thousands)

Amount	Series	Final Maturity
$70,42S	2010	04/01/2012

b) Tender Notes outstanding in the amounts shown below (dollars in thousands):

Amount	Series	Final Maturity
570,425	2009	05/31/2011

c) Commercial Paper Notes outstanding in the amounts below (dollars in thousands):

Amount	Series
5178,966*	2002B (Taxable)

*A portion of the Commercial Paper Notes is expected lobe refunded with a portion of the proceeds of the Taxable Scries 20 IOC Bunds.

[2] Includes debt secured by property taxes (including "alternate bonds" and "limited tax" bonds) and Public Building Commission bonds secured by long-term lease obligations also secured by property taxes. ' Source: Bach of the respective tax districts. [4] Source: Cook County Clerk's Office.

[s] Includes $4,904,509,237 and $329,735,000 of general obligation bonds of Ihe Board and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, Ihe property lax levy is abated. To dale, alternate revenues have been available in amoums sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Board of Education and the Chicago Park District.

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Selected Debt Statistics

Population (2000) 2,896,016'

Total Equalized Assessed Value (2008)	$ 80,977,543,020[2]
Total Estimated Fair Cash Value (2008)	$310,888,609,224[3]

Percent of Total

		Amount	Per Capita	Percent of Total Estimated Fair Cash Value
Net Direct Long-Term Debt	~$		$ %	
Total Net Direct and Overlapping Long-Term Debt...	$		$ %	

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

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

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Year 2010 201 I 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 202? 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 203S 2039 2040 2041

Debt Service Schedule[1]

AsofOaober2l,20IO (Not adjusted for the issuance of the Bonds and the refunding of the Refunded Bonds)

SI45.581.1S9 156.646.211 167,752,714 205.826.569 215 509.425 228 386.371 24.1.871.761 267.126.948 279.736.972 290.668.700 306.148.918 309.397,240 313.448.400 305.023,320 299.152.012 289.668.971 290.626.163 286.229,720 288.219.806 291.954.515 287.002.520 209,983.596 206.198.762 187,596.194 170,492.377 168.297.607 148,066.559 126.962.925 104.866.380 111.675.000 24.625,000 25 645.000 S6.952.387.342

ral Obligation Bonds Oulslandm

CapHalned Interest

Principal

Capualizcd Interest 5(16.778,5261 (34,076.0291 (12.145.985) (4.034.677)

Inicrcsi ^ $166,309,315 343.890,386 340.210,720 331.877,933 323.604.631 3 11.539.846 301.646,102 290.944.192 279.012.390 266.110.969 254.701,417 240.619,906 232.055.380 218.325.781 204.724.463 191,619.096 178.940.902 159.630,164 153,273,377 137,627,286 127.250.344 113,581,490 89,252.744 79.931,170 71.490.114 63,566.355 55.685,905 48.632.331 42,667,127 7,745.633 2,077,366 1.059,901 5S.630.I55.284

Genera) Obligation Notes Outstanding

S320.031.854

Toial Dcbi Service S 615.694.3.12 466.460.568 495.817.449 533 669.875 539.114.055 539.926.217 545.517.863 558.071.140 558.749.362 556.779.668 560.850.335 550.017 145 545.503 780 523.349.101 503.876.475 481.288.067 469.567.065 445.859.884 441.493.184 429.581.801 414 252.864 323.565.086

295.451.506 267.527.364 241.932.490 231.863 962 203 752.464 175.645.256 147,533.507 119.420.633 26.702,366
26,704.901

512.835.589 764

Principal and interest (including the amount of micro! lhai has accrcicd on capital appreciation bonds) (or each year includes amounts payable on ihe City's general obligation bunds and notes on July I of lhai year and January I of ihe following year, CACept thai each year includes principal anil inicrcsi payable on ihe General Obligation floods Series 2007A K (Modem Schools Across Chicago Program), ihe General Obligation Bonds Series 2010 A (Modem Schools Across Chicago Program) (Ta.s-Excmpi) and ihe General Obligaunr. Bonds, Taxable Series 20I0B (Modem Schools Across Chicago Program) (Build America ftonds - Direct Payment) on June I and December I oTihai year [3] Inleresi for each ycir includes ihe fullarnoum of the inicrcsi payable on General Obligalion Bonus. Tasablc Project Scries 2O09C I Build America Bonds - Direci Pas mem), the General Obligation floods. Taxable Project Scries 20U9D (Recovery Zone Economic Devclopmcni floods-Direct Paymcol) and the General Obligation Bonds. Tasable Scries 20I0R (Modem Schools Across Chicago Program) (Build America Bonds - Direct l^ymenl) without adjustment for Subsidy Payments lo be received by Ihe Cuy

[1] The inicrcsi rate on variable rale bonds is assumed lo be approsimaicly between four anil si v perccr.i Ttic Cuy has entered into inleresi rale hedge agreements which rcuuircd the Cny io pay interest al a rate of 3 575 perceiu for us General Obligation Variable Rale Demand Bonds (Neighborhoods Alive 21 Program). Scries 2nu2!i. 4 052 perreni for us General Obligalion Variable Rale Demand Bonds. Project and Rctunding Series 2003B. 4 104 percent for Us General Obligation Variable Rale Demand bunds. Projcci and Reminding Scries 2005D and 3 9982 perccm for us General Obligalion Variable Rale Demand Bonds Refunding Scries 20071!, I' and G The table includes Ihe iniciesi payable by ihe City under Ihe iniciesi rale hedge agreements for these four bond issues

* The inleresi rale on Fucd Raic and Tender Nmcs is assumed 10 he between D 64 and I 625 perccr.i

' Include, outstanding Fued Raic. Tender and Commercial Paper Notes Sec APPLNDIN B ■ FINANCIAL AND OTHER INFORMATION - Compuiaiinn ofDircci and Overlapping Bonded Debt - Noted) "

A portion of the Commercial Paper Noies is cvpecied to be refunded wilh u puiiion of ihe proceeds ofthc Tavablc Scries 20I0C Bonds. Nole May not total due 10 rounding

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PROPERTY TAX LEVIES BY FUND For Fiscal Years Ended 2005 - 2009[1,2] (Dollars m Thousands)

20052006Chang;2007Change2008Change2009Change

Noic Redemption and Inleresi[1]	$81,223	$ 60,116	(25.99)%	$ 33,506		(44 26)%	$ 73,363	118.95%	$73,363	-%
Bond Redemption and Inleresi	312,780	316,858	1.30	381,145		20.29	414,853	8.84	408,609	(1 51)
Policemen's Annu.ly and Benefit'	137,284	135,528	(1.28)	141,080	4.10	139,640	(1 02)	141,741	1.50	
Municipal Employees'Annuity and Benefit'	137,412	137,228	(0.13)	128,378	(6.45)	131,344	2 31	130,026	(1.00)	
Firemen's Annuity and Benefit*	49,372	69.500	40.77	65,242	(6.13)	65,426	0.28	66,140	1.09	
Laborers' and Retirement Board Employees' Annuity and Benefit[4]	-	-	~	-	^_	9,526	13,327	39.90		
Totai	$718,071	$719,230	0.16%	$749,351	4.19%	$334,152	11 32%	$833,206	(0 1 1)%	

[1] Source Cook Couniy Clerk's Office

[2] Set APPENDIX B - "FINANCIAL AND OTHER INFORMATION - Property Taxes For All Cuy Funds, Collections And Es;imaied Allowance For Uncollectible Taxes 2000-2009." Does not include the levy for ihe School Building and Improvement Fund which is accounted for in un agency fund.

[J] Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and Cuy Relief Funds

* For information regarding the City's unfunded (assets in excess of) pension benefil obligations under its Pension Plans, see Ihe individual Pension Plans Financial Statements

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1 CITY OF CHICAGO

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

General Fund (Corporate) For Fiscal Years Ended 2005-2009[1] (Dollars in Thousands)

Revenues:
- Utility Tax
- Sales Tax
- State Income Tax
- Other Taxes
- Federal/State Grants
- Other Revenues[2]

Total Revenues

Expenditures: ' Current:
- Public Safety
- General Government
- Other[3]..:

Debt Service

Total Expenditures

Revenues Under Expenditures

Other Financing Sources (Uses): Proceeds of Debt, Net of Original Discount/Including Premium

Transfers In....

Transfers Out

Total Other Financing Sources (Uses)

Revenues and Other Financing

Sources Over (Under)

Expenditures and Other

Financing Uses

Fund Balance - Beginning of Year..

Change in Inventory

Fund Balance - End of Year

2006

$475,482 537,441 314,559 708,706 2,802 729,999

2007

$501,023 543,238 377,727 687,511 3,366 822,561

2008

$524,842 518,131 378,545 637,923 2,347 813,983

2005

$492,109 471,069 307,462 669,041 2,066 722,366

2009

$481,275 476,557 251,820 572,472 1,714 777,788

1,783,993 783,059 328,081 7,069

1,856,634 889,266 356,066 5,318

$1,862,914 857,626 288,559 4,978 3,014,077

2,664,113 2,768,989 2,935,426 2,875,771 2,561,626

1,845,497 860,976 349,616 6,930

2,902,202 3,063,019 3,107,284

15,050 118,244 (17,100)

164,000 94,058 (25,193)

232,865

23,921 130,561 (42,500)

111,982

(75,457) (133,213) (127,593) (231,513) (452,451)

115,058 (30,500)

84,558

58,500 416,135 (17,463)

457,172

(48,655)

110,819 227 $62,391

(15,611)

62,391 (2,473) $44,307

4,721

48,443 1,542

$54,706

1,352

44,307 2,784 $48,443

116,194

40,737

73,227 (3,145) $110,819

[1] Source: Table 6 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009. The City's CAFR for the year ended December 31. 2009 is available upon request from the Office of the City Comptroller

Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues. ' Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.

B-9

Special Revenue Funds For Fiscal Years Ended 2005 - 2009[1] (Dollars in Thousands)

	2005	2006	2007	2008	2009
Revenues:					
Property Tax	$310,543	$302,772	$314,742	5326,334	$334,972
Utility Tax	31,675	24,299	28,838	82,373	45,688
Sales Tax	93	765			
State Income Tax	46,560	65,552	55,719	56,848	95,944
Other Taxes	334,580	382,232	465,533	554,096	572,651
Federal/State Grants	804,406	820,702	778,601	794,564	751,555
Other Revenues[2]	107,150	115,023	114,906	120,401	131,295
Total Revenues	1,635,007	1,710,656	1,758,344	1,934,616	1,961,975
Expenditures: Current:					
Public Safety	65,564	67,363	35,102	35,518	50,797
General Government	736,267	740,423	789,703	915,659	799,236
Employee Pensions	388,053	396,923	371,649	413,690	430,915
Other[1]	530,786	552,675	603,553	677,990	566,612
Capital Outlay	16,513	8,110	16,674	4,360	3,357
Debt Service	80,129	6,356	TfiOl	5^628	3,632
Total Expenditures	1,817,312	1,771,850	1,824,284	2,052,845	1,854,549
Revenues Under Expenditures	(182,305)	(61,194)	(65,940)	(118,229)	107,426
Olher Financing Sources (Uses): Proceeds of Debt, Net of Original Discount/ Including Premium	104,750	79,250	144,614	163,628	72,925

Payment lo Refunded Bond Escrow Agent	(134,148)	-			
Transfers In	521,879	193,850	108,045	155,637	185,358
Transfers Out	(55,168)	(38,177)	(86,470)	(48,604)	(1,746,126)
Total Other Financing Sources (Uses)	437,313	234,923	166,189	270,661	(1,487,843)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	255,008	173,729	100,249	152,432	(1,380,417)
Fund Balance-Beginning of Year	354,111	609,119	782,848	883,097	1,035,529
Fund Balance-End of Year	S6Q9.119	$782,848	$883,097	$1,035,529	$(344,888)

[1] Source: Tabic 7 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 3l, 2009. The City's CAFR for the year ended December 3l, 2009 is available upon request from the Office of the City Comptroller.

' Includes Internal Service, Licenses and Permits, Fines, Investment Income, Charges for Services and Miscellaneous Revenues. [1] Includes Health, Streets and Sanitation, Transportation, Cultural and Recreational and Other Expenditures.

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Debt Service Funds For Fiscal Years Ended 2005 - 2009[1]
(Dollars in Thousands)

	2005	2006	2007	2008	2009
Revenues:					
Property Tax	$428,876	$363,218	$346,965	$403,489	$471,218
Utility Tax	15,541	22,308	22,318	22,282	22,138
Sales Tax	28,066	*21,639	27,684	30,440	27,395
Other Taxes	211,990	193,824	217,731	220,220	131,993
Other Revenues[2]	32,522	33,368	30,594	6,562	38,720
Total Revenues	716,995	634,357	645,292	682,993	691,464
Expenditures:					
Debt Service	757,241	693,110	625,459	1,022,156	777,725
Total Expenditures	757,241	693,110	625,459	1,022,156	777,725
Revenues Over (Under) Expenditures	(40,246)	(58,753)	19,833	(339,163)	. (86,261)
Oiher Financing Sources (Uses):					
Proceeds of Debt, Net of Original Discount/Including Premium	1,513,417	302,658	777,151	405,311	340,324
Payment to Refunded Bond Escrow Agent	(1,051,917)	(276,607)	(951,419)	(186,421)	(213,435)
Transfers In	2,107	8,741	63,807	33,186	684,277
Transfers Out	(93,246)	(509,884)	(73,325)	(141,498)	(81,291)
Total Other Financing Sources (Uses)	370,361	(475,092)	(183,786)	110,578	729,875
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	330,115	(533,845)	(163,953)	(228,585)	643,614
Fund Balance-Beginning of Year	358,772	688,887	155,042	(8,911)	(237,496)
Fund Balance-End of Year	$688,887	$155,042	5(8,911)	$(237,496)	$406,118

Source: Table 8 in ihe Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009. The City's CAFR for the year ended December 31, 2009 is available upon request from the Office of the City Comptroller

Includes Investment Income and Miscellaneous Revenues.

B-l 1

Capital Projects Funds For Fiscal Years Ended 2005-2009[1]

(Dollars in Thousands)

	2005
Revenues:	
Other Revenues[2]	$34,616
Total Revenues	34,676
Expenditures	
Capital Outlay	435,771
Total Expenditures	435,771
Revenues Under Expenditures	(401,095)
Other Financing Sources (Uses): Proceeds of Debt, Nel of Original Discount/Including Premium	238,679
Transfers In	2,627
Transfers Out	
Tot.il <http://Tot.il> Olher Financing Sources (Uses)	241,306
Revenues and Other Financing Sources	
Over (Under) Expenditures and Olher	
Financing Uses	(159,789)
Fund Balance - Beginning of Year	1,070,608
Fund Balance - End of Year	$910,819

2009

2007

2008

$44,464 44,464

2006

$18,240

$76,666

18,240
76,666
657,104 657,104
585,759 585,759
907,201 907,201

$56,687 56,687

615,916 615,916

62,493 10,567 (96)

380,925 352,386 (10,977)

722,334

708,195 29,603 (27,521)

710,277

(850,514) (509,093) (612,640) (597,676)
72,964

529,553 16,334 (3,734)

(539,676) 983,823

$444,147

201,184 782,639

$983,823

542,153

(55,523) 444,147

$388,624

' Source. Table 9 in the Statistical Section of the City of Chicago Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009. The City's CAFR for the year ended December 3l, 2009 is available upon request from the Office of the City Comptroller.

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2009 [1] (Dollars in Thousands)

Total Capital Project
Funds

Total Nonmajor Governmental Funds*

$334,792 75,688 1,405 161,736 95,994 25,385 116,361 14,002

16,995 15,408 5,608 26,974 27,110 917,458

Debt Service

Total Special Revenue Funds

$334,792 75,688

Fund Special Taxing Areas

REVENUES

Property Tax

$1,405

Utility Tax

161,736 95,994 25,385

13,982

16,995 15,408 3,886 26,974 26,366

Sales Tax

Transportation Tax

116,361 20

State Income Tax

Transaction Tax

Special Area Tax

Other Taxes

Federal/State Grants

$1,686 744

Internal Service

36

Fines

Investment Income

Charges for Services

797,206

117,822

2,430

Miscellaneous

Total Revenues

218

7

' 2 76 73, 89

430

,141 ,565 ,497 ,785 916 ,705 ,915 377

218,141 7,565 2,497' 76,785 73,916 89,705 430.915 377 88,000

37,000 32,372 1,057,273

(139,815)

EXPENDITURES Current:

General Government

Health

Public Safety

Streets and Sanitation

Transportation

Cultural and Recreational

Employee Pensions

88,000

Other

Capital Outlay

37.000 28.740

Debt Service:

3,632
Principal Retirement
88,000
65,740
903,533
Interest and Other Fiscal Charges
(106,327)
52,082
(85.570)
Total Expenditures

Revenues Over (Under) Expenditures..
89,200
72,925

OTHER FINANCING SOURCES (USES)
33,140 (66,097) (32,957)

19,125 130,522 $149,647

Issuance of Debt
117,176 (11,290)
178,81 1
Payment to Refunded Bond Escrow Agent
Transfers In
89,200
Transfers Out
72,484 18,273
3,630 44,116

95,239 192,911 $288,150

Total Other Financing Sources (Uses)

Net Change in Fund Balances
$90,757
$47,746
Fund Balance - Beginning of Year
Fund Balance - End of Year

[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, 2009. The City's CAFR for the year ended December 31, 2009 is available upon request from the Office of the City Comptroller

[1] 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. 2009 included as APPENDIX C hereto

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APPENDIX C

CITY OF CHICAGO

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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Deloitte

City of Chicago

Basic Financial Statements for the Year Ended December 31, 2009

Richard M. Daley, Mayor

Gene R. Saffold, Chief Financial Officer Steven J. Lux, City Comptroller

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CITY OF CHICAGO, ILLINOIS YEAR ENDED DECEMBER 31, 2009 TABLE OF CONTENTS

Fund Financial Statements:

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INDEPENDENT AUDITORS' REPORT

To the Honorable Richard M. Daley, Mayor, and Members of the City Council City of Chicago, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Pension Plans (the "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in confomiity with accounting principles generally accepted in the United States of America.

