File #: F2015-100, **Version:** 1

Department of Finance

CITY OF CHICAGO

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July 21, 2015

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

RE: City of Chicago, Illinois, $345,530,000 General Obligation Bonds Series 2015A (the "Series 2015A Bonds") and $742,860,000 General Obligation Bonds Taxable Series 2015B (the "Taxable Series 2015B Bonds")

Dear Ms. Mendoza,

Attached is the Notification of Sale which is required to be filed with your office pursuant to Section 12 ofthe ordinance authorizing the issuance ofthe Series 2015A Bonds and the Taxable Series 2015B Bonds, which was passed by the City Council on June 17, 2015.

Chief Financial Officer

121 NOH'I'H LASALLLi STREET. SUITE 700. CHICAGO. ILLINOIS 60602

State of Illinois)

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County of Cook)

Notification of Sale

$345^30,000 General Obligation Bonds, Series 2015A

$742,860,000
General Obligation Bonds, Taxable Series 2015B

Being Issued by the City of Chicago

To: The City Council ofthe City of Chicago

Please be advised that responsive to authority contained in an Ordinance (the "Ordinance") adopted by the City Council (the "City Council") of the City of Chicago (the "City") on June 17, 2015, authorizing the issuance of up to $1,100,000,000 aggregate principal amount of general obligation bonds of the City, plus original issue discount, a Bond Purchase Agreement dated July 16, 2015 (the "Series 2015A Bond Purchase Agreement"), providing for the sale of $345,530,000 aggregate principal amount of General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"), and a Bond Purchase Agreement dated July 15,2015 (the "Taxable Series 2015B Bond Purchase Agreement" and, together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements") providing for the sale of $742,860,000 aggregate principal amount of General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 20I5B Bonds" and together with the Series 2015A Bonds, the "Bonds"), each were 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 of the City, and the purchasers thereof named below (the "Underwriters"). The Bonds of each series are being issued pursuant to the terms of a separate trust indenture, each dated as of July 1,2015 (each an "Indenture" and collectively the "Indentures"), by and between the City and Zions First National Bank, Chicago, Illinois, as Trustee, Bond Registrar and Paying Agent for the Bonds (the "Trustee").

The Series 20I5A Bonds were sold at a purchase price of $338,783,430.15 (representing the aggregate principal amount of the Series 2015A Bonds less net original issue discount of $4,570,044.25, and less an underwriters[1] discount of $2,176,525.60); and the Taxable Series 20I5B Bonds were sold at the purchase price of $726,784,205.13 (representing the aggregate principal amount of the Taxable Series 2015B Bonds less an original issue discount of $11,396,932.85 and less an underwriters' discount of $4,678,862.02). The aggregate purchase price for the Bonds is equal to S1,065,567,635.28 (which represents the aggregate principal amount of the Bonds less net original issue discount of $15,966,977.10, and less an aggregate underwriters' discount of $6,855,387.62). The Underwriters for the Bonds are Morgan Stanley & Co. LLC. Siebert Brandford Shank & Co., L.L.C., William Blair & Company, Academy Securities, Inc.. BMO Capital Markets GKST, Inc., Citigroup Global Markets, Inc., Estrada

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Hinojosa & Company, Inc., George K. Baum & Company, J.J.B. Hilliard, W.L. Lyons, LLC, Melvin & Company, and North South Capital LLC. The compensation (including all fees) of $6,855,387.62 being paid to the Underwriters in connection with the sale of the Bonds represents less than 5% of the aggregate principal amount ofthe Bonds.

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

The proceeds of the Series 2015A Bonds will be used to provide funds for the purpose of paying (i) costs of the

Series 2015A Debt Management Project (as defined below), (ii) certain interest to become due on the Series 2015A Bonds, and (iii) expenses of issuance of the Series 2015A Bonds (including the Underwriters' discount). "Series 2015A Debt Management Project" means (i) the payment of costs of the Debt Management Purposes described in Schedule IC attached hereto and (ii) any other expenditure of proceeds of the Series 2015A Bonds authorized by the City Council after the date of execution and delivery of the Indenture related to the issuance of the Series 2015A Bonds.

The proceeds of the Taxable Series 2015B Bonds will be used to provide funds for the purpose of paying (i) costs of the Series 2015B Debt Management Project (as defined below), (ii) certain interest to become due on the Taxable Series 2015B Bonds and (iii) expenses of issuance of the Taxable Series 2015B Bonds (including the Underwriters' discount). "Series 2015B Debt Management Project" means (i) the payment of costs of the Debt Management Purposes described in Schedule ID attached hereto and (ii) any other expenditure of proceeds of the Taxable Series 2015B Bonds authorized by the City Council after the date of execution and delivery ofthe Indenture related to the issuance of the Series Taxable 2015B Bonds.

Attached hereto as Exhibits 1 through 5, respectively, are executed copies of the Series 2015A Bond Purchase Agreement, the Taxable Series 2015B Bond Purchase Agreement, the Official Statement dated July 16, 2015, the Indenture pursuant to which the Series 2015A Bonds are being issued, and the Indenture pursuant to which the Taxable Series 2015B Bonds are being issued.

Pursuant to Section 12 of the Ordinance, the undersigned hereby makes the following determinations: (a) the principal amount of the Bonds is $1,088,390,000 and the designation of the Bonds and principal amount of the Series 2015A Bonds and the Taxable Series 20I5B Bonds are set forth in the first paragraph hereof, (b) the Series 20I5A Bonds are issued as Current Interest Bonds in denominations of $5,000 or any integral multiple thereof, the Taxable Series 2015B Bonds are issued as Current Interest Bonds in denominations of $1,000 and integral multiples thereof, and none of the Bonds are sold as Direct Purchase Bonds, Capital Appreciation Bonds or Convertible Bonds, (c) the Bonds mature and are subject to redemption as set forth in Schedules IA and IB attached hereto, (d) the principal amounts and interest rates on the Current Interest Bonds are set forth in Schedules IA and IB attached hereto, (e) a description ofthe Series 2015A Debt Management Project, including (i) an identification ofthe Outstanding Line and CP Indebtedness to be paid or refunded with proceeds of the Series 2015A Bonds and the date on and price at which such Outstanding Line and CP Indebtedness shall be paid or refunded, (ii) a description of the Financing Transaction Undertakings to be financed with the

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proceeds of the Series 2015A Bonds, and (iii) an identification of any funds of the City to which reimbursement is made with proceeds of the Series 2015A Bonds and the amounts of such reimbursements, is set forth in Schedule IC attached hereto, (f) a description of the Series 2015B Debt Management Project, including (i) an identification of the Outstanding Line and CP Indebtedness to be paid or refunded with proceeds of the Taxable Series 2015B Bonds and the date on and price at which such Outstanding Line and CP Indebtedness shall be paid or refunded, (ii) a description of the Financing Transaction Undertakings to be financed with the proceeds of the Taxable Series 2015B Bonds, and (iii) an identification of any funds of the City to which reimbursement is made with proceeds of the Taxable Series 2015B Bonds and the amounts of such reimbursements, is set forth in Schedule ID attached hereto, (g) the Underwriters of the Bonds and the compensation paid thereto are as set forth above, and such compensation does not exceed five percent of the principal amount of the Bonds, (h) the Bonds are issued in book-entry form; the book entry depository is The Depository Trust Company, (i) the sale price of the Bonds is as set forth in the second paragraph of this Notification of Sale, and such price with respect to each series of the Bonds is not less than 85 percent of the principal amount of such series of the Bonds, and (j) the Trustee shall serve as Bond Registrar for each series of the Bonds pursuant to the Indentures.

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

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|Signati;rf Pag f. to Notifica i ion oi- SaleI

Exhibit 1

Series 2015A Bond Purchase Agreement

Bond Purchase Agreement

$345,530,000 CITY OF CHICAGO GENERAL OBLIGATION BONDS, SERIES 2015A

City of Chicago

July 16,2015

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC (the "Representative"), on behalf of itself and the other underwriters listed below (collectively, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Agreement") with the City of Chicago (the "City"), for the purchase by the Underwriters, and sale by the City, of all but not less than all ofthe City's General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"). This offer is made subject to the acceptance by the City, evidenced by the signature of a duly authorized officer of the City in the space provided below, on or before 5:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

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

The primary role of the Underwriters is to purchase the Series 2015A Bonds, for resale to investors, in an arm's-length commercial transaction between the City and the Underwriters. The Underwriters have financial and other interests that differ from those of the City.

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

1. Agreement to Sell and Purchase.

(a) Upon the terms and conditions and based upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters the Series 2015 A

Bonds at a price equal to $338,783,430.15 (which represents the aggregate principal amount of the Series 2015A Bonds less an Underwriters' discount of $2,176,525.60 and less a net original issue discount of $4,570,044.25).

b) It shall be a condition to the City's obligation to sell and deliver the Series 2015A Bonds that all the Series 2015A Bonds be purchased and paid for by the Underwriters at the Closing (as defined in Section 7 hereof) and a condition to the Underwriters' obligation to purchase and pay for the Series 2015A Bonds that all Series 2015A Bonds be issued, sold and delivered by the City at the Closing.

c) The City and the Underwriters did execute on July 15, 2015, an agreement (the "Series 2015B Bond Purchase Agreement") with respect to the sale and delivery by the City and the purchase by the Underwriters ofthe

General Obligation Bonds, Taxable Series 2015B ofthe City (the "Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds").

2. Bond Authorization. The Series 2015A Bonds are authorized by an ordinance ofthe City adopted by the City Council of the City (the "City Council") on June 17,2015 (the "Ordinance"), and the Series 2015A Bonds will be issued pursuant to and secured by a Trust Indenture dated as of July 1, 2015 (the "Trust Indenture"), between the City and Zions First National Bank, as Trustee, Bond Registrar and Paying Agent for the Series 2015A Bonds (the "Trustee"). The Series 2015A 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 July 8, 2015, relating to the Series 2015 A Bonds (the "Preliminary Official Statement"). For purposes of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, the Preliminary Official Statement is "deemed final" by the City with respect to the Series 2015A Bonds as of its date except for the omission of such information as is permitted by Rule 15c2-12(b)(1).

4. Public Offering Price. The Underwriters have agreed to make a bona fide public offering of the Series 2015A Bonds at the initial offering prices set forth on Schedule I. The Representative will provide the City and Co-Bond Counsel (as defined herein) with a closing certificate confirming the reoffering yields and prices of the Series 2015A Bonds and the Underwriters acknowledge that the City and Co-Bond Counsel will rely on such certificate and that such reliance is material to the City in entering into this Agreement and in connection with the delivery of the Series 2015 A Bonds.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) one (1) day prior to the Closing, three copies of the Official Statement of the City relating to the Bonds (the "Official Statement"), signed on behalf ofthe City by the Chief Financial Officer and the Official Statement so delivered shall be "final" for purposes

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of Rule 15c2-12. Such delivery ofthe Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB").

b) If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinance or the Series 2015 A 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 ofthe circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Series 2015A Bonds for sale to the public. The Underwriters agree that the date on which the end ofthe 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 Series 2015A 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 Series 2015A Bonds, but in no event shall the end ofthe underwriting period be extended longer than sixty (60) days after the date of Closing.

The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters as set forth above in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB Rule G -32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to July 21, 2015, to enable the Underwriters to comply with MSRB Rule G-32.

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

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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 approved the execution and delivery of the Trust Indenture; (iii) 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 (iv) duly authorized and approved the execution and delivery of the Series 2015A Bonds, this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").

c) With the exception of the disclosure described in the Preliminary Official Statement in the section titled "SECONDARY MARKET DISCLOSURE - Corrective Action Related to Certain Bond Disclosure Requirements", the City has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-l 2.

d) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement, the Trust Indenture, the Undertaking and the Official Statement; (iii) issue, sell and deliver the Series 2015A Bonds to the Underwriters pursuant to the Ordinance and the Trust Indenture and as provided in this Agreement; and (iv) pay for the Series 2015A Bonds from the sources pledged under the Ordinance and the Trust Indenture for their payment.

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

f) All approvals, consents and orders of, and filings (except, if any, under applicable state "blue sky" laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Undertaking, the Ordinance, the Trust Indenture, and the Series 2015A Bonds have been obtained or made.

g) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations of the City as of the date and for the

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periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles as applied to governmental units, consistently applied except as otherwise noted therein.

(h) The Official Statement (excluding any description of The Depository Trust Company ("DTC"), information under the captions "THE BONDS - Book-Entry System," "RATINGS," "UNDERWRITING," "TAX MATTERS," APPENDIX A - "SUMMARY OF THE INDENTURES", APPENDIX B - "ECONOMIC AND DEMOGRAPHIC INFORMATION (with respect to the information under the headings "- Economy," "- Percentage of Total Non-Farm Employment by Major Industry Sector" and "and "- Housing Market," and information relating to population, per capita personal income and employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), Tables 1-10 included in APPENDIX E - "RETIREMENT FUNDS," APPENDIX F - "OPINIONS OF CO-BOND COUNSEL," and information furnished by the Underwriters for use in the Official Statement) as of its date does not, and at the Closing will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(i) Information in the Third Party Sourced Retirement Fund Tables is sourced from documents published by the Retirement Funds and the City takes no responsibility for the accuracy and completeness of such information; however, nothing has come to the

attention of the City which would lead the City to believe that the Third Party Sourced

Retirement Fund Tables are not true and correct in all material respects;

(j) The Ordinance, the Trust Indenture, this Agreement, and the Undertaking, when duly executed and delivered by the parties thereto, as appropriate, will constitute legal, valid and binding obligations ofthe City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(k) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Series 2015 A Bonds will be duly authorized, executed and delivered and will constitute legal, valid and binding obligations of the City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(1) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, or before or by a court, public board or body, pending or, to the City's knowledge, threatened, against the City wherein an unfavorable decision, ruling or finding would materially adversely affect (i) the validity or enforceability of the Series 2015 A Bonds, the Ordinance, the Trust Indenture, this Agreement, or the Undertaking or (ii) the excludability from federal income taxation of the interest on the Series 2015 A Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(m) The City has not taken, or omitted taking, and will not take or omit to take,

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any action, which action or omission would adversely affect the excludability from federal income taxation of the interest on the Series 2015 A Bonds under the Code.

(n) Any certificate signed by any Authorized Officer of the City and delivered to the Representative at the Closing in connection with the issuance or sale ofthe Series 2015 A Bonds shall be deemed to be a representation and warranty by the City to the Underwriters as to the statements made therein as of the date so delivered.

(o) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Series 2015A Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions ofthe United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 6(o) shall require the City to consent to general service of process in any state or jurisdiction other than the State.

(p) The City will apply the proceeds of the Series 2015A Bonds in accordance with the Ordinance and the Trust Indenture.

(q) The City acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an ami's length, commercial transaction between the City and the Underwriters in which the Underwriters are acting solely as a principal and not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriters have financial and other interests that differ from those of the City; and (iv) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. Closing. Subject to the conditions set forth in this Agreement, the closing (the "Closing") ofthe sale of the Series 2015A Bonds by the City and the purchase of the Series 2015A Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on July 21,2015, at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree).

a) At the Closing, the City shall deliver or cause to be delivered to DTC, as securities depository, for the account of the Underwriters one fully registered certificate for each, interest rate and maturity of the Series 2015A Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

b) Upon delivery of the Series 2015 A 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 Series 2015A Bonds and pay

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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 Series 2015 A Bonds pursuant to Section 1 hereof.

8. Reliance and Further Conditions ofthe Underwriters. The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements ofthe 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 Trust Indenture, 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 Chapman and Cutler LLP, Chicago, Illinois, and Hardwick Law Firm, Chicago, Illinois, as co-bond counsel ("Co-Bond Counsel") shall be necessary in connection with the transactions contemplated hereby and thereby.

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

(a) The Underwriters shall have the right to cancel their obligations to purchase the Series 2015A Bonds and have the further right to terminate this Agreement, without liability therefor, by written notice to the City from the Representative, if, between the date hereof and the Closing:

i) legislation shall be introduced in or enacted by the Congress of the United States or adopted by either House thereof or shall have been introduced and favorably reported for passage to either House by any committee of such House to which such legislation had been referred for consideration, or a decision shall have been rendered by or adopted by either House or a decision by a court of the United States or the United States Tax Court or an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, with respect to federal income taxation upon interest received on obligations of the general character ofthe Series 2015A Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Series 2015 A Bonds, or

ii) legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery ofthe Series 2015A 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 Series 2015A Bonds to be registered under the Securities Act of 1933, as amended, or the

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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 Series 2015A Bonds as contemplated hereby or by the Official Statement or of obligations of the general character of the Series 2015A Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Series 2015 A Bonds, or

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

iv) there shall be in force a general suspension of trading on The New York Stock Exchange, Inc., or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on The New York Stock Exchange, Inc., whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction, or

(v) a general banking moratorium shall have been declared by either

federal, State or New York authorities having jurisdiction and be in force, or

(vi) any legislation, ordinance, rule or regulation shall be enacted by the

City or State, or any department or agency thereof, or a decision by any court of

competent jurisdiction within the State shall be rendered which, in the reasonable

opinion of the Representative, would have a material adverse effect on the market

price or marketability of the Series 2015A Bonds, or

vii) a war involving the United States, an outbreak or escalation of or adverse development in hostilities or terrorist activities or other national or international calamity or crisis shall have occurred which, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Series 2015 A Bonds, or

viii) there shall be any proceeding or threatened proceeding by the SEC against the City and such proceeding or threatened proceeding, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Series 2015 A Bonds, or

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(ix) an event identified in the 2015B Bond Purchase Agreement shall occur giving the Underwriters the right to cancel their obligation to purchase the Series 2015B Bonds pursuant to the Series 2015B Bond Purchase Agreement.

(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 Series 2015A Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 6, 7 and 8 hereof and the Underwriters' receipt ofthe following documents:

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

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

(iii) the opinions, dated the date of the Closing and addressed to the

Representative on behalf of the Underwriters and to the City, of Co-Bond Counsel,

substantially in the form attached hereto as Exhibit B-l;

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

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

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

(vii) an opinion or opinions, dated the date ofthe Closing and addressed to

the Representative on behalf of the Underwriters, of Mayer Brown LLP, Chicago,

Illinois, as counsel for the Underwriters ("Underwriters' Counsel"), in form and

substance satisfactory to the Representative;

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

ix) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the City herein are correct in all material respects as ofthe date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2014, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

x) a certificate of the Trustee to the effect that the Trustee has full legal right, power and authority to act as the Trustee, Bond Registrar, and Paying Agent under the Ordinance and the Trust Indenture;

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

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

xiii) an executed copy of the Trust Indenture;

xiv) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Series 2015A Bonds;

(xv) 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;

xvi) evidence satisfactory to the Representative that the Series 2015A Bonds have ratings of "BBB+" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "BBB+" (negative outlook) by Fitch, and "A-" (stable outlook) by Kroll Bond Rating Agency;

xvii) such additional closing certificates and agreements related to the Series 2015 A Bonds, including such tax certifications and agreements relating to the Series 2015A Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Series 2015A Bonds and acceptance of the Series 2015A Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinance, the Trust Indenture, 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 Series 2015A Bonds; (c) the fees and disbursements of Co-Bond Counsel and Co-Disclosure Counsel; (d) the fees and disbursements of any experts or consultants retained by the City; (e) the fees of the Trustee; and (f) the fees for the municipal bond ratings on the Series 2015A Bonds. The City shall be responsible for any meal, travel and lodging expenses of its own officials and employees. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Series 2015A Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

The City shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the City in connection with the marketing, issuance and delivery of the Series 2015A Bonds, including, but not limited to, meals, transportation, lodging, and entertainment of the City's employees and representatives.

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

13. No Third Party Beneficiaries. Survival. Etc. This Agreement is made solely for the benefit ofthe City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser of the Series 2015A Bonds shall acquire or have any right hereunder or by virtue hereof. All ofthe 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 Series 2015 A Bonds.

14. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the State, without giving effect to the conflict of laws provisions thereof.

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

(a) They have heretofore authorized the Representative to execute any

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document on behalf of or exercise any authority of and otherwise to act for, the Underwriters in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative, and the Representative warrants and confirms to the City that: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Series 2015A Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale ofthe Series 2015A Bonds.

b) To the knowledge of the Underwriters, no person holding office ofthe City, either by election or appointment, is in any manner financially interested, either directly in the officer's own name or indirectly in the name of any other person, association, trust or corporation, in any contract being entered into or the performance of any work to be carried out in connection with the issuance and sale of the Series 2015A 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 ofthe following lists maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, the Bureau of Industry and Security of the United States Department of Commerce, the United States Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List. Such representation shall be provided to the City in the form attached hereto as Exhibit E.

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

d) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Series 2015A Bonds, at the initial public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. Approval. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City.

17. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any Bond or Series 2015 A 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. Cooperation with City Inspector General. As acknowledged by each Underwriter's Representation Letter, each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 of the Municipal Code of Chicago. Pursuant to Section 2-56-090 of the Municipal Code of Chicago, it shall be the duty of each Underwriter to cooperate with the inspector general in any investigation or hearing undertaken pursuant to Chapter 2-56. Every Underwriter shall report, directly and without undue delay, to the City's inspector general any and all information concerning conduct by any person which such Underwriter knows to involve corrupt activity, pursuant to Section 2-156-

018(b) of the Municipal Code of Chicago. As acknowledged by each Underwriter's Representation Letter, any Underwriter's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, shall constitute an event of default under this Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

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

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

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(c) conspiring to engage in any of the acts set forth in items (a) or (b) of above.

The Underwriter (individually and collectively) agrees and covenants that no payment, gratuity or offer of employment shall be made in connection with this Agreement, by or on behalf of a subcontractor to the Underwriter or any higher-tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Agreement.

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

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FN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Series 20I5A, to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Morgan Stanley & Co. LLC
William Blair & Company
Seibert Brandford Shank & Co., LLC
Academy Securities, Inc.
BMO Capital Markets GKST Inc.
Citigroup Global Markets, Inc.
Estrada Hinojosa & Company, Inc.
George K. Baum & Company
J.J.B. Hilliard, W.L. Lyons, LLC
Melvin & Company
North South Capital LLC

Schedule I

TERMS OF CITY OF CHICAGO GENERAL OBLIGATION BONDS,

SERIES 2015A

1. Aggregate Principal Amount: $345,530,000

2. Dated: Date of Issuance (Expected to be July 21, 2015)

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

Maturity Interest

(January I)	Principal Amount	Rate
2019	$ 4.965,000	5.000%
2020	7,380.000	5.000
2021	7.870,000	5.000
2022	8,320,000	5.000
2023	8,845,000	5.000
2024	5,415.000	5.000
2026	19,390,000	5.000
2027	24.925,000	5.250
2028	33,585.000	5.250
2029	35.275,000	5.375
2033	88,100,000	5.500
2034	36,430,000	5.500
2035	16,420.000	5.500
2035	203948.610,000	5.500

Price

103.511 103.579 102.874 101.537 100.366 99.385 97.692 98.980 98.206 98.539 98.454 98.179 98.008 97.553

CUSIP

I67486WC9
I67486WD7
167486WE5
I67486WF2
167486WG0
167486WH8
I67486WJ4
167486WKI
167486 WL9
167486WM7
167486WN5
I67486WP0
167486WQ8
167486 WR.6

4. Redemption.

The Series 2015A Bonds are subject to both optional and mandatory redemption prior to maturity, as described below, only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption.

The Series 2015 A Bonds maturing on and after January 1, 2026, arc subject to redemption prior to maturity at the option of the City, in whole or in part, on any date on or after January I, 2025, and if less than all of the outstanding Series 2015 A Bonds of a single maturity and interest rate are to be redeemed, the Series 2015A Bonds called shall be called by lot in such principal amounts and from such maturities and interest rates as the City shall determine, at a redemption price equal to the principal amount of the Series 2015A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2015A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will

not adversely affect the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes.

Mandatory Redemption of the Series 2015A Bonds.

The Series 2015A Bonds due January 1, 2033, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Year	Principal Amount
2031	$ 6,205,000
2032	8,275,000
2033*	73,620,000

* Final Maturity

The Scries 2015 A Bonds due January 1, 2039, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Year	Principal Amount
2036	$16,135,000
2037	12,620,000
2038	15,875,000
2039*	3,980,000

* Final Maturity

Exhibit A Preliminary Official Statement

Exhibit B-l Supplemental Opinion of Co-Bond Counsel

July_, 2015

Morgan Stanley & Co. LLC Chicago, Illinois
as Representative of the Underwriters

named in the Bond Purchase Agreement
described below (the "Underwriters")

Re: City of Chicago
$345,530,000 General Obligation Bonds, Series 2015A (the "Series 2015A Bonds ") $742,860,000 General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have on this date delivered to you our approving opinions (the "Approving Opinions") in connection with the issuance by the City of Chicago (the "City") ofthe above-referenced obligations (collectively, the "Bonds"). The Series 2015A Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 16, 2015, between the City and the Underwriters (the "Series 2015A Bond Purchase Agreement") and the Series 2015B Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 15, 2015, between the City and the Underwriters (the "Series 2015B Bond Purchase Agreement" and, together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Purchase Agreements.

Based upon our examination as Bond Counsel of the proceedings described in the Approving Opinions, we are of the opinion that:

1. Pursuant to an ordinance adopted by the City Council on the 17th day of June, 2015, authorizing the issuance of the Bonds (as supplemented by a Notification of Sale, the "Bond Ordinance"), the City has duly authorized, executed and delivered the Bond Purchase Agreements, the Indentures and the Undertaking (together with the Bond Purchase Agreements and the Indentures, the "City Documents"), and, assuming the due authorization, execution, delivery and the binding effect on the other parties thereto, each of the City Documents constitutes a legal, valid and binding obligation ofthe City, enforceable against the City in accordance with its respective terms, except that the enforceability ofthe City Documents may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

2. Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement dated July 16, 2015, we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Bond Ordinance and the Trust Indentures are not required to be qualified under the Trust Indenture Act of 1939, as amended.

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

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

Very truly yours,

Exhibit B-2 Letter of Co-Bond Counsel

July_, 2015

Morgan Stanley & Co. LLC Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below (the "Underwriters")

Re: City of Chicago
$345,530,000 General Obligation Bonds, Series 2015A (the "Series 2015A Bonds") $742,860,000 General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the sale and issuance by the City of Chicago (the "City") of the above-referenced obligations (collectively, the "Bonds"). We have rendered our separate opinions, dated the date hereof, as to the validity, enforceability and tax status of interest on the Bonds. The Series 2015A Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 16, 2015, between the City and the Underwriters (the "Series 2015A Bond Purchase Agreement") and the Series 2015B Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 15, 2015, between the City and the Underwriters (the "Series 2015B Bond Purchase Agreement" and, together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Bond Purchase Agreements.