Member of
Detoltte Touche Tohmatsu

June 29, 2010

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

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Basic Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. We encourage the readers to consider the information presented here in conjunction with information that we have furnished in the basic financial statements and notes to the basic financial statements contained within this report.

Fiscal 2009 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets at the close of the most recent fiscal year by $264.5 million (net deficit). Of this amount, $7,359.3 million is an unrestricted deficit, while $2,537.8 million is invested in capital assets, net of related debt and $4,557.0 million is restricted for specific purposes.
- The City's total assets increased by $1,242.6 million. The increase relates to $808.6 million increase in capital assets as a result of the City's capital improvement program and $345.9 million increase in unrestricted and restricted cash and cash equivalents and investments primarily as a result of the City's Meter Parking System Services Concession Agreement.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2009 were $8,590.7 million, an increase of $1,917.0 million (28.7 percent) from 2008.
- The General Fund, also in the fund financial statements, ended 2009 with a total Fund Balance of $54.7 million. Total Fund Balance increased from 2000 primarily because Revenues and Other Financing Sources were more than Expenditures and Other Financing Uses by $4.7 million. Fund Balance at December 31, 2009 of $32.4 million was reserved for commitments. Unreserved Fund Balance was $2.7 million at December 31, 2009, compared to a balance of $.2 million at the end of 2008.'
- The City's general obligation bonds and notes outstanding increased by $407.4 million during the current fiscal year. The proceeds from the increase in bonds were used to finance the City's capital plan.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardfess 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

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION
AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

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 (governmenfa/ activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (bus/ness-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.

Governmenfa/ funds. Governmenfa/ funds are used to account for essentially the same functions reported as governmenfa/ acf/v/t/es in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-ferm inflows and outflows of spendable resources, as well as on ba/ances 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.

[1] *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 governmenta/ funds with similar information presented for govemmenta/ 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 govemmenta/ funds and governmenta/ activities.*

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

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

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

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Confirmed

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 nof reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

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

Financial Analysis of the City as a Whole

Nef assets (deficit). As noted eariier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $264.5 million at December 31, 2009.

A large portion of the City's net deficit, $2,537.8 million reflects its investment in capital assets (land, buildings, roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related, debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities and deferred inflows.

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

Governmental Activities

2009

Busmess-type Activities

2009

Current and other assets Capital assets

Total assets Long-term liabilities

outstanding Other liabilities

Total Liabilities

Deferred Inflows

Net assets:

Invested in capital assets, net of related debt

Restricted

Unrestricted Total net assets (deficit)

$ 5,112.5 7,208.5

12,321.0

6,106.2 7,311.5

13,417.7

$ 2,772.6 10,917.5

11,732.3 1,344.0

13,076.3

12.122.8 1,448.0

13,570.8

1,681.5

13,690.1

9,600.3 782.1

2,286.7 821.9 (1,538.5)

494.9 2,842.2 (4,092.4)

10,382.4 1,737.6

251.1 3,735.1 (5,820.8)

$ (1,834.6) $ (755.3) $ 1,570.1 $ 1,585.4

$ 8,444.8 17,420.4

23,016.4 2,018.7

25,035.1

25,865.2

21.723.1 2,230.1

2,537.8 4,557.0 (7,359.3)

23,953.2 3,419.1

2.818.3 ; 3,622.1 (5,610.3)

(264.5) $ 830.1

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

An additional portion of the City's net assets ($4,557.0 million) represent resources that are subject to external restrictions on how they may be used.

Governmenta/ Act/v/t/es. Net assets of the City's governmental activities decreased $1,079.3 million to a deficit of $1,834.6 million. However, a significant portion of those net assets are either restricted as to the purpose they can be used for or they are invested in capital assets (buildings, roads, bridges, etc.) net of related debt. Consequently, unrestricted net assets showed a $5,820.8 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 ($664.7 million), Municipal employees, Policemen's and Firemen's net pension obligation ($3,453.4 million) and post-employment benefits ($329.0 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,681.5 million will be amortized into income over the life of the concession service agreements.

Over half of the City's revenue comes from taxes. Total taxes decreased by 5.7 percent. Total taxes include a decrease in property taxes of $2.9 million (.4 percent). Other taxes decreased by $172.5 million (7.5 percent) as a result of decreases in sales, income and transaction taxes. Federal/State[1] grants vary from year to year depending primarily on the level of spending for programs, construction and other projects.

Expenses for governmental activities in 2009 were $6,217.2 million. This reflects a decrease of $46.8 million (.8 percent) over 2008. Public Safety was the largest component of current expenses, accounting for 40.6 percent of total expenses. Expenses remained consistent with 2008 expenses.

The cost of all governmental activities was $6,217.2 million.

- The amount that taxpayers paid for these activities through City taxes was only $2,918.6 million.
  - Some of the cost was paid by those who directly benefited from the programs ($621.9 million), or
  - By other governments and organizations that subsidized certain programs with grants and contributions ($726.6 million).

The City paid for the "public benefit" portion wilh $870.8 million with other revenues such as state aid, interest and miscellaneous income.

Although total net assets of business-types activities were $1,570.1 million, these resources cannot be used to make up for the net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, tollway, and airports activities.

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

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

Governmental Activities

Business-type Activities

Revenues:

Program Revenues: Licenses, Permits. Fines and

Charges for Services Operating Grants and Contributions Capital Grants and Contributions General Revenues: Property Taxes Other Taxes

Grants and Contributions not

Restricted to Specific Programs Other

Total Revenues

2009

621.9 $

611.3

115.3

797.0 2.121.6

601.2 269 6

5,137 9

2008

653.1 624.4 139.9

799.9 2,294.1

712.4 169.5 5,393.3

2009

2008

$ 1,332 1 $ 1,339.5

211.2 224 8

[1]1-24 0
1,659.4
95 1
1.567 3
2009

1,954.0 611.3 326.5

797.0 2,121.6

601.2 293 6 6.705 2

2008

1,992.6 624.4 364.7

799.9 2,294.1

712.4 264.6 7.052 7

Expenses: General Government Public Safety Streets and Sanitation Transportation Health
Cultural and Recreational Interest on Long-term Debt Water Sewer
Midway International Airport Chicago-O'Hare International Airport Chicago Skyway Total Expenses Change in Net Assets Before Transfers
Transfers
Change in Net Assets Net Assets, Beginning of Year Net Assets, End of Year
2,364 8 2.521.1 297 2 351.1 166.9 130 0 386.1
2,384.6 2,434.8 371.1 381.1 170 8 140.1 381 5
371 4 158 3 217.6 803 4 124
382.5 170 0 206 6 811 7 11 8
6,217.2 (1.079.3)

(1,079 3) (755 3)

2,364.8 2.521.1 297.2 351.1 166.9 130.0 386.1 382.5 170.0 206.6 811.7 11.8

6,264.0
1,582 6
1,563.1
(870.7)
(15 3)
96 3
(870.7) 115.4
(15.3) 1,585 4
96.3 1,489.1
7,799 8 (1,094 6)

(1,094 6) 830 1

$ (1,834.6) $ (755.3) $ 1,570 1 $ 1,585.4 S (264 5) $ 830 1

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

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

1,000 1,200 1,400 1,600 1,800 2,000 2,200 2,400 2,600
200 400 600 800

General Government Public Safety Streets and Sanitation Transportation Health

Cultural and Recreational Interest on Long-term Debt

Revenues by Source - Governmental Activities

Operating Grants and Capital Grants and Contributions Contnbutions

9

Other Taxes 41%

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

Bus/'ness-type Activities. Revenues of the City's business-type activities decreased by $92.1 million in 2009 due primarily to decreases in rent and investment earnings. All Funds met debt service coverage ratios set forth in the applicable bond indentures.

- The Water Fund's operating revenues for 2009 increased by 10.8 percent from 2008 due to an increase in water rates. Operating expenses in 2009 decreased by .5 percent primarily due to a decrease in personnel services.
- The Sewer Fund's operating revenues increased 9.5 percent during fiscal year 2009, as the result of an increase in water and sewer rates. Operating expenses increased 10.1% as a result of increased repairs and maintenance.
- Chicago Midway International Airport Fund's operating revenues for 2009 decreased by-$2.7 million compared to prior year operating revenues. Operating expenses decreased by $8.3 million primarily due to a decrease in contractual services.
- Chicago-O'Hare International Airport Fund's operating revenues for 2009 decreased by $59.8 million (8.7 percent) compared to prior year operating revenues as a result of decreased fund deposit requirements. Operating expenses increased by $3.7 million as a result of an increase in depreciation and amortization of $27.9 million.
- 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 oyer the period of the lease ($18.5 million annually).

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

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

100 200 300 400 500 600 700 800 900 1,000

Water

Sewer

Chicago Midway International Airport

CNcago-OHare International Airport

Chicago Skyway

11

Revenues by Source - Business-type Activities

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

Financial Analysis of the City's Funds

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

Governmenta/ funds. The focus of the City's governmenta/ funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund ba/ance 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, 2009, the City's governmental funds reported combined ending fund balances of $1,806.9 million, a decrease of $144.1 million in comparison with the prior year. Of this total amount ($85.9 million) constitutes undes/gnated fund deficit. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($147.3 million), 2) to pay debt service ($406.1 million), 3) to provide a long-term reserve ($880.0 million), 4) for future appropriations ($422.3 million), and 5) for a variety of other restricted purposes ($37.1 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $2.7 million with a total fund balance of $54.7 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 1.8 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by $6.3 million during the current fiscal year. Revenues and Other Financing Sources exceeded Expenditures and Other Financing Uses by $4.7 million.

The Federal, State and Local Grants Fund has a total fund balance of $13.1 million, $17.4 million of which is reserved for the resale of property, while there is an unreserved, undesignated deficit of $4.3 million.

The Special Taxing Areas Fund has a total fund balance of $1,232.8 million, of which $37.1 million is reserved for encumbrances, and the remaining $1,197.7 million is unreserved, undesignated.

The Bond, Note Redemption and Interest Fund have a total fund balance of $256.5 million. The net increase in fund balance during the current year in the Bond, Note Redemption and Interest Fund was $624.5 million primarily from the transfer of the underground parking garage system deferred inflow to the Concession Service Agreement Fund that also includes the Meter Parking System Service Agreement transaction.

The Service Concession Agreement Fund accounts for deferred inflows from non business type long-term concession and lease transactions and has an unreserved, undesignated fund deficit of $1,681.5 million.

The Community Development and Improvement Projects Fund has a total fund balance of $340.9 million, of which $48.7 million is reserved for encumbrances and the remaining $292.2 million is unreserved, undesignated. The decrease in fund balance during the current year in the Community Development and Improvement Projects Fund was $59.2 million.

The Reserve Fund has a total fund balance of $1,302.3 million, of which $880.0 million is reserved as a long-term trust. The remaining is designated for future appropriations.

Changes in fund ba/ance. The City's governmental fund revenues (excluding other financing sources) decreased by 4.5 percent or $248.9 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.

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

Unrestricted net assets of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,538.5 million. The total decrease in unrestricted net assets related to changes in the $2,286.7 million pf net assets invested in capital assets, net of related debt and the $821.8 million of net assets restricted is primarily due to assets being reserved for debt service, construction, and rehabilitation. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's 2009 Original General Fund Budget is $3,186.5 million. This budget reflects a decrease of $32.0 million (1.0 percent) over the 2008 Budget. The City's 2009 General Fund Budget was approved by the City Council on November 9. 2008.

The General Fund revenues and expenditures in 2009 ended the current fiscal year with an available unreserved fund balance of $2.7 million, which is a $2.5 million increase over 2008.

The General Fund revenues on a budgetary basis were $148.7 million less than the final budget as a result of lower than expected taxes. In addition, unfavorable results occurred in internal services revenue, licenses and permits, and leases, rentals and sales. Expenditures were $146.3 million less than budgeted as a result of favorable variances in general government, primarily as a result of certain labor contracts not being finalized during 2009 as was budgeted. Additional information on the City's budget can be found in Note #3 under Stewardship, Compliance and Accountability within this report.

Capital Asset and Debt Administration

Cap/ta/ assets. The City's capital assets for its governmental and business-type activities as of December 31. 2009 amount to $18,229.0 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

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

- The City continued its LEED Strategy with new libraries, police stations and fire engine company construction projects totaling $54.0 million in 2009.
- The City also continued its commitment to libraries with the addition of $7.0 million of books and equipment in 2009.
- The City also completed $30.3 million in street lighting and transit improvement projects. An additional $60.9 million in bridge and viaduct reconstruction projects were also completed. The City completed street construction and resurfacing projects totaling $160.5 million in 2009
- The City purchased the Michael Reese Hospital Campus for $91.0 million.
- During 2009 the Water Fund expended $186.7 million for capital activities. This included $11.5 million for i structures and improvements, $95.4 million for distribution plant, $11.0 million for equipment and $68.8 million for construction in progress. The 2009 Water Main Replacement Program completed 31.6 miles of water mains. During 2009, net completed projects amounted to $73.0 million.
- The 2009 Sewer Mam Replacement Program completed 8.1 miles of sewer mains and 43.0 miles of refining of existing sewer mains at a cost of $112.0 million.
- Chicago Midway International Airport had capital asset additions in 2009 of $38.6 million principally due to land acquisition, terminal improvements, security enhancements, parking, and runway improvements.
- Chicago-O'Hare International Airport had capital asset additions in 2009 of $621.6 principally due to land acquisition, terminal improvements, security enhancements, snow dump improvements, water drainage and sewer, heating and refrigeration, runway, roadway and parking improvements.

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Continued

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

	Governmental Activities 2009	2008	BUsiness-type Activities 2009	2008	Total 2009	2008
Land	$ 1,372.7	$ 1,271.6	$ 839.5	$ 791.3	S 2,212.2	$ 2,062.9
Works of Art and Historical Collections	13.1	11.6	-	-	13.1	11.6
Construction in Progress	225.3	345.5	1,502.5	1,135.0	1.727.8	1.480.5
Buildings and Other Improvements	1.589.8	1,512.0	8,286.6	8,005.8	9,876.4	9.517.8
Machinery and Equipment	335 9	344.2	288.9	279.7	624.8	623.9
Infrastructure	3.774.7	3,723.6	-	1	3,774.7	3,723.6
Total	S 7,311.5	S 7,208.5	$ 10,917.5	$ 10,211.8	$ 18.229.0	$ 17,420.3

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

Debt. At the end of the current fiscal year, the City had $6,192.1 million in General Obligation Bonds and Notes and $671.3 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $208.9 million in Motor Fuel Tax Revenue Bonds; $355.9 million of Sales Tax Revenue Bonds; $186.2 million in Tax Increment Financing Bonds; $3.5 million in Installment Purchase Agreements; and $9,532.3 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to the Long-term Obligations note in the Basic Financial Statements.