We have not been engaged nor have we undertaken to review or verify the accuracy, completeness or sufficiency of the information contained in or appended to the Official Statement dated July 16,2015 (the "Official Statement") or other offering material relating to the Bonds, except that in our capacity as Bond Counsel in connection with the issuance ofthe Bonds we have reviewed the information contained in the Official Statement under the captions "OFFICIAL STATEMENT Summary," "The BONDS" (except for the information relating to The Depository Trust Company and its book-entry system and operations), "Security for the Bonds - General Obligation of the City" (except for any information referenced under such caption contained under the heading "FINANCIAL DISCUSSION AND Analysis" and in Appendix D - "Property Taxes") and Appendix A - "Summary of the Indentures," solely to determine whether such information and summaries conform to the Bonds, the ordinance adopted by the City Council of the City on the 17th day of June, 2015, authorizing the issuance of the Bonds (as supplemented by the Notification of Sale dated July 16, 2015 delivered by the Chief Financial Officer of the City, the "Bond Ordinance ") and the Trust Indentures. The purpose of our professional engagement was not to establish or confirm factual matters in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth under these captions and reviewed by us. Subject to the foregoing, the summary descriptions in the Official Statement under such captions excepting those matters set forth above, as of the date of the Official Statement and as ofthe date hereof, insofar as such descriptions purport to describe or summarize certain provisions of the Bonds, the Bond Ordinance and the Trust Indentures, are accurate summaries of such provisions in all material respects. Further, we confirm the opinions attributed to us in the Official Statement and consent to the references to such opinions contained therein. In addition, the information in the Official Statement under the caption "Tax Matters" purporting to describe or summarize our opinions concerning certain federal tax matters relating to the Bonds has been reviewed by us and is an accurate summary in all material respects. Except as specifically described in this paragraph, we express no opinion herein with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained, appended or incorporated by reference in the Official Statement.

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

This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention. This letter is furnished by us as Bond Counsel to the City. This letter is solely for the benefit of the Underwriters and the City and may not be used, quoted, relied upon

or otherwise referred to for any other purpose or by any other person (including any person purchasing any ofthe Bonds from the Underwriters) without our prior written consent.

Very truly yours,

Exhibit B-3

Letters of Special Pension Disclosure Counsel

Letter to Underwriters

July ,2015

Morgan Stanley & Co. LLC as Representative of the Underwriters
named in the Bond Purchase Agreement described below

Re: $345,530,000 City of Chicago
General Obligation Bonds, Series 2015A (the "Series 2015A Bonds")

$742,860,000 City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the "City"), solely in connection with the information contained under the caption "Financial Discussion and Analysis - Pensions" and in Appendix E - "Retirement Funds" (together, the "Pension Sections ") of the Preliminary Official Statement dated July 8,2015 (the "Preliminary Official Statement") and the Official Statement dated July 16,2015 (the "Official Statement"), each relating to the Series 2015A Bonds and the Series 2015B Bonds (together, the "Bonds"") issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Sections, certificates of officers ofthe City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "Retirement Funds"), including the representations and warranties of the City in the Bond Purchase Agreement dated July 16, 2015, with respect to the Series 2015 A Bonds, and the Bond Purchase Agreement dated July 15, 2015, with respect to the Series 2015B Bonds, each between the City and Morgan

Stanley & Co. LLC, on behalf of itself and the other underwriters named therein (collectively, the "Underwriters"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

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

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

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

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

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Sections and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to each series of the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

Letter to City

July ,2015

Re: $345,530,000 City of Chicago
General Obligation Bonds, Series 2015A (the "Series 2015A Bonds ")
$742,860,000 City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the "City "), solely in connection with the information contained under the caption "Financial Discussion and Analysis - Pensions" and in Appendix E - "Retirement Funds" (together, the "Pension Sections ") of the Preliminary Official Statement dated July 8,2015 (the "Preliminary Official Statement") and the Official Statement dated July 16, 2015 (the "Official Statement"), each relating to the Series 2015A Bonds and the Series 2015B Bonds (together, the "Bonds") issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Sections, certificates of officers ofthe City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "Retirement Funds"), including the representations and warranties ofthe City in the Bond Purchase Agreement dated July 16,2015, with respect to the Series 2015A Bonds, and the Bond Purchase Agreement dated July 15, 2015, with respect to the Series 2015B Bonds, each between the City and Morgan Stanley & Co. LLC, on behalf of itself and the other underwriters named therein (collectively, the "Underwriters"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

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

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

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based

on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Sections; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

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

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Sections. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to each series ofthe Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

Exhibit C

Opinion of Corporation Counsel of the City July 21, 2015

Morgan Stanley & Co. LLC, as Representative of the Underwriters named in the Bond Purchase Agreement, dated July 16, 2015, between such Underwriters and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(vi) of that certain Bond Purchase Agreement dated July 16, 2015 (the "2015A Bond Purchase Agreement") between the City of Chicago (the "City") and Morgan Stanley & Co. LLC, as representative of a group of underwriters (the "Representative"), with respect to the purchase of the City of Chicago General Obligation Bonds, Series 2015 A (the "Series 2015 A Bonds") and that certain Bond Purchase Agreement dated July 15, 2015 (the "2015B Bond Purchase Agreement" and together with the 2015A Bond Purchase Agreement, the "Bond Purchase Agreements") between the City and the Representative, with respect to the purchase of the City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 2015B Bonds" and together with the Series 2015A Bonds, the "Bonds"). The Series 2015A Bonds are being issued in accordance with the Trust Indenture between the City and Zions First National Bank, as trustee (the "Trustee") dated as of July 1, 2015 (the "Series 2015A Indenture"). The Taxable Series 2015B Bonds are being issued in accordance with the Trust Indenture between the City and Zions First National Bank, as trustee, dated as of July 1, 2015 (the "Taxable Series 2015B Indenture," and collectively with the Series 2015A Indenture, the "Indentures"). The Bonds are authorized by an ordinance of the City adopted by the City Council of the City (the "City Council") on June 17, 2015. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreements.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy of the record of proceedings ofthe City Council pertaining to the issuance of the Bonds by the City, and executed counterparts, where applicable, of the following documents:

a) the Ordinance;

b) the Indentures;

c) the Bond Purchase Agreements; and

d) 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 the issuance of the Bonds, and to execute and deliver the Indentures, the Bond Purchase Agreements and the Undertaking.

2. The Bond Purchase Agreements, the Indentures 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 Indentures, the Bond Purchase Agreements and the Undertaking does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

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

Indentures, the Bond Purchase Agreements or the Undertaking, or the completeness or accuracy of the Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Indentures, the Bond Purchase Agreements or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the captions "THE BONDS - Book-Entry System" relating to the Depository Trust Company ("DTC"), "RATINGS," "UNDERWRITING," and "TAX MATTERS," "APPENDIX B -ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX F -- OPINIONS OF CO-BOND COUNSEL," information sourced to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to DTC, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

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

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

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

Very truly yours,

Stephen R. Patton Corporation Counsel

Exhibit D

Opinion of Co-Disclosure Counsel

July 21, 2015

City of Chicago, Illinois

Morgan Stanley & Co. LLC, as Representative ofthe Underwriters named in the Bond Purchase Agreements (defined herein) between such Underwriters and the City of Chicago

$1,088,390,000 CITY OF CHICAGO

$345,530,000 General Obligation Bonds, Series 2015A
$742,860,000 General Obligation Bonds, Taxable Series 2015B

Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the City of Chicago (the "City") in connection with the offering by the City of its General Obligation Bonds, Series 2015A (the "Series 2015A Bonds") and its General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds"). The Bonds are authorized by an ordinance of the City Council of the City (the "City Council") adopted on June 17, 2015, and the Bonds of each Series will be issued pursuant to and secured by a separate Trust Indenture each dated as of July 1, 2015 (collectively, the "Indentures"), between the City and Zions First National Bank, as bond trustee.

This opinion is being rendered pursuant to Section 10(a)(viii) of the Bond Purchase Agreement dated July 16, 2015 between the City and Morgan Stanley & Co. LLC, as representative (the "Representative") of the underwriters named therein (the "Underwriters") with respect to the Series 2015A Bonds (the "Series 2015A Bond Purchase Agreement"), and Section 10(a)(viii) of the Bond Purchase Agreement dated July 15,2015, between the City and the Representative with respect to the Taxable Series 2015B Bonds (the "Series 2015B Bond Purchase Agreement," and together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Bond Purchase Agreements.

For purposes of rendering this opinion, we have examined originals or executed copies, certified or otherwise identified to our satisfaction, of: (i) the Indentures, (ii) the

Bond Purchase Agreements, (iii) the Undertaking and (iv) the legal opinions, agreements and certificates delivered in connection with the reoffering of the Bonds. We have also participated in the preparation of the Preliminary Official Statement and the Official Statement. 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 offering of the Bonds, and neither of the Indentures is required to be qualified under the Trust Indenture Act of 1939, as amended.

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

3. The statements contained in the Official Statement under the caption "SECONDARY MARKET DISCLOSURE" insofar as such statements purport to summarize certain provisions of the Undertaking, 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 ofthe Bonds, or the federal tax exemption for the interest paid on the Series 2015A 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 ofthe Official Statement, except as explicitly stated in paragraph 3 above, we are not passing upon nor do we assume responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements, notes to financial statements, tables and other financial, economic, market and statistical data included or incorporated by reference in the Official Statement and the appendices to the Official Statement, and we have not reviewed the accounting, financial or statistical records from which such financial statements, schedules, appendices and data are derived. We note that we are not experts within the meaning ofthe 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, the City's Corporation Counsel, officials, employees and agents ofthe City and Underwriters' counsel 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 contains 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) financial statements, notes to financial statements, tables and any financial, forward-looking, technical, economic, market and statistical information included in the Official Statement or the Appendices thereto, (ii) the description of DTC and the information under the caption "THE BONDS- Book-Entry System" included in the Official Statement, (iii) any information included in APPENDIX B-"ECONOMIC AND DEMOGRAPHIC INFORMATION," APPENDIX C-"CITY

OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014," and APPENDIX E-"RETIREMENT FUNDS," or (iv) the legal opinions or forms thereof included as APPENDIX F -"OPINIONS OF CO-BOND COUNSEL."

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

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

This opinion and views herein set forth 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 views herein set forth.

Very truly yours,

Exhibit E

Representation Letter

Morgan Stanley & Co. LLC
as Representative ofthe Underwriters
named in the Bond Purchase Agreements,
dated July 15, 2015 and July 16, 2015,
between such Underwriters and the City of
Chicago

Pursuant to the Bond Purchase Agreement dated July 16, 2015 (the "2015A Bond Purchase Agreement"), among the City of Chicago (the "City") and Morgan Stanley & Co. LLC, as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the City's General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"), and the Bond Purchase Agreement dated July 15, 2015 (the "2015B Bond Purchase Agreement" and together with the 2015A Bond Purchase Agreement, the "Purchase Agreement"), among the City and the Representative of the Underwriters relating to the General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds"), each of the undersigned Underwriters severally represents to the City that:

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

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

2) The undersigned Underwriters agree that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph (1) above, at any time prior to the Closing (as defined in the Purchase Agreement) with respect to the Bonds, that Underwriter shall be deemed to have submitted to the Representative its Withdrawal From Agreement Among Underwriters.

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

Dated: July 16, 2015

' MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By: ' By:

Its: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: By:
GEORGE K. BAUM & COMPANY

By:
Its:
Its: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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 ofthe date written below.

Dated: July 16, 2015

MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

By:
Its: Managing Director

SEIBERT BRAN LL
By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:
GEORGE K. BAUM & COMPANY

By:
Its: ■

J.J.B. HILLIARD, W.L. LYONS, LLC

By:
Its:
MELVIN & COMPANY

By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015

MORGAN STANLEY & CO. LLC	WILLIAM BLAIR & COMPANY
By: Its: Managing Director Its:	By:
SEIBERT BRANDFORD SHANK & CO., LLC	ACADEMY SECURITIES, INC.
By: Its:	By: Its:

J.J.B. HILLIARD, W.L. LYONS, LLC MELVIN & COMPANY

By: By:
Its: Its:

NORTH SOUTH CAPITAL LLC

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 ofthe date written below.

Dated: July 16, 2015 MORGAN STANLEY & CO. LLC .

By:
Its: Managing Director
By: Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By:. Its:

ESTRADA HINOJOSA & COMPANY, INi

GEORGE K. BAUM & COMPANY

By:
Its:
J.J.B. MILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

SEIBERT BRANDFORD SHANK & CO., LLC

By:
Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
By: Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

WILLIAM BLAIR & COMPANY

By:
Its:

ACADEMY SECURITIES, INC.

By:

Its:

CITIGROUP GLOGAL MARKETS, INC.

By:
Its:

GEORGE K. BAUM & COMPANY

By:
Its:

MELVIN & COMPANY

By:
Its:
NORTH SOUTH CAPITAL LLC

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 ofthe date written below.

Dated: July 16,2015 MORGAN STANLEY & €0. LLC

Bv:
Its: Managing Director
By:. Its:

SEJBERT BRAJ>©FORDiSHANK.& CO., ACADEMY SECURITIES, INC. LLC

By:. Its:
By-Its:

INC. CrriGK0UP;GLO©AL MARKETS, INC.

By: Its:
By: Its:

ESTRADA rJJNOJ0SA-&iCOiWAW, INC.

By:. Its:
GEORGE KcjBAUM & COMPANY

Bv:
Its:

J.J.B. HTLLIARD, W.L., LYONS', LLC MELVDN COMPANY

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

S EI BERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By:. Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:. Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By:. Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015

MORGAN STANLEY.& CO. LLC WILLIAM BLAIR & COMPANY

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: By:
Its: 1 Its:

ESTRADA HTNOJOSA & COMPANY, INC. GEORGE K. BAUM & COMPANY

By:
By: ' Its:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC MELVIN & COMPANY

By: By:
Its: Its:

NORTH SOUTH CAPITAL LLC

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 ofthe date written below.

Dated: July 16,2015

MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

WILLIAM BLAIR & COMPANY

By:
Its:

SEIBERT BRANDFORD SHANK & CO.,

LLC

ACADEMY SECURITIES, INC.

By: Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its: ■■

ESTRADA HINOJOSA & COMPANY, INC.

By: ;
Its:
By: Its:

GEORGE K. BAUM & COMPANY

By: Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By:
Its:
MELVIN & COMPANY

By:
Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015

MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

By: By:
Its: Managing Director Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC
BMO CAPITAL MARKETS GKST INC

By.
Its:

By:_ Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By:
Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015

MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

By: By:
Its: Managing Director Its:

SE1BERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC.

LLC

By: By:
Its: Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its: •
CITIGROUP GLOBAL MARKETS, INC.

By:
Its:

By: Its:

Exhibit 2

Taxable Series 2015B Bond Purchase Agreement

Bond Purchase Agreement

$742,860,000 CITY OF CHICAGO GENERAL OBLIGATION BONDS, TAXABLE SERIES 2015B

City of Chicago

July 15,2015

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC (the "Representative"), on behalf of itself and the other underwriters listed below (collectively, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Agreement") with the City of Chicago (the "City"), for the purchase by the Underwriters, and sale by the City, of all but not less than all ofthe City's General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds"). This offer is made subject to the acceptance by the City, evidenced by the signature of a duly authorized officer of the City in the space provided below, on or before 5:00 P.M., Chicago time on the date hereof, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding on the City and the Underwriters.

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

The primary role of the Underwriters is to purchase the Series 2015B Bonds, for resale to investors, in an arm's-length commercial transaction between the City and the Underwriters. The Underwriters have financial and other interests that differ from those of the City.

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

1. Agreement to Sell and Purchase.

(a) Upon the terms and conditions and based upon the representations, warranties and covenants herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters the Series 2015B

Bonds at a price equal to $726,784,205.13 (which represents the aggregate principal amount of the Series 2015B Bonds less an original issue discount of $11,396,932.85 and less an Underwriters' discount of $4,678,862.02).

b) It shall be a condition to the City's obligation to sell and deliver the Series 2015B Bonds that all the Series 2015B Bonds be purchased and paid for by the Underwriters at the Closing (as defined in Section 7 hereof) and a condition to the Underwriters' obligation to purchase and pay for the Series 2015B Bonds that all Series 2015B Bonds be issued, sold and delivered by the City at the Closing.

c) The City and the Underwriters expect to execute on July 16, 2015, an agreement (the "Series 2015A Bond Purchase Agreement") with respect to the sale and delivery by the City and the purchase by the Underwriters of the General Obligation Bonds, Series 2015A ofthe City (the "Series 2015A Bonds" and, together with the Series 2015B Bonds, the "Bonds").

2. Bond Authorization. The Series 2015B Bonds are authorized by an ordinance ofthe City adopted by the City Council ofthe City (the "City Council") on June 17,2015 (the "Ordinance"), and the Series 2015B Bonds will be issued pursuant to and secured by a Trust Indenture dated as of July 1, 2015 (the "Trust Indenture"), between the City and Zions First National Bank, as Trustee, Bond Registrar and Paying Agent for the Series 2015B Bonds (the "Trustee"). The Series 2015B 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 July 8, 2015, relating to the Series 2015B Bonds (the "Preliminary Official Statement"). For purposes of Rule 15c2-12 ("Rule 15c2-12") adopted by the Securities and Exchange Commission (the "SEC") under the 1934 Act, the Preliminary Official Statement is "deemed final" by the City with respect to the Series 2015B Bonds as of its date except for the omission of such information as is permitted by Rule 15c2- 12(b)(1).

4. Public Offering Price. The Underwriters have agreed to make a bona tide public offering of the Scries 2015B Bonds at the initial offering prices set forth on Schedule I.

5. The Official Statement.

(a) The City shall provide, or cause to be provided, at its expense, to the Underwriters no later than the earlier of (i) seven (7) business days after the date of this Agreement or (ii) one (1) day prior to the Closing, three copies of the Official Statement of the City relating to the Bonds (the "Official Statement"), signed on behalf of the City by the Chief Financial Officer and the Official Statement so delivered shall be "final" for purposes of Rule 15c2-12. Such delivery of the Official Statement shall occur in sufficient time to accompany any confirmation that requests payment from any customer and in sufficient quantity to comply with the rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB").

b) If on or prior to the Closing or within twenty-five (25) days after the '"end of the underwriting period" (as hereinafter defined) any event known to the City relating to or affecting the City, the Ordinance or the Series 2015B 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 ofthe circumstances and details of such event. If, as a result of such event, it is necessary, in the joint opinion of the City and the Representative to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, the City will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or a supplement to such Official Statement in form and substance satisfactory to the City and the Representative, at the City's sole cost and expense, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. For purposes of this Agreement, the term "end of the underwriting period" shall mean the later of the date of Closing or the date on which an Underwriter no longer retains an unsold balance of the Series 2015B Bonds for sale to the public. The Underwriters agree that the date on which the end ofthe 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 Series 2015B 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 Series 2015B Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

The Official Statement shall be provided for distribution, at the expense of the City, in such quantity as may be requested by the Underwriters as set forth above in order to permit the Underwriters to comply with Rule 15c2-12, and the applicable rules ofthe MSRB, with respect to distribution of the Official Statement. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB Rule G -32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to July 21, 2015, to enable the Underwriters to comply with MSRB Rule G-32.

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

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

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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 approved the execution and delivery ofthe Trust Indenture; (iii) 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 (iv) duly authorized and approved the execution and delivery ofthe Series 2015B Bonds, this Agreement and a continuing disclosure undertaking pursuant to the provisions of Section (b)(5) of Rule 15c2-12 (the "Undertaking").

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

d) The City has full legal right, power and authority to: (i) adopt the Ordinance; (ii) execute and deliver this Agreement, the Trust Indenture, the Undertaking and the Official Statement; (iii) issue, sell and deliver the Series 2015B Bonds to the Underwriters pursuant to the Ordinance and the Trust Indenture and as provided in this Agreement; and (iv) pay for the Series 2015B Bonds from the sources pledged under the Ordinance and the Trust Indenture for their payment.

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

f) All approvals, consents and orders of, and filings (except, if any, under applicable state "blue sky" laws) with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the City of its obligations under this Agreement, the Undertaking, the Ordinance, the Trust Indenture, and the Series 2015B Bonds have been obtained or made.

g) The financial statements of the City contained in the Official Statement fairly present the financial position and results of operations ofthe City as ofthe 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.

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(h) The Official Statement (excluding any description of The Depository Trust Company ("DTC"), information under the captions "THE BONDS - Book-Entry System," "RATINGS," "UNDERWRITING," "TAX MATTERS," APPENDIX A - "SUMMARY OF THE INDENTURES", APPENDIX B - "ECONOMIC AND DEMOGRAPHIC INFORMATION (with respect to the information under the headings "- Economy," "- Percentage of Total Non-Farm Employment by Major Industry Sector" and "and "- Housing Market," and information relating to population, per capita personal income and employment, and unemployment rate with respect to the United States, the State of Illinois, Cook County and the Chicago MSA), Tables 1-10 included in APPENDIX E - "RETIREMENT FUNDS," APPENDIX F - "OPINIONS OF CO-BOND COUNSEL," and information furnished by the Underwriters for use in the Official Statement) as of its date does not, and at the Closing will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

(i) Information in the Third Party Sourced Retirement Fund Tables is sourced

from documents published by the Retirement Funds and the City takes no responsibility

for the accuracy and completeness of such information; however, nothing has come to the

attention of the City which would lead the City to believe that the Third Party Sourced

Retirement Fund Tables are not true and correct in all material respects;

(j) The Ordinance, the Trust Indenture, 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 bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(k) When delivered to the Representative, and paid for by the Underwriters at the Closing in accordance with the provisions of this Agreement, the Series 2015B Bonds will be duly authorized, executed and delivered and will constitute legal, valid and binding obligations ofthe City enforceable in accordance with their terms (except to the extent that enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies and the availability of equitable remedies generally).

(1) 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 Series 2015B Bonds, the Ordinance, the Trust Indenture, this Agreement, or the Undertaking.

(m) Any certificate signed by any Authorized Officer ofthe City and delivered to the Representative at the Closing in connection with the issuance or sale of the Series 2015B 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.

(n) The City will make available such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may

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reasonably request to qualify the Series 2015B Bonds for offering and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate in writing; provided, however, that nothing in this Section 6(n) shall require the City to consent to general service of process in any state or jurisdiction other than the State.

(o) The City will apply the proceeds of the Series 2015B Bonds in accordance with the Ordinance and the Trust Indenture.

(p) The City acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction between the City and the Underwriters in which the Underwriters are acting solely as a principal and not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriters have financial and other interests that differ from those of the City; and (iv) the City has consulted its own legal, account, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

7. Closing. Subject to the conditions set forth in this Agreement, the closing (the "Closing") ofthe sale of the Series 2015B Bonds by the City and the purchase of the Series 2015B Bonds by the Underwriters, shall take place at approximately 9:00 a.m., Chicago time, on July 21,2015, at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois (or at such other time, date and place as the City and the Representative mutually agree).

a) At the Closing, the City shall deliver or cause to be delivered to DTC, as securities depository, for the account of the Underwriters one fully registered certificate for each, interest rate and maturity of the Series 2015B Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee for DTC.

b) Upon delivery ofthe Series 2015B 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 Series 2015B 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 Series 2015B 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 ofthe 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

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Agreement are and shall be subject to the following further condition that at the time ofthe Closing, the Ordinance, the Trust Indenture, 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 Chapman and Cutler LLP, Chicago, Illinois, and Hardwick Law Firm, Chicago, Illinois, as co-bond counsel ("Co-Bond Counsel") shall be necessary in connection with the transactions contemplated hereby and thereby.

9. Termination of Agreement.

(a) The Underwriters shall have the right to cancel their obligations to purchase the Series 2015B 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 ofthe United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf ofthe 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 Series 2015B 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 Series 2015B 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 Series 2015B Bonds as contemplated hereby or by the Official

Statement or of obligations of the general character of the Series 2015B Bonds which, in the Representative's reasonable opinion, does materially adversely affect the market price or marketability of the Series 2015B 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 untrue statement of a material fact or (B) omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in any material respect, and the City fails to prepare or furnish or fails to cause to be prepared or furnished to the Underwriters an amendment or supplement to the Official Statement, pursuant to Section 5 hereof, which will amend or supplement the Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in a material respect, or

(iii) there shall be in force a general suspension of trading on The New

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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 Series 2015B 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 calamity or crisis shall have occurred which, in the reasonable opinion ofthe Representative, materially adversely affects the market price or marketability of the Series 2015B 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 Series 2015B Bonds, or

viii) an event identified in the 2015ABond Purchase Agreement shall occur giving the Underwriters the right to cancel their obligation to purchase the Series 2015A Bonds pursuant to the Series 2015A Bond Purchase Agreement.

(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 Series 2015B Bonds at the Closing shall be conditioned upon the City's performance of its obligations under Sections 6, 7 and 8 hereof and the Underwriters' receipt of the following documents:

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

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

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iii) the letters 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-l;

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

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

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

vii) an opinion or opinions, dated the date of the Closing and addressed to the Representative on behalf of the Underwriters, of Mayer Brown LLP, Chicago, Illinois, as counsel for the Underwriters ("Underwriters' Counsel"), in form and substance satisfactory to the Representative;

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

(ix) a certificate, dated the date of the Closing, signed by the Chief Financial Officer, to the effect that (A) the representations and warranties of the

City herein are correct in all material respects as of the date of the Closing; and (B) there has been no material adverse change in the financial condition of the City since December 31, 2014, as reflected in Appendix C to the Official Statement, except as set forth in the Official Statement;

(x) a certificate of the Trustee to the effect that the Trustee has full legal right, power and authority to act as the Trustee, Bond Registrar, and Paying Agent under the Ordinance and the Trust Indenture;

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

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

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an executed copy of the Trust Indenture;

(xiv) a copy of an agreement between the City and DTC relating to the safekeeping and book-entry form of the Series 2015B Bonds;

(xv) 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;

xvi) evidence satisfactory to the Representative that the Series 2015B Bonds have ratings of "BBB+" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "BBB+" (negative outlook) by Fitch, and "A-" (stable outlook) by Kroil Bond Rating Agency;

xvii) such additional closing certificates and agreements related to the Series 2015B Bonds, as Co-Bond Counsel shall reasonably determine to be necessary to deliver their opinions as provided hereinabove.

(b) All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative, in its reasonable judgment. Payment for the Series 2015B Bonds and acceptance of the Series 2015B Bonds by the Underwriters shall constitute acknowledgment by the Underwriters of the City's full performance hereunder.

11. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any and all expenses incident to the performance of the City's obligations hereunder, including but not limited to: (a) the cost of the preparation and printing or other reproduction of the Ordinance, the Trust Indenture, 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 ofthe Series 2015B Bonds; (c) the fees and disbursements of Co-Bond Counsel and Co-Disclosure Counsel; (d) the fees and

disbursements of any experts or consultants retained by the City; (e) the fees of the Trustee; and (f) the fees for the municipal bond ratings on the Series 2015B Bonds. The City shall be responsible for any meal, travel and lodging expenses of its own officials and employees. The Underwriters will pay the expenses incurred by them or any of them in connection with their public offering and distribution of the Series 2015B Bonds, including, but not limited to, the CUSIP Service Bureau charges, the fees and expenses of Underwriters' Counsel and advertising expenses directly incurred by the Underwriters.

The City shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the City in connection with the marketing, issuance and delivery of the Series 2015B Bonds, including, but not limited to, meals, transportation, lodging, and entertainment of the City's employees and representatives.

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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:

Attention: William Daley, Managing Director

13. No Third Party Beneficiaries. Survival. Etc. This Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter), and no other person, partnership, association or corporation including any purchaser ofthe Series 2015B 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 Series 2015B Bonds.

14. Governing Law. The rights and obligations of the parties to this Agreement shall be governed by, construed and enforced in accordance with the laws of the State, without giving effect to the conflict of laws provisions thereof.