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

	Governmental Activities 2009	2008	Business-type Activities 2009	2008	Total 2009	2008
General Obligation	$ 6,863.4	S 6.456.0	$ -	$ -	$ 6,863.4	$ 6,456.0
Installment Purchase Agreement	3.5	5.5	--	3.5	5.5	
Tax Increment	186.2	210.2	-	-	186.2	210.2
Revenue Bonds	564.8	562.7	9,532.3	9,467 7	10,097.1	10,030.4
Total	$ 7,617.9	S 7,234.4	$ 9,532.3	$ 9,467.7	$ 17.150.2	$ 16,702.1

During 2009, the City issued the following: General Obligation

Bonds and Notes:

- General Obligation Bonds, Project and Refunding Series 2008C, Library Series 2008D and Taxable Project and Refunding Series 2008E ($611 million)
- General Obligation Tender Notes Series 2009 ($70.4 million)
- General Obligation Commercial Paper Notes ($135.7 million)

Revenue Bonds:

- Sales Tax Revenue Refunding Bonds Series 2009A-C ($90.9 million)

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31. 2009 - Continued

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International Airport General Commercial Paper Notes ($259.8 million)
- Chicago Midway International Airport General Commercial Paper Notes ($61.4 million)

At December 31, 2009 the City had credit ratings with each of the three major rating agencies as follows:

Rating Agency	Moody's	Standard & Poors	Fitch
General Obligation			
City	Aa3AA- AA		
Revenue Bonds.			
O'Hare Airport:			
First Lien General Airport Revenue Bonds		Aa3	AA AA+
Second Lien General Airport Revenue BondsA1AA- AA			
Third Lien General Airport Revenue BondsA1A- A			
First Lien Passenger Facility Charge (PFC)A1A A+			
Midway Airport			
First Lien	A2A A+		
Second Lien	A3A- A		
Water			
First Lien		Aa3	AA AA+
Second Lien	A1AA- AA		
Wastewater:			
First Lien	n/aAA- n/a		
Junior Lien	A2A+ AA-		
SalesTax	Aa3	AAA AA	
Motor Fuel Tax	A1	AA+ A-	

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

Economic Factors and Next Year's Budgets and Rates

The City's finances are closely tied with the global and national economies. As a result, the City's economically sensitive taxes and tax collections decreased. Nationally, in 2009 new housing unit starts were 28 percent below 2008 levels. Additionally, in Illinois year to date home sales decreased 1.4 percent in 2009 and the average home price decreased 15.5 percent. Therefore, real estate transaction tax collections decreased by 48.0 percent from 2008 collections. Additionally, 2009 sales tax collections decreased by 7.6 percent. An increase in the amusement tax resulted in an increase in the recreation tax of 4.1 percent over 2008 collections.

Chicago is a center of tourism and conventions. Chicago's business district includes more than 30,000 hotel rooms within a five-mile range of McCormick Place, the convention facility that contains 2.6 million square feet of exhibit halls. A combination of economic factors and an increase in supply resulted in hotel occupancy declining to 67 percent in 2009 while the average daily room rate decreased by 18.4 percent. Hotel projects completed in 2009 included the Wit with 298 rooms and Hotel Felix with 230 rooms. Additionally, the 661 room Swissotel completed the $120 million upgrade of all guest rooms and the expansion of its meeting and ballroom space totaling 55,000 square feet.

The 2009 national unemployment rate reached 9.275 percent up from 5.82 percent in 2008. The City saw a similar trend as its unemployment rate increased to 10.0 percent in 2009 up from 6.4 percent in 2008.

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CITY OF CHICAGO. ILLINOIS MANAGEMENT'S DISCUSSION AND

ANALYSIS YEAR ENDED DECEMBER 31, 2009 - Concluded

On December 2, 2009, the City Council approved the City's 2010 General Fund Budget in the amount of $3,179.7 million. This budget reflects a decrease over the 2009 General Fund budget of $6.8 million or under 1.0 percent over the 2009 General Fund budget. The City's 2010 budget includes $114.0 million in expense reductions, some of which are extensions of those implemented in 2009. Reductions include the elimination of 220 vacant positions across all departments and the elimination of cost-of-living increases for non -union employees. Additional cost saving measures include fuel cost savings, equipment rental savings, real estate lease renegotiations, debt refunding and the closure of TIF districts. The City will also temporarily leverage some of its existing asset concession proceeds to manage the revenue decline brought on by the national economic recession.

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 ASSETS December 31, 2009
(Amounts are in Thousands of Dollars)

Governmental Activities

ASSETS

Cash and Cash Equivalents	$ 1,606,394	
Investments	801,904	
Cash and Investments with Escrow Agent	491,626	
Receivables (Net of Allowances):		
Property Tax	1,323,772	
Accounts	702,258	
Internal Balances	(9,134)	
Inventories	19,658	
Restricted Assets:		
Cash and Cash Equivalents	122,075	
Investments	757,147	
Other Assets	290,472	
Capital Assets:		
Land, Improvements, Art, and Construction in Progress	1,611,197	
Other Capital Assets, net of Accumulated Depreciation	5,700,333	
Total Capital Assets		7,311,530
Total Assets	$ 13,417,702	

LIABILITIES AND DEFERRED INFLOWS

Voucher Warrants Payable	$ 427,573	
Short-term Debt	672	
Accrued Interest	138,294	
Accrued and Other Liabilities	786,128	
Unearned Revenue	95,343	
Long-term Liabilities:		
Due Within One Year	274,506	
Long-term Purchase Obligation		
Due in More Than One Year	11,848,298	
Total Liabilities		13,570,814
Deferred Inflows	1,681,459	

NET ASSETS /

Invested in Capital Assets, Net of Related Debt	251,103	
Restricted for:		
Capital Projects	13,725	
Long-term Reserve	1,302,319	
Debt Service	1,099,797	
Federal, State and Local Grants	13,050	
Special Taxing Areas	1,306,237	
Passenger Facility Charges		
Noise Mitigation Program		
Other Purposes		
Unrestricted (Deficit)	(5,820,802)	
Total Net Assets		$ (1,834,571)

Primary Government

Total

1,701,571 916,321 491,626

1,323,772 959,085

34,770

912,325 1,745,429 793,945

3,953,190 14,275,815 18,229,005

Business-type Activities

$ 95,177 114,417

256,827 9,134 15,112

790,250 988,282 503,473

2,341,993 8,575,482

10,917,475

746,955 672 319,699 915,080 247,825

494,631 14,291 21,214,158

$ 13,690,147 $ 27,107,849

319,382 $

181,405 128,952 152,482

23,953,311 3,419,035

220,125 14,291 9,365,860

2,537,761

192,187 1,302,319 1,139,829 13,050 1,306,237 203,752 207,850 191,813 (7,359,295)

10,382,497 1,737,576

2,286,658 178,462 40,032

203,752 207,850 191,813 (1,538,493) $ 1,570,074 $ (264,497)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS STATEMENT OF ACTIVITIES Year Ended December 31, 2009 (Amounts are in Thousands of Dollars)

Functions/Programs

Primary Government Governmental Activities:
General Government $
Public Safety
Streets and Sanitation
Transportation
Health
Cultural and Recreational
Interest on Long-term Debt
Total Governmental Activities

Expenses

2,364,754 2,521,151 297,156 351,101 166,914 129,996 386,125 6,217,197
Licenses, Permits,
Fines and Charges for Services

382,617 158,490 30,990 24,895 2,504 22,375

621,871

Business-type Activities:			
Water	382,502	410,213	
Sewer	169,982	175,163	
Chicago Midway International Airport	206,613	122,301	
Chicago-O'Hare International Airport	811,710	624,443	
Chicago Skyway	11,775		
Total Business-type Activities		1,582,582	1,332,120
Total Primary Government	$ 7,799,779 $	1,953,991	

See notes to basic financial statements.

Program Revenues

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Operating Capital
Grants and Grants and
Contributions Contributions

Governmental Business-type
Activities Activities Total

$ 435,503 $ 3,357 $ (1,543,277) $ - $ (1,543,277)
44,400 - (2,318,261) - (2,318,261)
(266,166) - (266,166)
111,904 (214,302) - (214,302)
115,204 - (49,206) - (49,206)
16,194 - (91,427) - (91,427)
- - (386,125) - (386,125)
611,301 115,261 (4,868,764) (4,868,764)

27,711 27,711
5,181 5,181
39,862 - (44,450) (44,450)
171,312 - (15,955) (15,955)
- - (11,775)(11,775)
- 211,174 - (39,288) (39,288)
$ 611,301 $ 326,435 (4,868,764) (39,288) (4,908,052)

General Revenues Taxes:					
Property Tax	797,026	-797,026			
Utility Tax	579,101	-579,101			
Sales Tax	252,282	-252,282			
Transportation Tax	333,199	-333,199			
Transaction Tax	205,026	-205,026			
Special Area Tax	501,042	-501,042			
Recreation Tax	154,038	-154,038			
Other Taxes	96,944	-96,944			
Grants and Contributions not Restricted to Specific Programs	601,198	-601,198			
Unrestricted Investment Earnings	31,520	15,024	46,544		
Miscellaneous	238,126	8,941	247,067		
Total General Revenues		3,789,502	23,965		3,813,467
Transfers	-	-	-		
Change in Net Assets			(1,079,262)	(15,323)	(1,094,585)
Net Assets - Beginning	(755,309)	1,585,397	830,088		
Net Assets - Ending		$ (1,834,571)	$ 1,570,074	$ (264,497)	

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Exhibit 3
CITY OF CHICAGO, ILLINOIS BALANCE
SHEET GOVERNMENTAL FUNDS December
31, 2009
(Amounts are In Thousands of Dollars)

	General	
ASSETS		
Cash and Cash Equivalents	$ 2,477	
Investments	10	
Cash and Investments with Escrow Agent		
Receivables (Net of Allowances):		
Property Tax		
Accounts	205,635	
Due From Other Funds	293,587	
Due From Other Governments	181,302	
Inventories	19,658	
Restricted Cash and Cash Equivalents		
Restricted Investments		
Other Assets	-	
Total Assets		$ 702,669
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE Liabilities:		
Voucher Warrants Payable	$ 128,551	
Bonds, Notes and Other Obligations Payable - Current		
Accrued Interest		
Due To Other Funds	256,721	
Accrued and Other Liabilities	247,849	
Claims Payable	10,482	
Deferred Revenue	4,360	

Total Liabilities		647,963
Deferred Inflows		
Fund Balance:		
Reserved for Encumbrances	32,390	
Reserved for Resale Property		
Reserved for Inventory	19,658	
Reserved for Debt Service		
Reserved for Long-term Trust Fund		
Unreserved, Designated for Future Appropriations		
Unreserved, Undesignated - Major Funds	2,658	
Unreserved, Undesignated - Special Revenue Funds		
Unreserved, Undesignated - Capital Projects Funds	-	
Total Fund Balance	54,706	
Total Liabilities, Deferred Inflows and Fund Balance	$ 702,669	

Federal, State and Local Grants

$

46,666 9,083

24,558 45,513 152,148

17,397

S 295,365

$ 133,141

54,967 3,224

90,983 282,315

17,397

(4,347)

13,050 $ 295,365

Special Taxing Areas

1,088,549 134,848

380,257 1,538 5,212

$ 1,610,404

20,689

9,382 2,313

345,256
377,640

37,087

1,195,677

1,232,764 $ 1,610,404

See notes to basic financial statements.

Concession Agreements	Service Reserve	Redemption and Interest	Community Bond, Note and Improvement Projects	Development Governmental Funds Funds	Other Total Governmental
$ -	$ 291,120	$ 653	$ 10,488	S 166,441	$ 1,606,394

127,138 89,220 408,198 33,407 801,904
361,946 -129,680491,626

482,059 -461,4561,323,772
6,979 56,314 1,691 22,147 318,862
25,068 34,938 98,066 502,384
1,510 - 48,436 383,396
19,658
122,075 - --122,075
757,147 - --757,147
; - : -_ - 17,397
$ - $ 1,304,459 $ 1,016,770 $ 455,315 $
959,633 $ 6,344,615

$ $ $ - S 53,565
$ 74,874 $ 410,820
147,644 -6,285153,929
133,605 -3,074136,679
2,140 35,293 40,672 139,021 538,196
20,200 37,321 310,907
10,482
- - 443,757 - 410,908 1,295,264
2,140 760,299 114,437 671,483 2,856,277
1,681,459 1,681,459

48,677 29,120 147,274
17,397 19,658
256,471 - 149,647 406,118
880,000 - - - 880,000
422,319 - - - 422,319
(1,681,459) - - 292,201 - (195,270)
80,333 80,333
- - - - 29,050 29,050
(1,681,459) 1,302,319 256,471 340,878 288,150 1,806,879
$ S 1,304,459 $ 1,016,770 $ 455,315 $
959,633 S 6,344,615

Amounts reported for governmental activities in Ihe statement of net assets are different because.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds ... 7,311,530

Other long-term assets are not available to pay for cunent-period expenditures and therefore are defened in the funds. 1,389,531

Certain liabilities, including bonds payable, are not due and payable in the cun-ent period and therefore are not reported in the funds (12,342,511)

Net assets of governmental activities S (1,834,571)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended December 31, 2009
(Amounts are In Thousands of Dollars) ^

	General
Revenues:	
Property Tax	$
Utility Tax	. 481,275
Sales Tax	476,557
Transportation Tax	155,851
State Income Tax	251,820
Transaction Tax	179,641
Special Area Tax	
Recreation Tax	154,038
Other Taxes	82,942
Federal/State Grants	1,714
Internal Service	289,100
Licenses and Permits	100,458
Fines	252,483
Investment Income (Loss)	3,011
Charges for Services	96,705
Miscellaneous	36,031
Total Revenues	2,561,626

857,626 41,044 1,862,914 219,485 26,976 700

354

Expenditures: Current:
General Government
Health
Public Safety
Streets and Sanitation
Transportation

Cultural and Recreational
Employee Pensions
Other
Capital Outlay
3,410 1,568
Debt Service:
Principal Retirement
Interest and Other Fiscal Charges

Total Expenditures	3,014,077
Revenues Over (Under) Expenditures ...	(452,451)

Federal, State and Local Grants

751,555

751,555

431,938 128,999 47,741

115,833 17,146

6,541 3,357

751,555

Special Taxing Areas

371,548

2,967 878 16,788

392,181

149,157 204 559 3,861 45,223 53

404

199,461

192,720

Continued on following pages.

Service Concession Agreements	Reserve	Bond, Note Redemption and Interest	Community Development and Improvement Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 471,218	$ -	$ 334,792	$ 806,010
		22,138	-	75,688579,101	
		25,990	-	1,405503,952	
		15,612	-	161.736333,199	
				95.994	347,814
				25,385	205,026
				116,361	487,909
				154,038	
				14,002	96,944
				753,269	
				16.995	306,095
				100,458	
				15.408267.891	
- .	22,604	(8,682)	6,012	5,608	31,520
				26.974124,557	
21,033	80,000	47,366	9,798	27,110	238,126
21,033	102,604	573,642	15,810	917,458	5,335,909
	7,128	-	-	218,141	1,663,990
					7,565177,812
					2,4971,913,711
					76,785300,131
					73,916261,948
					89.705107,604
				430,915	430,915
				377	7,676
			527,916	88,000	619,273
		394,495		-	37,000
			434,905		
		317,490	-	32,372	351,430
	7,128	711,985	527,916	1,057,273	6,269,395
21,033	95,476	(138,343)	(512,106)	(139,815)	(933,486)

Exhibit 4 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended December 31, 2009
(Amounts are in Thousands of Dollars)

	Federal, State and Local			
General Grants				
Special Taxing Areas				
Other Financing Sources (Uses):				
Issuance of Debt	$58,500	$ -	$	
Premium				
Payment to Refunded Bond Escrow Agent ...	-			
Transfers In	416,135	- 68,182		
Transfers Out	(17,463)		(32,344)	
Total Other Financing Sources (Uses)	457,172	-		35,838
Net Changes in Fund Balance	4,721	- 228,558		
Fund Balance, Beginning of Year	48,443	13,050 1,004,206		
Change in Inventory	1,542	-	-	
Fund Balance, End of Year	$ 54,706	$ 13,050	$ 1,232,764	

See notes to basic financial statements.