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

a) They have heretofore authorized the Representative to execute any document on behalf of or exercise any authority of and otherwise to act for, the Underwriters in all matters under or pertaining to this Agreement. Each Underwriter has warranted and confirmed to the Representative, and the Representative warrants and confirms to the City that: (i) it is duly registered under the 1934 Act, as a broker/dealer or municipal securities dealer and has duly paid the fee prescribed by MSRB Rule A-12 or is exempt from such requirements, (ii) it is (a) a member in good standing of the Financial Industry Regulatory Authority ("FINRA") or (b) otherwise eligible under FINRA rules to receive underwriting discounts and concessions available to such members with respect to underwriters of municipal securities, and (iii) it has complied with the dealer registration requirements, if any, of the various jurisdictions in which it offers Series 2015B Bonds for sale. The Underwriters represent, warrant and covenant that they are and will be in compliance with all applicable laws, rules and regulations in connection with the offering, issuance and sale ofthe Series 2015B Bonds.

b) To the knowledge of the Underwriters, no person holding office of the City, either by election or appointment, is in any manner financially interested, either directly in the officer's own name or indirectly in the name of any other person, association, trust or corporation, in any contract being entered into or the performance of any work to be carried out in connection with the issuance and sale of the Series 2015B Bonds upon which said officer may be called upon to act or vote.

c) Each Underwriter severally represents to the City that neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, the Bureau of Industry and Security ofthe United States Department of Commerce, the United States Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List. Such representation shall be provided to the City in the form attached hereto as Exhibit E.

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

d) The Underwriters may enter into distribution agreements with certain financial institutions for the retail distribution of municipal securities, including the Series 2015B Bonds, at the initial public offering price. In accordance with such arrangements, the Underwriters may share a portion of its underwriting compensation.

16. Approval. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to the City.

17. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any Series 2015B 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. Cooperation with City Inspector General. As acknowledged by each Underwriter's Representation Letter, each Underwriter understands and agrees that it is required to and will comply with the provisions of Chapter 2-56 ofthe Municipal Code of Chicago. Pursuant to Section 2-56-090 of the Municipal Code of Chicago, it shall be the duty of each Underwriter to cooperate with the inspector general in any investigation or hearing undertaken pursuant to Chapter 2-56. Every Underwriter shall report, directly and without undue delay, to the City's inspector general any and all information concerning conduct by any person which such Underwriter knows to involve corrupt activity, pursuant to Section 2-156-018(b) of the Municipal Code of Chicago. As acknowledged by each Underwriter's Representation Letter, any Underwriter's knowing failure to report corrupt activity as required in subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, shall constitute an event of default under this Agreement. For purposes of subsection (b) of Section 2-156-018 of the Municipal Code of Chicago, "corrupt activity" shall mean any conduct set forth in subparagraph (a)(1), (2) or (3) of Section 1-23-020 of the Municipal Code of Chicago:

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

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

(c) conspiring to engage in any of the acts set forth in items (a) or (b) of above.

The Underwriter (individually and collectively) agrees and covenants that no payment, gratuity or offer of employment shall be made in connection with this Agreement, by or on behalf of a subcontractor to the Underwriter or any higher-tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order related to this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have caused this Bond Purchase Agreement in connection with the City of Chicago General Obligation Bonds, Taxable Series 2015B, to be executed by their duly authorized representatives as of the date first above written.

Very truly yours,

THE UNDERWRITERS

Morgan Stanley & Co. LLC
William Blair & Company
Seibert Brandford Shank & Co., LLC
Academy Securities, Inc.
BMO Capital Markets GKST Inc.
Citigroup Global Markets, Inc.
Estrada Hinojosa & Company, Inc.
George K. Baum & Company
J.J.B. Hilliard, W.L. Lyons, LLC
Melvin & Company
North South Capital LLC

By: MORGAN STANLEY & CO. LLC

Finance ofthe City Council

As Representative

Schedule I

TERMS OF CITY OF CHICAGO GENERAL OBLIGATION BONDS,

TAXABLE SERIES 2015B

1. Aggregate Principal Amount: $742,860,000

2. Dated: Date of Issuance (Expected to be July 21, 2015)

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

Maturity (January 1)	Principal Amount	Interest Rate	Price CUSIP		
2019	$ 5,020,000	5.383%	100.000%	I67486VX4	
2020	5.290,000	5.633	100.000	167486VY2	
2021	5.585,000	5.962	100.000	167486VZ9	
2022	5,920,000	6.212	100.000	167486WA3	
2023	6,290,000	6.361	100.000	167486WBI	
2023	2033	321.695,000	7.375	99.309	167486VV8
2023	2042	393.060,000	7.750	97.666	167486VW6

4. Redemption.

The Series 2015B Bonds are subject to both optional and mandatory redemption prior to maturity, as described below, only in principal amounts of 51,000 and integral multiples thereof.

Optional Redemption. Optional Redemption of the Series 2015B Bonds with Make Whole Payment. The Series 2015B Bonds maturing on or before January 1, 2033, shall be subject to redemption prior to maturity at the option ofthe City, in whole or in part, on any Business Day (as defined below) at a redemption price (the "Make Whole Redemption Price") equal to the greater of: (A) the principal amount of Series 2015B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2015B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Series 2015B Bonds are to be redeemed, discounted to the date of redemption of such Series 2015B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus accrued interest on such Series 2015B Bonds being redeemed to the date fixed for redemption.

The Make Whole Redemption Price of the Scries 2015B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Bond Registrar and the City may rely on the Calculation Agent's determination of the Make Whole Redemption Price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the

Make Whole Redemption Price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to (i) in the case of the Series 2015B Bonds maturing on January 1 of the years 2019 through 2023, inclusive, the period from the redemption date to the maturity date of such Series 2015B Bonds to be redeemed, and (ii) in the case ofthe Series 2015B Bonds maturing on January 1, 2033, the then remaining average life of such maturity ofthe Series 2015B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Bond Registrar maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banks located in the city where the Designated Corporate Trust Office of the Trustee is located are authorized or required to close, and (iii) a day on which The New York Stock Exchange, Inc., is closed.

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 2015B Bonds for optional redemption.

Optional Redemption of the Series 20J5B Bonds at par. The Series 2015B Bonds maturing on January 1, 2042, are subject to redemption prior to maturity at the option ofthe City, in whole or in part, on any date on or after January 1, 2025, and if less than all of the outstanding Series 2015B Bonds of such maturity are to be redeemed, the Series 2015B Bonds called shall be called in such principal amounts as the City shall determine, at a redemption price equal to the principal amount of the Series 2015B Bonds of such maturity being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any ofthe Series 2015B Bonds for optional redemption, in whole or in part.

If less than all of the Series 2015B Bonds are to be redeemed prior to maturity, the particular Series 2015B Bonds to be redeemed shall be selected on a pro-rata basis as described in the Official Statement.

Mandatory Redemption of the Series 2015B Bonds.

The Series 2015B Bonds due January 1, 2033, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

YearPrincipal Amount	
2024	$ 10,665,000
2025	9,990,000
2026	3,050,000
2027	3,300,000
2028	3,620,000
2029	3,950,000
2030	45,105,000
2031	55,175,000
2032	154,145,000
2032	2033*32,695,000

* Final Maturity

The Series 20I5B Bonds due January I, 2042, are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January I of the following years and in the following principal amounts:

YearPrincipal Amount	
2034	$ 73,925,000
2035	173,680,000
2036	18,845,000
2037	15,495,000
2038	16,800,000
2039	25,525,000
2040	32,385,000
2041	17,505,000
2041	2042*18,900,000

* Final Maturity

Exhibit A Preliminary Official Statement

Exhibit B-l Supplemental Opinion of Co-Bond Counsel

July _, 2015

City of Chicago

Morgan Stanley & Co. LLC Chicago, Illinois
as Representative ofthe Underwriters
named in the Bond Purchase Agreement

described below (the "Underwriters")

Re: City of Chicago
$,000 General Obligation Bonds, Series 2015A
(the "Series 2015A Bonds") $742,860,000 General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have on this date delivered to you our approving opinions (the "Approving Opinions") in connection with the issuance by the City of Chicago (the "City") of the above-referenced obligations (collectively, the "Bonds"). The Series 2015A Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 16, 2015, between the City and the Underwriters (the "Series 2015A Bond Purchase Agreement") and the Series 2015B Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 15, 2015, between the City and the Underwriters (the "Series 2015B Bond Purchase Agreement" and, together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements "). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the hereafter defined Official Statement.

Based upon our examination as Bond Counsel of the proceedings described in the Approving Opinions, we are of the opinion that:

1. Pursuant to an ordinance adopted by the City Council on the 17th day of June, 2015, authorizing the issuance of the Bonds (as supplemented by a Notification of Sale, the "Bond Ordinance"), the City has duly authorized, executed and delivered the Bond Purchase Agreements, the Indentures and the Undertaking (together with the Bond Purchase Agreements and the Indentures, the "City Documents"), and, assuming the due authorization, execution, delivery and the binding effect on the other parties thereto, each of the City Documents constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its respective terms, except that the enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

2. Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement dated July 16, 2015, relating to the Bonds (the "Official Statement"), we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Bond Ordinance and the Trust Indentures are not required to be qualified under the Trust Indenture Act of 1939, as amended.

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

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

Very truly yours,

Exhibit B-2 Letter of Co-Bond Counsel

July ,2015

Morgan Stanley & Co. LLC Chicago, Illinois
as Representative of the Underwriters
named in the Bond Purchase Agreement
described below (the "Underwriters")

Re: City of Chicago
$,000 General Obligation Bonds, Series 2015A
(the "Series 2015A Bonds") $742,860,000 General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds ")

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the sale and issuance by the City of Chicago (the "City") of the above-referenced obligations (collectively, the "Bonds"). We have rendered our separate opinions, dated the date hereof, as to the validity, enforceability and tax status of interest on the Bonds. The Series 2015A Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 16, 2015, between the City and the Underwriters (the "Series 2015A Bond Purchase Agreement") and the Series 2015B Bonds have been delivered this date to the Underwriters pursuant to the terms of the Bond Purchase Agreement dated July 15, 2015, between the City and the Underwriters (the "Series 2015B Bond Purchase Agreement" and, together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements"). Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the hereafter defined Official Statement.

We have not been engaged nor have we undertaken to review or verify the accuracy, completeness or sufficiency of the information contained in or appended to the Official Statement dated July 16, 2015 (the "Official Statement") or other offering material relating to the Bonds, except that in our capacity as Bond Counsel in connection with the issuance ofthe Bonds we have reviewed the information contained in the Official Statement under the captions "Official Statement Summary," "The Bonds" (except for the information relating to The Depository Trust Company and its book-entry system and operations), "Security for the Bonds - General Obligation of the City" (except for any information referenced under such caption contained under the heading "Financial Discussion and

Analysis" and in Appendix D - "Property Taxes") and Appendix A - "Summary of the Indentures," solely to determine whether such information and summaries conform to the Bonds, the ordinance adopted by the City Council of the City on the 17th day of June, 2015, authorizing the issuance ofthe Bonds (as supplemented by the Notification of
Sale dated July ,2015 delivered by the Chief Financial Officer ofthe City, the "Bond
Ordinance") and the Trust Indentures. The purpose of our professional engagement was not to establish or confirm factual matters in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth under these captions and reviewed by us. Subject to the foregoing, the summary descriptions in the Official Statement under such captions excepting those matters set forth above, as of the date of the Official Statement and as of the date hereof, insofar as such descriptions purport to describe or summarize certain provisions of the Bonds, the Bond Ordinance and the Trust Indentures, are accurate summaries of such provisions in all material respects. Further,

we confirm the opinions attributed to us in the Official Statement and consent to the references to such opinions contained therein. In addition, the information in the Official Statement under the caption "Tax Matters" purporting to describe or summarize our opinions concerning certain federal tax matters relating to the Bonds has been reviewed by us and is an accurate summary in all material respects. Except as specifically described in this paragraph, we express no opinion herein with respect to and have not undertaken to determine independently the accuracy, fairness or completeness of any statements contained, appended or incorporated by reference in the Official Statement.

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

This letter is given as ofthe date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention. This letter is furnished by us as Bond Counsel to the City. This letter is solely for the benefit ofthe Underwriters and the City and may not be used, quoted, relied upon

or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent.

Very truly yours,

Exhibit B-3

Letters of Special Pension Disclosure Counsel Letter to Underwriters

July ,2015

Morgan Stanley & Co. LLC as Representative of the Underwriters
named in the Bond Purchase Agreement described below

Re: $ City of Chicago
General Obligation Bonds, Series 2015A (the "Series 2015A Bonds ")
$742,860,000 City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds ")

Ladies and Gentlemen:

We have acted as special disclosure counsel to the City of Chicago (the "City"), solely in connection with the information contained under the caption "Financial Discussion and Analysis - Pensions" and in Appendix E - "Retirement Funds"
(together, the "Pension Sections") of the Preliminary Official Statement dated July ,
2015 (the "Preliminary Official Statement") and the Official Statement dated July ,
2015 (the "Official Statement"), each relating to the Series 2015A Bonds and the Series 2015B Bonds (together, the "Bonds") issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Sections, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "Retirement Funds "), including the representations and warranties of the City in the Bond Purchase Agreement dated July 16, 2015, with respect to the Series 2015A Bonds, and in the Bond Purchase Agreement dated July 15, 2015, with respect to the Series 2015B Bonds, each between the City and

Morgan Stanley & Co. LLC, on behalf of itself and the other underwriters named therein (collectively, the "Underwriters"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

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

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

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

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

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Sections and is solely for the benefit of the Underwriters. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to each series of the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as ofthe date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

Letter to City

July ,2015

Re: $ City of Chicago
General Obligation Bonds, Series 2015A (the "Series 2015A Bonds")
$742,860,000 City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds")

Ladies and Gentlemen:

We have acted as special disclosure counsel to you, the City of Chicago (the "City"), solely in connection with the information contained under the caption "Financial Discussion and Analysis - Pensions" and in Appendix E - "Retirement Funds"
(together, the "Pension Sections") of the Preliminary Official Statement dated July ,
2015 (the "Preliminary Official Statement") and the Official Statement dated July ,
2015 (the "Official Statement"), each relating to the Series 2015A Bonds and the Series 2015B Bonds (together, the "Bonds"), issued by the City on this date.

In accordance with our understanding with the City, we have reviewed the Pension Sections, certificates of officers of the City and other appropriate persons, and such other records, reports, opinions and documents, and we have made such investigations of law, as we have deemed appropriate as a basis for the conclusion hereinafter expressed. As to facts material to the views expressed herein, we have, with your consent, relied upon oral or written statements or representations of officers or other representatives or agents of or consultants to the City and of or to the Municipal Employees' Annuity and Benefit Fund of Chicago, the Policemen's Annuity and Benefit Fund of Chicago, the Firemen's Annuity and Benefit Fund of Chicago, and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively, the "Retirement Funds"), including the representations and warranties of the City in the Bond Purchase Agreement dated July 16, 2015, with respect to the Series 2015A Bonds, and in the Bond Purchase Agreement dated July 15, 2015, with respect to the Series 2015B Bonds, each between the City and Morgan Stanley, on behalf of itself and the other underwriters named therein (collectively, the "Underwriters"). We have not independently verified such matters. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Official Statement.

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

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

By acceptance of this letter you recognize and acknowledge that: (i) the preceding paragraph is not a legal opinion but is rather in the nature of negative observations based

on certain limited activities performed by specific lawyers in our firm during our engagement to the City as special disclosure counsel in connection with the Pension Sections; (ii) the scope of those activities performed by us for purposes of delivering this letter was inherently limited and does not purport to encompass all activities necessary for compliance with applicable securities laws; and (iii) those activities performed by us rely on third party representations, warranties, certifications, statements and opinions, including and primarily, representations, warranties and certifications made by the City, and are otherwise subject to the conditions set forth herein.

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

This letter is furnished by us in our limited capacity as special disclosure counsel to the City in connection with the Pension Sections. This letter may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any of the Bonds from the Underwriters) without our prior written consent, except that such letter may be referenced in the Preliminary Official Statement, the Official Statement and the Bond Purchase Agreement with respect to each series of the Bonds and included in the transcript of proceedings for the Bonds. This letter is given as of the date hereof and we assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention.

Respectfully submitted,

Exhibit C

Opinion of Corporation Counsel of the City July 21, 2015

Morgan Stanley & Co. LLC, as Representative ofthe Underwriters named in the
Bond Purchase Agreement, dated July [16], 2015, between such Underwriters
and the City of Chicago

Ladies and Gentlemen:

This opinion is given to you pursuant to Section 10(a)(vi) of that certain Bond Purchase Agreement dated July 16, 2015 (the "2015A Bond Purchase Agreement"), between the City of Chicago (the "City") and Morgan Stanley Co. LLC, as representative of a group of underwriters, with respect to the purchase of the City of Chicago General Obligation Bonds, Series 2015A (the "Series 2015A Bonds") and the Bond Purchase Agreement dated July 15, 2015 (the "2015B Bond Purchase Agreement" and together with the 2015 A Bond Purchase Agreement, the "Bond Purchase Agreements") between the City and Morgan Stanley Co. LLC, as representative of a group of underwriters, with respect to the purchase of the City of Chicago General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 2015B Bonds" and together with the Series 2015A Bonds, the "Bonds"). The Series 2015A Bonds are being issued in accordance with the Trust Indenture between the City and Zions First National Bank, as trustee (the "Trustee") dated as of July 1, 2015 (the "Series 2015A Indenture"). The Taxable Series 2015B Bonds are being issued in accordance with the Trust Indenture between the City and Zions First National Bank, as trustee, dated as of July 1, 2015 (the "Taxable Series 2015B Indenture," and collectively with the Series 2015A Indenture, the "Indentures"). The Bonds are authorized by an ordinance of the City adopted by the City Council ofthe City (the "City Council") on June 17, 2015. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Bond Purchase Agreements.

In connection with the issuance of the Bonds, I have caused to be examined a certified copy ofthe record of proceedings of the City Council pertaining to the issuance of the Bonds by the City, and executed counterparts, where applicable, of the following documents:

(a) the Ordinance;

b) the Indentures;

c) the Bond Purchase Agreements; and

d) 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 the issuance of the Bonds, and to execute and deliver the Indentures, the Bond Purchase Agreements and the Undertaking.

2. The Bond Purchase Agreements, the Indentures 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 Indentures, the Bond Purchase Agreements and the Undertaking does not conflict in a material manner with, or constitute a material breach of or material default under, any applicable law, administrative regulation, court order or consent decree of the State of Illinois, or any department, division, agency or instrumentality thereof or of the United States of America or any ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

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

5. There is no litigation or proceeding pending, or to my knowledge, threatened, materially affecting the existence ofthe City or seeking to restrain or enjoin the issuance of the Bonds, or contesting the validity or enforceability of the Bonds, the Ordinance, the

Indentures, the Bond Purchase Agreements or the Undertaking, or the completeness or accuracy ofthe Official Statement, or the powers of the City or its authority with respect to the Bonds, the Ordinance, the Indentures, the Bond Purchase Agreements or the Undertaking.

Nothing has come to my attention which would lead me to believe that the Official Statement (excluding information under the captions "THE BONDS - Book-Entry System" relating to the Depository Trust Company ("DTC"), "RATINGS," "UNDERWRITING," and "TAX MATTERS," "APPENDIX B -ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX F ~ OPINIONS OF CO-BOND COUNSEL," information sourced to sources other than the City or departments thereof, any information in or omitted from the Official Statement relating to DTC, any information in or omitted from the Official Statement relating to any information furnished by the Underwriters for use in the Official Statement, the financial statements and all other financial and statistical data contained in the Official Statement, including the Appendices thereto) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

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

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

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

Very truly yours,

Stephen R. Patton Corporation Counsel

Exhibit D Opinion of Co-Disclosure Counsel

July 21, 2015

City of Chicago, Illinois

Morgan Stanley & Co. LLC, as Representative of the Underwriters
named in the Bond Purchase Agreements (defined herein) between such
Underwriters and the City of Chicago

$
CITY OF CHICAGO

$
General Obligation Bonds, Series 2015A
$742,860,000 General Obligation Bonds, Taxable Series 2015B

Ladies and Gentlemen:

We have acted as Co-Disclosure Counsel to the City of Chicago (the "City") in connection with the offering by the City of its General Obligation Bonds, Series 2015A (the "Series 2015A Bonds") and its General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 2015B Bonds" and, together with the Series 2015A Bonds, the "Bonds"). The Bonds are authorized by an ordinance of the City Council of the City (the "City Council") adopted on June 17, 2015, and the Bonds of each Series will be issued pursuant to and secured by a separate Trust Indenture each dated as of July 1, 2015 (collectively, the "Indentures"), between the City and Zions First National Bank, as bond trustee.

This opinion is being rendered pursuant to Section 10(a)(viii) ofthe Bond Purchase Agreement dated July 16, 2015 between the City and Morgan Stanley & Co. LLC, as representative (the "Representative") of the underwriters named therein (the "Underwriters") with respect to the Series 2015A Bonds (the "Series 2015A Bond Purchase Agreement"), and Section 10(a)(viii) ofthe Bond Purchase Agreement dated July 15,2015, between the City and the Representative with respect to the Taxable Series 2015B Bonds (the "Series 2015B Bond Purchase Agreement," and together with the Series 2015 A Bond Purchase Agreement, the "Bond Purchase Agreements"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Bond Purchase Agreements.

For purposes of rendering this opinion, we have examined originals or executed copies, certified or otherwise identified to our satisfaction, of: (i) the Indentures, (ii) the

Bond Purchase Agreements, (iii) the Undertaking and (iv) the legal opinions, agreements and certificates delivered in connection with the reoffering of the Bonds. We have also participated in the preparation of the Preliminary Official Statement and the Official Statement. 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 offering of the Bonds, and neither of the Indentures is required to be qualified under the Trust Indenture Act of 1939, as amended.

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

3. The statements contained in the Official Statement under the caption "SECONDARY MARKET DISCLOSURE" insofar as such statements purport to summarize certain provisions of the Undertaking, 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, or the federal tax exemption for the interest paid on the Series 2015A 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 ofthe determinations involved in the preparation of the Official Statement, except as explicitly stated in paragraph 3 above, we are not passing upon nor do we assume responsibility for the accuracy, completeness or fairness ofthe statements contained in the Official Statement and we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. Without limiting the foregoing, we assume no responsibility for, and have not independently verified, the accuracy, completeness or fairness of the financial statements, notes to financial statements, tables and other financial, economic, market and statistical data included or incorporated by reference in the Official Statement and the appendices to the Official Statement, and we have not reviewed the accounting, financial or statistical records from which such financial statements, schedules, appendices and data are derived. We note that we are not experts within the meaning of the Securities Act of 1933, as amended, with respect to such financial statements or schedules or the other financial, economic, market, or statistical data included or incorporated by reference therein. During the preparation of the Official Statement, however, we participated in conferences with you, Co-Bond Counsel, the City's Corporation Counsel, officials, employees and agents ofthe City and Underwriters' counsel at which conferences the contents ofthe 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 contains 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) financial statements, notes to financial statements, tables and any financial, forward-looking, technical, economic, market and statistical information included in the Official Statement or the Appendices thereto, (ii) the description of DTC and the information under the caption "THE BONDS- Book-Entry System" included in the Official Statement, (iii) any information included in APPENDIX B-"ECONOMIC AND DEMOGRAPHIC INFORMATION," APPENDIX C-"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014," and APPENDIX E-"RETIREMENT FUNDS," or (iv) the legal opinions or forms thereof included as APPENDIX F -"OPINIONS OF CO-BOND COUNSEL."

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

Our opinions and views expressed herein are rendered as ofthe 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 views expressed herein from matters that may hereafter arise or be brought to our attention or to revise or supplement such opinions and views should the present laws of any jurisdiction be changed by legislative action, judicial decision, or otherwise.

This opinion and views herein set forth 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 views herein set forth.

Very truly yours,

Exhibit E

Representation Letter

City of Chicago Department of
Morgan Stanley & Co. LLC
as Representative of the Underwriters
named in the Bond Purchase Agreements,
dated July 15, 2015 and July 16, 2015,
between such Underwriters and the City of
Chicago

Pursuant to the Bond Purchase Agreement dated July 16, 2015 (the "2015A Bond Purchase Agreement"), among the City of Chicago (the "City") and Morgan Stanley & Co. LLC, as representative (the "Representative") of the underwriters named therein (each an "Underwriter") relating to the City's General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"), and the Bond Purchase Agreement dated July 15, 2015 (the "2015B Bond Purchase Agreement" and together with the 2015A Bond Purchase Agreement, the "Purchase Agreement"), among the City and the Representative of the Underwriters relating to the General Obligation Bonds, Taxable Series 2015B (the "Series 2015B Bonds" and, together with the Series 2015 A Bonds, the "Bonds"), each of the undersigned Underwriters severally represents to the City that:

(1) Neither the Underwriter, nor any Affiliate thereof is listed on any of the following lists maintained by the

Office of Foreign Assets Control ofthe U.S. Department of the Treasury, the Bureau of Industry and Security of the U.S. Department of Commerce, the U.S. Department of State or their successors, or on any other list of persons or entities with which the City may not do business under any applicable law, rule, regulation, order or judgment: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List, the List of Statutorily Debarred Parties and the Excluded Parties List.

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

(2) The undersigned Underwriters agree that in the event that any Underwriter or any of its Affiliates appears on any of the lists described in paragraph (1) above, at any time prior to the Closing (as defined in the Purchase Agreement) with respect to the Bonds, that Underwriter shall be deemed to have submitted to the Representative its Withdrawal From Agreement Among Underwriters.

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

Dated:

MORGAN STANLEY & CO. LLC

By:
Its: Managing Director
By: Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

By: Its:

FN 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: July 16,2015 MORGAN STANLEY & CO. LLC

Its: Managing Director

WILLIAM BLAIR & COMPANY

By:
Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. MILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director
By: Its:

SEIBEJ^TBRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LI

By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By:. Its:
By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015

MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

By: By:
Its: Managing Director Its:

S EI BERT BRANDFORD SHANK & CO.,
ACADEMY SECURITIES, INC.
LLC

J.J.B. HILLIARD, W.L. LYONS, LLC MELVIN & COMPANY

By: By:
Its: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

SEIBERT BRANDFORD SHANK & CO., LLC

By:

Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC
By: Its:

ESTRADA HINOJOSA & COMPANY,

WILLIAM BLAIR & COMPANY

By:
Its:

ACADEMY SECURITIES, INC.

By:
Its:

CITIGROUP GLOGAL MARKETS, INC.

By:

Its:

GEORGE K. BAUM & COMPANY

By:
Its:

MELVIN & COMPANY

By:
Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

SEIBERT BRANDFORD SHANK & CO., LLC

By:
Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:

WILLIAM BLAIR & COMPANY

By: i
Its:

ACADEMY SECURITIES, INC.

By: :
Its:

CITIGROUP GLOGAL MARKETS, INC.

By:
Its:

GEORGE K. BAUM & COMPANY

By:
Its:

MELVIN & COMPANY

By:
Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By: .
Its: Managing Director

SEIBERT BRANDFORD SHANK & CO., LLC
By:. Its:

ACADEMY SECURITIES, INC.

By: Its:
By:. Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOBAL MARKETS, INC.

By: Its:
By: Its:

ESTRADA HINOJOSA &. COMPANY, INC.

By:. Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. H1LLIARD, W.L. LYONS, LLC

By: Its:
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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director
SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By:. Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By:. Its:
By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By:. Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

SEIBERT BRANDFORD SHANK & CO. LLC

By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOGAL MARKETS, INC.

By: Its:
By: Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:
GEORGE K. BAUM & COMPANY

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015

MORGAN STANLEY & CO. LLC WILLIAM BLAIR & COMPANY

By: By:
Its: Managing Director Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC
BMO CAPITAL MARKETS GKST INC

By:
Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:_ Its:

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By:
Its:

NORTH SOUTH CAPITAL LLC

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: July 16, 2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director

WILLIAM BLAIR & COMPANY

By:
Its:

SEIBERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC.

LLC

By: By:
Its: Its:

BMO CAPITAL MARKETS GKST INC.

By:
Its:
CITIGROUP GLOGAL MARKETS, INC.

By:
Its:

ESTRADA HINOJOSA & COMPANY, INC.

By:
Its:

J.J.B. HILLIARD, W.L. LYONS, LLC

By: Its:
By: Its:

NORTH SOUTH CAPITAL LLC

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: July 16,2015 MORGAN STANLEY & CO. LLC

By:
Its: Managing Director
By: Its:

SE1BERT BRANDFORD SHANK & CO., ACADEMY SECURITIES, INC. LLC

By: Its:
By: Its:

BMO CAPITAL MARKETS GKST INC. CITIGROUP GLOBAL MARKETS, INC.

By:. Its:
By:. Its:

ESTRADA HINOJOSA & COMPANY, INC.

By: Its:
GEORGE K. BAUM & COMPANY

By:
Its:
J.J.B. HILLIARD, W.L. LYONS, LLC

By:. Its:

NORTH SOUTH CAPITAL LLC

By: Its:

Exhibit 3

Official Statement Dated July 16,2015
NEW ISSUE-GLOBAL BOOK ENTRY

Subject lo compliance by Ihe Cily u>ilh certain covenants, in the respective opinions of Chapmtin mid Culler LLP, Chicago, Illinois, and the Ilardwick Lam Finn LLC, Chicago, Illinois, Co-Bond Counsel, under present law, interest on Ihe Series 2015A Bonds is excludable from gross income of the owners IhereoJ for Jederal. income tax purposes and is not included as an item, of la.i: preference in computing the federal alternative mi nimitin tax for individuals and corporations, but such interest is taken into account in computing an adjustment, used in de-termini ny the federal alternative minimum tax for certain corporal ions. Interest on the Taxable Scries 2015B Bonds is includible in gross income of Ihe owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income fates. See "TAXMATTERS"hereinJor a more complete discussion.

$345,530,000 General Obligation Bonds Series 2015A

$742,860,000 General Obligation Bonds Taxable Series 2015B

Due: January 1, as shown on the inside front cover

The General Obligation Bonds, Scries 2015A (the "Scries 2015A Bonds") and the General Obligation Bonds, Taxable Series 2015B (the "Taxable Scries 2015B Bonds" and together with the Series 2015A Bonds, the "Bonds") are issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Ownership by the beneficial owners ofthe Bonds will be evidenced by book-entry only. The Series 2015A Bonds are issuable in denominations of $5,000 or any integral multiple thereof. The Taxable Series 2015B Bonds are issuable in denominations of $1,000 or any integral multiple ihereof.

Interest on the Bonds will accrue from the date of issuance and be payable on each January 1 and July 1, commencing January 1, 2016. Principal of anil interest on the Bonds will be paid by Zions First National Bank, Chicago, Illinois, as tnist.ee <http://tnist.ee>under each of the Indentures described herein, to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement I o Ihe beneficial owners ofthe Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will he 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 proceeds of the Bonds will be used to (i) repay indebtedness incurred by the Cily under its Short Term Borrowing Program described herein; (ii) fund the cost, of terminating the sale/leaseback of Ihe Orange Line rapid transit rail line; (iii) reimburse the City's General Fund for the cost of terminating an interest rate swap associated with the City's sales tax revenue bonds; (iv) fund certain capitalized interest on the Bonds; and (v) pay costs of issuance ofthe Bonds. See "PLAN OF FINANCING."

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

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

The Bonds are direct and general obligations of the City anil all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Sec "SECURITY FOR THE BONDS" herein.

Prospective investors should read this Official Statement in its entirety prior lo making an investment decision to purchase the Bonds.

The Bonds arc being qlfercdmh.cn <http://qlfercdmh.cn>, as and if issued, and subject lo I lie delivery of approving legal opinions by Chapman and Cutler LLP, Chicago, Illinois, and Ihe Ilardwick Law Firm LLC, Chicago, Illinois, Co-Bond Counsel, and to certain other conditions. Certain legal mailers mill be passed on Jor Ihe Cily by (i) its Coiporalion Counsel, (ii) in connect ion will/ Hie pivparalion of this Otlicial Statement, Dunne Morris LLP. Chicago, Illinois, and Slianalian # Shanalian LLP. Chicago, Illinois, Co-Disclosinc Counsel to the Citij. and (iii) in cnniicrlion with certain pension malteis described in this Ojlicial Statement, Chapman and Culler LLP, Chicago, Illinois. Special Disclosure Counsel, to the Cily Certain legal matters will be passed on Jor ihe Underwriters by Maijcr Brown LLP, Chicago, Illinois, Underwriters' Counsel. It is expected that the Bonds will be available for diJincry Ihiough. ihejarililies of DTC on or about -Inly 21, 2015

Sicbert Branded Shank & Co., L.L.C Academy Securities, inc. Estrada Hinojosa & Company, Inc. Melvin & Company

Morgan Stanley

BMO Capital Markets George K. Baum & Company

William Blair

Citigroup J.J.B. Hilliard, W.L. Lyons, LLC North South Capital LLC

D.ilfil July U·,, 201 fi

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

City of Chicago General Obligation Bonds

Series 2015A

Maturity (January 1)

2019 2020 2021 2022 2023 2024 2026 2027 2028 2029 2034 2035

Principal Amount

$4,965,000 7,380,000 7,870,000 8,320,000 8,845,000 5,415,000 19,390,000 24,925,000 33,585,000 35,275,000 36,430,000 16,420,000

Interest Kate

5.000% 5 000 5 000 5.000 5 000 5 000 5 000 5 250 5 250 5.375 5 500 5 500

Yield

3.900% 4 110 4 400
4 720 4.940 5.090 5.290
5 370 5 450 5 530 5 660 5 670

Price

103 511% 103 579 102 874 101 537 100 366 99 385
97 692 98.980
98 206 98.539 98 179 98 008

CUSIP*

I67486WC9
167486WD7
167486WE5
167486WF2
167486WG0
167486WI-18
167486WJ4
167486WK1
167486WL9
1674S6Wrvl7
167486WP0
I67486WQ8

$88,100,000 5.500% Term Bonds due January 1.2033, Yield 5 640%, Price 98 454% CUSIP 167486WN5 $48,610,000 5.500% Term Bonds due January 1, 2039, Yield 5.690%, Price 97 553% CUSIP 167486WR6

Taxable Series 2015B

Maturity (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2019	$5,020,000	5 383%	5 383%	100 000%	I67486VX4
2020	5,290,000	5.633	5 633	100 000	I67486VY2
2021	5,585,000	5 962	5 962	100 000	I67486VZ9
2022	5,920,000	6.212	6 212	100 000	I67486WA3
2023	6,290,000	6 361	6 361	100 000	I67486WB1

$321,695,000 7 375% Term Bonds due January I, 2033, Yield 7 446%, Price 99.309% CUSIP 167486VV8 $393,060,000 7.750% Teim Bonds due January 1, 2042, Yield 7 962%, Puce 97 666% CUSIP: I67486VW6

MAYOR
Rahm Emanuel

CITY TREASURER
Kurt A. Summers, Jr

CITY CLERK
Susana A. Mendoza

CITY COUNCIL COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Carole L. Brown

CITY COMPTROLLER
Daniel Widawsky

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

CO-BOND COUNSEL Chapman and Cutler LLP Chicago, Illinois

Ilardwick Law Firm LLC Chicago, Illinois

CO-DISCLOSURE COUNSEL
Duane Morris LLP Chicago, Illinois

Shanahan & Shanahan LLP Chicago, Illinois

SPECIAL PENSION DISCLOSURE COUNSEL
Chapman and Cutler LLP Chicago, Illinois

FINANCIAL ADVISOR
Acacia Financial Group, Inc

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 lo the accuracy or completeness of such information by the Underwriters or the City. The Underwriters have provided the following sentence for inclusion in this Official Statement The Underwriters reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but ihe Underwriters do nol guaianlee ihe accuracy or completeness of such information This Official Statement is being used in connection with the sale of securities as referred lo hciein and may not be used, in whole or in pan, 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 lhan as contained in this Official Statement in connection with the offering ofthe Bonds described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any ofthe foregoing This Official Statement docs not constitute an offer to sell or the solicitation of an offer to buy any securities other lhan Ihosc described on the cover page, nor shall there he any offer lo sell, solicitation of an offer to buy or sale of such securities in any jurisdiction in which it is unlawful lo make such offer, solicitation or sale Neither this Official Stalcmcnt nor any statement lhal may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners ofthe Bonds.

This Official Statement, including the Appendices (except for certain information in (i) APPENDIX B-"ECONOMIC AND DEMOGRAPHIC INFORMATION" and (n) "Source Information'" as defined and used in APPENDIX E-"RETIREMENT FUNDS," all of which is sourced lo parties other than the City), contains certain opinions, estimates and forward-looking statements and information, including the estimates and projections set forth under the caption "FINANCIAL DISCUSSION AND ANALYSIS-General Fund-General Fund Financial Forecasts," that arc based on ihe City's beliefs as well as assumptions made by and information currently available to the City Such opinions, estimates, projections and forward-looking statements set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respeel lo prospective financial information, bul, in the view of the Cily. were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of the City's knowledge and belief, the expected course of action and the expected future financial performance ofthe City. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement arc cautioned not to place undue reliance on such opinions, statements or prospective financial information.

Ihe prospective financial information set forth in this Official Statement, except for certain information sourced to parties other than the City, is solely the product of the City Neither the City's independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with the preparation of, the prospective financial information and forward-looking statements contained herein Ihe City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, including any 2015 year-end estimates and 2016-2017 projections, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its aehicvability

References to web site addresses presented in this Ollicial Statement are for informational purposes only and ma> be in the form of a hyperlink solely for the reader's convenience Unless specified otherwise, such web sites and Ihe information or links contained therein are not incorporated into, and are not part of, this Official Statement

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY IHE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURIIIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT ANY REPRLSENIATION TO THE CON TRARY MAY BE A CRIMINAL OFFENSE

THE BONDS HAVE NOI" BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE INDENTURES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. IN RELIANCE UPON EXEMPT IONS CONTAINED IN SUCH ACTS THE REGIST RATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND T HE EXEMPTION I ROM REGISTRATION OR QUALIMCA ITON IN OITIER STATES CANNOT BE REGARDED AS A RECOMMENDAT ION THEREOF

IN CONNECTION WITT I THE OFFERING OF THE BONDS. THE UNDERWRIT ERS MAY OVLRALI.OT OR EFFECT TRANSAC HONS THAT STABILIZE OR MAINTAIN I HE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET" SUCH STABILIZING. II COMMENCED, MAY BE DISCONTINUED AT ANY TIME THE PRICES AND OTHER TERMS RESPECTING Till" OFFERING AND SALE OF IT IE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTTR THE BONDS ARE RELEASED FOR SAI E. AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHLR T 1 [AN THE INITIAL OFFERING PRICES. INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INK) INVES I MEN I ACCOUNTS

OFFICIAL STATEMENT SUMMARY

777/5 summary is subject in all respects to the more complete information and definitions contained in this Official Statement Prospective investors are cautioned not to rely solely upon this summary when considering whether to purchase the Bonds. Prospective investors should review this Official Statement in its entirety prior to purchasing the Bonds.

THE ISSUER City of Chicago (the "City") See "THE CITY "

THE BONDS $1,088,390,000 City of Chicago General Obligation Bonds, consisting of $345,530,000 General Obligation Bonds, Series"2015A (the "Series 20ISA Bonds'") and $742,860,000 General Obligation Bonds, Taxable Series 2015B (the Taxable Series 20I5B Bonds" and together with the Series 20ISA Bonds, the "Bonds") The Bonds of each Series will be dated the date of their delivery and mature in the principal amounts and on the dates as set forth on the inside cover of this Official Statement See "THE BONDS "

PAYMENT OF INTEREST Interest on the Bonds of each Series will accrue from ihe date of issuance and be payable on each January 1 and July I, commencing January 1, 2016. The Bonds of each Series will bear interest at the rales per year as set forth on Ihe inside cover of this Official Statement Interest on the Bonds of each Series is computed on ihe basis of a 360-day year consisting of twelve 30-day months See "THE BONDS-General "

REDEMPTION

Optional Redemption The Scries 2015A Bonds maturing on and after January I, 2026 ate subject to optional redemption, on any date occurring on or after January I, 2025, at a Redemption Price of 100% of the principal amount thereof being redeemed plus accrued interest, if any, to the date of redemption

See "THE BONDS-Redemption-Optional Redemption of the Series 21)ISA Bonds "

The Taxable Series 20I5B Bonds maturing on or before January 1, 2033 are subject to redemption prior to maturity at the option ofthe City, m whole or in part, on any Business Day at a Redemption Price equal to the greater of: (A) 100% of the principal amount of such Taxable Series 2015B Bonds to be redeemed, or (B) the sum of the present values of ihe remaining scheduled payments of principal and interest on such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Bonds arc to be redeemed, discounted lo the date of redemption of such Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rale plus 50 basis points plus, in each case, accrued interest on such Bonds being redeemed to the dale fixed lor redemption

See "THE BONDS-Redemption-Optional Redemption ofllie Taxable Series 20158 Bonds al Make-Whole Price "

The Taxable Series 20I5B Bonds maturing on January I, 2042 are subject to optional redemption, on any date occuning on oi aflet January I. 2025. at a Redemption Puce of 100% of the principal amount thereof being redeemed plus accrued irilctcsl, if any. lo the date of redemption

See "THE BONDS-Redemption-Optional Redemption of ihe Payable Sei ies 201 SB Bonds al Pai "

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Mandatory Redemption

The Series 20I5A Bonds due January I, 2033 are subject to mandatory redemption prior to maturity, al par and accrued interest lo the date fixed for redemption, on January 1 ofthe years 2031 and 2032

The Scries 2015A Bonds due January 1, 2039 are subject to mandatory redemption prior lo maturity, at par and accrued interest lo the date fixed for redemption, on January I of the years 2036 through 2038

The Taxable Series 20I5B Bonds due January I, 2033 are subject to mandatory redemption prior to maturity, at par and accrued interest to the date fixed for redemption, on January 1 ofthe years 2024 through 2032

The Taxable Scries 2015B Bonds due January I, 2042 arc subject to mandatory redemption prior lo maturity, at par and accrued interest to the date fixed for redemption, on January I of ihe years 2034 through 2041

See "THE BONDS-Redemption-Mandatory Redemption."

AUTHORITY FOR ISSUANCE

The Bonds are being issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970 and are authorized by an ordinance adopted by the City Council of the Cily (the "City Council") on June 17, 2015 (the "Bond Ordinance"). Each Series ofthe Bonds is being issued pursuant to a separate Trust Indenture, each dated as of July 1, 2015, between the City and Zions First National Bank, as trustee (the "Trustee")

USE OF PROCEEDS

The proceeds of the Bonds will be used to (i) repay indebtedness incurred by the City under us Short Term Borrowing Program described herein; (n) fund Ihe cost of terminating the sale/leascback ofthe Orange Line rapid transit rail line; (iii) reimburse the City's General Fund for the cost of terminating an interest rate swap associated with the City's sales tax revenue bonds; (iv) fund capitalized interest on the Bonds, and (v) pay costs of issuance ofthe Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

SECURITY FOR THE BONDS

The Bonds of each Series will be direct and general obligations ofthe City and all taxable property in the City is subject to the levy of ad valorem property-taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds of each Series shall be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds of ihe Cily legally available for such purpose, including, but not limited lo, the proceeds allocable to such Scries of a direct annual lax levied by the Cily in the Bond Ordinance upon all taxable property located in the City sufficient to pay Ihe principal of and interest on the Bonds The City has pledged its full faith and credit to the payment of the Bonds See "SECURITY FOR THE BONDS-General Obligation ofthe Cily "'

For a discussion of Ihe process by which properly taxes are levied, billed, collected and remitted to Ihe Trustee for each Series ofthe Bonds for payment of Ihe principal of" and interest on such Bonds, sec "SECURITY FOR THE BONDS-Property Tax Collection Process for the Bonds "'

INVESTMENT CONSIDERATIONS — There are a number of factors associated with owning the Bonds that prospective investors should consider prior to purchasing the Bonds For a discussion of these factors, sec "TNVLSTMEN I'CONSIDERATIONS "

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TRUSTEE — Zions First National Bank, Chicago, Illinois, as trustee under each of the Indentures

TAX MATTERS . .. . Subject to compliance by the Cily with certain covenants, in the respective opinions of Co-Bond Counsel, under present law, interest on the Series 20I5A Bonds is excludable from gross income of the owners theieof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations Interest on the Taxable Series 2015B Bonds is includible in gross income ofthe owners thereof for federal income tax purposes Interest on Ihe Bonds is nol exempt from present State of Illinois income taxes. See "TAX MATTERS."

RATINGS — The Bonds are rated "BBB+" (negative outlook) by Standard & Poofs Financial Services LLC, "BBB+" (negative outlook) by Fitch Ratings Inc., and "A-" (stable outlook) by Kroll Bond Rating Agency See "INVESTMENT CONSIDERATIONS-Credit Rating Downgrades" and "RATINGS."

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OFFICIAL STATEMENT

$1,088,390,000 CITY OF CHICAGO
$345,530,000 General Obligation Bonds, Scries 2015A
5742,860,000 General Obligation Bonds, Taxable Scries 20I5B

INTRODUCTION

This Official Statement is furnished by the City of Chicago (the "City") to provide information with respect to the City's General Obligation Bonds, Scries 2015A (the "Series 20I5A Bonds") and General Obligation Bonds, Taxable Series 2015B (the "Taxable Series 2015B Bonds" and together with the Series 20I5A Bonds, the "Bonds"). Certain capitalized terms used in this Official Statement, unless otherwise defined, are defined in APPENDIX A-"SUMMARY OF THE INDENTURES-Glossary of Terms."

The Bonds arc direct and general obligations of the City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as lo rate or amount. The Bonds of each Series shall be payable, as lo 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 allocable to such Scries of a direct annual tax levied by the City in the Bond Ordinance (hereinafter defined) upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The Cily has pledged its full faith and credit to the payment ofthe Bonds. See "SECURITY FOR THE BONDS."

The proceeds ofthe Bonds will be used to (l) repay indebtedness incurred by the City under its Short Term Borrowing Program (as defined herein); (n) fund the cost of terminating the salc/Icascback of the Orange Line rapid transit rail line; (iii) reimburse the City's General Fund for the cost of terminating an interest rate swap associated with the City's sales tax revenue bonds; (iv) fund capitalized interest on the Bonds; and (v) pay costs of issuance of the Bonds See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS."

The Bonds are being issued under the authority granted to the Cily under the Illinois Constitution of 1970 and arc authorized by an ordinance adopted by the City Council ofthe City (the "City Council") on June 17, 2015 (the "Bond Ordinance") The Bonds of each Series will be issued pursuant lo a separate Trust Indenture, each dated as of July I. 2015 (each an "Indenture" and collectively ihe "Indentures") between the City and Zions First National Bank, Chicago, Illinois, as trustee for such Series As used herein with reference to the Bonds of a Series, the term "Trustee" refers to the Trustee for that Series of Bonds

THE CIT Y

General

Chicago is the third largest city in the United States with a population of approximately 2 7 million The City, located on the shores of Lake Michigan in ihe Midwestern United States, is the commercial and cultural center of a large and diverse regional economy that produced a gross domestic product of $590 billion in 2013 Trade, professional and business services, real estate, finance and

insurance, and education services and health care are among the Chicago region's largest industry sectors The City's transportation and distribution network includes Chicago O'Hare International Airport, ranked fifth worldwide and second in the United States in 2013 in terms of total passengers, rail traffic interchanges for the country's six largest freight railroad companies, and two ports capable of handling ocean-going ships and barges. Tourism and business travel lo Chicago accounted for an estimated 50 million visitors in 2014. See APPENDIX B-"ECONOMIC AND DEMOGRAPHIC INFORMATION."

Government

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

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

As the legislative body ofthe City, the City Council usually meets once every month to exercise general and specific powers delegated by state law. The Cily Council votes on loans extended by the Cily lhat exceed certain limits, bond issues, the City's short term borrowing programs (whether general obligation or revenue), land acquisitions and sales, zoning changes, traffic control issues, certain mayoral appointees, and financial appropriations. Its standing committees work with individual departments on the execution of city activities, and review proposed ordinances, resolutions and orders before they are voted on by the full City Council.

I he Committee on Finance of the Cily Council considers ordinances, orders or resolutions that are referred or submitted to the Committee on Finance by aldermen, the Office of ihe Mayor, various City departments, and ihe general public. The Committee on Finance has jurisdiction over financial matters, including tax levies; general obligation bonds and revenue bonds, the financing of municipal services and capital improvements; matters generally affecting the Department of Finance, the Cily Comptroller, and the City Treasurer, claims under the Workmen's Compensation Act, the Condominium Refuse Rebate Program, and all pecuniary claims against (he City.

THE BONDS

General

The Bonds of each Series mature on January I ofthe years and in the amounts set forth on the inside front cover of this Official Statement. The Bonds arc full) registered bonds The Series 20I5A Bonds are issuable in denominations of $5,000 or any integral multiple thereof The Taxable Series 20I5B Bonds are issuable in denominations of $1,000 or any integral multiple thereof

Each Bond will bear interest at the rates set forth on the inside cover of this Official Statement from the later of its date or the most recent Interest Payment Date lo which intcicsl has been paid or duly

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provided for, until the principal amount of such Bond is paid, such interest being payable on January 1 and July 1 of each year, commencing on January l, 2016. Interest on each Bond will be paid to the person in whose name such Bond is registered at the close of business on the Record Dale next preceding the applicable Interest Payment Date

The applicable Trustee for each Series will serve as bond registrar and paying agent for the Bonds of such Series. The Bonds of each Series are registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("DTC) Details of payments of the Bonds of a Series when in the book-entry only system are described under "-Book-Entry System" below Except as described under "- Book-Entry System-General" below, Beneficial Owners ofthe Bonds of a Series will not receive or have the right to receive physical delivery of such Bonds, and will not be or be considered to be the Registered Owners thereof Accordingly, Beneficial Owners must rely upon (i) the procedures of DTC and, if such Beneficial Owner is not a DTC "Direct Participant" or "Indirect Participant" (as defined below), the Direct or Indirect Participant who will act on behalf of such Beneficial Owner to receive notices and payments of principal and interest or Redemption Price of the Bonds of such Scries, and to exercise voting rights and (u) 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 such Bonds So long as DTC or its nominee is the Registered Owner of the Bonds of a Scries, references herein to Bondholders or Registered Owners of such Bonds mean DTC or its nominee and do not mean the Beneficial Owners of such Bonds The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to transfer beneficial interests in a Bond

Payment of the Bonds

The principal ofthe Bonds of each Series and any redemption premium will be payable in lawful money of the United States of America which, at the respective dates of payment ihereof, is legal lender for the payment of public and private debts, upon presentation and surrender thereof at the Designated Corporate Trust Office ofthe applicable Trustee for such Series

Interest on each Bond of a Scries will be paid to the person in whose name such Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Dale, by check or draft of Ihe Trustee, or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds of a Series, by wire transfer of immediately available funds to such bank in the continental United States of America as Ihe registered owner of such Bonds requests in writing to the Trustee

Redemption

The Bonds are subject to both optional and mandatory redemption prior to maturity, as described below I he Series 2015A Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof The Taxable Series 2015B Bonds shall be redeemed only in principal amounts of $1,000 and integral multiples thereof

Optional Redemption of Series 2015A Bonds

The Series 2015A Bonds maturing on and alter January l, 2026, are subject to redemption prior to maturity at the option ofthe City, in whole or m part, on any date on or after January 1. 2025, and if less than all ofthe outstanding Series 20I5A Bonds of a single maturity arc lo he redeemed, the Series 2015A Bonds called shall be called by lot in such principal amounts and from such maturities as the City

shall determine, at a redemption puce equal to the principal amount of the Series 20I5A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Scries 20I5A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes.

Optional Redemption of the Taxable Series 20/5B Bonds at Make-Whole Price

The Taxable Series 2015B Bonds maturing on or before January 1, 2033 shall be subject to redemption prior to maturity at the option of the City, m whole or in part, and if in part from such maturities and interest rates as the City shall determine on any Business Day al a redemption price (the "Make-Whole Redemption Price") equal to the greater of (A) 100% ofthe principal amount of such Taxable Series 20I5B Bonds to be redeemed, or (B) the sum ofthe present values ofthe remaining scheduled payments of principal and interest on such Taxable Series 20I5B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Taxable Series 20I5B Bonds are to be redeemed, discounted to the date of redemption of such Taxable Series 20I5B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points plus, in each case, accrued interest on such Taxable Series 2015B Bonds being redeemed to the date fixed for redemption.

The Make-Whole Redemption Price for any Taxable Series 2015B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or municipal advisor (the "Calculation Agent") retained by the City at the City's expense. The 'Trustee and the City may rely on the Calculation Agent's determination of any Makc-Wholc Redemption Price and will not be liable for such reliance An Authorized Officer shall confirm and transmit the Make-Whole Redemption Price as so calculated on such dates to the Trustee 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 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 at least four Business Days 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 (i) in the case of Taxable Series 2015B Bonds maturing on January I of the years 2019 to 2023, inclusive, the period from the redemption date lo the maturity date of such Taxable Series 2015B Bonds to be redeemed and (ii) in the case ofthe Taxable Series 2015B Bonds maturing on January I, 2033, the then-rcmaming average life of such maturity of the Taxable Scries 2015B Bonds to be redeemed, provided, however, that if the period from the redemption date to such maturity dale 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 'The Treasury Rate shall be determined by an independent accounting firm, investment banking firm or municipal advisor retained by the City at the City's expense

The Treasury Rate will be determined by the Calculation Agent or another independent accounting firm, investment banking firm or municipal advisor retained by the Cily at the Cily''s expense

The City is authorized to sell or waive any right the City may have to call the Taxable Series 2DI5B Bonds for optional redemption

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Optional Redemption of the Taxable Series 201SB Bonds at Par

The Taxable Series 201513 Bonds maturing on January 1, 2042, are subject to redemption prior lo maturity at the option ofthe City, in whole or in part, on any date on or after January 1, 2025, and if less than all ofthe outstanding Taxable Series 20I5B Bonds of such maturity arc to be redeemed, the Taxable Series 20I5B Bonds called shall be called in such principal amounts as the City shall determine, at a redemption price equal to the principal amount ofthe Taxable Scries 2015B Bonds of such maturity being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Taxable Series 2015B Bonds for optional redemption, in whole or in part.

Mandatory Redemption

The Series 2015A Bonds maturing on January I, 2033 and January I, 2039 are subject to mandatory redemption prior to maturity on January I of the years and in the amounts set forth below, at a Redemption Price equal to 100 percent ofthe principal amount thereof plus accrued interest to the date fixed for redemption.