24

Service Concession Agreements

Bond, Note Redemption and Interest
Community Development

and Improvement Projects

Nonmajor Governmental Funds

Total Governmental Funds

(1,702,492) (1,702,492)

951,355 (404,845)

546,510
340,324

(213,435) 651,137 (15,194)

762,832
438,094 $ 2,259

16,334 (3,734)

452,953
162,125

150,316 (77,387)

235,054
999,043 2,259 (213,435) 2,253,459 (2,253,459)

787.867

641,986 660,333
624,489 (368,018)
(59,153) 400,031
95,239 192,911

(145,619) 1,950,956 1,542

$ (1,681,459) $ 1,302,319 $ 256,471

25

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, 2009

(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	$ (145,619)	
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 cuneni period	101,786	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	4,149	
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	(370,549)	
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		(669,029)

Change in the net assets of governmental activities	$ (1,079,262)

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES GENERAL FUND (BUDGETARY BASIS) Year Ended December 31, 2009
(Amounts are in Thousands of Dollars)

	Original Budget
Revenues:	
Utility Tax	
Sales Tax	
Transportation Tax	
Transaction Tax	
Recreation Tax	
Business Tax	
State Income Tax	
State Sales Tax	
State Auto Rental	
Federal/State Grants	
Internal Service	
Licenses and Permits	
Fines	
Investment Income	
Charges for Services	
Municipal Utilities	
Leases, Rentals and Sales	
Miscellaneous	
Issuance of Debt, Net of Original Discount	
Budgeted Prior Years' Surplus	

and Reappropriations
Transfers In/Out
Total Revenues
Expenditures: Current:
General Government
Health
Public Safety
Streets and Sanitation
Transportation
Cultural and Recreational
Debt Service:
Principal Retirement
Interest and Other Fiscal Charges

Total Expenditures

Actual Amounts

481,275 224,887 155,851 179,641 154,038 79,557 251,820 251,670 3,385 1,714 289,100 100,458 252,483 3,011 87,520 9,120 10,683 25,413

58,500

1,473 416,135

3,037,734

885,049 41,169 1,862,429 219,618 26,487 700

3,410 1,354

3,040,216

Variance Positive (Negative) ■

(41.991) (37,828) (5,717) (77,609) (8,513) (14,434) (110,225) (33,150) (415) (786) (26,446) (25,532) (41,063) (7,949) . (6,166) 3,220 (13,378) 6.199

58,500

234,545 (148,738)

173,212 1,525
(39,232) 4,286 6,438

27

146,256

Revenues Over (Under) Expenditures .... $

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2009
(Amounts are In Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

	WaterSewer	
ASSETS		
CURRENT ASSETS: Unrestricted Assets:		
Cash and Cash Equivalents	$ 20.012	$ 4,505
Investments	1,532	3.439
Accounts Receivable (Net of Allowances)	99,970	58,521
Due from Other Funds	17,541	35.440
Due from Other Governments		
Inventories	13.817	1,295
Total Unrestricted Assets	152,872	103,200
Restricted Assets:		
Cash and Cash Equivalents	34.639	57.478
Investments	86,384	28,834
Total Restricted Assets	121,023	86,312
Total Current Assets	273,895	189,512
NONCURRENT ASSETS:		
OTHER ASSETS	14,175	10,896
PROPERTY, PLANT AND EQUIPMENT.		
Land	5.083	560
Structures. Equipment and Improvements	2,957,374	1.604,229
Accumulated Depreciation	(736,433)	(364.782)
Construction Work in Progress	172,718	29,490
Total Property. Plant and Equipment...	2.398,742	1.269,497
Total Noncurrent Assets	2,412,917	1,280.393
Total Assets	5 2,686.812	$ 1.469.905

Chicago Midway International Airport

7.049 $ 43.432

12,056 3.564 5

66,106

135.383 94.584

229.967

296.073

117,073

106.918

1,318,793 (293.557) 36,042

1,168,196

1,285,269

$ 1,581.342

Chicago Skyway
Total

2.213 $ 58

57

95,177 114,417

252,979 77,365 3,848 15,112

Chicago-O'Hare International Airport

61,398 $ 65,956
2,328
558,898

82,375 20.820 3,843

790,250 988,282
234,392
1.778,532

562,750 778,480
2,328
1.575.622
1,341.230
10.523
350,806
2.337.430

714,373

5.937.981 (2,158,534) 1,264,200

5,758,020

6,108,826

12.609

490.755 (180,344)

323,020 333.543
503,473

839,543

12,309,132 (3.733,650) 1,502,450

10,917,475

11,420,948

7.684,448 $ 335.871 $ 13,758,378

See notes to basic financial statements.

Business-type Activities - Enterprise Funds

Major Funds

Chicago Midway International Airport
Chicago-O'Hare International Airport

Chicago Skyway

LIABILITIES

CURRENT LIABILITIES: Unrestricted Liabilities:

Voucher Warrants Payable $
Due to Other Funds
Accrued and Other Liabilities
Deferred Revenue

Total Unrestncted Liabilities

Restricted Liabilities:

Current Liabilities Payable From

Restricted Assets

Total Current Liabilities

NONCURRENT LIABILITIES:

Revenue Bonds Payable

Long-lerm Purchase Obligation

Total Noncurrent Liabilities

Total Liabilities

DEFERRED INFLOWS

NET ASSETS

Invested in Capital Assets. Net of

Related Debt

Restricted Net Assets:
Debt Service
Capital Projects
Passenger Facility Charges
Contractual Use Agreement

Noise Mitigation Program
Other
Unrestncted Net Assets

Total Net Assets $

17,085 $
7.808
98,629
60,730
140.994
149,069
429
4,404 31,433
37.844
73.884
116,800
392,198
449.851
136.473
177.530
429
222.953
533.192
620,726
1,070.577
1.196,154
5.837.914
879.731
5.837.914
879.731

1,196,154 1,373,684
9,365.860 14.291
1.016,204
429
6,371.106

9,380,151
1.737,576

10.450,728
391,248
708
958,723
612,920

40.032 158.171 194.132 108,811 102.310 7.412
89,554
1,737.576
323,059
2.286.658
350
9.533
10,408 9.620
30,565 105,540
45,025 5.792

40.032 178,462 203.752 139,376 207.850
38.434
52.920
52.437 (1,538.493)'
(1,725,193)
997.507 $ 453.701 $ 207,658 $ 1,313,342 $ (1,402,134) $ 1,570,074

See notes to basic financial statements.

Exhibit 8

CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2009
(Amounts are in Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

Chicago Midway International Airport
Chicago-O'Hare International Airport

Chicago Skyway

Operating Revenues:
Charges for Services $
Rent
Other
Total Operating Revenues

Operating Expenses'
Personal Sendees
Contractual Services
Repairs and Maintenance
Commodities and Materials
Depreciation and Amortization
General Fund Reimbursements
Other
Total Operating Expenses
Operating Income (Loss)

Nonoperating Revenues (Expenses):
Investment Income
Interest Expense
Passenger Facility Charges
Other
Total Nonoperating Revenues (Expenses)

Transfers Out
Capital Grants
Net Income (Loss)

Net Assets (Deficit) - Beginning of Year

Net Assets (Deficit) - End of Year $

624.443
410,213
175.163
122.301

396.954 $ 13.259

14,403 3,319 66.490

21,878 25,431

39.521 6,727 37,967

47.667

15.426
150,338 54,767 82.518

178.717

116,662

104,549 \ 52,780 1,808 24,534 38.748 60,714 29,722

312,855

97,358

1,332,120

308.811 117.593 188,783

11.775

24,534 298,785

583,002

147,308

11.775

131,521 43.642

234 (38.461)

86,145 161,810

41,441

(25.007)

(11.775)

1,186,461

961 (69,647)

2,584

12,775 (228.708) 120,992 314

1,051 (59,305) 39,862 7,072

145,659

18,499

(19,528)

(11.320)

(66,102)

(94,627)

18,502

(57,755)

15,024 (396,121) 160,854 8,941

(36.327) 243,985

31,256 966,251

(14,113) 467,814

(2,866) 1.316,208

(211,302)

50,320

6,727

50,320 (15,323)

1.585,397

(1,408,861)

997,507 $ 453,701 $ 207,658 $ 1,313,342 $ (1,402,134) S 1.570,074

See notes to basic financial statements.

Exhibit 9

CITY OF CHICAGO, ILLINOIS STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended December 31, 2009 (Amounts are in Thousands of Dollars)

Business-type Activities - Enterpnse Funds

Major Funds

Cash Flows from Operating Activities:

Received from Customers

Payments to Vendors

Payments to Employees

Transactions with Other City Funds

Cash Flows from Operating Activities

Water

$ 383,102 $

(85.965)

(104,550)

(47,752)

144,835

Sewer

158,741 (26,447) (44,039) (28,615)

59,640

Chicago Midway International Airport

$ 137,846 (57,685) (32,175) (4,321)

43,665

Chicago-O'Hare International Airport

666,030 $ (233,800) (135.096)

(50,461)

246.673

Chicago Skyway

Total

1,345,719 (403,897) (315,860) (131,149)

494,813

Cash Flows from Capital and Related Financing Activities: Proceeds from Issuance of Bonds Acquisition and Construction of

Capital Assets

Capital Grant Receipts
Bond Issuance Costs
Payment to Refund Bonds
Principal Paid on Bonds
Interest Paid
Passenger Facility Charges
Noise Mitigation Program
Deposit

(21,208) (37.267)

(185.508) (113,324)

(42,853) (72.479)

50.686

(27,787) 3,344

(38,835) (59,713) 37,944 (23,791) 6,295

259.790

(564,350) 59,908 (184)

(146,795) (285,247) 127.583 (20,564)

310,476

(891,065) 63.252 (184)

(249,691) (454,706) 165,527 (44,355) 6,295

Cash Flows from Capital and Related Financing Activities

Cash Flows from Investing Activities:

Sale (Purchases) of Investments, Net .. .	130,706
Investment Interest	4,629
Cash Flows from Investing Activities	135.335
Net Increase (Decrease) in Cash and Cash Equivalents	(20,670)
Cash and Cash Equivalents, Beginning of Year	75,321

Cash and Cash Equivalents,

End of Year $ 54.651
207,540
91.316

(91.773) 1,040

(90,733)
739,794

(20,843) (98,925) (115,646)
82.826 241,357

61,983 $ 142,432 $ 624,148 $
(3D

308,817 34,610

343,427

(127) (256,211)

2,340 1,141,638

2,213 $ 885.427

See notes to basic financial statements.

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31,2009
(Amounts are In Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

	Water
Reconciliation of Operating Income to Cash Flows from Operating Activities:	
Operating Income (Loss)	$ 97,358
Adjustments to Reconcile.	
Depreciation and Amortization	38,748
Provision for Uncollectible Accounts	10,396
Change in Assets and Liabilities:	
(Increase) Decrease in Receivables	(25,655)
(Increase) Decrease in Due From Other Funds	2,771
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	15,518
Increase (Decrease) in Defen-ed Revenue and Other Liabilities	5,121
(Increase) Decrease in Inventories and Other Assets	578
Cash Flows from Operating Activities	$ 144,835

Chicago Chicago-

Midway
International
Sewer Airport

O'Hare
International Chicago
Airport Skyway Total

43,642 $ (25.007) $ 41.441 $
47,667 (968)

(3.850) (388)

5,507

20,704
178,717 2.153

(5,685) (3.449)

(13,842)

47,338
21,878 5,803

(15,210) (7,569)

4,264

6,826

6

(11,775) $ 145,659

11,775 298.785 17,384

(50,400) (8,635)

11,447

79,989

- 584

$ 494,813

Supplemental Disclosure of Noncash Items: Capital asset
additions in 2009 included in accounts payable
and accrued and other liabilities $ 21,942 $ 41,168 $ 20,484 $ 133,808 $ $ 217,402

See notes to basic financial statements.

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Exhibit 10
CITY OF CHICAGO, ILLINOIS STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS
December 31, 2009
(Amounts are in Thousands of Dollars)

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$ 232,167	S 5,322
Investments	-	55,100
Investments, at Fair Value Bonds and U.S. Government Obligations	2,031,978	
Stocks	6,233.313	
Mortgages and Real Estate	360,355	
Other	1,625,841	
Cash and Investments with Escrow Agent	-	14,119
Property Tax Receivable	-	94,756
Accounts Receivable, Net	665,065	212,580
Due From City -.	26,678	
Invested Securities Lending Collateral	1,352,612	-
Totat Assets	$ 12,528,009	S 381,877
LIABILITIES		
Voucher Warrants Payable	$ 298,549	$ 18,987
Accrued and Other Liabilities	362,890	-
Securities Lending Collateral	1,352,612	-
Total Liabilities	1,651,161	381,877
NET ASSETS		
Reserved for Employee Benefit Plans	10,876,848	
Total Net Assets	$ 10,876,848	

See notes to basic financial statements.

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Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET ASSETS FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2009
(Amounts are in Thousands of Dollars)

	Total		
ADDITIONS Contributions:			
Employees	$ 285,738		
City	447,255		
		Total Contributions	732,993
Investment Income: Net Appreciation in Fair Value of Investments	1,568,421		
Interest, Dividends and Other	230,888		
Investment Expense	(42,713)		
		Net Investment Income	1,756,596
Securities Lending Transactions:			
Securities Lending Income	44,215		
Securities Lending Expense	(8,457)		
Net Securities Lending Transactions	35,758		
Total Additions	2,525,347		
DEDUCTIONS			
Benefits and Refunds of Deductions	1,472,537		
Administrative and General	19,347		
Total Deductions	1,491,884		
Net Increase in Net Assets	1,033,463		
Net Assets Held in Trust for Pension Benefits:			
Beginning of Year	9,843,385		
End of Year	$ 10,876,848		

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

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 Government Accounting Standards Board (GASB).

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are cleariy 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 property 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 govemment-wide financial statements are reported using the econom/c resources measurement focus and the accrua/ bas/'s 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 accrua/ bas/'s of account/rig. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period with the exception of property tax revenue, which is deferred unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

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

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

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

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

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

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

Community Development and Improvement Projects Funds account for proceeds of debt used to acquire property and finance construction and supporting services for various redevelopment projects.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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 airiines that generally specialize in low-cost, point-to-point, origin and destination passenger service. Midway Airport is conveniently located 10 miles from downtown Chicago. The Chicago Department of Aviation celebrated the completion of the historic Midway Airport Terminal Development Program in 2004, an eight year program that transformed Chicago's southwest side airport. Throughout the redevelopment of Midway, the airport experienced record-breaking growth, and today remains one of the fastest growing airports in the nation.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airiines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 157 gates, serve domestic flights and certain international departures. The International Terminal, having a total of 21 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

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

i) Cash, Cash Equivalents and Investments generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt.

The Code permits deposits only to City Council-approved depositories, which must be regulariy 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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

Repurchase agreements can be purchased only from banks and certain other institutions authorized to do business in the State. The City Treasurer requires that securities that are pledged to secure these agreements have a market value equal to the cost of the repurchase agreements plus accrued interest.

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

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

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

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

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

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

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

iv) Assets Held for Resale includes land and buildings of $17.4 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 in the basic financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the cunent fiscal year was $809.5 million, of which $64.7 million was capitalized as part of the capital assets under construction projects in proprietary funds.

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

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

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

vii) Employee Benefits are granted for vacation and sick leave, workers' compensation and health care. Unused vacation leave is accrued and may be carried over for one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees are eligible to defer a portion of their salaries until future years under the City's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Third-party administrators who maintain the investment portfolio administer the Plan. The plan's assets have been placed in trust accounts with the plan administrators for the exclusive benefit of participants and their beneficiaries and are not considered assets of the City.

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former

employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

viii) Judgments and claims are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In the fund financial statements, expenditures for judgments and claims are recorded on the basis of settlements reached or judgments entered within the current fiscal year. Amounts that related to deferred compensatory time and reserves for questioned costs are treated the same way.

ix) Long-term obligations are included in the government-wide financial statements and proprietary fund types in the fund financial statements. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these arrangements, no amounts are recorded in the financial statements. 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.

x) 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.

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

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

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

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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

2) Reconciliation of Government-wide and Fund Financial Statements

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

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,389.5 million are as follows (dollars in thousands):

Deferred revenue - property tax	$ 1,199,921		
Other assets - pension excess	206,362		
Accounts payable - infrastructure retainage		(16,752)	
Net adjustment to increase fund balance - total governmental funds - to arrive at net assets - governmental activities			$ 1,389,531

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 $12,342.5 million are as follows (dollars in thousands):

Long-term liabilities:			
Total bonds, notes and certificates payable	$ 7,835,419		
Pension obligation	3,453,365		
Lease obligation	169,282		
Pollution remediation	37,368		
Claims and judgments		627,370	
Total Long-term liabilities			12,122,804
Bonds, notes and other obligations payable current	(153,257)		
Other assets - issuance costs	(70,267)		
Accrued interest	5,170		
Accrued and other liabilities - pension accrual			
Accrued and other liabilities - other post employment benefits	329,040		
Accrued and other liabilities - compensated absences		109,021	

Net adjustment to reduce fund balance - total governmental funds - to arrive at net assets - governmental activities	$ 12,342,511

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

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $101.8 million are as follows (dollars in thousands):

Capitalized asset expenditures	$ 482,741	
Depreciation expense	(374,180)	
Loss - disposal of equipment		(6,775).
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	101,786

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets." The details of this $370.5 million are as follows (dollars in thousands):

Proceeds of debt	$ (999,043)	
Premium	(2,259)	
Payment of refunded bond escrow agent	213,435	
Principal retirement	434,905	
Payment of cost of issuance	x11,607	
Interest expense		(29,194)
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(370,549)

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 $669.0 million are as follows (dollars in thousands):

Claims and judgments	$ (22,309)	
Pension benefit liability	(577,247)	
Other post employment benefits	(59,765)	
Vacation	(2,195)	
Lease obligations	(9,055)	
Inventory		1,542

Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net assets - governmental activities	$	(669,029)

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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 and Health and Welfare nonmajor Special Revenue Funds, on a non-GAAP budgetary basis:

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

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

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

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

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

b) Reconciliation of GAAP Basis to Budgetary Basis - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are reflected as reservations of fund balances for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior "years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2009 is as follows (dollars in thousands):

	General Fund	
Revenues, GAAP Basis	$ 2,561,626	
Add:		
Proceeds of Debt		58,500
Transfers In		416,135
Prior Year's Surplus Utilized		1,473
Revenues, Budgetary Basis	S 3,037,734	
Expenditures, GAAP Basis	S 3,014,077	
Add:		
Transfers Out		17,463
Encumbered in 2009		26,189
Deduct:		
Payments on Prior Years' Encumbrances		(17,159)
Provision for Doubtful Accounts		(354)

Expenditures, Budgetary Basis $ 3,040,216

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

c) Individual Funds over Budget includes the Motor Fuel Tax Fund ($8.6 million).

d) Individual Fund Deficits include the Vehicle Tax Fund, Motor Fuel Tax Fund, the Special Events, Tourism, Festivals Fund, and Service Concession Agreements Fund, which are Special Revenue Funds, and the Chicago Skyway Fund, an Enterprise Fund, have fund deficits of $5.3 million. $26.2 million, $6.7 million, $1,681.5 million, and $1,402.1 million, respectively, which management anticipates will be funded through operations.

4) Restricted and Unrestricted Cash, Cash Equivalents and Investments

a) Investments As of December 31, 2009, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
	Less Than 1	IJj	6-10	More Than 10	Fair Value
City Funds					
U.S. Treasuries	$ 112,480$	1.063 [1]	$ -	S 29.282$	142.825
U.S. Agencies '.	341,977	1,567.191	236,806	490,3052,636,279	
Commercial Paper					
Corporate Bonds	259	-	-	78,05878,317	
Corporate Equities	336	-	-	-336	
Certificates'of Deposit and Other Short-tenn	2,725,911	:	:	:	2,725,911
Total City Funds	$ 3,180.963$	1,568,254	$ 236,806	$ 597,645$	5,583,668
Pension Trust Funds					
U.S. and Foreign Government Agencies	83.616	$ 208.716	$ 163,273	$ 401.414	$ 857,019
Commercial Paper					
Corporate Bonds	166,057'	387,241	275.288	370.746	1,199.332
Corporate Equities	5,989,836-	-	-		5.989,836
Pooled Funds	1,024.293 "'•	-	-	-	1.024,293
Real Estate	365.995-	-	-		365,995
Investments Held by Master Custodian under Secunties Loans... .-					
Securities Received from Secunties Lending	1,352,612-	-	-		1.352.612
Venture Capital	380.490-	-	-		380,490
Certificates of Deposit and Other Short-term	554,959	-	-	-	554,959
Other	105,848--'	-			105,848
Total Pension Trust Funds	$ 10,023,706	$ 595.957	$ 438,561	$ 772,160	$ 11,830,384
Total	$ 13,204,669	$ 2,164,211	$ 675,367	$ 1,369,805	$ 17,414,052

i) /nterest 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.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

ii) Credit R/sk The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (dollars in thousands):

Quality Rating	City	Pension Trust Funds
Aaa/AAA	$ 5,371,845$ 426,664	
Aa/AA	73,50882,475	
A/A	-243,809	
Baa/BBB	-/277,286	
Ba/BB	-87,265	
B/B	-88,755	
Caa/CCC	-44,572	
Ca	-3,366	
CC/C	-1,101	
DID	-452	
Not Rated	-373,630	
Not Applicable	138,315	477,912
Total Funds	$ 5,583,668 J	2,107,287

iii) Custod/a/ Cred/t Risk - Cash and Cert/f7cates ori Depos/t This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City's deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $301.9 million. Of the bank balance, 100 percent was either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

iv) Custod/a/ Cred/t R/sk - /nvestments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in corporate bonds of $78.3 million the City has no custodial credit risk exposure because the related securities are insured, registered and held by the City.

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

Foreign Currency Risk		
Australian dollar		$ 81,709
Brazilian real	59,123	
British pound	304,118	
Canadian dollar	79,323	
Chilean peso	2,918	
Columbian peso	1,245	
Czech Republic koruny	766	
Danish krone	18,432	
Egyptian pound	2,229	
European euro	457,702	
Hong Kong dollar	129,675	
Hungarian forint	1,231	
Indian rupee	27,958	
Indonesian rupiah	11,595	
Japanese yen	309,898	
Malaysian ringgit	6,915	
Mexican peso	19,733	
Moroccan dirham	177	
New Israeli shekel	5,151	
New Taiwan dollar	38,292	
New Zealand dollar	2,212	
Norwegian krone	18,111	
Pakistan rupees	213	
Philippines peso	512	
Polish zioty	2.253	
Singapore dollar	35,224	
South African rand	28.083	
South Korean won	39,056	
Swedish krona	37.789	
Swiss franc	119.192	
Thailand baht	4,211	
Turkish lira	7,599	
United Arab Emirates dirham	564	
Total Pension Tmst Funds	~$ 1,853,209	

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

Per Note 4:		
Investments - City		5,583,668
Investments - Pension Trust Funds		11,830,384
	$	17,414,052
Per Financial Statements:		
Restricted Investments		S 1,745,429
Unrestricted Investments		916,321
Investments with Fiduciary Funds		10,306,587
Investments with Escrow Agent		505,745
Invested Securities Lending Collateral		1,352,612
Investments included as cash and cash equivalents on the Statements of Net Assets	2,587,358	
		$ 17,414,052

5) Property Tax

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

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

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

The County Clerk computes the annual tax rate by dividing the levy by the Assessment Base and then computes the rate for each parcel of real property by aggregating the tax rates of all governmental units having jurisdiction over that particular parcel. The County Treasurer then issues the tax bills. Property taxes are deposited with the County Treasurer, who remits to the City its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year on March 1 and August 1 or 30 days from mailing of tax bills if later than July 1. The first installment is estimated and is one-half 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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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, 2009 represent due from/to balances among all funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental activities:		
General	$ 293,587	$ 256,721
Federal, State and Local Grants	45,513	54,967
Special Taxing Areas	5.212	9,382
Reserve	-	2,140
Bond, Note Redemption and Interest	25,068	35,293
Community Development and Improvement Projects....	34,938	40,672
Nonmajor governmental funds	98,066	139,021
Total Governmental activities	502,384	538,196
Business-type activities:		
Water	17,541	45,345
Sewer	35,440	10,017
Chicago Midway International Airport	3,564	7,808
Chicago-O'Hare International Airport	20,820	5,046
Chicago Skyway	-_	15_
Total Business-type activities	77,365	68,231
Fiduciary activities:		
Pension Trust	26,678	
Total Fiduciary activities	26,678	
Total	$ 606,427	$ 606,427

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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

b) The following balances at December 31, 2009 represent interfund transfersamong all funds (dollars in

thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental activities:		
General	$ 416,135	$ 17,463
Federal, State and Local Grants		
Special Taxing Areas	68,182	32,344

Service Concession Agreements	-1,702,492-
Reserve	951,355404,845
Bond, Note Redemption and Interest	651,13715,194
Community Development and Improvement Projects....	16,3343,734
Nonmajor governmental funds	150,31677,387
Total Governmental activities	2,253,4592,253,459

Transfers are used to move revenues from the fund that 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, 2009 was as follows (dollars in thousands):

	Balance January 1, 2009	Additions	Disposals and Transfers	Balance December 31, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	S 1,271,593	$ 101,149	$	1,372,742
Works of Art and Historical Collections	11,632	1,500		13,132

Construction in Progress	345,457	261,380	(381,514)	225,323
Total capital assets, not being depreciated	1,628,682	364,029	(381,514)	1,611,197
Capital assets, being depreciated:				
Buildings and Other Improvements	2,115,543	136,571		2,252,114
Machinery and Equipment	1,146,951	89,553	(23,619)	1,212,885
Infrastructure	6,333,755	275,357		6,609,112
Total capital assets, being depreciated	9.596,249	501,481	(23,619)	10,074,111
Less accumulated depreciation for:				
Buildings and Other Improvements	603.545	58,781		662,326
Machinery and Equipment	802,804	91,069	(16,844)	877,029
Infrastructure	2,610,093	224,330		2,834,423
Total accumulated depreciation	4,016,442	374,180	(16,844)	4,373,778
Total capital assets, being depreciated, net	5,579,807	127,301	(6,775)	5,700,333
Total governmental activities :	$ 7,208,489	S 491,330	$ (388,289)	$ 7,311,530
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 791,345	$ 48,198	$ -	S 839,543
Construction in Progress	1,134,996	710,291	(342,837)	1,502,450
Total capital assets, not being depreciated	1,926,341	758,489	(342,837)	2,341,993
Capital assets, being depreciated:				
Buildings and Other Improvements	11,213,067	564,488	(35,759)	11,741,796
Machinery and Equipment	543,232	26.561	(2,457)	567,336
Total capital assets, being depreciated	11,756,299	591,049	(38,216)	12,309,132
Less accumulated depreciation for:				
Buildings and Olher Improvements	3,205,576	250,240	(632)	3,455,184
Machinery and Equipment (.	265,194	14,661	(1,389)	278,466
Total accumulated depreciation	3,470,770	264,901	(2,021)	3,733,650
Total capital assets, being depreciated, nel	8.285,529 ■	326,148	(36,195)	8,575,482
Total business-type activities	$ 10,211,870	$ 1,084,637	$ (379,032)	$ 10,917,475
Total Capital Assets	$ 17,420,359	$ 1,575,967	$ (767,321)	S 18,229,005

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

b) Depreciation expense was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:		
General government		$ 70,553
Public safety		37,268
Streets and sanitation		13,115
Transportation		227,169
Health	.■	2,829
Cultural and recreational		23,246
Total depreciation expense - governmental activities	$ 374,180	
Business-type activities:		
Water		$ 39,119
Sewer		21,336
Chicago Midway International Airport		39,872
Chicago-O'Hare International Airport		152,911
Chicago Skyway		11,663
Total depreciation expense - business-type activities	$ 264,901	

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $17.3 million for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows (dollars in thousands):

2010		$ 17,517
2011		16,926
2012		15,949
2013		15,575
2014		10,559
2015-2019	:	6,460
Total Future Rental Expense	:..	82,986

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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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	Total	
December 31,		
2010	$ 1,303	
2011	10,216	
2012	12,731	
2013	9,104	
2014	9,000	
2015-2019	48,980	
2020-2024	90,021	
2025 - 2029	2,000	
2030 - 2032		165,164
Total Minimum Future Lease Payments	348,519	
Less Interest		179,237
Present Value of Minimum Future Lease Payments	$ 169,282	

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 noncancellable operating leases as of December 31, 2009 (dollars in thousands):

2010	$ 86,331	
2011	69,798	
2012	69,720	
2013	69,086	
2014	20,104	
2015-2019	66,939	
2020-2024	8,144	
2025 - 2029	9,433	
2030 - 2034		7,651
Total Minimum Future Rental Income	$	407,206

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 $348.7 million, including contingent rentals of $71.9 million.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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 noncancellable operating leases as of December 31, 2009 (dollars in thousands):

2010	$ 18,524
2011	18,543
2012	15.412

2013	15,420	
2014		14,654
Total Minimum Future Rental Income	$	82,553

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 ramp rentals and automobile parking, amounted to $89.3 million, including contingent rentals of $34.6 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, 2009, 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, 2009 was as follows (dollars in thousands):

	Balance January 1, 2009	Additions	Reductions	Balance Due December 31, 2009	Amounts within One Year
Governmental activities: Bonds, notes and certificates payable:					
General obligation debt	$ 6,455,979	$ 908,151	$ 500,703	$ 6,863,427	$ 155,092
Installment purchase agreement	5,500	-2,000	3,500	2,300	
Tax increment	210,213	-24,055	1 86,158	21,350	

Revenue	562,690	90,892	88,740	564,842	5,425
	7,234,382	999.043	615,498	7.617,927	184,167
Less unamortized debt refunding transactions	134,773	33.090	8,053	159,810	
Add unamortized premium	179,514	2,259	8.426	173,347	
Add accretion of capital appreciation bonds	185,454	29.049	6.625	207.878	1.522
Less converted portion of conversion bonds	7,637	-	3,714	3,923	-
Total bonds, notes and certificates payable	7,456,940	997.261	618.782	7.835,419185.689	
Other liabilities:					
Pension obligations	2,874,722	578.643	-3,453,365		
Lease obligations	207.065	9,055	46,838	169,282	1,303
Pollution Remediation	33.200	4,168	-37,368		
Claims and judgments	609,230	18,140	; 627,370	87,514	
Total other liabilities	3,724,217	610,006	46,838	4,287,385	88,817
Total governmental activities	$ 11,181,157	$ 1,607,267	$ 665,620	$ 12.122.804	$ 274,506
Business-type activities: Revenue bonds and notes payable:					
Water	$ 1,503.924	$ -	$ 39.085	$ 1,464.839$ 40.521	
Sewer	924,049	-21,209	902,840	24,030	
Chicago-O'Hare International Airport	5,785.105	259,790	146.795	5.898,10096,890	
Chicago Midway International Airport	1,254,664	61,360	49,509	1,266,51554,650	
	9,467,742	321,150	256,598	9.532,294	216,091
Less unamortized debt refunding transactions	148,883	-12,128136,755			
Less unamortized discount (premium)	(125,342)	10,257	867	(115,952)	
Add accretion of capital appreciation bonds	69,358	8,904	3,768	74,494	4,034
Total business-type activities	$ 9,513,559	$ 319,797S 247,371	$ 9.585,985$ 220.125		
Total long-term obligations	$ 20.694,716	$ 1.927,064	$ 912.991	$ 21,708,789	$ 494,631

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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

b) Issuance of New Debt

I) General Obligation Notes

The General Obligation Tender Notes, Series 2009 ($70.4 million) were sold in July 2009 at an initial short-term intermediate rate of 1.34 percent through July 8, 2010. The notes mature no later than May 31, 2011. The Series 2009 notes were issued to meet cash flow requirements of the City's Library Funds; the notes are payable from tax collections in the following year or from any other resources legally available to the City. Principal payments for the notes do not require the current appropriation and expenditure of Governmental Fund financial resources.

At the discretion of the City, the notes may bear interest at a weekly, short-term intermediate or fixed rate. Interest on notes in the short-term intermediate mode is payable on the first business day immediately following the short-term intermediate rate period. Interest on the notes in the weekly mode is payable on the first business day of each month. Interest on notes in the fixed mode is payable on each January 31 and July 31.

The City has appointed a remarketing agent for the notes in the weekly and short-term intermediate modes. The remarketing agent will use its best efforts to resell the notes at favorable rates following either an optional or mandatory tender. In the event the remarketing agent is unable to resell the notes, the City has obtained an unconditional, irrevocable letter of credit which may be drawn upon for the purchase of the notes until the remarketing agent is able to resell the Series 2009 notes.

The letter of credit securing the Series 2009 notes totals $71.8 million and terminates on the eariiest of June 6, 2011 or upon redemption of the notes. Advances under the letter of credit (none at December 31, 2009) are due on two years from the date of the advance. Advances bear interest from the date of advance through the 60lh day at the greater of the prime rate or the sum of the one-month LIBOR rate plus two percent per annum (Base Rate) plus .75 percent. For the period from the date 61 days after any advance through the date 180 days after the date of any advance, the Base Rate plus.1.75 percent. Thereafter until due and payable, advances bear interest at the Base Rate plus two percent. Upon the occurrence of an event of default, the interest rate per annum shall equal the Base Rate plus 3.5 percent and interest shall be payable upon demand. The'maximum rate of interest cannot exceed 18.0 percent. The letter of credit was issued by a third-party financial institution that is expected to be financially capable of honoring its agreements.

During 2009, the City issued $135.7 million in commercial paper notes for certain capital and operating uses.

In 2009, the City entered into a promissory note for $91.0 million for the Michael Reese Hospital Site. The promissory note has an interest rate of 5.0 percent through June 29, 2014 and a rate of 7.5 percent thereafter until maturity which is June 30, 2024.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

ii) General Obligation Bonds

General Obligation Bonds, Project and Refunding Series 2008C-E (5611.0 million) were sold at a discount in January 2009. The bonds have interest rates ranging from 1.0 percent to 6.05 percent and maturity dates from January 1, 2010 to January 1, 2040. Net proceeds of $603.0 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; the funding of litigation judgments or settlement agreements involving the City, including escrow accounts or other reserves needed for such purposes; payment of certain pension contributions; providing for facilities, services, and equipment to protect and enhance public safety; and other uses permitted by the Ordinance ($405.4 million); and to advance refund certain maturities of general obligation bonds outstanding ($116.9 million; and to fund capitalized interest ($80.7 million). The advance refunding of the bonds increased the City's total debt service payments by $133.0 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of $20.5 million.

iii) Sales Tax Revenue Bonds

Sales Tax Revenue Refunding Bonds, Series 2009A-C ($90.9 million) were sold at a premium in October 2009. The bonds have interest rates ranging from 3.75 percent to 6.0 percent and maturity dates from January 1, 2018 to January 1, 2034. Net proceeds of $96.7 million will be used to advance refund certain maturities of the outstanding Sales Tax Revenue

Bonds. The advance refunding of the bonds increased the City's total debt service payments by $66.4 million and resulted in an economic loss (difference between the present values of the debt service on the old and new debt) of $11.7 million.

iv) Enterprise Fund Revenue Bonds and Notes

During 2009, $259.8 million of Chicago-O'Hare International Airport Commercial Paper Notes, Series A, B and C were issued. The proceeds were used to finance portions of the costs of authorized airport projects, to repay the expenses of issuing the notes and refund a portion of certain outstanding bonds.