Scries 2015A Bunds due .January 1, 2033

Year	Principal Amount
2031	$ 6,205,000
2032	8,275.000
2033	73,620.000 (maturity)

Se ries 2015A Bonds due January 1, 2039

Year	Principal Amount
2036	J 16,135.000
2037	12,620,000
2038	15,875,000
2039	3.980.000 (maturity)

The Taxable Series 2015B Bonds maturing on January 1, 2033 and January I, 2042 are subject to mandatory redemption prior to maturity on January 1 ofthe years and in the amounts set forth below, at a Redemption Price equal to 100 percent ofthe principal amount thereof plus accrued interest lo ihe dale fixed for redemption

Taxable Scries 20I5B Bonds due January 1, 2033

YearPrincipal Amount	
2024	$ 10,665,000
2025	9,990.000
2026	3,050,000
2027	3.300,000
2028	3.620.000
2029	3.950.000
2030	45.105,000
2031	55,175,000
2032	154.145.000
2033	32.695,1100 (maturity)

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Taxable Series 20T5B Bonds due January I, 2042

YearPrincipal Amount	
2034	$ 73,925,000
2035	173,680,000
2036	18,845,000
2037	15,495,000
2038	16,800,000
2039	25,525,000
2040	32,385,000
2041	17,505,000
2042	18,900,000 (maturity)

Reduction of Mandatory Redemption Amounts

The principal amount of the Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof. In the case ofthe Series 20I5A Bonds of a maturity, any partial optional redemption of such Bonds will be credited against future mandatory redemption requirements for that maturity in such order of the mandatory redemption dates as the City may determine In the case ofthe Taxable Series 20I5B Bonds of a maturity, any partial optional redemption of such Bonds will be credited against future mandatory redemption requirements for that maturity on a pro-rata basts

In addition, on or prior to the sixtieth (60lh) day preceding any mandatory redemption date, the Trustee may, and if directed by the City shall, purchase Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Bond so purchased shall be canceled and (i) in the case of the Series 2015A Bonds, the principal amount thereof shall be credited against the payment required on such next mandatory redemption dale and (ii) in the case ofthe Taxable Series 2015B Bonds of a maturity, the principal amount thereof shall be credited against future mandatory redemption requirements for (he Taxable Series 2015B Bonds of that maturity on a pro-rata basis.

Selection of Bonds for Redemption

Series 2015A Bonds. While the Scries 2015A Bonds are registered in the book-enlry system and so long as DTC or a successor securities depository is the sole registered owner of the Series 2015A Bonds, if less than all ofthe Series 2015A Bonds of such maturity are to be redeemed prior to maturity, the particular Scries 20I5A Bonds or portions of such Bonds will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine See "THE BONDS - Book-Entry System " If the Series 20I5A Bonds are not registered in the book-entry system, the following procedures for the selection of such Bonds shall apply.

If less than all the Series 20I5A Bonds shall be called for redemption under any provision ofthe Indenture pursuant lo which the Scries 2015A Bonds are issued permitting such partial redemption, (0 such redemption shall be by lot in such manner as (he Trustee may determine among such Bonds, and (ii) subject to other applicable provisions of such Indenture, the portion of any Series 20I5A Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination In selecting Scries 20I5A Bonds for redemption, Ihe Trustee shall assign to each Series 2015A Bond of like Maturity Dale, a distinctive number for each minimum Authorized Denomination of such Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination lor each number, shall equal Ihe principal amount of such Bonds to be redeemed In such case, the Scries 20I5A Bonds lo be ledeemed shall be those lo which were assigned numbers so selected, piovidcd that only so much ofthe principal amount of each Scries 2015A Bond shall be redeemed as shall equal such minimum Authorized Denomination for each number assigned to it and so selected If it is determined that one or

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more, bin nol all, of Ihe integral multiples of the Authorized Denomination of principal amount represented by any Series 2015A Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Registered Owner of the Redemption Price ofthe integral multiple ofthe Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Series 20I5A Bond or Bonds in the aggregate principal amount of the unredeemed balance ofthe principal amount of such Bond. New Series 2015 A Bonds representing the unredeemed balance ofthe principal amount of such Bond shall be issued to the Registered Owner thereof without charge therefor.

Taxable Series 2015B Bonds. While the Taxable Series 2015B Bonds are registered in the book-entry system and so long as DTC or a successor securities depository is the sole registered owner of the Taxable Series 2015B Bonds, if less than all ofthe Taxable Series 20I5B Bonds are to be redeemed prior to maturity, the particular Taxable Scries 2015B Bonds or portions thereof lo 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 Ihe Taxable Scries 2015B Bonds arc registered in the book-entry system, the selection for redemption of such Bonds will be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do nol allow for redemption on a pro-rata pass-through distribution of principal basis, the Taxable Scries 20I5B Bonds subject to redemption will be selected for redemption, in accordance with DTC procedures, by lot.

If the Taxable Series 2015B Bonds arc not registered in the book-entry system, any redemption of less than all of such Bonds will be allocated by the Trustee among the registered owners of such Bonds on a pro-rata basis

Notice of Redemption

Unless waived by any owner of Bonds of a Series to be redeemed, notice of the call for any such redemption shall be given by the applicable Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner lo the Trustee, but the failure lo mail any such notice or any defect therein as to any Bond shall not affect the validity of the proceedings for the redemption of any other Bond. Any notice of redemption mailed as provided under the applicable Indenture shall be conclusively presumed to have been given whether or not actually received by the addressee. All notices of redemption with respect to the Bonds of a Series shall state (1) the Series designation of the Bonds to be redeemed, (2) the redemption date, (3) the applicable Redemption Price, (4) if less than all outstanding Bonds of such Series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Bonds to be redeemed, (5) that on the redemption date the applicable Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date, (6) the place where such Bonds are to be surrendered for payment ofthe applicable Redemption Price, and (7) such other information as shall be deemed necessary by Ihe Trustee at the time such notice is given to comply with law, regulation or industry standard

With respect to an optional redemption of Bonds of a Series, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable Redemption Price of such Bonds If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Bonds and such failure to deposit such funds shall nol constitute an Event of Default under the applicable Indenture

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The applicable Trustee shall give notice, in the same manner in which the notice ol' redemption was given, that such moneys were not so received and that such Bonds will not be redeemed Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Bonds, the City shall deposit with the applicable Trustee an amount of money sufficient to pay the applicable Redemption Price of all the Bonds of such Series or portions Ihereof which are to be redeemed on that dale

Book-Entry System

General

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

DTC will act as securities depository for the Bonds. The Bonds of each Scries 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 ofthe Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section I7A ofthe Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3 5 million issues of U.S. and non-U.S equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U S. and non-U S securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC") DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries Access lo the DTC system is also available to others such as both U S and non-U S securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants'") DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission") More information about DTC can be found at www.dlcc <http://www.dlcc> com

Purchases of Bonds of a Series under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC's records The ownership interest of each actual purchaser of each Bond of a Series ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records Beneficial Owners will nol receive written confirmalion from DI'C of their purchase. Beneficial Owners are. however, expected to receive written confirmations providing details ofthe transaction, as well as periodic statements of their holdings, from the Direct or Indneci Participant through which the Beneficial Owner entered into the transaction Transfers of ownership interests in the Bonds of a Series arc to be accomplished by entries made on the books of

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Direct and Indirect Participants acting on behalf of Beneficial Owners Beneficial Owners will not receive certificates representing their ownership interests in the Bonds of a Scries, except in the event that use ofthe Book-Entry System for such Bonds is discontinued

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series are being redeemed. DTC's usual practice, which will apply to the Series 2015A Bonds, is to determine by lot the amount of the interest of each Direct Participant in the Scries 2015A Bonds to be redeemed. In accordance with DTC's procedures, the City has directed the Trustee to notify DTC that in the event that less than all ofthe Taxable Series 20I5B Bonds are redeemed any such redemption shall be on a pro-rata basis

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MM1 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 lo whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy)

Redemption proceeds and principal and interest payments on the Bonds of a Series will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC D TC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee for the Bonds of such Series, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, any Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time Payment of redcmplion proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility ofthe City or the applicable Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC. antl disbursement of such payments to ihe Beneficial Owners will be the responsibility of Direct and Indirect Participants

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

Discontinued Use of Book-Entry System

The Cily may decide to discontinue use ofthe system of book entry only transfers through DTC (or a successor securities depository). In that event. Bond certificates will be printed and delivered to DTC

Procedures May Change

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

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

Additional Information

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

NEITHER THE CITY NOR THE APPLICABLE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS OF A SERIES, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINT AINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT' IN RESPECT OF THE PRINCIPAL OR INTEREST ON THE BONDS OF SUCH SERIES, OR ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN WITH RESPECT TO SUCH BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE SELECTION OF SPECIFIC BONDS FOR REDEMPTION, OR ANY OTHER ACTION TAKEN, BY DTC AS REGISTERED OWNER OF SUCH BONDS

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

Bonds Not Presented for Payment

If any Bond of a Series is not presented for payment when the principal amount thereof becomes due, either at maturity or al a date fixed for redemption thereof or otherwise, and if moneys sufficient lo pay such Bond are held by the applicable Trustee for the benefit ofthe Registered Owner of such Bond, such Tiustee shall hold such moneys for the benefit of the Registered Owner of such Bond without liability to the Registered Owner for interest T he Registered Owner of such Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Bond

Registration and Transfers

The Bond Register for the registration and for the transfer ofthe Bonds of each Series will be kept at the Designated Corporate Trust Office ofthe applicable Trustee, as the rcgistiar for the City in connection with the Bonds of such Scries. See "TJTE BONDS-Book-Entry System" for a discussion of registration and transfer ofthe beneficial ownership interests in Bonds while they are in the Book-Entry System The following provisions relate to the registration and transfer of Bonds of a Series when such Bonds are in certificated form

Upon surrender for registration of transfer of any Bond of a Scries at the Designated Corporate Trust Office of the applicable Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to such Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as shall be satisfactory to such Trustee, the City shall execute, and such Trustee shall authenticate and deliver, in the name ofthe transferee or transferees, one or more fully registered Bonds ofthe same Series, interest rate and Maturity Date of Authorized Denominations, for a like principal amount bearing numbers not contemporaneously outstanding. Subject to the limitations described in the following paragraph, Bonds of each Scries may be exchanged al the Designated Corporate Trust Office of ihe applicable Trustee for a like aggregate principal amount of Bonds of the same Scries, interest rate and Maturity Date of other Authorized Denominations bearing numbers not contemporaneously outstanding

The applicable Trustee shall not be required to transfer or exchange any Bond of a Series during the period commencing on the Record Date next preceding any Interest Payment Date of such Bond and ending on such Interest Payment Date, or to transfer or exchange such Bond after the mailing of notice calling such Bond for redemption has been made as provided in ihe Indenture under which such Bond is issued or during the period of 15 days next preceding the giving of notice of redemption of Bonds ofthe same Series and Maturity Date.

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

Bonds of a Scries delivered upon any registration of transfer or exchange will be valid general obligations ofthe City, evidencing the same debt as the Bonds of such Series surrendered, will be secured by the Indenture under which such Bonds were issued and will be entitled lo all of the security and benefits of such Indenture and ofthe Bond Ordinance to the same extent as such Bond surrendered

Registered Owner Treated as Absolute Owner

The City, the applicable Trustee and any applicable Paying Agent may treat the Registered Owner of any Bond of a Series as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary All payments of or on account of the principal of, premium, if any, and interest on any such Bond as provided in the Indenture under which such Bond is issued shall be made only to or upon the written order ofthe Registered Owner thereof or such Registered Owner's legal lepresentalivc, but such registration may be changed as provided m such Indenture All such payments shall be valid and effectual lo satisfy and discharge the liability upon such Bond to Ihe extent ofthe sum or sums so paid

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SECURITY FOR THE BONDS

General Obligation ofthe City

The Bonds of each Series arc direct and general obligations ofthe City and all taxable property in the City is subject to the levy of ad valorem property taxes to pay the Bonds and the interest thereon without limitation as to rate or amount. The Bonds of each Scries shall also be payable, as to principal and interest, from any moneys, revenues, receipts, income, assets or funds ofthe City legally available for such purpose, including, but not limited to, the proceeds allocable to such Series of a direct annual tax levied by the City in the Bond Ordinance (the "Bond Property Tax Levy") upon all taxable property located in the City sufficient to pay the principal of and interest on the Bonds. The Bond Property Tax Levy will be on file with the County Clerks of Cook and DuPage Counties, Illinois (the "County Clerks") at the time of issuance ofthe Bonds Sec "FINANCIAL DISCUSSION AND ANALYSIS-Property Taxes" and APPENDIX D-"PROPERT Y TAXES."

The City has pledged its full faith and credit lo the payment of the Bonds. Under Ihe Bond Ordinance, the City is obligated to appropriate amounts sufficient to pay principal of and interest on the Bonds for the years such amounts are due, and the City covenants in the Bond Ordinance to take timely action as required by law to carry out such obligation; however, if for any such year the City fails to do so, the Bond Ordinance constitutes a continuing appropriation of such amounts without any further action by the City.

If the revenues raised by the Bond Property Tax Levy would not be available in time to make any payments of principal of or interest on the Bonds when due, then the appropriate fiscal officers ofthe City arc directed in the Bond Ordinance to make such payments from any other moneys, revenues, receipts, income, assets or funds ofthe Cily that are legally available for that purpose in advance ofthe collection ofthe Bond Property Tax Levy.

Property Tax Collection Process for the Bonds

The City's annual aggregate property tax levy is used primarily to pay debt service on the City's general obligation debt and to fund Cily contributions to the City's pension plans. See ' FINANCIAL DISCUSSION AND ANALYSIS-Property Taxes." The Bond Property Tax Levy is included in the calculation ofthe City's annual aggregate property tax levy.

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Scl forth below is a general schematic ofthe process by which the properly taxes for payment of the principal of and interest on the Bonds are levied, billed, collected and remitted lo the Cily in Cook County (being the County in which approximately 99.99 percent ofthe taxable properly m the City is located) and, ultimately, to the Trustee.

Tax Levy

SKRIFS2015

Bonds

The Bond Ordinance provides for the levy and collection of a direct annual tax upon all taxable property in the City for payments of debt service on the Bonds, and a certified copy ofthe Bond Ordinance is filed with the County Clerk prior to the issuance of the Bonds

The City informs the County Clerk of its annual aggregate tax levy (which includes confirmation of the Bond Properly Tax Levy), and the County Clerk determines the property tax for the City and all overlapping taxing districts for each City parcel

Cook County ' Treasurer
The County Treasurer issues the tax bills, collects the property taxes, and remits the City's share of property taxes lo the City Treasurer

The City Treasurer deposits the portion of the property taxes earmarked for general obligation debt into the Bond Redemption and Interest Fund described below

The City Treasurer remits an amount equal to the Principal and Interest Account Requirement for each Scries to the applicable Trustee under each Indenture for deposit into the Bond Fund established under such Indenlure prior to the scheduled debt service payment dales. If propelly taxes are insufficient, payments to such Trustee are to be made from any other legally-available revenues

T he applicable Trustee makes the principal and interest payments for the Bonds of such Scries to ihe Bondholders on the scheduled debt service payment dates

As shown above, when property taxes are remitted by the Cook Countv Treasurer to the City, the pioperiy taxes for debt service are deposited and held in the Bond Redemption and Inlerest Fund maintained by the City Treasurer The Bond Redemption and Interest Fund is used for the payment of debt service on all ofthe Cnvs general obligation bonds for which a piopeitv tax lew has been pledged.

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including Ihe Bonds, and is one of a number of governmental funds used by the City lo account for its governmental activities. The Bond Redemption and Interest Fund is not held by a separate trustee and is not pledged to the payment of the Bonds. Bondholders do not have a statutory lien on the Bond Redemption and Interest Fund. See "INVESTMENT CONSIDERATIONS-Uncertain Enforcement Remedies "

There is no guarantee that the How of revenues from the Bond Property Tax Levy will always be maintained as described above. The City Council could alter the Bond Property Tax Levy or use the funds held in the Bond Redemption and Interest Fund for other uses besides debt service The Illinois General Assembly could alter the procedure by which property taxes are extended and collected If the amount of property tax revenue is insufficient to pay debt service on the Bonds, the City would still be obligated to find other sources of funds to remit to the Trustee for the payment of principal of and interest on the Bonds when due.

For additional information on real property assessment, tax levies and collections, see APPENDIX D-"PROPERTY TAXES."

Additional General Obligation Debt

The City may from time to time issue debt and incur other obligations that arc general obligations ofthe City, including commercial paper and borrowings under revolving lines of credit which comprise the City's short-term borrowing facilities (the "Short Term Borrowing Program"), all of which are secured by the full faith and credit of the City. In late 2015 or early 2016, the City expects to issue approximately $700 million of general obligation bonds to fund capital projects, for debt restructuring and to pay capitalized interest on such bonds. The City may also issue refunding bonds for cost savings depending on prevailing market conditions. See "GENERAL OBLIGATION DEBT-Long-Term General Obligation Bonds."

PLAN OF FINANCING

The proceeds ofthe Bonds will be used to (i) repay indebtedness incurred by the City under the Short Term Borrowing Program, (ii) fund the cost of terminating the sale/leaseback of the Orange Line rapid transit rail line; (iii) reimburse the City's General Fund for the cost of terminating an interest rate swap associated with the City's sales tax revenue bonds; (iv) fund certain capitalized interest on the Bonds through January I, 2018; and (v) pay costs of issuance of the Bonds.

Repayment of Short Term Borrowing Program

Proceeds of the Bonds will be used lo repay amounts outstanding under the Short Term Borrowing Program The amounts and purposes of short term borrowings to be repaid with Bond proceeds are as follows

$151 6 million for costs incurred in connection with the conversion ofthe City's general obligation variable rale bonds to fixed rale bonds, comprised of $131 6 million for bond redemptions and $20 0 million to fund bond tender prices (resulting from the rcoffcring of converted bonds at a discount) and transaction costs. Ofthe total amount, $117 4 million will be paid from proceeds ofthe Series 20I5A Bonds and $34 2 million will be paid from proceeds of the Taxable Scries 20I5B Bonds See "GENERAL OBLIGATION DEBT-Recent Developments-Variable Rale Bond Conversions "

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- *$192 1 million Tor termination ol'general obligation interest rate swaps associated with the City's general obligation variable rate bonds and $2 8 million for the termination of a swaption relating to general obligation fixed rate bonds Ofthe total amount for the swaps, $31.3 million will be paid from proceeds ofthe Series 2015A Bonds and $160.9 million will be paid from proceeds ofthe Taxable Series 20I5B Bonds. The amount for the swaption will be paid from proceeds ofthe Taxable Series 2015B Bonds See "GENERAL OBLIGATION DEBT-Recent Developments-Swap Terminations "*

  $170.0 million to fund debt service on outstanding general obligation bonds on July I, 2015 and January 1, 2016, of which $86.2 million will be paid from proceeds ofthe Scries 2015A Bonds and $83.8 million will be paid from proceeds of the Taxable Series 2015B Bonds See "GENERAL OBLIGATION DEBT-Long Term Bonds."

  $46.6 million from proceeds ofthe Taxable Scries 2015B Bonds for bank fees relating lo conversion ofthe City's general obligation variable rate bonds to fixed rate bonds and the Short Term Borrowing Program, including increased fees triggered by the Moody's May 12, 2015 rating downgrade. See "GENERAL OBLIGATION DEBT-Recent Developments" and "-Short Term Borrowing Program" and "INVESTMENT CONSIDERATIONS-Credit Rating Downgrades "

  $35.0 million from proceeds of the Taxable Scries 2015B Bonds to pay accrued interest and principal on acquisition financing of the former Michael Reese Hospital campus. See "GENERAL OBLIGATION DEBT-MRL Financing LLC Promissory Note."

  $2 4 million from proceeds of the Taxable Series 2015B Bonds to terminate two lease/leaseback transactions for the City's 911/311 Qualified Technological Equipment See APPENDIX B-"CITY OF CHICAGO BASIC FINANCIAL STATEMENT" FOR THE YEAR ENDED December 31, 2014-Note 7(b) Capital Leases."

- $62.4 million from proceeds of the Series 2015 A Bonds in payment of a judgment relating to the long-term lease of certain City public garages, and $18.5 million from proceeds ofthe Taxable Series 20I5B Bonds for a contract claim relating to the concession agreement for the City's on-street metered parking system. See "FINANCIAL DISCUSSION AND ANALYSIS-Long Term Leases, Concessions of City Facilities."

Other Application of Bond Proceeds

Proceeds ofthe Bonds will also be used in the amounts and for the purposes set forth below:

Up to $181 0 million from proceeds ofthe Taxable Series 20I5B Bonds to terminate the sale/leaseback transaction entered into by the City in 2005 with respect to the Orange Line rapid transit rail line. Sec "GENERAL OBLIGATION DEBT-Capital Lease."

$24 5 million from proceeds ofthe Taxable Scries 2015B Bonds to reimburse the General Fund for the swap termination payment relating to the City's conversion of sales lax variable rate bonds to fixed rate bonds See "GENERAL OBLIGATION DEBT-Recent Developments-Swap Terminations "

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SOURCES AND USES OF FUNDS

1 he following table sets forth the sources and uses of funds from the sale of the Bonds as described under "'PLAN OF FINANCING."

SOURCE OF FUNDS:

Principal Amount of the Bonds

Net Original Issue Discount

Total Sources of Funds .. .

Series 2015A Bonds

$345,530,000 (4,570,044)

$340,959,956

Taxable Series 2015B Bonds

5742,860,000 (11,396,933)

$731,463,067

Total

$1,088,390,000 (15,966,977)

$1,072,423,023

USES OF FUNDS:
Repayment of Short Term Borrowing Program
Termination of Orange Line Salc/Lcaseback
Termination of Sales Ta.\ Interest Rate Swap
Capitalized Interest
Costs of Issuance (including the Underwriters' discount).
Total Uses of Funds .

$297,244,469

41,299,228 2,416,259

$340,959,956 $731,463,067

$ 681,494,241 181,000,000 24,500,000 177,836,614 7,592,168

$1,072,423,023

Source Cily of Chicago, Department of Finance

FINANCIAL DISCUSSION AND ANALYSIS

Annual Budget

Budget Process

Fach year, the City prepares an annual budget that accounts for revenue from taxes and other sources and sets forth a plan for how the City intends to utilize those resources over the course ofthe following year. In accordance with the Illinois Municipal Code, the City produces a balanced budget, meaning that its appropriated expenditures do not exceed the amount of resources it estimates will be available for that year.

The budget process begins each summer, when City departments inform the Office of Budget and Management ("OBM") of their personnel and non-personnel needs for the upcoming year. OBM then prepares a preliminary budget based on the requests submitted by the departments and the resources OBM expects will be available to fund those needs.

Throughout the remainder of the summer, OBM continues the process of reviewing each department's operating and programmatic needs and developing detailed departmental budgets OBM also estimates citywide expenses, pension contributions, employee health care and debt service In addition, OBM prepares estimates on the amount of revenue that the City expects to collect in the following vear

In the fall, the Mayor's Office and OBM work with departments to develop one final budget for the entire Cily government OBM then compiles and balances the Mayor's proposed budget, which is introduced to the City Council on or before October 15 of each year The City Council holds committee and puhlu; hearings on the Mayor's proposed budget and may propose amendments to it Once the

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proposed budget, as amended, is adopted by the City Council, and approved by the Mayor, it becomes the Annual Appropriation Ordinance.

Budget Documents

The documents that are prepared as part of the City's budget process are set forth below. Such documents are nol prepared for investors in securities issued by the City, or as a basis for making investment decisions with respect lo any bonds, notes, or other debt obligations ofthe City, including the Bonds Prospective purchasers of the Bonds are cautioned not to rely on any of the information in the budget documents in connection with the offering ofthe Bonds.

Annual Budget Documents Purpose

Budget Overview

Budget
Recommendations
Provides a summary of the proposed budget and detailed information on the City's anticipated revenues, expenditures, and personnel.

Constitutes the Mayor's proposed budget to the City Council in accordance with Illinois state law

Consolidated Plan & Action Plan

Annual Appropriation Ordinance
The five-year plan setting forth priorities for the City's housing and non-housing community needs based on housing and community development assessments

The City's line-item budget as passed by the City Council

Capital Improvement Program
A comprehensive list of capital improvements scheduled to occur in the City over the next five years.

Budget Calendar

The general budget calendar of the City is presented in the following tabic

Annual Budget Calendar Month Action

Departments submit preliminary revenue and expense estimales lo OBM

August/September	OBM receives detailed budget requests from City departments and holds a series of meetings with each department regarding the department's needs for the coming year OBM works with the Mayor's Office lo match expenses with available resources and balance the nexl year's budget
October	On or before October 15. the Mavor submits a proposed budget to the City Council, and the City Council conducts hearings on the budget, including al least one public hearing lo gather comments on the proposed budget

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Novcnihcr/Dcccmhcr

January

Throughout The Year

Additions or changes to the proposed budget arc considered. The City Council must approve a balanced budget by December 31, at which point the Budget Recommendations become the Annual Appropriation Ordinance. The draft action plan is submitted annually to the U S Department of Housing and Urban Development lor funding consideration.

The City's Annual Appropriation Ordinance goes inlo effect

Throughout the year, OBM manages the resources allocated through the Annual Appropriation Ordinance. OBM regularly reviews revenues, expenditures, and any trends or events that may affect City finances On an ongoing basis, City departments provide information about the performance of City programs to ensure that City resources are used in a manner that maximizes taxpayer value and provides the highest quality services

City Fund Structure

The City organizes its activities by funds, each of which is accounted for separately. Each fund has a specific set of revenue sources, which are utilized to support a specific set of city services and functions. Descriptions of the City's major governmental funds and its special revenue and proprietary funds are set forth below.

City Funds

Fund	Purpose
General Fund	The General Fund is the City's general operating fund and supports essential City services and activities, such as police and fire protection, trash collection, and public health programs. General Fund revenues come primarily from a variety of local and intergovernmental taxes, fees, and fines. See "-General Fund'" below
Federal, State and Local Grants Fund	Grant funding, largely from the state and federal governments, makes up a significant and recurring source of revenue for the City and is utilized to provide a range of City services and certain capital improvements

SpecialTaxing Areas Fund	The 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, including tax increment financing districts

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Service Concession & Reserve Fund
Established in connection wilh the long-term lease/concession of City assets to create reserves for unexpected contingencies, emergencies, or revenue shortfalls These reserves are not included in the City's annual operating budget See "-Service Concession and Reserve Fund"' below

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

Community Development and Improvement Projects Fund
The Community Development and Improvement Projects Fund accounts for proceeds of debt used to acquire property, finance construction, and finance authorized expenditures and supporting services for various activities See "-Capital Improvements" below

Special Revenue Funds

Proprietary Funds
The City's special revenue funds (the "Special Revenue Funds") are used to account for revenue from specific sources that by law are designated to finance particular functions, such as road repair, snow removal, the library system, emergency management and special events and tourism promotion.