During 2009, $61.4 million of Chicago Midway International Airport Commercial Paper Notes, Series A, B and D were issued. The proceeds were used to repay debt obligations that were in bank mode, finance portions of the cost of authorized airport projects and refund a portion of certain outstanding bonds.

During 2009, the City terminated the interest rate swap agreement with Lehman Brothers for the Series 2008C Wastewater Transmission Revenue Bonds. The City paid $38.1 million to terminate the swap and received an up-front payment to execute a new swap of $38.7 million. The termination fee and the 2009 portion of the upfront payment are recorded within other non-operating expense, net within the statements of revenues, expenses, and changes in net assets.

v) Financial Market Related Conversions

The global economic downturn has adversely impacted the City's variable rate debt. The credit crisis and the effect on monoline insurers' credit ratings, as a result of their exposure to subprime mortgages, have resulted in downgrades by the major rating agencies. As a result in 2008 and 2009, credit spreads increased on the City's variable rate debt, especially with insured bonds; therefore the City refinanced or converted many of its variable rate debt issues. In 2009, the City utilized liquidity facilities to convert two variable rate issues in the amount of $409.2 million and thereby removing the monoline insurers or

impaired banks providing credit support. The remaining bond series that were unable to be remarketed and are still in bank bond mode have the annual debt service requirements disclosed based on the repayment terms in effect at December 31, 2009.

c) Annual requirements listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2010 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2009 are as follows (dollars in thousands):

	General Obligation		Installment Purchase		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 165.785	$ 303,484	$ 2,300	$ 229	$ 22,990	$ 10,082
2011	244,391	313,265	1,2004725,0408,793			
2012	174,765	307,884	--20,8157,389			
2013	223,362	299,205	--30,2646,212			
2014	231,179	294,291	--15,23711,853			
2015-2019	1,364,901	1,314,628	-	-51,775	13,093	
2020-2024	1,431,340	1,007,008	-	-13,750	1,661	
2025-2029	1,199,797	701,664 -				
2030-2034	972,938	421,922 -				
2035-2039	503,314	187,913 -				
2040 - 2044	*50,270*	*3,137*	-	-	-	-_
	$ 6,562,042	$ 5,154,401	$ 3,500	$ 276	$ 179,871	$ 59,083

	Revenue		Business-type Activities	
Year Ending	Principal	Interest	Principal	Interest

December 31,				
2010	$ 5,715	$ 19,303	$ 281,301	$ 432,969
2011	16,295	25,971	270,793	420,210
2012	17,150	25,121	257,927	408,021
2013	18,040	24,227	302,336	400,821
2014	18,980	23,286	294,926	387,919
2015-2019	94,935	102,206	1,631,410	1,728,654
2020-2024	117,455	77,288	1,714,124	1,310,875
2025-2029	134,638	60,420	2,009,098	866,008
2030 - 2034	101,484	67,342	1,936,300	292,686
2035 - 2039	34,725	3,529	336,185	34,934
	$ 559,417	$ 428,693	$ 9,034,400	$ 6,283,097

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, 2009. Standby bond purchase agreements were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

d) Derivatives

i) Pay-Fixed, Receive-Variable Interest Rate Swaps

1) Ob/ect/ve of.tne swaps. In order to protect against the potential of rising interest rates, the City has entered into various separate pay-fixed, receive-variable interest rate swaps at a cost less than what the City would have paid to issue fixed -rate debt.

2) Terms, fair va/ues, and cred/t nsk. The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2009, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. Under the swaps, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (dollars in thousands):

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

Associated Bond Issue

Notional Amounts

Effective Date

Rate Paid

Rate Received

Fair Values
Swap Counter-
Termi- party
nation Credit
Date Rating

GO VRDB (Series 2007EFG)	$ 200,000	11/08/2007	3.998%	SIFMA	$ (15.029)
GO VRDB (Senes 2005D)	222,790	08/17/2005	4.104	SIFMA	(20,095)
Chicago Midway International Airport Revenue Bonds (Series 2004C&D)	152,150	12/14/2004	4.174	SIFMA Plus .05%	(12,963)
Wastewater Transmission Variable Rate Revenue Bonds (Series 20080)"*"	332,230	07/29/2004	3.886	SIFMA	(36,085)
Water Variable Rate Revenue Refunding Bonds (Series 2004)	196,890	08/05/2004	3.8669	SIFMA	(22,501)
Water Variable Rate Revenue Refunding Bonds (Series 2004)	195,335	04/16/2008	3.8694	SIFMA	(21,938)
Second Lien Water Revenue Refunding Bonds (Series 2000)	100.000	04/1672008	3.8694	SIFMA	(13,443)
				66.91% of	

GO VRDB (Series 20038)	202,500	08/07/2003	4.052	10 Yr LIBOR (8,308)
GO VRDB (Series 2003B)		03/02/2008	66.91% of 10 Yr LIBOR	75% of 1 Mo. LIBOR (5,373)
GO VRDB (Neighborhoods Alive 21 Program, Series 2002B)	206,700	10/03/2002	3.575	70% of 1 Mo. LIBOR (15,422)
Sales Tax Revenue Refunding Bonds SIFMA (VRDB Series 2002)	114,575	06/27/2002	4.230	Plus .13% (17,272)
Tax Increment Allocation Bonds 67% (Near North TIF, Series 1999A)	44,900	09/01/1999	5.084	1 Mo. LIBOR (7,045)
Tax Increment Allocation Bonds 67% (Near North TIF, Series 1999B)	3,000	09/01/1999	6.890	1 Mo. LIBOR
Tax Increment Allocation Bonds (Stockyards TIF, Series 1996A&B)...	6,015	02/10/1997	5.375	SIFMA (526)
Total	51,977,085			$ (196,000)

Two counterparties hold 70 and 30 percent respectively. Two counterparties hold 60 and 40 percent respectively. . Three counterparties hold 70, 15 and 15 percent respectively. **** Two counterparties hold 75 and 25 percent respectively.

Wastewater Transmission Variable Rate Revenue Bonds Series 2004A were refunded transferred to Wastewater Transmission variable Rate Revenue Bonds Series 2008C.

Aa1/AA-

01/01/2042 A2/A

A1/A
01/01/2040 Aa1/AA-*
01/01/2035

A1/A Aa1/AA-'

Aa1/AA-
A2/A
Aa1/AA-'
01/01/2039

11/01/2031 Aaa/AA-

11/01/2025 Aa3/A+

11/01/2030 Aa3/A+
01/01/2034

WR/NR Aa1/AA-'
01/01/2037

03/01/2011 Aa1/AA-

Aa1/AA-A2/A""

01/01/2034 Aa1/AA

01/01/2019 A2/A

01/01/2010 A1/AA-

12/01/2014 A2/A

and'the swap

3) Fa/r Value. As of December 31, 2009, the swaps had a negative fair value of $196.0 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.

4) Cred/t R/sk. 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) Bas/'s R/'sk. 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 R/'sk. 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) Term/nat/on R/'sk. 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 assoc/'ated debt. Bonds maturing and interest payable January 1, 2010 have been excluded because funds for their payment have been provided for. As of December 31, 2009, 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):

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

Year Ending December 31,	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 8,720	$ 5,219	$ 73,323	$ 87.262
2011	15,310	5.19372.94493,447		
2012	21,395	5,14472,31098,849		
2013	22.645	• 5,07771,48299,204		
2014	36,955	5,00570,596112,556		
2015-2019	287,255	23,170326.670637,095		
2020-2024	452,360	18,550260,564731,474		
2025-2029	347,725	13,034184,754545,513		
2030 -2034	475,760	7,599109,664593,023		
2035- 2039	262,000	2,41835.726300,144		
2040 - 2044	43,535	143	2,485	46,163
	$ 1,973,660	$ 90,552	$ 1,280,518	$ 3,344,730

ii) Swaptions

1) Objective of the swapf/ons. The City entered into several swaption contracts that provided the City upfront payments totaling $42.1 million. The term swaption refers to the City selling an option to a counterparty to execute a swap at a certain date in the future if certain conditions exist. If the conditions do not exist, the counterparty will not execute the option, no swaptions have been exercised. In the event the options are executed and the City enters into a fixed to floating rate swap, the City would be exposed to the risks as described under Swaps.

2) Terms. The terms, including fair values of the swaptions as of December 31, 2009, are as follows (dollars in thousands):

Associated Bond Issue

Notional Amounts

Trade Date

Variable

Rate

Paid

Fixed Rate Received

Fair Values

Swap Termination Date

Up-Front Payment

GO Bonds
(GO. Series 2001A: GO
Series 2002A: GO, Series 2003A; SIFMA+
and GO, Series 2004A) % 318,670 12/18/2003 30bps

Chicaqo Midway Airport Revenue Bonds (Series 1998A(AMT); Series
1998B(Non-AMT); and Refunding SIFMA+
Series 1998C(Non-AMT)) 383,445 10/27/1999 25bps

Sales Tax Revenue SIFMA+
Bonds (Series 1999) 23.285 06/21/2002 30bps

Sales Tax Revenue Bonds (Series 1998)		69,275	06/21/2002	SIFMA+ 30bps
Sales Tax Revenue Bonds (Series 1997)		60.645	06/21/2002	SIFMA+ 30bps
Total	$ 855.320			

5.000% $ (12,764) 01/01/2024 $ 13,384
23,500
01/01/2030
5.100
4 984
01/01/2019
728
2,562
5 250

(18,052) (314) (2,470)

1.964
5 375
01/01/2028
42.138
(1.952) 01/01/2027
S f35.552)

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

3) Fa/r va/ue. As of December 31, 2009, the swaptions had a negative fair value of $35.6 million. As per industry convention, the fair values of the City's outstanding swaptions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Received, the City's swaptions had negative values. The negative value is also driven by the upfront payment received by the City upon execution of the swaption agreement.

4) Cred/t Risk. The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaptions is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaptions also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

5) Sas/s 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 ris/c are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaptions except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaptions, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date, and it would add additional underlying cost to the transaction.

6) Tax Risk. The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underiying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes

since the execution of the swaption transactions.

7) Term/nat/on Risk. The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

e) Debt Covenants

i) Water Fund - The ordinances authorizing the issuance of outstanding Water Revenue Bonds provide for the creation of separate accounts into which net revenues, as defined, or proceeds are to be credited, as appropriate. The ordinances require that net revenues available for bonds, as adjusted, equal 120 percent of the current annual debt service on the outstanding senior lien bonds and that City management maintains all covenant reserve account balances at specified amounts. The above requirements were met at December 31, 2009. The Water Rate Stabilization account had a balance in restricted assets of $51.4 million at December 31, 2009.

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, 2009.

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, 2009. The Sewer Rate Stabilization account had a balance in restricted assets of $14.6 million at December 31, 2009.

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, 2009.

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, 2009.

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, 2009. 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, 2009.

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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

g) Defeased Bonds have been removed from the Statement of Net Assets because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2009, not including principal payments due January 1, 2010, are as follows (dollars in thousands):

	Amount Defeased	Outstanding
Emergency Telephone System - Series 1993	$ 213,730	$ 148,620
General Obligation Refunding Bonds - Series 1993B	17,535	17,535
General Obligation Refunding Bonds - Series 1995A-2	17,875	13,625
General Obligation Project and Refunding Bonds - Series 1998	271,050	4,975
General Obligation Project and Refunding Bonds - Series 1999A	214,415	21,475
General Obligation Bonds - Series 2000A	233,490	205,850
General Obligation Bonds - Series 2000C	112,965	112,965
General Obligation Bonds - Series 2001A	346,385	320,020
General Obligation Project and Refunding Bonds - Series 2002A	135,690	122,270
General Obligation Project and Refunding Bonds - Series 2003A	89,760	88,635
General Obligation Project Bonds - Series 2003C	75,375	65,125
General Obligation Project Bonds - Series 2004A	166,645	1 66,645
General Obligation Project and Refunding Bonds - Series 2006A	7,420	5,765
Neighborhoods Alive 21 Program - Series 2000A	175,255	175,255
Neighborhoods Alive 21 Program - Series 2001A	209,150	205,010
Neighborhoods Alive 21 Program - Series 2002A :.	36,820	20,665
Neighborhoods Alive 21 Program - Series 2003	59,925	56,580
Lake Millenium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Lake Millenium Project Parking Facilities Bonds - Series 1999	44,495	44,495
Sales Tax Revenue Bonds-Series 1998 '.	65,740	3.315
Sales Tax Revenue Refunding Bonds - Series 2005	12,655	6,465
Near South Redevelopment Project Tax Increment - Series 1994A	23,000	12,325
Water Revenue Senior Lien Bonds - Series 2000	100,445	100,445
Water Revenue Senior Lien Bonds - Series 2001	235,905	222,430
Wastewater Transmission Revenue Bonds - Series 2001	101,650	98,615
Chicago Skyway Tollbridge Revenue Bonds - Series 2000	125,120	_ 125,120
Special Transportation Revenue Bonds - Series 2001	118,715	106,340
Total	$ 3,361,090	% 2,514,445

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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 87 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, 2009 are as follows: market value of securities loaned $1,312.3 million, market value of cash collateral from borrowers $1,352.6 million and market value of non-cash collateral from borrowers $2.0 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.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	8.5% •	8.5%	9.0%	9.1%	
Plan members	8.5	8.5	9.0	9.1	
Annual required contribution	$ 413,509	$ 33,517	$ 339,488	$ 203,867	$ 990,381
Interest on net pension obligation	33,217	(18,061)	108,839	87,922	211,917
Adjustment to annual required contribution	(34,150)	18.568	(74,355)	(90,392)	(180,329)
Annual pension cost	412,576	34,024	373,972	201,397	1,021,969
Contributions made	148,046	14,627	172,044	89,212	423,929
Increase in net pension obligation	264,530	19,397	201,928	112,185	598,040
Net pension obligation (excess), beginning of year	415,208	(225,759)	1,360,491	1,099,023	2,648,963
Net pension obligation (excess), end of year	$ 679,738	$ (206,362)	$ 1,562,419	$ 1,211,208	$ 3,247,003

	Municipal	Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2009	12/31/2009	12/31/2009	12/31/2009	

Actuarial cost method
Amortization method
Remaining amortization period...
Asset valuation method

Actuarial assumptions: Investment rate of return (b).... Projected salary increases (b):
Inflation
Seniority/Merit
Postretirement benefit increases
Entry age normal Entry age normal
Level dollar, open Level dollar, open
30 years 30 years
5-yr. Smoothed 5-yr. Smoothed
Market Market
8.0% 8.0%
3.0 3.0
(c) (d)
(f) (0
Entry age normal Entry age normal
Level percent, open Level dollar, open

30 years	30 years	5-yr. Smoothed	5-yr. Smoothed
Market	Market		
8.0%	8.0%		

3.0 3.0
(e) (e)
(9) (9)

a) Percentage represents amount applied to the employees account and not the total contributed.
b) Compounded Annually
c) Service-based increases equivalent to a level annual rate increase of 2.0 percent over a full career.
d) Service-based increases equivalent to a level annual rate increase of 1.9 percent over a full career
e) Service-based increases equivalent to a level annual rate increase of 2.7 percent over a full career.
f) 3.0 percent per year beginning at the eariier of:
1) the latter of the first anniversary of retirement and age 60
2) the latter of the third 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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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):

Annual% of AnnualNet Pension
PensionPension Cost(Excess)

Year	Cost	ContributedObligation	
Municipal Employees':			
2007			$ 343,127
40.69%	$ 202,078		
2008			359,933
40.79	415,207		
2009			412,576
	35.88679,738		
Laborers':			
2007		22,26059.25(228,692)	
2008		- 18,16683.85(225,759)	
2009		34,02442.99(206,362)	
Policemen's:			
2007		338,50750.401,185,054	
2008		348,27349.631,360,492	
2009		373,97246.001,562,419	
Firemen's:			
2007		186,22638.67992,571	
2008		187,71043.291,099,024	
2009		201,39744.301,211.208	

Actuarial Accrued Liability

(AAL)
Entry Age
(bj

Unfunded (Surplus)
AAL
(b-a)

$3,078,284 3,713,656 4,534,331

50.584 216,897 374,397

3,988,671 4,388,854 4,851,124

1,840,914 1,975,574 2,159,607

SCHEDULE OF FUNDING PROGRESS (dollars in thousands)

Actuarial Actuarial Value of Valuation Assets

Year Date (a)

$6,890,463 6,669.502 6,295,788

1,757,711 1,698,427 1,601,352

4,231,682 4,093,720 3,884,978

$9,968,747 10,383.158 10,830,119

1,808,295 1,915,324 1,975,749

8,220,353 8,482,574 8,736,102

3,215,874 3,311,269 3,428,838

Municipal Employees':

2007 12/31/07

2008 12/31/08

2009 12/31/09

Laborers':

2007 12/31/07

2008 12/31/08

2009 12/31/09

Policemen's:

2007 12/31/07

2008 12/31/08

2009 12/31/09

Firemen's:

2007 12/31/07 1,374,960

2008 12/31/08 1,335,695

2009 12/31/09 1,269,231

Funded Ratio (a/b)

69%
64
58

97 89 81

51 48 44

43 40 37

Covered Payroll (c)

$1,564,459 1,543,977 1,551,973

192,847 216,744 208,626

1,038,957 1,023,581 1,011,205

389,125 396,182 400,912

Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)

197%
241
292

26 100 179

384 429 480

473 499 539

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

b) Other Postemployment Benefits (OPEB) - Under State, law, certain health benefits are available to employees who retire from the City based upon their participation in the City's pension plans. The Pension Plans and the City agreed to share in the cost of the Settlement Health Care Plan (see Note 12). This single employee defined benefit plan is administered by the City. Substantially all employees who qualify as Municipal or Laborers' pension plan participants older than age 55 with at least 20 years of service and Police and Fire pension plan participants older than age 50 with at least 10 years of service may become eligible for postemployment benefits if they eventually become an annuitant. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare eligible annuitants. The' amounts below represent the accrued liability of the City's pension plans related to their own employees and a subsidy paid to the City (see Note 12). The plan is financed on a pay as you go basis (dollars in thousands).