The City's proprietary funds (the "Enterprise Funds") include the water fund, the sewer fund, and a separate fund for each of the City's major airports. These funds arc self-supporting, in that each I'und derives its revenue from charges and associated user fees

The revenue sources ofthe Federal, State and Local Grants Fund, the Community Development and Improvement Proiects Fund and the Enterprise Funds are restricted as to use by law and those of the Special Revenue Funds arc largely dedicated to specific services and functions. The revenues from these funds are not otherwise available to pay for general citywide expenses, including debt service on the City's general obligation bonds (including the Bonds) and the City's pension costs exceeding amounts properly allocable to the funds

General Fund

The City has historically presented information on the City's Corporate Fund in connection with its general obligation bond issues. The Corporate Fund comprises approximately 99.0 percent of the City's General Fund, which is the City's primary operating fund and accounts for all ofthe City's sources and uses of general operating revenue. The General Ftind, and not the Corporate Fund, is included in the City's basic financial statements. The City is presenting information in this Official Statement about the General Fund in order to facilitate the reader's review of the City's basic financial statements See APPENDIX C-"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31. 2014 "

The General Fund does not account for the portion ofthe City's pension obligations that are paid from the City 's property tax levy or the Enterprise Funds, nor does it account for the principal and interest payments on the Cit\ s long-term general obligation bonds that are paid from the properly lax levy For information regarding the use ofthe City's property taxes for the payment of pension costs and general obligation bond debt service, see "-Property Taxes-Use of City Properly Tax Levy," below

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General I 'und resources have changed over the past 5 years In 2010, 59 percent of General Fund resources came from tax revenues, 25 percent from other revenues, and 16 percent from other financing sources This compares lo 2014, when 68 percent of General Fund resources came from tax revenues, 31 percent from other revenues, and 1 percent from other financing sources. In the period from 2009 through 2011, an average of $487 million each year, or 15 percent of General Fund resources, came from non-recurring revenue sources including transfers in from the Service Concession and Reserve Fund. Beginning with the 2012 budget, the City phased out the use of reserves to subsidize the operating budget Sec "-Service Concession and Reserve Fund" below

Selected Financial Information

The following table sets forth revenues and other financing sources (collectively, "resources") and expenditures and other financing uses (collectively, "expenditures") for the General Fund on a historical basis for the years 2010 to 2014. The financial information is based on the modified accrual basis of accounting for the General Fund as reported in the City 's audited basic financial statements for the years 2010 to 2014, respectively. This table should be read in conjunction with the financial information set forth in APPENDIX C-"CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014."

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Revenues

Utility T ax Sales T ax State Income Tax Other Taxes Federal/Stale Grants Other Revenues'[21] T otal Revenues

General Fund'" For Fiscal Years Ended 2010-2014

2014
2013

($ in thousands)

456.869 583,681 308,899 749.742 1,871 929,429
$473,496 620,299 278,031 803.961 2,335 998.028

2010 2011 2012

495,842 282,01 I 590.575 1,735 773,278
536,281 236,521 618,384 1,294 921,056

$ 467,411 $ 467,630 $ 462,475 $
572,185 282,779 694.383 1,074 907,760
2,610.852 2,781,166 2,920,656 3,030,491 3,176,150

Expenditures Current

Public Safety	1,828,984	1.895,404	1,956.152	1,953,5722,020.072		
General Government	903,890	863.622	864,556	885.268929,918		
Other[131]	296,063	278,561	258,501	267,852270,899		
Debt Service	5,004	2,849	2,160	2,382	10,369	
Total Expenditures . .	3,033,941	3,040,436	3,081,369	3,109,074	3,231,258	
Revenues Under Expenditures	(423,089)	(259,270)	(160,713)	(78,583)(55,108)		

Other Financing Sources (Uses)' Proceeds of Debt, Net of Original

Discount/Including Premium "	16.500	95,000 55,000			
Transl'ersln	502,502	372,744	31,617	21,018 39,700	
Transfers Out	(13,600)	(14,357)	(26,965)	(10,583) (10,081)	
T otal Other Financing Sources (Uses)	505,402	453,387	59,652	10,435 29,619	

82,313

54.706 (1,478)
194,117

135,541 5.875
(68,148)

231,302 3.903
(101,061)

335,533 (3,170)

Financing Uses Fund Balance - Beginning of Year Change in Inventory Fund Balance - End of Year

Revenues and Other Financing Sources Over (Undci) Expenditures and Other
(25,489)

167,057 (290)

$135,541 $ 135,533 $ 231,032 $ 167.057 $ 141,278

Source City of Chicago Comprehensive Annual Financial Report (the 'Cily CAFR'"), Exhibit 4 lor the respective years T he Cily CAFR is available upon request From the Department or" Finance "' Ihe General Fund is ihe ehiefopcrjling Fund of Ihe City Ii is comprised of Ihe Corporate Fund as well as oilier non-ma|Oi operating funds wheie fund balance is nol restricted or committed as defined by the Government Accounting Standards Hoard (GAXFif

"" Include? Internal Service, Licenses and Permits. Fines, Investment Income, Charges for Services and Miscellaneous Revenues

' " Include." I leallh. Stiecis and Sanitation. Transportation. Cultural and Reeieulional and Other Current Expenditures

General Fund Revenue

The General Fund s revenue sources consist of utility taxes, sales taxes, stale income taxes, other taxes, federal and state giants, and other revenues With the exception of federal and state grants, which

arc less than 1 percent of overall General Fund revenues, the various sources of General Fund revenues are described below

Utility Taxes. Utility taxes consist of taxes on the purchase of telecommunications services, electricity, natural gas, and cable television. T he following table sets forth the sources of utility tax revenue for the years 2010 through 2014.

Utility Tax Revenue 2010-2014
($ in thousands)

	2010	2011	2012	2013	2014
Gas.	$114,254	$113,681	$98,791	$122,139	$153,274
Electric	99,265	98,100	98,015	98,557	96,353
Commonwealth Edison	91,714	90,655	90,814	90,602	90,202
Telecommunication	139,516	140,998	149,336	119,348	106,129
Infrastructure Maintenance	0	65	7	0	0
Fiber Optics	0	0	0	23	0
Cable Television	22,662	24,131	25,512	26,200	27,538
Total Utility Tax	$467,411	$467,630	$462,475	$456,869	$473,496

Source City CAFR, Schedule A-l for the respective years

These combined taxes have been 15 percent, on average, of total General Fund resources between 2010 and 2014 In 2010, utility taxes were $4674 million, increasing to $473.5 million in 2014. The reasons for fluctuations within the major categories of utility taxes are discussed below Infrastructure maintenance, fiber optics and cable television are excluded from the discussion because the amounts are immaterial.

Gas Tax. The City imposes natural gas-related taxes, the revenues of which arc dependent upon weather conditions and price Colder weather increases consumption and associated tax revenues, as natural gas is used lo heat homes and buildings. In 2010, natural gas-related taxes generated $114 3 million, accounting for 4 percent of total General Fund resources. Prices averaged 55.1 cents per therm during 2010 and dropped to an average of 35.3 cents per therm in 2012. Natural gas prices began lo rise in 2013, and by 2014, reached 72 2 cents per therm. Together with severely cold weather and the resulting increase in usage and higher gas prices, natural gas lax revenues rose to $153.3 million in 2014 Because the natural gas utility tax rate is a percentage of gross revenues as opposed to a per unit rate, these revenues are more directly impacted by price than electricity taxes, which are imposed entirely on a per unit basis

Electric and Commonwealth Edison Taxes. The City's electricity laxes (shown in the table above under Electric and Commonwealth Edison) are charged based on the number of kilowatt hours of electricity used Revenues from electricity taxes are dependent upon consumption and also weather conditions, particular!) summer temperatures due to the electricity needed to cool homes and buildings Elcclricity tax revenues have been 6 percent, on average, of total General Fund resources over the past five years, averaging $188 9 million each year and have held relatively constant in recent years

TelecnmiHitnicoiioirs Tax Revenue from telecommunications taxes, which are levied by the City on charges for telephone services in the City, has declined over the past decade, reflecting trends in the industry and consumer preferences In 2010, telecommunications tax revenue was $139 5 million and made up 5 percent of General Fund resources By 2014, telecommunications tax revenue had dropped lo $106 I million, accounting for 3 percent of"total General Fund resources The overall decline in revenues

was due in part to the continuing reduction in the use ol" landlines as more customers rely solely on wireless services, and also a decline in the number of wireless accounts as use of online communication services such as Skype or other technologies increase. In addition, federal law exempts most wireless data services, such as mobile broadband, from taxation. Consequently, growth in the market for such wireless services has not resulted in increased telecommunications tax revenues for the City.

Sales Taxes. The following table sets forth sources of sales tax revenue for the years 2010 through 2014

Sales Taxes 2010-2014
($ in thousands)

	2010	2011	2012	2013	2014
Local Sales Taxes	5229,202	5252,530	$272,312	$267,576	$285,773
State Sales Taxes	266,640	283,751	299,873	316.105	334,526
Total Sales Tax	$495,842	$536,281	$572,185	$583,681	$620,299

Source. City CAFR. Schedule A-l lor ihe respective years

Local Sales Taxes. Local sales tax revenues, as set forth in the table above, consist of four separate taxes imposed by the City pursuant to its home rule powers, the Municipal Code and state law (collectively, the "'Local Sales Taxes"):

Home Rui.f: Municipal Retailers' Occupation Tax. The Home Rule Municipal Retailers' Occupation Tax is a 1.25 percent tax imposed on the sale of most items of nonlitled tangible personal property by retailers in the City. This tax is authorized by the Home Rule Municipal Retailers' Occupation Tax Act ofthe State The tax must be imposed in increments of 0.25 percent, and can only be imposed if the City also imposes a municipal service occupation tax.

Home Rule Municipal Service Occupation Tax. The Home Rule Municipal Service Occupation Tax is a I 25 percent tax imposed on the selling price of most items of tangible personal property acquired as an incident to the purchase of a service from service providers in the City This tax is authorized by the Home Rule Municipal Service Occupation Tax Act ofthe Stale and musl be imposed at the same rate as the Home Rule Municipal Retailers Occupation Tax described above.

1 Iome Rule Municipal Use Tax on Tit led Personal Property. The I lomc Rule Municipal Use Tax on Titled Personal Property is a 1.25 percent tax imposed on the privilege of using within the City titled personal property that is purchased from a retailer and that is titled or registered at a location in the City This lax is authorized by the Home Rule Municipal Use Tax Act ofthe State.

home Rule Municipal use Tax on Nontttled Personal property The Home Rule Municipal Use fax on Nontitled Personal Property is a 1 0 percent tax imposed on the privilege of using within the City most items of nontitled personal property that arc purchased from a retailer located outside the City This tax is authorized by the Home Rule Municipal Use Tax Act ofthe State The tax must be imposed in increments oft) 25 percent tip lo the maximum rate of 1 0 percent

Currently thcie is no legal limit on the rate at which the City may impose the Home Rule Municipal Retailers' Occupation Tax, the Home Rule Municipal Service Occupation fax or the Home Rule Municipal Use Tax on T itled Personal Property Except for the Home Rule Municipal Use Tax on Nontitled Personal Property, the Local Sales "faxes arc collected by the State on behalf of the City

For purchases subject lo the Home Rule Municipal Retailer's Occupation T ax and the Home Rule Municipal Use T ax on Tilled Personal Properly, most are subject to a combined tax rate that includes, in addition to the Local Sales Taxes and the state rate of 6 25 percent, a Regional Transportation Authority sales tax rate of 1.0 percent and a Cook County sales tax rate of .75 percent

Revenue from the Local Sales Taxes that has been allocated to the General Fund after provision for sales tax revenue bonds debt service has accounted for an average of approximately 8 percent of total General Fund resources between 2010 and 2014 Beginning in the fall of 2008, receipts from Local Sales Taxes began to decline due to the recession, with revenues of $229.2 million by 2010. Moderate growth continued from 2010 until 2012, with a modest decline in 2013, due to a larger portion of Local Sales Taxes allocated to sales tax bond debt service payments Local Sales Taxes allocated to the General Fund were $285 8 million in 2014, accounting for 9 percent of General Fund resources.

Stare Sales Taxes. T he City's share of state sales lax revenues, as set forth in the table above, consist of four separate taxes imposed by the State as follows (collectively, the "State Sales Taxes"):

Illinois Retailers' Occupation Tax. The Illinois Retailers' Occupation Tax is imposed by the State at the rale of 6 25 percent on the sale of most items of nontitled tangible personal property by retailers The City receives 1 percent on the sale of such items by retailers in the City, representing 16 percent of ihe net receipts of this lax attributable to sales occurring in the City. With respeci to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery food, drugs and medical appliances, representing 100 percent of the net receipts of this tax attributable to sales occurring in the City.

Illinois Service Occupation Tax The Illinois Service Occupation Tax is imposed by the State at the rate of 6.25 percent on Ihe sale of most items of nontitled tangible personal property by service providers. The Cily receives I percent on the sale of such items by retailers in the City, representing 16 percent of (he net receipts of this lax attributable to sales occurring in the City. With respect to tax on grocery food, drugs and medical appliances, the City receives 1 percent of the net receipts on the sale of grocery' food, drugs and medical appliances, representing 44.44 percent ofthe net receipts of this tax attributable lo sales occurring in the City.

ILLINOIS USE Tax The Illinois Use Tax is imposed by the Slate at the rate of 6.25 percent on the privilege of using most items of personal property purchased outside ofthe Slate. The City receives 4 percent ofthe net receipts of this tax collected on most items of nontitled personal property purchased outside ofthe State, subject to annual appropriation by the Illinois General Assembly. Subject to annual appropriation by the Illinois General Assembly, the City receives 20 percent ofthe nel receipts of this lax imposed at the rate of 1 percent on grocery food, drugs and medical appliances purchased outside ofthe State

Illinois Si rvice Use Tax. The City currently receives 4 percent ofthe net receipts ofthe Illinois Service Use Tax which is imposed by the State at the rate of 6 25 percent on the privilege of using most items of tangible personal property acquired as an incident to the purchase of a service from a service provider in the Slate, subject to annual appropriation by the Illinois General Assembly. T he City also receives 20 percent of the net receipts of this tax imposed at the rate of one percent on grocery food, drugs and medical appliances acquired as an incident to the purchase of a service from a service provider in the Slate, subject lo annual appropriation by the Illinois General Assembly.

Except as noted above, the City cunently receives its share of State Sales Tax revenues without annual appropriation by the Illinois General Assembly Any change in the tax rates or amount of nel tax

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receipts allocated to the City from Slate Sales T ax revenues would require the enactment of legislation by the Illinois General Assembly

Revenue from the State Sales faxes has accounted for an average of approximately 10 percent of total General I'und resources between 2010 and 2014 Following the recession in 2008, revenues had declined to $266.6 million in 2010. Steady growth has continued since 2010, with State Sales Tax revenues increasing 10 $334 5 million in 2014, accounting for 10 percent of total General Fund resources

Slate Income Taw State income tax revenues consist ofthe City's share ofthe state income taxes, including personal property replacement taxes. T he following table sets forth sources of state income tax revenue received by the General Fund for the years

2010 through 2014:

State Income Tax 2010-2014
($ in thousands)

	2010	2011	2012	2013	2014
Income T axes	$231,531	$200,341	$245,193	$275,979	$250,279
Personal Property Replacement Taxes	50,480	36,180	37,586	32,920	27,752
T otal State Income Tax .	$282,011	$236,521	$282,779	$308,899	$278,031

Souice City CAFR, Schedule A-1 tor the respective years

Income Tax Like the Local Sales Taxes and the State Sales Taxes, the City's share of state income tax revenues experienced growth in pre-recession years and then, with the decline in the economy, the City's share of this tax declined to $201.0 million in 2009. The state income tax revenues received by the City increased in 2010 to $231.5 million, but then declined again in 2011 due to a combination of factors, including continued high state unemployment rates, the decline in population under the 2010 Census, a timing difference in the receipt of state distributions to the City and changes in 2010 lo the Internal Revenue Code regarding bonus depreciation.

Beginning in the second half of 2011 and continuing into 2014, income tax collections gained momentum with the recovering economy. In addition, in both 2012 and 2013, due to the timing ofthe state distributions to catch up on back payments owed to the City, 13 payments were booked as revenue. 2013 collections were also pushed upward by a one-time surge in payments associated with businesses and individuals selling assets or receiving early dividends or bonuses in anticipation of higher federal tax rates. Consequently, City income tax revenues ended 2013 at the unusually high level of $276 0 million With only 12 payments and no one-time surge in 2014, income tax revenues ended 2014 at $250 3 million.

In 2011, the State increased the personal income tax rale from 3 percent to 5 percent and the corporate income tax rate from 4 8 percent to 7 percent However, municipalities did not receive a share of this increase because ihe Stale, concurrently with increasing lax rales, reduced the percentage of total income tax receipts thai How into the local government distribution fund from which municipalities are paid their share of state income tax revenue As of January I, 2015 the personal income tax rate was reduced to 3 75 percent and the corporate income lax rate was reduced to 5 25 percent

Persona/ Property Replacement Tux 1 he personal properly rcplacemcni lax derives its revenues primarily from an additional State income tax levied by the State on corporations, partnerships, trusts and S corporations Currently, corporations pay a 2 5 percent tax on income, while partnerships, trusts, and S corporations pay a I 5 percent lax on income The personal properly replacement lax also derives some of Us revenues from various taxes imposed on utilities al various rates The tax is collecled by the Slate

and paid lo local governmenis in order to replace revenues thai were lost when the Slate eliminated the authority of local governments to collect personal properly taxes on business entities The Cily has historically utilized its personal property replacement tax revenue in part to support the General Fund and in part to pay for the City 's share of pension contributions. Beginning in 2015, the City has changed the way it records personal property replacement tax revenues in the General Fund See "-Financial Forecasts-2015 General Fund Budget" below.

The personal property replacement tax has generally followed the same patterns as income tax revenues. The personal property replacement tax levied on utilities represents approximately 15 percent ofthe aggregate lax received and is less economically sensitive In recent years, ihe expected increase in the amount of the personal property replacement tax received by the City due to the recovering economy has been negated in part by legislation enacted by the State since 2010 that allows the State to reallocate personal property replacement tax revenue for employment-related costs of certain State Board of Education personnel and state officials

Other Taxes. Other tax revenues consist of various taxes imposed by the City, such as transportation taxes, transaction taxes, recreation taxes, business taxes as well as the City's share of the state auto rental tax. The following table sels forth sources of other tax revenue for the years 2010 through 2014.

Other Taxes 2010-2014

($ in thousands)

	2010 2011 2012 2013 2014
Transportation T ax	
Parking	$ 92,306$ 93,449$119,169$124,384$126,516
Vehicle Fuel	49,80049,36749,81849,08948,161
Ground Transportation	8,6009,1118,9039,07010,399
Transaction Tax	
Real Property	81,30285,986102,571141,907157,194
Personal Property'Lease	108,357123,523132,503140,227152,576
Motor Vehicle Lessor	5,4265,753 6,0376,2496,431
Recreation Tax	
Amusement .	85,68286,05587,84396,739112,895
Automatic Amusement	990913869 631584
Liquor ...	31,50831,58432,62032,04832,113
Boat Mooring	1,3171,439 1,3611,2751,309
Cigarette	19,32618,66618,01516,26824,022
Off Track Betting	929837694 604547
Soft Drink	18,63819,93421,79221,56422,210
Business Tax	
Hotel . .	54,34860,08285,63489,851100,407
Employers Expense	23,47923,49617,85311,2610
Foreign Fire Insurance .	5,1334,598 4,7914,6014,422
State Auto Rental Tax	3,4343,591 3,9103,9744.175
Total Other faxes	$590,575 $618,384 $694,3X3 $749,742 $803,961

Source City CAFR. Schedule A-1 for the respective years

With the exception of state auto rental taxes, which arc immaterial, the various sources of other taxes arc described below.

Transportation Taxes Transportation tax revenues consist primarily of parking and vehicle fuel taxes Parking taxes, which are imposed on parking garage operators, have consistently made up the

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largest portion of this category of revenues. Rate adjustments in 2009 and 2012 contributed to greater revenue growth in those years, with an overall increase from $92.3 million in 2010 to $126.5 million in 2014 Pursuant to a change in state law, the City changed this tax from a tiered flat rate structure to a percentage-based rate effective July 1, 2013, reducing the effective tax rate for low cost parking while increasing the effective rate for high cost parking.

The vehicle fuel tax is a 5 cent per gallon tax on the sale of vehicle fuel to a retailer doing business in the City, or who purchases fuel for use in the City. Vehicle fuel tax revenues declined from $49.8 million in 2010 to $48 2 million in 2014, due largely to declines in fuel consumption as gasoline prices rose, fuel economy standards became more stringent, and fuel-efficient vehicles became more prevalent

Transaction Taxes Transaction taxes include taxes on the transfer of real estate, the lease or rental of personal properly, and the short-term lease of motor vehicles within the city. Combined transaction taxes have constituted between 6 and 10 percent of total General Fund resources between 2010 and 2014. Fluctuations in these revenue sources track closely with the economy and the real estate market.

In the years leading up to the recession, real property transfer tax collections reached record levels. The decline in the real estate market reduced these collections to $61.9 million in 2009. While commercial real estate activity started to increase in 2010 and continued to improve in 2011, the residential real estate market was slower to recover and did not show sustained growth until 2012. By
2013 home sales increased by 19 percent and median home prices increased by 10 percent from 2012, bringing overall real property transfer tax revenues lo $141.9 million. During 2014, median home prices increased by 11 percent over 2013 while home sales decreased by 7 percent due largely to inventory shortages Due to the increase in median home prices, 2014 revenues increased to

$157.2 million.

As with other transaction and consumer-driven tax revenues, collections of personal property lease transaction taxes, imposed on the lease or rental of personal property at a rate of 9 percent of the lease or rental price, increased from 2010 to 2014, reflecting improving economies. In 2010, personal properly lease transaction laxes generated $108.4 million. This revenue continued to grow, starting in 2011, mainly due to enforcement efforts. Personal property lease tax revenues were $152.6 million in 2014 accounting for 5 percent of total General Fund resources.

Recreation Taxes Recreation taxes include taxes on amusement activities and devices, liquor, the mooring of boats, cigarettes, off-track betting and non-alcoholic beverages In 2010, recreation laxes generated $158 4 million for the City, accounting for 5 percent of total General Fund resources. By 2014, this had grown to $193 7 million, accounting for 6 percent of total General Fund resources, primarily due to the increase in amusement tax revenues Amusement tax, including Automated Amusement tax, revenues for 2014 represent 59 percent of total recreation tax revenues.

Amusement taxes apply to most large sporting events, theater, and musical performances in the City The overall increase in these revenues was due in part to a one percent increase in 2009 Amusement lax revenues also vary significantly from year lo year based on the relative success of Chicago's professional spoi ls teams and ticket prices for such sporting events

Business Taxes The City's business tax revenues consist primarily of taxes on hotel accommodations, and ihe employers"' expense tax until it was phased out at the end of 2013 Revenues from the hotel tax experienced a sharp decline in 2009 and recovered slowly m 2010, coinciding with the recession's impact on tourism, business, and convention-related travel. In 2010, hotel lax revenues were $54 3 million T he second half of 2011. however, saw hotel sales and the related tax revenues begin lo

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rebound, with strong growth in 2012, and further growth in 2013 and 2014. In 2014, revenue per available room increased by 4 percent over 2013 and hotel tax revenues were $100.4 million accounting for 3 percent of total General Fund resources

Other Revenues. Other revenues consist of internal service, licenses and permits, fines, investment income, charges for services, municipal utilities, leases, rentals and sales, and miscellaneous revenues The following table sets forth the sources of other revenues for the years 2010 through 2014

Other Revenues 2010-2014
($ in thousands)

	2010	2011	2012	2013	2014
Internal Service.	$274,574	$306,126	$302,924	$306,523	$305,716
Licenses and Permits	96,240	102,702	117,568	123,633	119.940
fines	258,802	263,288	290,799	313,506	338,329
Investment Income	4,200	3,378	5,439	1,436	1,573
Charges for Services	77,694	132,587	124,606	119,857	134,593
Municipal Utilities	6,405	9,060	8,415	6,429	7,257
Leases, Rentals and Sales	17,604	22,595	14,747	19,008	24,127
Miscellaneous	37,759	81,320	43,262	39,037	66,493
T otal Other Revenues	$773,278	$921,056	$907,760	$929,429	$998,028

Source City CAFR. Schedule A-l for the respective years

With the exception of investment income and municipal utilities, which are immaterial sources, the various categories of other revenues, including major revenue types within the categories, arc described below.

Internal Service. Internal service revenues are transfers to the General Fund for services provided to other Cily funds and departments, such as police, fire, and sanitation services provided to the City's Enterprise Funds Such transfers constitute an average of 10 percent of General Fund resources, and have ranged from $274 6 million in 2010 to $305 7 million in 2014.

Licenses and Permits License and permit-related revenue is generated through fees for business licenses, building permits, and various other licenses and permits. License and permit activity often reflects economic health, wilh more construction commencing and businesses starting up when the economy is strong

In 2010, license and permit revenue was $96.2 million, decreasing from prior year levels as construction activity in the City declined during the recession Permit activity and related revenues began to recover in 2012 to $119 9 million in 2014.

Fines Fines consist of fines, forfeitures, and penalties, including parking tickets, red-light and speed camera tickets, and fines for items such as building code violations. These revenues have increased steadily from $258 8 million in 2010 lo $338 3 million in 2014. These revenues accounted for 11 percent of total 2014 General Fund resources This steady increase in revenues is partly a result ofthe increased use of technology, including the implementation of on-line bill payment systems and additional parking enforcement field technology Incieases in fine and penalty rates and improved debt collection have also impacted overall fine, forfeiture, and penalty revenues

Charges for Services Charges for services include revenues generated by charging for activities such as inspections, emergency medical services (EMS), police services, and other services for pnvale

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benefit In 2010, Ihese aclivilics generated $77 7 million, increasing to $134.6 million in 2014, due largely to increased reimbursement for police services and EMS fee increases.

Leases. Rentals and Sales. Leases, rentals and sales include revenues generated from activities such as the sale of vacant land and buildings, cily-ovvncd property that has been leased to the public, and sale of materials that are not used by the City. In 2010, these activities generated $17.6 million, increasing to $24 1 million in 2014, due primarily to the increase in the rental and lease of city-owned property.

Miscellaneous Miscellaneous revenues include infrequent or one-time sources of revenues, such as insurance recoveries, settlements, and cash received from fund closcouts, as well as other revenues that do not fall into one ofthe revenue categories mentioned above, such as municipal marketing fees and tax increment financing ("TIF") surpluses These activities generated $37 8 million in 2010 and $66.5 million in 20)4. T he amount of revenue varies from year to year primarily due to the availability of TIE surpluses.

General Fund Expenditures

Total General Fund expenditures, including other financing uses, have increased from $3.05 billion in 2010 to $3 24 billion in 2014. Generally, the relative proportion of total General Fund spending devoted to different activities and expense types has remained fairly consistent from year to year Across all departments and city services, personnel-related expenditures (including salaries and wages and employee healthcare costs) make up the largest portion ofthe General Fund budget, averaging 83 percent oflotal General Fund expenditures from 2010 through 2014.

General Fund expenditures consist of current operating expenditures and debt service. Debt service expenditures in the General Fund relate to debt service payments with respect to an issuance by the City in 1997 of certain building acquisition certificates which are not paid from property taxes and are not material. General Fund current expenditures are described below.

Public Safety. Each year, the largest portion of General Fund expenditures is dedicated to public safety functions, and includes departments such as Police, Fire, and the Office of Emergency Management and Communications T his also includes the activities of (i) the Department of Buildings, which ensures the safety of residential and commercial buildings in the Cily by enforcing design, construction, and maintenance standards and promoting conservation and rehabilitation through permitting and inspection processes, and (n) the Department of Business Affairs and Consumer Protection, such as business licensing and support and consumer protection activities, including the regulation ofthe local taxicab industry Public safety has remained a primary driver of expenditures, growing as a percentage of General Fund expenditures, from 60 percent in 2010 to 62 percent in 2014.

General Government. General government expenditures support functions necessary to provide essential city services, including accounting and finance, contract management, human resources, legal advice, administrative services, vehicle and facilities maintenance, community services, city development, technology and systems expertise. These expenditures have accounted for between 28 and 30 percent of General Fund expenditures, from 2010 through 2014

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Other Current Expenditures. The following table sets forth the other current expenditures ofthe General Fund by function for the years 2010 through 2014.