Annual OPEB Cost and Contributions Made For Fiscal Year Ending
December 31, 2009

Municipal
Employees' Laborers' Policemen's Firemen's Total

A portion of the City's contribution from the tax levy is used to finance the health insurance supplement benefit payments.

Annual Required Contribution Interest on Net OPEB Obligation Adjustment to Annual -Required Contribution

22,967 1,319

(1,722)

3,682 115

_i!5_H

11,810 254

(201)

4.370 168

$ 42,829 1,856

(2,293)

Annual OPEB Cost Contributions Made
22,564 9,651
3,646 2,563
11,863 9,266
4,319 2,645
42,392 24,125

Increase in
Net OPEB Obligation

Net OPEB Obligation, Beginning of Year

Net OPEB Obligation, End of Year

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 poinL 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.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

Municipal Employees'

Actuarial Valuation Date Actuarial Cost Method

Amortization Method

Remaining Amortization Method

Asset Valuation Method

Actuarial assumptions: OPEB Investment Rate of Return (a)

Projected Salary Increases (a) Inflation

Seniority / Merit

Healthcare Cost Trend Rate (f):

12/31/2009

Entry Age Normal

Level Dollar, Open

30 years

No Assets (Pay-as-you-go)

4.5% 3.0%

(b) 0.0%

12/31/2009

Entry Age Normal

Level Dollar, Open

30 years

No Assets (Pay-as-you-go)

4.5% 3.0%

(c) 0.0%

12/31/2009

Entry Age Normal

Level Percent, Open

30 years

No Assets (Pay-as-you-go)

4.5% 3.0%

(d) 0.0%

12/31/2009

Entry Age Normal

Level Dollar, Open

30 years

No Assets (Pay-as-you-go)

4.5% 3.0%

(e) 0.0%

(a) Compounded Annually
(b) Service-based increases equivalent to a level annual rate of increase of 2.0 percent over a full career (c) Service-based increases equivalent to a level annual rate of increase of 1.9 percent over a full career (d) Service-based increases equivalent to a level annual rate of increase of 2.8 percent over a full career (e) Service-based increases equivalent to a level annual rate of increase of 2.7 percent over a full career (f) Trend not applicable - fixed dollar subsidy

OPEB COST SUMMARY (dollars in thousands)

Annual % of Annual Net

OPEB OPEB OPEB

Year Cost Obligation Obligation

2007	$ 23,287
2008	23,580
2009	22,561
2007	3,568
2008	3,546
2009	3,646
2007	11,220
2008	11,378
2009	11,863
2007	4,177
2008	4,281
2009	4,319

36.63%	$ 14,756
38.29	29,307
42.77	42,220
61.74	1,365
66.20	2,563
70.29	3,647
72.26	3,112
77.78	5,640
78.11	8,237
53.83	1,929
58 09	3,723
61.24	5,397

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

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

Funded Ratio

Covered Payroll

to

Unfunded (Surplus) AAL as a Percentage of Covered

Payroll « b-a)/c)

Municipal
Laborers'
Employees' 12/31/2009 $

12/31/2009

Policemen's 12/31/2009 Firemen's 12/31/2009

164,800 47.933

S 224.173 $ 224,173 41,738 41,738

164,800 47,933

16.30 11.96

S 1,551,973 14.44 208,626 20.01

1,011,205 400,912

12) Other Postemployment Benefits - City Obligation

The annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City and the annuitants who retired on or after July 1, 2005. received a 50, 45, 40 and zero percent subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement. The pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $60.8 million in 2009 to the gross cost of their retiree heath 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 2009, the net expense to the City for providing these benefits to approximately 24,000 annuitants plus their dependents was approximately $98.0 million.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the court approved settlement agreement.

Plan Description Summary - The City of Chicago is party to a written legal settlement agreement outlining the provisions of the retiree health program, The Settlement Health Care Plans (the Plans), through June 30, 2013. The agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement, the City administers a single employer defined benefit healthcare plan (the Health Plan), for which the City pays a portion of the costs on a pay as you go method. Under the Settlement agreement, the City of Chicago sponsors health benefit plans for employees, former employees and retired former employees. The provisions of the program provide in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois Compiled Statutes authorize the four respective Pension Funds (Police, Fire, Municipal, and Laborers) to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective Pension Funds are included in the liabilities and reports of the respective four Pension Funds (see Note 11).

Funding Policy - The City's retiree health plan is a single employer plan which operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the retiree health plan benefits.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC (Annual Required Contribution) represents a level of funding, that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period of four and one-half years (the remaining years of coverage under the Settlement agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Settlement Plan, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the Retiree Health Plan. The Net OPEB Ob/igation is the amount entered upon the City's Statement of Net Assets as of year end as the net liability for the other postemployment benefits - the retiree health plan. The amount of the annual cost for the retiree health plan which is to be recorded in the Statement of Changes in Net Assets for 2009 is the Annual OPEB Cost (expense).

Annual OPEB Cost and Contributions Made

(dollars in thousands)

	Retiree Settlement Health Plan
Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 220,891
Interest on Net OPEB Obligation	11,714
Adjustment to Annual Required Contribution	(74,796)
Annual OPEB Cost	157,809
Contributions Made	98,044
Increase in Net OPEB Obligation	59,765
Net OPEB Obligation, Beginning of Year	269,275
Net OPEB Obligation, End of Year	$ 329,040

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows (dollars in thousands):

Schedule of Contributions,

OPEB Costs and Net obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	$ 157,809	62.1%	$ 329,040
12/31/2008	218,897	44.8	269,275
12/31/2007	245.591	39.6	148,346

Funded Status and Funding Progress - As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $787,395 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,475,107 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32 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 Dale	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liabiiily (UAAL)	Funded Ratio	Covered Payroll
12/31/2008	$ -_	$ 787,395	$ 787,395	0%	$ 2,475,107

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, 2009, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 9 percent. Both rates included a 3 percent inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 4.35 percent. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 4.5 years.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009 - CONTINUED

Summary of Assumptions and Methods

	Settlement Health Plan
Actuarial Valuation Date	

Actuarial Cost Method

Amortization Method

Remaining Amortization Period

Asset Valuation Method

Actuarial Assumptions: Investment Rale of Relum Projected Salary Increases Healthcare Inflation Rate

December 31, 2008 Projected Unit Credit Level Dollar, Closed 4.5 years Market Value

4.35% 2.50%
12% initial lo9% ultimate

13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Assets as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2009, the total amount of non-Enterprise Fund claims was $462.8 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):

	2009	2008
Balance, January 1	$ 497,527	$503,636
Claims incurred on current and prior year events	605,506	627,660
Claims paid on current and prior year events	(589,700)	(633,769)
Balance, December 31	$ 513,333	$497,527

14) Commitments and Contingencies

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

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2009, the Enterprise Funds have entered into contracts for approximately $439.2 million for construction projects.

The City's pollution remediation obligation of $37.4 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.

15) Service Concession Agreements

On January 1, 2009, the City created a new major fund entitled Service Concession Agreements for the primary purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions maybe transferred from this fund in accordance with ordinances approved by city council that define the use of proceeds. As a result of the creation of this new fund, the City transferred the $551.1 million deferred inflow associated with the lease of the City's downtown underground public parking system from the Bond, Note Redemption and Interest Fund effective January 1, 2009.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. In 2009, the City recognized $15.3 million of revenue and will continue to recognize $15.3 million for each subsequent year through 2083.

In September 2008, the City of Chicago received a winning bid of $2,521 billion from Midway Investment and Development Company, LLC for a ninety-nine year lease of Midway Airport. Amid the global credit crisis, the transaction to privatize Midway Airport was not executed. However, in April 2009, the City received a non-refundable security deposit payment of $126 million.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted a private company the right to operate the garages and collect parking and related revenues for the 99-year term of the operating lease. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. In 2007, the City recognized $5.7 million of revenue and will continue to recognize $5.7 million for each subsequent year through 2105.

In January 2005, the City completed a long-temi concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the operating lease. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million)

advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the operating lease. In 2005, the City recognized $18.5 million of revenue related to this transaction and will recognize $18.5 million for each subsequent year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Assets and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Assets.

16) Subsequent Events

In January 2010, the City sold General Obligation Refunding Bonds Series 2009A, General Obligation Taxable Project and Refunding Bonds Series 2009B, General Obligation Taxable Project (Build America Bonds) Series 2009C and General Obligation Taxable Project (Recovery Zone Economic Development Bonds) Series 2009D ($793.3 million). The bonds were issued at interest rates ranging from 4.0 percent to 6.257 percent and maturity dates from January 1, 2018 to January 1, 2040. Proceeds will be used to pay a portion of the costs of various capital projects and to refund certain outstanding general obligation bonds of the City.

In March 2010, Moody's Investors Service downgraded Chicago O'Hare International Airport's Passenger Facility Revenue Bonds from

"Al" to "A2." In addition, Moody's Investors Service assigned the Third Lien Revenue Refunding Bonds Series 2010A-F, issued in March 2010, a rating of "A2."

In the first quarter of 2010, $31.2 million of Chicago Midway Commercial Paper Notes, Series A-C were issued. The proceeds will be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes.

In April 2010, the City sold Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds Series 201 OA, General Airport Third Lien Revenue Taxable (Build America Bonds) Series 2010B, General Airport Third Lien Revenue (Non-AMT) Bonds Series 2010C, General Airport Third Lien Revenue Refunding (AMT) Bonds Series 2010D, General Airport Third Lien Revenue Refunding (AMT) Bonds Series 2010E and General Airport Third Lien Revenue (Non-AMT) Bonds Series 201 OF ($1.04 billion). The bonds were issued at interest rates ranging from 1.75 percent to 5.25 percent and maturity dates from January 1, 2011 to January 1, 2040. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program, to repay the City's outstanding commercial paper notes issued for O'Hare purposes and to refund certain outstanding General Airport Second Lien Revenue bonds.

In April 2010, to improve the transparency and ensure a greater degree of comparability, Moody's Investors Service and Fitch Ratings implemented ratings recalibrations across U.S. long-term municipal bond ratings resulting in an upward shift of credit ratings. The City of Chicago ratings recalibrations are as follows:

	Ratings Agency	
	Moody's Investor Service	Fitch Ratings
City:		
General Obligation Bonds	Aa2 AA+	
Water:		
Senior Lien - Revenue Bonds	Aa2 AAA	
Junior Lien - Revenue Bonds	Aa3 AA+	
Wastewater:		
Junior Lien - Revenue Bonds	Aa3 AA	
Sales Tax:		
Sales Tax - Revenue Bonds	Aa2 AA+	
Motor Fuel:		
Motor Fuel Tax - Revenue Bonds	Aa3 A-	

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008 - CONCLUDED

In April 2010, Fitch Ratings downgraded the Chicago Midway International Airport's First Lien Airport Revenue Bonds from "A+" to "A" and the Second Lien Airport Revenue Bonds from "A" to "A-." In addition, Fitch Ratings assigned the Second Lien Revenue Refunding Bonds Series 2010, issued in April 2010, a rating of "A-."

In May 2010, the City sold Chicago Midway Airport Second Lien Revenue Variable Rate Demand Taxable Bonds Series 2010 A-1 and Series 2010 A-2 ($80.5 million) in the daily rate mode and maturity dates from January 1, 2021 to January 1, 2025. Proceeds will be used to refund certain outstanding Chicago Midway Airport Second Lien Revenue Bonds, to refund certain other outstanding Airport obligations and to repay a portion of the City's Chicago Midway Airport Commercial Paper Notes.

In May 2010, the City sold Chicago O'Hare International Airport Passenger Facility Charge Revenue (Non-AMT) Bonds Series 2010A, Passenger Facility Charge Revenue (Non-AMT) Series 2010B, Passenger Facility Charge Revenue Taxable Bonds Series 2010C and Passenger Facility Charge Revenue Refunding (Non-AMT) Bonds Series 2010D ($137.7 million). The bonds were issued at interest rates ranging from 2.0 percent to 6.395 percent and maturity dates from January 1, 2011 to January 1, 2040. Proceeds will be used to pay a portion of the costs of certain projects at Chicago O'Hare International Airport including the O'Hare Modernization Program and to refund certain outstanding Passenger Facility Charge Revenue bonds.

In June 2010, the City negotiated a novation of the fixed payer swap associated with the Series 2003B variable rate bonds from Lehman Brothers Special Financing Inc. to Wells Fargo Bank, N.A. All economic terms of the interest rate swap remained Identical and the City did not Incur any cost In association with replacing the counterparty to the swap.

The global economic downturn has adversely impacted the City's variable rate debt. In 2008 and 2009 global financial markets incurred substantial declines in value due to the credit crisis. Monoline insurers' credit ratings came under review due to subprime mortgage exposure resulting in downgrades by the major rating agencies. As a result, credit spreads increased on the City's variable rate debt, especially with insured bonds, therefore the City refinanced or converted many of its variable rate debt issues. In 2010, the City has utilized liquidity facilities to convert two variable rate issues in the amount of $284.7 million and thereby removing the monoline insurers. Various bonds series that were unable to be remarketed in 2008 were converted out of bank bond mode during 2009 and 2010.

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

JbJ

Unfunded Actuarial Accrued Liability (UAAL) (b-a)

Funded Ratio (a/b)

Covered Payroll
Unfunded (Surplus) AAL as a
Percentage
of Covered Payroll
((b-a)/c)

Municipal Employees'
2007 12/31/2007 $
2008 12/31/2008
2009 12/31/2009

217,868 222,691 224,173

217,868 222,691 224,173

$ 1,564,459 1,543,977 1,551,973
%

13.93 14.42 14.44

Laborers'
2007 12/31/2007
2008 12/31/2008
2009 12/31/2009

Policemen's
2007 12/31/2007
2008 12731/2008
2009 12/31/2009

Firemen's
2007 12731/2007
2008 12/31/2008
2009 12/31/2009

City of Chicago
2006 12/31/2006
2007 12/31/2007
2008 12/31/2008

41,411
42,064'
41,738

179,040 169,972 164,800

47,097 47,309 47,933

1.301,417 1,062,864 787,395

41,411 42,064 41,738

179,040 169,972 164,800

47,097 47,309 47,933

1,301,417 1,062,864 787,395

192,847 216,744 208,626

1,038,957 1,023,581 1,011,205

389,125 396,182 400,912

2,502,154 2,562,067 2,475,107

21.47 %
19.41
20.01

17.23 %
16.61
16.30

12.10 %
11.94
11.96

52.01 %
41.48
31.81

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APPENDIX D FORMS OF OPINIONS OF CO-BOND COUNSEL

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Form of Co-Bond Counsel Opinions for General Obligation Bonds, Refunding Series 201 OA

, 2010

City of Chicago City Hall Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of General Obligation Bonds, Refunding Series 201 OA (the "Bonds") of the City of Chicago (the "City"). 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 an ordinance adopted by the City Council of the City on July 28, 2010 (the "Bond Ordinance").

The Bonds are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof, are dated as of , 2010 and bear interest from their dated date, payable on July 1, 2011 and semiannually thereafter on January 1 and July 1 of each year.