Other Current Expenditures 2010-2014

($ in thousands)

	2010
Health	$ 35,593
Streets and Sanitation	177,950
Transportation	70,032
Cultural and Recreational . .	544
Other	. .. 11,944
Total Other Current Expenditures	$296,063

2011 2012 2013 2014

$ 32,390 $ 24,371 $ 26.552$ 25,902

175,829 178,065 186,992195,390

69,683 53,815 52,42047,309

420 1300

239 2,237 1,8882,298

$278,561 $258,50) $267,852 $270,899

Source City CAFR, Exhibit 4 tor ihe respective years

With the exception of Cultural and Recreational and Other expenditures set forth in the table above, which arc immaterial in amounts, the categories of Other Current Expenditures are described below.

Health. Health expenditures support the operations of the Department of Public Health, including providing health education to residents, access to care, guiding public health initiatives and monitoring and inspecting food establishments. Department of Public Health expenditures have accounted for, on average, 1 percent of General Fund expenditures from 2010 through 2014.

Streets and Sanitation Streets and sanitation expenditures support the operations of the Department of Streets and Sanitation, including garbage and recycling collection, sweeping and plowing of streets, graffiti removal, cleaning of vacant lots, demolition of garages, towing of illegally parked vehicles, abatement of rodents and planting, trimming and removal of trees. Expenditures related to the Department of Streets and Sanitation have accounted for, on average, 6 percent of General Fund expenditures from 2010 through 2014.

Transportation Transportation expenditures support the operations of the Department of Transportation and have averaged approximately 2 percent of annual General Fund expenditures between 2010 and 2014. These funds arc used to build, repair, and maintain streets, sidewalks, and bridges and complete the planning and engineering behind the City's infrastructure. Much of the City's major infrastructure construction is funded through slate and federal grants, general obligation bond financing, TIF revenues and other sources, and thus is not represented as a General Fund expenditure.

Budget Gaps

Each year, the City projects revenues and expenses for the coming year as part of its preliminary budget process Any shortfall between revenue and expenses is referred lo as the "budget gap." The budget gap is closed each year prioi to the passage of the Annual Appropriation Ordinance, in which expenditures arc balanced with forecasted available resources.

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Set forth below arc the budget gaps that were projected for fiscal years 2012 through 2015.

Budget Gaps 2012- 2015 ($ in millions)

Year	2012	2013	2014	2015
Amount	$635 7	369 0	338 7	297 3

Source City of Chicago. Office of Budget and Management

The decreasing size ofthe gap from 2012 through 2015 is the result ofthe recovering economy's impact on revenues, as well as the cost reductions made as part of the past three budgets. Initiatives such as the introduction of managed competitions for city services, the transition to grid-based garbage collection, the review and renegotiation of major contractual costs, and reforms that have reduced the City's healthcare costs have all decreased the City's structural deficit, bringing the City's expenses more closely in line with revenues Notwithstanding the gains achieved by the Cily in recent years in addressing its structural budget deficit, the budget gap in coming years is likely to widen from the 2015 level due largely to growing salaries and wages and funding requirements for City pension plans. See "- 2016-2017 General Fund Oullook" below.

The General Fund gap of $297.3 million for 2015 was less than had been projected by the City before the 2015 budget process began The 2015 budget gap was closed in the Annual Appropriation Ordinance through cost savings, closing tax loopholes and revenue enhancements and natural growth in economically sensitive revenues

General Fund Financial Forecasts

This section includes a discussion ofthe City's year-end estimates for 2015 and projections for years 2016 and 2017 for the General Fund. The estimates and projections are based on expectations and assumptions which existed at the time such estimates and projections were prepared, including, among other factors, evaluations of historical revenue and expenditure data, known changes or events, analyses of economic trends and current and anticipated laws and legislation affecting the City's finances. While the City believes that the numerous assumptions underlying the estimates and projections arc reasonable, they are subject to certain contingencies and periodic revisions which may involve substantial change. The City makes no representation or warranty that these estimates and projections will be realized The estimates and projections discussed below and elsewhere herein were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants with respect lo prospective financial information The estimates and projections assume thai no substantive changes are made to city operations or the cost of city services. No cost-saving initiatives are incorporated into the estimates and projections T he estimates and projections arc likely to change as future decisions are made in response to actual events, new or changing needs and cilywide priorities. No assurance can be given that actual results will conform to the estimates and projections provided This prospective information is nol fact and should not be relied upon as being necessarily indicative of future results Purchasers of the Bonds arc cautioned not to place undue reliance on this prospective financial information See "INVESTMENT CONSIDERATIONS-Forward-Looking Statements."

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2015 General Fund Year-End Estimates. The following table sets forth resources and expenditures for the General Fund based on actual results for the year 2014, the 2015 budget and the year-end estimates for 2015

General Fund Resources and Expenditures Budgetary Basis
($ in millions)

	2014 Actual'''	2015 Budget[12]'	2015 Year-End Estimates'[3]
Tax Revenue			
Utility Taxes and Fees	$473 5$451.9$ 449.4		
Transaction Taxes ..	316 2326 4345.4		
Transportation Taxes	185.1188 0191.1		
Recreation Taxes	193.7205.0214.5		
Business Taxes	104.8110.9111.8		
Sales Taxes	620 3647.9651.3		
State Income Taxes	278 0420.0440.8		
Other Intergovernmental. 6 5	5.86.2		
TotalTax Revenue	2,178.12,355 92,410 5		

Non-T ax Revenue
Licenses and Permits
Fines, Forfeitures and Penalties
Charges for Services . .
Municipal Parking . . .
Leases, Rentals, Sales
Reimbursement, Interest & Other
Total Non-Tax Revenue
Proceeds and T ransfers In
T otal Revenue.. Budgeted Prior Years' Surplus and Reappropriations
Total General Fund Resources Total Expenditures

119 9	136.9 129.3	
338 3	369.5 338.7	
134.6	132.4	122 3
7 3	6.5 7.0	
24.1	30.2 25.0	
373.8	470.2	460.3
998.0	1,145.7 1,082.6	
39.7	33_1	41.6
3,215.8	3,534.7	3,534 7
45.5	0.0 0.0	
$3,261.3	$3,534 7	$3,534 7
$3,261 3	$3,534.7 $3,535.1	

''' Source Exhibit 6, City CAFR lor the year ended December 31, 2014. '''' Souice 2015 Annual Appiopnalion, as amended ''' Source Office of Budget and Management

General Fund resources on a budgetary basis, which includes Budgeted Prior Years' Surplus and Reappropriations, if applicable, are expected to meet the budgeted target of $3,534.7 million in 2015. Economically sensitive revenues, such as sales laxes, personal property lease and amusement taxes, arc estimated to outperform the budget due to the improving economy. State income taxes are also anlicipaied lo be $20.8 million higher than Ihe budget as noied below. Gains from these economically sensitive revenues arc estimated to be sufficient to offset losses in public utility taxes, permits, fees and charges for services

General Fund resources are estimated to total $3,534 7 million in 2015, an increase of $273 3 million or almost 8 percent over 2014 actual icsources of $3,261 3 million, $128 8 million of this increase is the result of a change in Ihe way that the City accounts for iis personal property replacement tax

revenue, as discussed below. Excluding Ibis amount, the growth in General Fund resources totals $144.5 million, or4 percent over 2014 actual resources

Utility taxes arc estimated to total $449 4 million in 2015, $24.1 million lower than the 2014 actual revenue of $473 5 million, and account for 13 percent of total 2015 estimated General Eund resources at year-end. The decline is due primarily to lower gas prices and anticipated cool weather during the summer months

Business taxes, including hotel taxes, are estimated to generate $111.8 million in 2015, an increase of $7 0 million over the 2014 actual amount of $104 8 million. Estimates for 2015 anticipate an approximately 2 percent increase in hotel occupancy and a more than 6 percent increase in daily room rates.

As a result of the improving economy, the revenues collected from sales taxes allocated to the General Fund is estimated to total $651 3 million in 2015, an increase of $31.0 million over the 2014 actual revenue of $620.3 million. Sales taxes in 2015 are anticipated to grow by 5 percent over the 2014 actual levels Transaction tax revenues, including real property transfer taxes and personal property lease taxes, are estimated to increase at the rate of approximately 9 percent in 2015, due to strong recovery in the economy, including commercial real estate sales and housing markets in Chicago.

State income tax revenue, which includes personal property replacement tax revenue, is estimated to total $440.8 million in 2015, an increase of 59 percent over the 2014 actual revenue of $278.0 million; $128.8 million of the increase in 2015 state income tax revenue is the result of the change in how the City budgets its personal property replacement tax revenue. A portion of the estimated increase is, however, due to actual anticipated growth in revenues as wages, capital gains, and corporate profits are expected to increase in 2015 These increases arc estimated to be offset in part by the State's increasing use of personal property replacement tax revenues to pay for its own obligations, decreasing the anticipated disbursement to the City by approximately $10.6 million in 2015.

Local non-tax revenues arc estimated to be $1,082.6 million in 2015, an 8 percent increase over 2014 local non-tax revenues of $998 0 million Total revenue from licenses and permits is estimated to total $129.3 million in 2015, an increase of $9 4 million over the 2014 amount of $119.9 million. The 2015 year-end estimate of fines revenue is $338.7 million, consistent with 2014 actual results Revenues from Charges for Services are expected to decrease by 9 percent in 2015 to $122.3 million compared to the 2014 actual revenue of $134 6 million, fhe 2015 estimate for reimbursements, interest, and other revenues is $460.3 million, an increase of $86 5 million, or 23 percent over the 2014 actual revenue of $373.8 million, due primarily to the increase in the 911 surcharge.

Year-end expenditures for 2015 are projected at $3,535 1 million, an increase of 8 percent over 2014 actual expenditures These estimated expenditures slightly exceed the year-end revenue estimates by $0 4 million Public safety expenditures are expected to increase by approximately 6 percent from actual 2014 public safely expenditures The estimated expenditures account for actual changes to salaries and wages governed by collective bargaining agreements, employee benefits, contractual services and utilities and motor fuel, 'fhe City has budgeted increased contributions of $89.1 million to the MEABF and LABF (each as hereafter defined) pension plans in its 2015 budget and year-end estimates based on enacted pension reforms, with such increased contributions being payable in 2016.

In 2015, the City has changed the way it accounts for the non-property tax portion of its pension contributions Historically, the City's pension contributions not paid from property taxes have been paid from personal property replacement lax revenues, which were recorded directly into the respective Retirement Funds (as hereafter dclined) and did not flow through the General Fund. Sec APPENDIX

E-"RETIREMENT" FUNDS-Determination of City's Contributions " Going forward, the total receipt of personal properly replacement tax revenues will be deposited into the General Fund, and a portion of the City's share of pension contributions will be paid out ofthe General Fund to the Retirement Funds. The effect of this change in the 2015 budget was $128 8 million This change has the effect of increasing General Fund revenues by the amount of the personal properly replacement taxes deposited into the General Fund, and increasing General Fund expenditures by a like amount. Another change relates to the way the Enterprise Funds pay their allocable share of pension fund costs. See APPENDIX E-"RETIREMENT' FUNDS-Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs." Historically, the City's pension contributions allocable to each of the Enterprise Funds were reimbursed by those Enterprise Funds to the General Fund. Going forward, the Enterprise Funds' allocable portions ofthe City's pension cost will be paid by the Enterprise Funds to the Retirement Funds.

2016-2017 General Fund Outlook. The City projects operating budget gaps for the General Fund of $430.2 million and $587.7 million for the years 2016 and 2017, respectively. Estimated contributions to the MEABF and LABF pension funds are included in the projected operating budget gaps for 2016 and 2017. Statutory obligations to the PABF and FABF pension funds will, in the absence of legislation modifying the City's contributions to these funds, increase the projected budget gaps for 2016 and 2017 by more than $500 million, with the estimated City contribution growing each year thereafter. Further, general obligation debt service payments using General Fund resources may increase significantly from 2015 levels as the City phases out the use of long-term general obligation bonds to pay current general obligation debt service. See "INVESTMENT CONSIDERATIONS-Structural Deficit and Debt Restructuring" and "-Increased Debt Levels."

The City projects General Fund revenue growth of approximately 1.5 percent over the prior year in both 2016 and 2017. 'fhe revenue growth assumptions do not take into account the change in the personal property replacement tax revenue allocation to the General Fund, as discussed above. Many economically sensitive revenues have now returned to pre-reccssion levels, and a conservative approach is taken in these projections in line with the assumption that the economy will continue to experience only moderate growth going forward.

These projections are based on the continuation of similar trends as discussed above with respect to 2015 for most revenue sources, including recreation taxes, transportation taxes, Local Sales Taxes, State Sales T axes and most local non-tax revenues, adjusting for anticipated variations in certain cases A slightly lower rate of growth in real property transfer tax revenue is expected in 2016 and 2017, as the real estate market stabilizes following rapid growth during the recovery years. Utility taxes are expected to return to normal growth trends Hotel tax revenues arc projected to grow with increased occupancy and revenue per available room, and state income tax revenues are projected to increase at approximately 2 5 percent each year in line with an improving labor market

General Fund operating expenditures are projected to outpace General Fund revenue growth during this period, increasing at an average annual rate of 5.3 percent to $3.69 billion in 2016 and $3.90 billion in 2017 These expenditures do not lake into account the change in how the City accounts for its pension contributions from personal propeity replacement taxes. Most categories of expenditures, including contractual services, worker's compensation, motor fuel, and utilities, are assumed to grow at their long-term historical average rates Less predictable expenditures, such as settlement and judgment-rclated and other miscellaneous expenses, arc based on the average of recent annual expenditure amounts Salary and wage and healthcaie expenditures, by far the largest portion ofthe City's operating expenses, are projected based on the assumption that the number of full-time equivalent positions will remain approximately flat, meaning, no significant hiring, layoffs, or vacancy eliminations will occur, and that the costs associated with those positions will experience growth in line with long-term historical trends In addition, under P A 9S-641 (as defined and described herein) with lespeel to Ihe MEABF and LABF

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pension funds, contributions will increase by approximately $50 million in 2016 (payable in 2017) and $75 million in 2017 (payable in 2018), and the General Fund portion of these payments is incorporated into the projected budget gaps for those years

Service Concession and Reserve Fund

T he City has set aside reserves for unexpected contingencies, emergencies, or revenue shortfalls These reserves, recorded in the Service Concession and Reserve Fund, are not included in the City's annual operating budget

The City established long-term reserves of $500 million and $400 million, respectively, with proceeds ofthe upfront payments from the long-term lease or concession of the Chicago Skyway and the City's metered parking system ("'Metered Parking System'"). See "-Long-term Leases, Concessions of City Facilities" below

The interest earned on the Skyway lease reserves was intended to be used for City operating expenses and has been utilized as planned The principal balance remains $500 million and the earned interest has been transferred to the General Fund each year, with the dollar amount of the transfer reflecting variations in interest rates.

The reserves from the Metered Parking System were created to replace revenues that would have been generated from parking meters by transferring interest earnings on the reserves to the General Fund, with the principal remaining intact at $400 million However, starting in 2009, the City began utilizing these long-term reserves to subsidize the City's operating budget. In 2009, $20 million was transferred to the General Fund, and in 2010, $160 million was used for City operating expenses. The 2011 budget included a $140 million transfer from the reserves for operating purposes. Utilizing these reserves reduced the principal balance substantially below the initial deposit and accordingly reduced the interest earnings generated by the reserves The ordinance establishing the reserves directed that an annual transfer of $20 million be made from the reserve fund into the General Fund to replace lost meter revenue. In order to maintain these reserves, the City amended the ordinance in 2012 to state that only interest generated from the reserves, and not principal, must be transferred for this purpose. In addition, the City began to rebuild the reserves with a $20 million deposit in 2012, a $15 million deposit in 2013, and a $5 million deposit in 2014.

Set forth in the table below is information about the City's long-term reserves as of December 31 ofthe years 2009 through 2014

Long-T erm Reserves 2009-2014
($ in millions)

	Metered Parking
YearSkywaySystemTotal'	
2009	$500$380$880
2010	500220720
2011	500SO580
2012	500100600
2013	500115615
2014	500120620

Source Cily ol'Chicago. Ol'l'icc oI'Mudgct and Management

'" I he amounts piescnled .lie based on cost of hinds held in the Service Concession and Reserve fund The maiket \ jlue of ihe kinds may vary depending on the market value of investments

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Capital Improvements

The City's capital improvement program (see "-Annual Budget-Budget Documents" above) funds the physical improvement or replacement of city-owned infrastructure and facilities with long useful lives, such as roads, buildings and green spaces. T he capital improvements program is funded from general obligation bond issuances, revenue bond issuances (largely for water, sewer, and aviation improvements), slate and federal funding, lax increment financing, and private funding through public/private ventures.

From 2004 to 2013, the City utilized proceeds from the issuance of general obligation bonds and motor fuel tax revenue bonds (together referred to as "local bonds") to fund $1.85 billion in capital improvements. Local bonds were utilized to support the types of projects described in the table below.

Capital Improvement Projects'"

Project

Greening Facilities

Infrastructure

Aldermanic menu projects

Description

Green ways, medians, trees, fountains, community gardens, neighborhood parks, wetlands, and other natural areas.

Improvement and construction of City buildings and operating facilities, police and fire stations, health clinics, senior centers, and libraries.

Construction and maintenance of streets, viaducts, alleys, lighting, lamps, sidewalks, bridge improvements, traffic signals, bike lanes, streetscapes, and shoreline work.

Selected by members of City Council, each of whom is allotted $1 32 million of general obligation bond funding to be spent at their discretion on a specific menu of improvements in their respective wards. These funds have been used primarily for sidewalks, residential street resurfacing, street lighting, and curb and gutter replacement, with portions of these funds contributed to the Chicago Park District ($13 5 million), Board of Education of the City of Chicago ($2 6 million), and the Chicago Transit Authority ($500,000)

(l) Local bonds have also funded a I muted number of other uses, which ate discussed under "GENERAL OBLIGATION DEBT'-Long-Term General Obligation Bonds "

Set forth in the following tabic are the capital uses of local bonds from 2010 through 2014.

Capital Uses of Local Bonds 2010-2014
($ in millions)

	2010	2011	2012	2013 2014
Greening$ 15 7% 5 8$ 4 2$ 4.4$4 6				
Facilities40 024 912 73 64 6				
Inmisiruciuie28 926 033 136 332 0				
Aldeimanic Menu814102 084 084 084 0				
Total	$166 0	$158 7	$134 1	$128 3	$125 2

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Local bond-funded capital improvements has decreased since 2009 as the debt service associated with the City's long-term general obligation debt has grown and the City has made efforts to cut overall costs.

The City's estimated expenditures for the capital improvement program over the period 2014 through 2018 is $1 3 billion The City has not determined how much of its capital expenditures over the next five years will be paid from local bonds

Property Taxes

The City levies ad valorem real property taxes pursuant to its authority as a home rule unit of local government under the Illinois Constitution of 1970 Real property taxes represent the single largest revenue source for the City As part of the City's budget process each year, the City determines the aggregate property tax levy that will be levied m the next fiscal year and collected in the following year.

EA V and Property Taxes

The City's aggregate property tax levy is divided by the equalized assessed value ("EAV") of all property in the City to determine the tax rate that will be applied to an individual taxpayer's property The tax rate is applied to the EAV ofthe taxpayer's property to determine the tax bill. Changes in EAV do not affect the amount of the City's property tax revenue because the City's property taxes are levied at a flat dollar amount. For information on real property assessment, tax levy and tax collection in Cook County, see APPENDIX D-"PROPERTY TAXES " "

The following tables present statistical data regarding the City's property tax base, tax rates, tax levies and tax collections from 2003 forward.

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Use of dry Properly Tax Levy

Revenue from the City' property lax levy has been utilized primarily lo pay the City's debt service and employer pension contributions A small amount of the levy is allocated to the library system.

The amounts and tax rates of Ihe City's properly tax levy for debt service and employer pension contribution by Retirement Fund arc set forth in the following tables for the years indicated.

Property Tax Levies 2010-2014'"
($ in thousands)

	2010	2011	Change	2012	Change	2013	Change	2014	Change
Note Redemption and Interest"1	$ 73,377	$ 73,377	0 00%	$ 73,481	0 14%	$ 74,231	1.02%	$ 97,061	30 76%
Bond Redemption and Interest. .	409,979	411.905	0 47	411,489	(0 10)	411,807	0 08	412,139	008
PABF('"	140,165	143,785	2 58	143,865	006	138,146	(3 98)	136,680	(106)
MnABF0'	132,531	126,997	(4 18)	129,138	169	122,066	(5 48)	123,239	0 96
FABF'5'	64,323	66,125	2 80	65,461	(100)	81,518	24 53	81,363	(0 19)
LABF"1	13,714	11,759	(14 26)	11,202	(4 74)	10,486	(6 39)	10,934	4 27
	$834,089	$833.948	(0 02)%	$834,636	0.08%	$838,254	0.43%	$861,416	2 76%

Source Cook County Clerk's Office
Does not include ihe levy for the School Building and Improvement Fund which is accounted for in an agency fund '*' Includes Corporate, Chicago Public Library Maintenance and Operations, Chicago Public Library Building and Sites, and
City Relief Funds
For information regarding the City's unfunded pension obligations, see "-Pensions-Funded Status of Ihe Retirement Funds."'

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Property l ax Rates Per $100 Of Equalized Assessed Valuation 2005-2014

l ax Levy Year

Bond, Nolo Municipal
Tax Krdeniptioii Policemen's Employees' Firemen's
Extension""2' and Annuity and Annuity and Annuity and
(in thousands) Interest"" Benefit BenefitBenefit
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and Retirement
Board Employees' Annuity and Benefit

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014
$718,071 719,230 749,351 834,152 834,109 834,089 833,948 834,636 838,254 861,416
$0 696607 0 569261 0 588843 0 602842 0.570806 0 588774 0 645918 0.743122 0778719 0.783368
$0 231467 0.194953 0 I9154X 0.172426 0 167552 0.170734 0 191381 0 220459 0 221494 0 210554
$0 231683 0.197399 0.174302 0.162182 0.153704 0 161435 0 169036 0 197892 0 195703 0.189848
$0 083243 0 099974 0.088581 0.080787 0.078184 0 078352 0 088014 0 100313 0.130700 0.125339

$0.011763 0.015754 0.016705 0.015651 0017166 0.016813 0.016844
$1 243 1.062 1.044 1.030 0.986 1 016 1.110 1.279 1.343 1.327

Source Cook County Clerk's Office.
(" Docs not include levy for Special Service Areas and net of collections for TIF districts
Does not include the levy for ihe Schools Building and Improvement Fund, which is accounted for in an agency fund '■" Includes rates from the Chicago Public Libiury Bond, Note Redemption and Interest Fund

The estimated total tax levies for fiscal year 2015 is approximately $868.2 million.

As shown above, the aggregate property tax levies over the period 2008 through 2013 remained relatively constant. The increases in 2014 and 2015 arc due to property tax surpluses from TIE district terminations and do not represent increases in the total tax levy for those years. See "-TIF Districts" below

As the City's debt service and pension expenses have increased, these costs have exceeded the City's property tax levy From 2005 through 2014, an increasing portion ofthe pension contributions were paid with personal properly replacement tax revenue and a portion of such year's long-term debt service was covered using other resources In addition, since at least 2007, the City has issued general obligation refunding bonds in part to restructure some of its outstanding general obligation bonds. This has allowed the City to reduce the properly lax levies for the refunded bonds and keep the aggregate property tax levy below a desired level for that year Such debt restructuring has extended the property tax levies into the future in order to repay the refunding bonds

The City is one of several taxing districts reflected on a Chicago resident's property tax bill. The amount of property taxes collected by Cook County is divided among these districts, with the City allocated approximately 20 percent of the total bill For information on property taxes levied on real property within the City by overlapping taxing districts, see "-Overlapping Taxing Districts" below.

TIF Districts

In addition to the revenues the City receives from its general property tax levy, the City derives property tax revenue from the City 's 'I IF districts TIF revenue must be utilized for specific types of expenses in specific districts and is not available for non-specified governmental uses The City's TIF program began in 19X4 with the goal of promoting business, industrial, and residential development in

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areas ofthe City that struggled to attract or retain housing, jobs, or commercial activity. The program is governed by a state law thai allows municipalities lo capture properly lax revenues derived from the EAV growth above the base EAV that existed before an area was designated as a TIF district for the term of the TIF district, and to use that money (the tax increment) for job training, public improvements and incentives to attract private investment to the area.

When a TIF district expires, terminates, is repealed, or the City, under certain circumstances, declares a surplus in the TIF district, the City returns the surplus funds lo the Cook County Treasurer for distribulion to the overlapping taxing districts based upon each district's share under the applicable tax code. Such surplus declaration occurs typically during the City's annual budget process.

Set forth in the following table is information about the amount of money returned to taxing districts from declared surplus or the expiration, repeal or termination of TIF districts from 2010 through 2014.

TIF Surplus 2010-2014
($ in millions)

	2010	2011	2012	2013	2014
Declared	$0 00$188.00$82 90$25 00$39.10				
Expiration	0 0215.1013 708.4025.40				
Repeal	0 0073.300 000.500.00				
Termination...	0 020.000 009.600.60				
Total	$0 04	$276.40	$96 60	$43.50	$65 10

Source' Cily of Chicago, Office of Budget and Management.

The City receives approximately 20 percent of all surplus dollars distributed by the Cook County Treasurer to the overlapping taxing districts.

Upon the expiration, repeal or termination of TIF districts, the incremental EAV ofthe district becomes a part ofthe aggregate EAV that is available to all overlapping taxing districts. Taxing districts, including the City, have the ability to recover their portion ofthe revenue from the incremental EAV by adding it to their levy following a TIF district's dissolution. This practice yielded the City $1 1 million from three TIF districts in 2012, $3.3 million from 12 TIE districts in 2013, and $16.6 million from six TIF districts in 2014. The City will continue to receive TIF surplus on an annual basis as TIF districts arc repealed, terminated or expire.

Overlapping Taxing Districts

Various governmental entities operate as separate, independent units of government and have authority to issue bonds and levy taxes on real property within the City These governmental entities, or overlapping taxing districts, are the Board of Education ofthe City of Chicago ("CBOE"), Cook County, Illinois ("Cook County"), the Metropolitan Water Reclamation District of Greater Chicago ("MWRD"), the Chicago Park District (the "Paik District"), Community College District Number 508, County of Cook and State of Illinois ("City Colleges"), and the Cook County Forest Preserve District ("Forest Preserve")

The combined property tax rales ofthe City and overlapping taxing districts are set forth in the following table for the years

2005 to 2014

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City Workforce

The Cily has decreased its workforce from 39,654 positions (41,550 full-time equivalents, or "PTEs") in 2004 to 32,280 positions (34,045 FTEs) in 2014, a decrease of approximately 17 percent. Approximately 90 percent of the City's workforce is represented by unions The City is party to collective bargaining agreements with more than 40 different unions.

The two largest bargaining units are the Fraternal Order of Police ("FOP") and the Chicago Firefighters Union, currently with 16,065 combined sworn public safety positions. When police captains, lieutenants, and sergeants arc included, the number of unionized sworn public safety positions comes to 17.507.

The next largest group of positions is associated with the Coalition of Union Public Employees ("COUPE"), which currently represents 6,640 trades positions (7,129 FTEs). The American Federation of State, County, and Municipal Employees ("AFSCME") is the fourth largest group, representing 3,505 positions (3,679 PTEs) that provide administrative support for City government and services, and the Service Employees International Union ("'SEIU") currently represents 1,912 public safety civilian positions (2,238 FTEs), such as traffic control aides, detention aides, and police communication operators.