The Bonds mature on January I of each of the following years in the respective principal amount set forth opposite each such year in the following table and bear interest at the respective rate of interest -, per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
$ %		

The Bonds maturing on and after January 1, are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot for a partial redemption of Bonds having the same maturity, on , and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

The Bonds maturing on January 1 of the years and are subject to mandatory redemption by the application of sinking fund installments, in part and by lot, at a redemption price equal to the principal amount thereof on January 1 of the following years and in the following principal amounts:

D-1

Bonds Due

Principal Amount

$

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Bonds, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted in the Bond Ordinance to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas, CPA LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

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

Respectfully submitted,

D-2

Form of Co-Bond Counsel Opinions for General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) and General Obligation Bonds, Taxable Project and Refunding Series 20IOC

, 2010

City of Chicago City Hall Chicago,
Illinois

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Series 201 OB Bonds") and $ aggregate principal amount of General Obligation Bonds, Taxable Project and Refunding Series 2010C (the "Series 2010C Bonds" and together with the Series 2010B Bonds, the "Bonds") of the City of Chicago (the "City"). 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 an ordinance adopted by the City Council of the City on July 28, 2010. Certain matters with respect to the Bonds are determined pursuant to the Notification of Sale with respect to the Bonds dated , 2010 (the "Notification of Sale").

The Bonds are issuable in fully registered form in the denominations of $5,000 or any integral multiple thereof, are dated as of , 2010 and bear interest from their dated date, payable on July 1,2011 and semiannually thereafter on January I and July I of each year.

The Series 2010B Bonds mature on January 1 of each of the following years in the respective principal amount set forth opposite each such year in the following table and bear interest at the respective rate of interest per annum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
	$	%

The Series 2010B Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such mamrities as the City shall determine and for a partial redemption of Series 2010B Bonds having the same maturity, pro-rata as provided in the Notification of Sale and subject to the operational procedures of the Depository Trust Company ("DTC"), on any date, at a redemption price determined pursuant to the Notification of Sale, plus accrued interest to the redemption date.

The Series 2010B Bonds maturing on January 1, 20_ are subject to mandatory redemption, in part pro-rata as provided in the Notification of Sale and subject to the operational procedures of the DTC, on January 1 of the years and in the respective principal amounts set forth in the following table, at the redemption price of par and by the application of sinking fimd installments as provided in the Notification of Sale.

D-3

Year	Principal Amount	Year	Principal Amount

The Series 20IOC Bonds mature on January 1 of each of the following years in the respective principal amount set forth opposite each such year in the following table and bear interest at the respective rate of interest per armum set forth opposite such principal amount:

Year	Principal Amount	Interest Rate
	$	%

The Series 20IOC Bonds arc subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and for a partial redemption of Series 2010C Bonds having the same maturity, pro-rata as provided in the Notification of Sale and subject to the operational procedures of DTC, on any date, at a redemption price determined pursuant to the Notification of Sale, plus accrued interest to the redemption date.

The Series 2010C Bonds maturing on January 1, 20 are subject to mandatory redemption, in part and pro-rata as provided in the Notification of Sale and subject to the operational procedures of DTC, on January 1 of the years and in the respective principal amounts set forth in the following table, at the redemption price of par and by the application of sinking fund installments as provided in the Notification ofSale.

Year	Principal Amount	Year	Principal Amount
$ $			

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights and remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

D-4

Interest on the Bonds is not excludable from gross income for Federal income tax purposes. Interest on the Bonds is not exempt from Minois income taxes.

Respectfully submitted.

D-5

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APPENDIX E DESCRIPTION OF REFUNDED BONDS

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DESCRIPTION OF REFUNDED BONDS

Bonds Refunded by the General Obligation Bonds, Refunding Series 2010A

Series Designation

Maturity Date (January 1)

Principal Amount Refunded

Redemption Redemption Date Price

Original CUSIP*'

Prior Unrefunded CUSlP*n

General Obligation Bonds:

Series General Obligation Refunding Bonds:

Series General Obligation Project and Refunding Bonds:

General Obligation Project Bonds:

- Copyright 2010. American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's, a subsidiary 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 being changed 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.
- Original CUSIP is the CUSIP number assigned to the maturity upon original issue.

" Prior Unrefunded CUSIP is the CUSIP number assigned to the unrefunded bonds of a mamrity upon a partial refunding of the maturity.

E-1

Bonds Refunded bv the General Obligation Bonds, Taxable Project and Refunding Scries 20 IOC

Series Designation

Maturity Date (January I)

Principal Amount Refunded

Redemption Redemption Date Price

Original CUSIP**

Prior Unrefunded CUSIP*"

Scries General Obligation Bonds:

Series General Obligation Refunding Bonds:

General Obligation Project Bonds:

* Copyright 2010. American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Bankers Association by Standard & Poor's, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed arc 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 being changed 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.

[1] Original CUSIP is the CUSIP number assigned to the maturity upon original issue.

[n] Prior Unrefunded CUSIP is the CUSIP number assigned to the unrefunded bonds of a maturity upon a partial refunding of the maturity.

EXHIBIT B

SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

B-l

[Date of Issuance of the Bonds]

December _, 2010

City of Chicago Chicago, Illinois

Loop Capital Markets, LLC, as Representative of
the Underwriters listed in the Bond Purchase
Agreement, dated December , 2010
Chicago, Illinois

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the City of Chicago (the "City") of its $ aggregate principal amount of General Obligation Bonds, Taxable Project Series 201 OB (Build America Bonds - Direct Payment) (the "Series 2010B Bonds") (the "Bonds"). We have delivered our separate approving legal opinions as Co-Bond Counsel as to the validity of the Bonds (collectively, the "Opinions").

The following opinion is furnished pursuant to Section 10(a)(iii) of the Bond Purchase Agreement, dated December , 2010 (the "Bond Purchase Agreement"), between the City and the Underwriters named therein, and is based upon the same examination of the record of proceedings and accompanying certificates, and is subject to the same limitations, as described in our separate approving legal opinions as Co-Bond Counsel described above.

Based upon our examination opinion, we are of the opinion that:

The Bond Purchase Agreement and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the City and, assuming the due authorization, execution and delivery of the Bond Purchase Agreement by the other parties thereto, constitute binding agreements of the City, except that the enforcement of the provisions thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and except that enforcement of the provisions thereof by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief

The Bonds constitute exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and

B-2

Section 304(a)(4)(A) of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and it is not necessary, in connection with the public offering and sale of the Bonds, to register any security under the Securities Act or to qualify the Ordinance under the Trust Indenture Act.

The statements contained in the Official Statement, dated December , 2010 (the "Official Statement"), under the headings "THE BONDS" (except for the statements contained under the caption "Book-Entry System" and "Global Clearance Procedures"), and "SECURITY FOR THE BONDS" (except for the statements under the headings "Property Tax Limits" and "Additional General Obligation Debt"), present a fair and accurate summary of such provisions. We hereby confirm the opinions attributed to us in the Official Statement and consent to the references to such opinions contained in the Official Statement. Based upon our participation in the preparation of the Official Statement as Co-Bond Counsel and without having undertaken to detennine independently the accuracy or completeness of the statements contained in the Official Statement (other than the opinions of this firm referred to in the preceding sentence), we have no reason to believe, as of the date hereof, that the Official Statement (except for (i) the financial statements and other financial and statistical data included in the Official Statement, including, but not limited to, Appendices A, B and C attached thereto, (ii) the description of The Depository Trust Company, Clearstream, Euroclear and the Global Clearance Procedures and (iii) the information under the caption "Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States" and any information or notices to prospective investors outside the United States of America (as to which no view is expressed)), contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstance under which they were made, not misleading.

You may each rely on the Opinions as though the Opinions were addressed specifically to you.

All capitalized terms used herein and not herein defined shall have the meanings attributed to them in the Bond Purchase Agreement.

Respectfully yours,

B-3

EXHIBIT C

OPINION OF CORPORATION COUNSEL OF THE CITY

C-1

'

December 2010

Loop Capital Markets LLC 200 West Jackson Street
Suite 1600
Chicago, Illinois 60606

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(iv) of that certain contract dated December , 2010 (the "Bond Purchase Agreement") between the City of Chicago (the "City") and Loop Capital Markets LLC as representative of a group of Underwriters, respecting the purchase of City of Chicago $ General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Bonds") which are being issued pursuant to an ordinance adopted by the City Council of the City on July 28,2010 (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 Coimcil of the City pertaining to the issuance of the Bonds by the City, the Official Statement dated December ,2010. relating to the Bonds (the "Official Statement"), and executed counterparts, where applicable, of the following documents:

a) the Ordinance;

b) the Bond Purchase Agreement; and

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").

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 and the Undertaking.

2. The Bond Purchase Agreement 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 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 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 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 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 DTC, Clearstream and Euroclear, information under the captions "RATINGS," "UNDERWRITING," and "TAX MATTERS," Appendices C, D and E, information sourced in Appendices A and B to sources other than the City or departments thereof, all information and notices set forth under the caption "Information Concerning Offering Restrictions in Certain Jurisdictions Outside the United States," 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 untme 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.

C-3

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 foreign jurisdiction, 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 tmly yours,

Mara S. Georges Corporation Counsel

EXHIBIT D OPINION OF UNDERWRITERS' COUNSEL

D-1

December _, 2010

Loop Capital Markets LLC
as Representative of the Underwriters named in the Bond Purchase Agreement, dated December 1, 2010 between such Underwriters and the City of Chicago
(the "BondPurchase Agreement")

Re: City of Chicago
General Obligation Bonds
Taxable Project Series 2010B (Build America Bonds - Direct Payment)

Dear Ladies and Gentlemen:

We have acted as Underwriters' Counsel to Loop Capital Markets LLC, as Representative of the Underwriters named in the Bond Purchase Agreement, dated December 1, 2010 (the "Bond Purchase Agreement") between the City of Chicago (the "City") and Loop Capital Markets LLC, as Representative of the Underwriters, in connection with the purchase by the Underwriters of $213,555,000 aggregate original principal amount of General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds - Direct Payment) (the "Bonds"). This opinion is being rendered at the request of the Representative pursuant to Section 10(a)(v) 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
Official Statement dated December , 2010 (the "Official Statement") relafing to 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 Tmst 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.

D-2

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

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, if any, 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, 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, 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, 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, including Appendix B and Appendix C thereto; and (ii) the description of DTC, Clearstream and Euroclear in the Official Statement and the information included in the Official Statement under the caption "THE BONDS - Book-Entry System" or (iii) any information or notices to prospective investors outside the United States of America.

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.

D-3

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,

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EXHIBIT E

REPRESENTATION LETTER

City of Chicago

Department of Finance
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602

Loop Capital Markets LLC 200 West Jackson Blvd, Suite 1600 Chicago, Illinois 60606
Attention: Clarence Bourne
Attn.: Deputy Comptroller of Financial Policy

Pursuant to the Bond Purchase Agreement dated December I, 2010 (the "Purchase Agreement") among the City of Chicago (the "City") and Loop Capital Markets LLC, as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the City's $213,555,000 General Obligation Bonds, Taxable Project Series 2010B (Build America Bonds-Direct Payment) (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, mle, 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, Exhibit D to the Agreement Among Underwriters (Instmctions, Terms And Acceptance) - 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: December 1,2010

LOOP CAPITAL MARKETS LLC
By
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: Its:

DUNCAN WILLIAMS, INC.

By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:

INCAPITAL LLC

By:. Its:

MELVIN & COMPANY LLC

By: Its:

ROBERT W. BAIRD & CO., INC.

By: Its:

STIFEL NICOLAUS & CO.

By:
Its:

E-2

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: December _, 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

Its: Director DUNCAN WILLIAMS, INC.

By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:

INCAPITAL LLC

By: Its:

MELVIN & COMPANY LLC

By: Its:

ROBERT W. BAIRD & CO., INC.

By: Its:

STIFEL NICOLAUS & CO.

By:
Its:

E-2

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: December _, 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:
Its:

DUNCAN WILLIAMS, INC.

ESTRADA HINOJOSA & COMPANY, INC.

By:

Its:

INCAPITAL LLC

By: :

Its:

MELVIN & COMPANY LLC

By: :

Its:

ROBERT W. BAIRD & CO., INC.

By:__
Its:

STIFEL NICOLA US & CO.

By:
Its.

E-2

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: December , 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: Its:

DUNCAN WILLIAMS, INC.

By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: , ,——! - ^ .
Its: -Se^r Vfc-Q Pr&r}'3

INCAPITAL LLC

By:. Its:

MELVIN & COMPANY LLC

By: Its:

ROBERT W. BAIRD & CO., INC.

By:. Its:

STIFEL NICOLAUS & CO.

By:
Its:

E-2

r

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: December , 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: Its:

DUNCAN WILLIAMS, INC.

By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:

MELVIN & COMPANY LLC

By:. Its:

ROBERT W. BAIRD & CO., INC.

By:. Its:

STIFEL NICOLAUS & CO.

By:

E-2

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: December /_, 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:. Its:

DUNCAN WILLIAMS, INC.

By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:. Its:

INCAPITAL LLC

By: Its:

MELVIN & COMPANY LLC

RO'BERJAV. BAIRD & CO., INC

By: Its:

STIFEL NICOLAUS & CO.

By: Its:

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: December _. 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: !
Its:

DUNCAN WILLIAMS, INC.

By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:

INCAPITAL LLC

By: Its:

MELVIN & COMPANY LLC

By: Its:

ROBERT W. BAIRD & C,Q., INC.

Its: Iffi2*ts&xfp " J^Uc^T STDJEL NICOLAUS & CO.

By: Its:

E-2

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: December _, 2010

LOOP CAPITAL MARKETS LLC

By:
Its: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:

Its:

DUNCAN WILLIAMS, INC.

By:
Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:

Its:

INCAPITAL LLC

By:
Its:

MELVIN & COMPANY LLC

By:

Its:

ROBERT W. BAIRD & CO., INC.

By:
Its:

ST1FEL NICOLAUS & CO.

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EXHIBIT B OFFICIAL STATEMENT
Schedule I

Terms and Authorization

$213,555,000 General Obligation Bonds
Taxable Project Series 2010B (Build America Bonds-Direct Payment) ,

1. Aggregate Principal Amount: $213,555,000

2. Dated: December 14, 2010

3. *Maturity, Interest Rate, Price and CUSIP Number:*

Term Bonds due January 1, 2040, 7.517%, Price 100.00%, CUSIP: 167486MK2

4. *Interest Payment Dates.*

July 1, 2011 and semiannually thereafter on each January 1 and July 1.

5. *Redemption*

The Series 2010B Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Series 2010B Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof

Optional Redemption of the Series 2010B Bonds. The Series 2010B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on any date at a redemption price equal to the greater of: (A) the principal amount of Series 2010B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2010B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus accrued and unpaid interest on the Series 2010B Bonds being redeemed to the date fixed for redemption. The City's Chief Financial Officer or the City Comptroller 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" means, as of any redemption date, the yield to maturity as of such redemption date of United States 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 2010B 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 United States 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 2010B Bonds for optional redemption.

Extraordinary Optional Redemption of the Series 2010B Bonds. The Series 2010B Bonds shall be subject to redemption prior to maturity at the option of the City, in whole or in part on any date upon the occurrence of an "Extraordinary Event" (as defined below), at a redemption price equal to the greater of: (A) the principal amount of Series 201 OB Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 201 OB Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 100 basis points plus accmed interest on the Series 201 OB Bonds being redeemed to the date fixed for redempfion.

An "Extraordinary Event" means any determination by the City that a change has occurred to Section 54AA or 6431 of the Code or any other applicable Section of the Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the Subsidy Payments from the United States Treasury with respect to the Series 2010B Bonds is reduced, eliminated or adversely adjusted.

Mandatory Redemption of the Series 2010B Bonds. The Series 2010B Bonds are subject to mandatory redemption, in part, at a redemption price equal to the principal amount thereof, on January 1 of the following years and in the following principal amounts, and, if less than all of the Series 2010B Bonds are to be redeemed prior to maturity, the Series 2010B Bonds being redeemed, or portions thereof to be redeemed, will be selected on a pro-rata pass-through distribufion of principal basis to the extent permitted by and in accordance with procedures of The Depository Tmst Company ("DTC").

Year 2036 2037 2038 2039
Principal Amount
$38,735,000 40,630,000 42,615,000 44,695,000

If the DTC operational procedures do not allow for the redemption of the Series 2010B Bonds on a pro-rata pass-through distribution of principal basis, then the Series 2010B Bonds will be selected for redemption in accordance with DTC procedures, by lot.

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ACKNOWLEDGMENT OF FILING NOTIFICATION OF SALE

The foregoing Notification of Sale of $213,555,000 aggregate principal amount of General Obligation Bonds, Taxable Project Series 201 OB (Build America Bonds - Direct Payment) 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.
[SEAL]

In Witness Whereof, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this day of December, 2010.