'I he collective bargaining agreements with each of these unions include regular salary increases, resulting in higher personnel costs each year. The current collective bargaining agreement between the City and the Fraternal Order of Police, Chicago Lodge No. 7 (FOP), covering the terms and conditions of employment of approximately 10,600 Chicago Police Officers for the period July 1, 2012 through June 30, 2017, was signed and became effective on November 18, 2014 This agreement succeeded the prior collective bargaining agreement which expired on June 30, 2012 The agreement provides for wage increases during the five (5) year term totaling approximately 10 percent, including retroactive increases effective during the period July 1, 2012 through November, 2014. The retroactively effective increases were as follows

Effective July 1,2012 2% Effective January 1,2013 2% Effective January 1,2014 2%

The City negotiated a limitation on the retroactive increases for the period July I, 2012 through June 30, 2013, in that these increases were applicable only to officers' base pay/salary and excluded all overtime earned during this period. The retroactive increases have been paid by the City with borrowings under the Short Term Borrowing Program These borrowings will be repaid with available resources from the General Fund

An agreement with the Chicago Firefighters Union, providing for an 11 percent increase over the period 2012 to 2017, was ratified by the union in June 2014. The most recent agreement with COUPE provides for wage rates set at the prevailing rales established regularly by the Illinois Department of Labor for construction trades employees, for employees not subject to prevailing rate schedules, the agreement provides for 2 percent increases each year from 2013 through 2017 The most recent agreement with AFSCME, ratified in June 2014. provides for a 10% increase over ihe five-year period 2012 to 2017. The current SEIU agieemcnt, ratified in August 2012, includes a 6 percent increase between 201 I and 2016 Agreements ratified by the unions representing police sergeants, lieutenants and captains in late 2013 and early 2014. each provide for an 8 percent salarv increase belween 2012 and 2016

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These increases are in addition to the raises based on time in service that most employees receive Historically, non-union employees received salary increases equal to those negotiated for civilian positions, however, since 2009, the majority of non-represented employees have not received salary increases beyond normal step increases for time in service

Pensions

The following is a summary of certain aspects of the City's Retirement Funds. Additional information regarding the Retirement Funds is available in APPENDIX E- "RETIREMENT FUNDS. "

General

The City contributes to the four defined benefit retirement funds (the "Retirement Funds") which provide benefits upon retirement, death or disability to City employees and their beneficiaries. The Retirement Funds are established, administered and financed under the Illinois Pension Code (the "Pension Code") as separate legal entities and for the benefit of the members of the Retirement Funds. The four Retirement Funds are. (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"), which covers most civil servant employees ofthe City and non-teacher employees ofthe CBOE; (11) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF"), which covers City and certain Chicago Board of Education employees who arc employed in a title recognized as labor service, (iii) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"), which covers the City's sworn firefighters and paramedics; and (iv) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"), which covers the City's sworn police officers, captains, lieutenants and sergeants. As of the end of 2014, there were over 114,000 members in the plans, including active and inactive employees, retirees and beneficiaries.

The benefits paid under the Retirement Funds, contributions to the Retirement Funds and investments by the Retirement

Funds are governed by the Pension Code As defined benefit pension plans, the Retirement Funds pay periodic benefits to beneficiaries, which generally consists of retired or disabled employees, their dependents and their survivors, in a fixed amount (subject to certain scheduled increases) for life, fhe amount of the benefit is determined at the time of retirement based, among other things, on the length of time worked and the salary earned. To fund benefits, both the City and the City's employees make contributions to the Retirement Funds, fhe Retirement Funds invest these contributions with the goal of achieving projected mvestment returns over time and increasing the assets of the Retirement Funds.

The Retirement Funds' actuaries perform separate actuarial valuations of each ofthe Retirement Funds on an annual basis These actuarial valuations calculate, among other things, the employer contributions, assets and liabilities of the Retirement Funds In the actuarial valuations, the actuaries make a variety of assumptions and employ actuarial methods to calculate such contributions, assets and liabilities. The assumptions and methods used by ihe actuary have a significant impact on the measures of financial position of the Retirement funds and are further described in APPENDIX E-'-RETIREMENT FUNDS."

Funded Status ofthe Retirement Funds

The Retirement Funds are presently significantly underfunded The funded status of the Retirement Funds as of December 31,2014 is set forth in the following table

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Funding Status ofthe Retirement Funds as of December 31, 2014'"

($ in millions)

MF.ABF LABF. . 1'ABF FABF Total. ...

Actuarial Accrued Liability' 2'

$12,307 I 2,107 1 11.334 S 4,338 6

Total Assets $5,17') 5 1,388 1 3,062 0 1,036.0

Unfunded Actuarial Accrued Liability"1

$7,127 6 719 0 8.272 8 3,302 6

$10,665.6 $30,087 6 $19,422.0

Kii tided Ratio 14' 42 1%

65.9 27.0 23 9 35.5%

Source Actuarial Valuations ofthe respective Retirement Funds for the fiscal year ended December 31,2014. '" Amounts measured al fair markel value where applicable Columns may not sum due to rounding

"Actuarial Accrued Liability" is the dollar value of plan liabilities (as determined by an actuary) See APPENDIX E-"RETIREMENT FUNDS-Actuarial Methods-Actuarial Accrued Liability " '" Unfunded Actuarial Accrued Liability" or "UAAL" is the dollar value by which the plan s liabilities (as determined by an actuary) exceed the assets of such pension plan See APPENDIX F.-"RETIREMENT FUNDS-The Actuarial Valuation-Actuaries and the Actuarial Process." '" "Funded Ratio" represents Ihe plan's assets divided by its liabilities (as assets and liabilities arc determined by an actuary)

Sec APPENDIX E-' RE I'IREMCNT FUNDS-I he Actuarial Valuation-Aauaries and the Actuarial Process "

The funded status ofthe Retirement Funds has deteriorated steadily over time, as demonstrated in the table below

Funded Status of the Retirement Funds 2005-2014 1"

($ in millions)

Year

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

MEABF

UAAL	Funded Ratio
$2,893 3	68 7%
2,635 0	72 2
2,958 7	70 3
5,642 6	45 7
5,663 9	47 7
6,393 I	46 0
7,239.7	41 1
8,292 7	38 5
8,407 2	39 2
7 127 6""	42 I[12']

PABF

UAAL	Funded Ratio
$3,767.9	51 2%
3,747 5	52 8
3,887 I	52 7
5,4816	35 4
5,410 1	38 1
5,770 4	37 3
6,346 9	33 4
6,839 4	32 11
7,017 I	318
8,272 8	27 0

FABF

UAAL	Funded Ratio
$1,608 2	44 2%
1,696 6	45 1
1,746 4	45 7
2,397 1	27 6
2,377 2	30 7
2.548 9	30 3
2.858 I	25.8
2,987.7	25 7
3.012 0	27 0
3,302 6	23 9

LABF

UAAL	Funded Ratio
$83 2	95.2%
28 0	98.4
25 5	98.6
726 7	62 1
642.8	67 5
602 8	70 3

839 3	610
965 I	58 7
925 8	612
7I9 0:2)	65 9|3>

Total UAAL	Funded Ratio
$8,352 7	613%
8,107.1	63.6
8,617.8	62 9
14,248 0	40 9
14,094 0	43.6
15,3152	42 7
17,284.0	37.9
19,083.9	36 1
19,362 2	36 8
19,422 0	35 5

Source Ihe Comprehensive Annual Financial Reports for ihe Retirement Funds (the "Kelircinenl Fund CAI Rs) for llseal years 2004 through 2014 "'All calculations based on the fair market value of asscls
"" Reduction in LABF and MI AHF UAAL and ineiease in Funded Ratio .ne due in large pail lo the enactment of P A 98-64 I Sec Appends C-"RI-1 IREMI.N f FUNDS - I cgislamc Changes- P A 98-641 "

The City believes that the decrease in the Retuement Funds' funding levels over the past ten years is due to adveise economic factors (lesultmg in investment ictiiins below assumed levels combined

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with a decreasing asset base), inadequacy of legislatively-mandated employee and City contributions, automatic annual increases ("AAls") and changes in benefit levels, changes in actuarial assumptions and the changed demographic of both the City's workforce and retirees of the Funds

Adverse Economic Factors. The financial downturns of 2001 and 2008 resulted in significant drops in the asset values ofthe Retirement Funds. From 2000 to 2002, the combined aggregate funded ratio ofthe Retirement Funds declined from approximately 87 percent to approximately 62 percent, due primarily to investment losses. Investment performance improved in the mid-2000s, but this growth was on a smaller asset pool due to prior losses. During 2008, the Retirement Funds sustained a more than $4 0 billion loss in asset value, and the combined Retirement Funds' funded ratio decreased from approximately 63 percent to approximately 41 percent Although the investment performance ofthe Retirement Funds has recovered since 2008, the Retirement Funds' funded ratio continued to decline to approximately 36 percent in 2014

Contribution Levels. City employees contribute a fixed percentage of their salary to the Retirement Funds. Historically, the City's contributions to the Retirement Funds had been determined on the basis of a formula established in the Pension Code This formula required the City to levy an amount equal to the employee contributions two years prior to the year in which the tax was levied multiplied by a factor established by statute for each Retirement Fund (the "Multiplier"'). The Multiplier is not related to the contribution which would be determined by an actuary pursuant to an actuarial valuation or the benefits actually earned by employees. Furthermore, the Multiplier does not adjust for changes in the economy affecting returns on pension fund investments, changes in demographics, inflation, or changes in benefits. As a result, the Multiplier for each Retirement Fund has been significantly lower than the Multiplier which would have been necessary to fully fund the Retirement Funds on an actuarial basis in recent years.

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The following table compares the City's statutory contributions pursuant to the Pension Code lo the amounts calculated by the Retirement Funds' actuaries to be needed to fully fund the Retirement Funds for the years 2005 through 2014.

Retirement Funds City Contribution Requirements 2005-2014'"
($ in thousands)

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Actuarially Required Contribution	S 698,185	785,111	865,776	886,215	990,381	1,112,626	1,321,823	1,470,905	1,695,278	1,740,972
Actual City ontribulion'	$423,515	394,899	395,483	416,130	423,929	425,552	416,693	440,120	442,970	447,399
Percentage of Actuarially Required Contribution Contributed	60.7%	50.3	45.7	47 0	42.8	38 2	31 5	29 9	26.1	25.7

Sources Actuarial Valuations of the Retirement Funds as of December 31 ofthe years 2010 through 2014 '" Data is presented in the aggregate for the Reliiemenl Funds and uses assumptions and methods employed by each of the Retirement Funds For the dula presented as of December 31 for Ihe years 2003 through 2006, contribution information includes amounts related to other post-employment benefits Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other posl-employinenl benefits The City began to report other post-employment benellts separately in the City CAFR beginning in 2006 [121] Includes Ihe portion of the personal property replacement tax contributed to the Retirement Funds in each year

Changes in Benefits. Over time, additional benefits have accrued under or been written into the Pension Code. Most notably, AAIs written into the Pension Code significantly increased the cost of benefits AAIs provide annual increases in pension payments regardless ofthe then prevailing inflation rates Legislation passed by the State in 2010 reduced the AAIs and instituted other cost saving provisions for all four pension funds for employees hired on or after January 1, 2011 Sec APPENDIX E-"RETIREMENT FUNDS-Legislative Changes- P.A. %-OSSO "

Legislative changes to the Pension Code also increased the total cost of benefits owed, though to a lesser degree than the automatic AAIs. Among other changes, certain benefit minimums were raised and the definition of pensionable pay was expanded

Workforce and Retiree Demographics. In addition to investment losses and benefit increases, the makeup ofthe City's workforce and retirees has added to the unfunded liability ofthe Retirement Funds fhe slatutonly-sct employee and employer contribution percentages did not change to account for shifts in basic demographic factors such as the longer lifespans of retnees and the pro|ccted future benefit costs In addition, the City's prior early retirement incentive plans increased the number of retirees drawing benefits and decreased the number of employees contributing to the Retirement Funds

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Changes to PABF and FABF

Public Act 096-1495 ("P.A. 96-1495"), enacted in 2010, made changes to the Pension Code with respect to PABF and FABF In addition to making some changes to benefits for PABF and FABF employees beginning employment on or after January 1, 2011, P A. 96-1495 alters the manner in which the City contributes to PABF and FABF beginning in 2016. P A. 96-1495 removes the Multiplier from the funding calculation, instead requiring the Cily lo contribute lo PABF and FABF the amount actuarially required to achieve a funded ratio of 90 percent by fiscal year 2040. PA. 96-1495 will significantly increase the City's contributions to PABF and FABF in 2016 and will impose a significant financial burden on the City. Sec APPENDIX E-"RETIREMENT FUNDS-Legislative Changes- P.A. 96-1495 "

The following table sets forth a projection ofthe funded ratios of and City contributions to PABF and FABF in future fiscal years.

Projected Funded Ratios and Contributions PABF AND FABF[1]" ($ in millions)

	PABF		FABF	
Fiscal Year	FundedEmployerFunded Ratio	Contribution'2'	Employer Ratio	Contribution'2'
2015	28.7%$ 187,81525 0%		$109,813	
2016	30 3592,863266246,132			
2017	32 0675,82628 2184,086			
2018	33 6695,12429.8292,439			
2019	35 3713,81031.5301,752			
2020	36 9732,20033.2311,205			
2020	202545 5834,43542 6		363.224	
2020	2030 55.9951,07254 9		414.140	
2020	2035 70 41,073,628		70 4442,417	
2020	2040	90.01,146,889	90.0463,527	

Source The Actuarial Valuations of PABF and l-'AHl- as of December 31, 2014 ' ' Projections aie calculated on an accrual basis

Represents contributions expected (o he made by ihe Cily during (he fiscal year

Based on the amounts budgeted by the City for the 2015 contribution and the 2014 actuarial reports with respect to the projected 2016 contribution, the City's required contribution to PABF and FABF will increase by approximately $549 million for 2016

Senate Bill 777 ("SB 777") passed both houses ofthe Illinois General Assembly as of May 31, 20)5 SB 777 would extend the period by which the unfunded liabilities of PABF and FABF are amortized to a 90 percent Funded Ralio from 2040 to 2055 (the "Revised Amortization Period") and institute a phase-in period during 2016-2020 to reduce the City's required payment in the initial years to allow for a more gradual phase -m ofthe requirements of PA 96-1495 (the "Phase-in Period") The Revised Amortization Period would reduce the annual funding obligation required to reach a 90 percent Funded Ralio, but extend ihe number of years over which such payments would need lo be made. A motion to reconsider the vote on SB 777 was filed in the Illinois Senate on May 31. 2015, and, as such, SB 777 has not been sent to the Governor for consideration The Illinois General Assembly may consider other legislation that could affect the City payment obligations for PABF and FABF and/or funding

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sources for those obligations, including a City-owned casino The City makes no representation as lo whether or when SB 777 or any such other legislation would he enacted

The City expects that the City Council will consider options for addressing its pension funding requirement for PABF and FABF, including improvements in operating efficiencies and incremental revenues, after the Illinois General Assembly concludes its 2015 regular session. If an increase in property taxes were the sole source of incremental City contributions to PABF and FABF, and those contributions were not reduced by a Revised Amortization Period or Phase-in Period, the projected amount ofthe increase for payment in 2016 would be $549 million on a total estimated 2015 aggregate lax levy of $4.2 billion, including the Cily and overlapping taxing jurisdictions. The City is required to file its levy requirement with Cook County by no later than the last Tuesday of December 2015, and the property taxes from the levy would be collected in two installments in the spring and fall of 2016.

Changes to MEABF and LABF

Public Act 098-0641 ("P A 98-641"), enacted in June 2014, makes changes to the Pension Code with respect to MEABF and LABF. The law was supported by the City and developed with input from labor organizations. PA. 98-641 is designed to address the underfunding, and projected insolvency, of MEABF and LABF through a combination of increases in the City's contributions, increases in employee contributions, and decreases in the AA1 adjustments. Among other changes, PA 98-641 increases employee contribution rates, makes changes to AAIs and provides for AAIs to be skipped in 2017, 2019 and 2025. Furthermore, P.A. 98-641 modifies the manner in which the City contributes to MEABF and FABF. P.A 98-641 retains the Multiplier, with stepped increases in the applicable Multipliers, as the method of calculating the City's contribution through 2020 Beginning in 2021, the City will be required to contribute to MEABF and LABF the amount necessary, as determined by an actuary, to achieve a funded ratio of 90 percent by 2055. See APPENDIX E-"RETIREMENT FUNDS -Legislative Changes-P.A. 98-641"

The following table sets forth a projection of the Funded Ratios of and City contributions to MEABF and LABF in future fiscal years.

Projected Funded Ratios and Contributions MEABF AND LABI7"1 ($ in millions)

	MEABF		LABF
			Employer
	Funded	Contribution	Funded Employer
Fiscal Year	Ratio	ul	Ralio Contribution'
2015	404%$156 163 5%		$14.5
2016	38 9242.761.7		24.0
2017	38 3275.260 0		28.5
2018	38 3381 458.9		37.8
2019	38 8464.657 7		46.3
2020	39 4542.657 056 1		
2020	2025417596.955 8		76 4
2020	203043 3645 254.9		86 9
2020	203544 8701 854.9		97 6
2020	204048.4778 357 3		106 8

Source The Actuarial Valuations of MEABF and LABF as of December 31,2014. '" Projections calculated on a cash basis
Represents contributions expected to be made by Ihe City during the fiscal year

City and Stale Pension Litigation

City Pension Litigation. P.A 98-641 is currently subject to challenge in a lawsuit alleging its unconstitutionality. See "LITIGATION-City Pension Litigation" below and APPENDIX E- "RETIREMENT FUNDS-Effect on MEABF and LABF if P.A 98 -641 Found Unconstitutional."

State Pension Litigation. On May 8, 2015, the Illinois Supreme Court affirmed the decision of the Sangamon County Circuit Court that Public Act 98-0599 (the "State Pension Reform Act") is unconstitutional The State Pension Reform Act would have provided for certain cost-saving and other reforms to the State's four largest pension plans. The State Pension Reform Act was challenged on behalf of various classes of annuitants, current and former workers, and labor organizations alleging, among other things, that the legislation violates Section 5 of Article XIII of the Illinois Constitution Sec APPENDIX E-"RETIREMENT FUNDS-Background Information Regarding the Retirement Funds- Overlapping taxing Bodies-State Pension Reform Act and Litigation "

Allocation of Pension Costs Among City Funds

The City allocates to the Special Revenue Funds and Enterprise Funds their share ofthe City's annual contribution to the Retirement Funds For further information, see APPENDIX E-"RETIREMENT FUNDS-Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs "

Overlapping Taxing Disrr/cls

The overlapping taxing districts within the City maintain five pension funds for their respective employees that are supported by local property taxes. Statistical data for the four City pension funds and the five overlapping taxing district's pension funds is set forth in the table below.

City and Overlapping Taxing Districts Pension Funds Supported by Local Property Taxes 2013" *

	Unfunded Actuarial Accrued Liability (S in millions)	Unfunded Liability Per Capita' [21]	Funded Ratio
Overlapping Taxing Districts			
MWRD	$ 1,006 4	$ 192	54.1%
CookCounty	5,255.1	1,003	61.5
Forest Preserve	95 0	18	65.8
CBOE[3)]	9,458 4	3,479	515
Park District ..	483 7	178	45 5
Subtotal	$16,298.6	$ 4,870	
City Pension Funds	$19,748 4	S 7,263	34.4%
TOTAL	$36,047.0	$I2,I33[14]'	

Source Most recent audited financial statements or CAFR ofthe oveilapping taxing districts

Excludes City Colleges, the employees of which arc members of ihe State Universities Retirement System which is funded by Ihe State, excludes Ihe Chicago Transit Authority pension fund which is supported by local sales taxes, real estate transfer laxes, subsidies from the Regional Transportation Authority and fares

[121] Per capita amounts arc based on the U S Census Bureau's 2013 population estimate ofthe City (2,718,782) and of Cook County (5,240,780) as described in APPENDIX 13-'ECONOMIC AND DEMOGRAPHIC INFORMATION-Population " The Cily's population was used to calculate the per capita numbers for the Cily and for the CBOE and the Park District, each of which has boundaries coterminous with the City Cook County 's population was used to calculate the per capita numbers for Cook County, the Forest Preserve, which has boundaries coterminous with Cook County, and MWRD which, though nol coterminous with Cook County, has boundaries which oveilap in excess of 98% with the boundaries of Cook County, measured by EAV

"' CBOE makes contributions to the Chicago Teachers" Fund

'■" Represents the average burden on a resident ofthe City as a result ofthe unfunded pension liabilities of Ihe City and the overlapping taxing districts.

'fhe information set forth in the preceding table may not incorporate the various reforms that have been adopted for certain of these pension funds, and should not be relied upon for the financial condition ofthe funds currently The information is presented only to provide an indication ofthe magnitude ofthe unfunded pension liabilities ofthe overlapping taxing districts when combined with the unfunded pension liabilities ofthe City

Long-Term Leases, Concessions of City Facilities

The City is a party to long-term lease or concession agreements with respect to certain City-owned facilities, as described below

In 2005, the City entered into a 99-year lease of the Chicago Skyway (the "Skyway Lease"), under which Skyway Concession Company, LLC, was granted the right to collect and retain toll revenue from the Skyway In return, the City received an upfront payment of $ I 83 billion

In 2006, the City entered into the Chicago Downtown Public Parking System Concession and Lease Agreement (the "Parking Garages Lease Agreement") with Chicago Loop Parking, LLC ("CLP"), by which CLP was granted a 99-year concession to operate the public parking garages commonly referred to as Millennium Park, Grant Park North, Grant Park South and Last Monroe (collectively the "Parking Garages"). Under the Parking Garages Lease Agreement, CLP was granted the right to operate and collect revenue from the Parking Garages in return for an upfront payment of $563 million lo Ihe City The Parking Garages Lease transaction is in litigation, plaintiffs have challenged the validity ofthe lease. Sec 'LITIGATION-Parking Garages Litigation."

In 2008, the City entered into Ihe Chicago Metered Parking System Concession Agreement (the "Parking Meters Concession Agreement") with Chicago Parking Meters, LLC ("CPM"), by which CPM was granted a 75-year concession to operate the City's on-street metered parking system (the "Metered Parking System"), including the right to collect revenues derived from the metered parking spaces. In return, the City received an upfront payment of $1.15 billion.

The City established long-term reserves with portions ofthe upfront payments from the Skyway Lease and the Metered Parking System. See "-Service Concession and Reserve Fund" above

Under each ofthe Skyway Lease, the Metered Parking Concession Agreement and the Parking Garages Lease, the lessee/concessionaire has the right lo terminate Ihe transaction and receive payment from the City for the fair market value of the respective City facilities in the event that the City, Cook County or the State were to take certain actions which materially adversely affected the value of the respective City facilities.

"i he Parking Garages Lease Agreement includes a provision by which cerlain events can require the City to compensate the lessee. One of those events is the granting of a license for the operation of a public garage that was not in existence as ofthe date ofthe Parking Garages Lease Agreement within a cerlain distance from the Parking Garages. The City recently paid the lessee a judgment of approximately $62 million as compensation for granting a public garage license for a new parking garage within the specified distance from the Parking Garages.

The Parking Meters Concession Agreement includes a provision by which the City can be required to compensate CPM if usage of the Metered Parking System by vehicles displaying disabled parking placards (which are exempt from paying for on-street metered parking) exceeds a certain threshold Pursuant lo this provision, Ihe City paid CPM $18 5 million for such usage by vehicles displaying a disabled parking placard during 2013

The amounts paid by ihe Cily under the Parking Garages Lease Agreement and the Parking Meters Concession Agreement were borrowed under the Short Term Borrowing Program Bond proceeds will be used to pay down the Short Term Borrowing Program by these amounts See "PLAN OF FINANCING-Repayment of Short Term Borrowing Program."

Illinois Sports Facilities Authority

fhe Illinois Sports Facilities Authority ("ISFA") is a state agency authorized to construct and operate sports facilities and provide financial assistance for governmental owners of spoits facilities or their tenants Beginning in 1980, the ISFA issued various series of bonds (and refunding bonds) for the

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development of U.S. Cellular Field and a portion ofthe Chicago lakefront including Soldier Field The ISFA bonds are payable from State and City annual subsidy payments of $5 million each, with the City's subsidy taken from the City's share of the local government distributive fund, and a 2 percent hotel tax imposed by the ISFA (the "ISFA Hotel Tax") The State advances to the ISFA certified annual operating expenses less the amount of the subsidies The Stale withholds collections from the ISFA Hotel Tax lo repay advanced amounts. If the ISFA Hotel Tax is not sufficient to repay the State advance, the deficiency is automatically withdrawn from the City's share ofthe local government distributive fund. During 2011, the ISFA hotel tax was inadequate to fully repay the Stale advance, and the deficiency of $185,009 was deducted from the City's share ofthe local government distributive fund. This is the only payment the City has made to date Future City payments arc dependent on hotel occupancy rates.

City Investment Policy

The investment of City funds is governed by the Municipal Code of Chicago (the "Municipal Code"). Pursuant to the Municipal Code, the City Treasurer has adopted a Statement of Investment Policy and Guidelines for the purpose of establishing written cash management and investment guidelines to be followed by the City Treasurer's office in the investment of City funds See APPENDIX C- "CITY OF CHICAGO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2014-

Notes (I) and (4)."

GENERAL OBLIGATION DEBT

Recent Developments

On April 29, 2015, Mayor Emanuel announced a series of fiscal reforms to be implemented over the next four years to strengthen the City's financial practices The reforms included (i) converting to fixed rate all ofthe City's outstanding general obligation variable rate bonds; (ii) terminating the interest rate swaps associated with the City's general obligation variable rate bonds; (in) ending by 2019 the practice of paying near-term debt with long-term bonds; (iv) increasing operating budget funding for legal settlements and judgments, and (v) increasing the City's reserve funds

The City has implemented the first two components of the Mayor's fiscal reform agenda, the variable bond conversions and the interest rate swap terminations, as more fully described below.

Variable Rate Bond Conversions

As of April 1, 2015, the City had four series of general obligation variable rate demand bonds outstanding in the aggregate principal amount of $805,640,000 "Ihe general obligation variable rate bonds paid daily or weekly rates of interest and were convertible at the option of the City to fixed rate bonds While in the weekly or daily mode, the general obligation variable rate bonds were payable from bank letters of credit issued under reimbursement agreements between the City and the banks. The City was obligated to reimburse the banks for all letter of credit draws under the reimbursement agreements

Pursuant to notice from the City, on April 29 and May 8, 2015, the respective bond trustees provided notice to bondholders that the general obligation variable rale bonds were lo be converted to fixed rate bonds or redeemed

On May 12, 2015, Moody's Investors Service ("Moody's'") downgraded its rating on the City's outstanding general obligation bonds See "INVESTMENT CONSIDERATIONS-Credit Rating Downgrades " The downgrade resulted in events of default under the variable rale bond reimbursement agreements The City entered into foibearance agreements pursuant to which the letter of credit banks

agreed to forbear from exercising their respective rights resulting from the downgrade, which included the right to require the City to make accelerated reimbursement payments

As of June 8, 2015, the City redeemed or converted to fixed rate all ofthe City's outstanding general obligation variable rate bonds. The City used $151 6 million from the Short Term Borrowing Program to (i) redeem $131.6 million of general obligation variable rate bonds in order that the remaining converted bonds would be within the original property tax levy for the bonds, and (ii) fund $20 0 million of bond tender prices (resulting from the rcoffcring ol' converted bonds at a discount and costs of issuance) and transaction costs The City will use proceeds of the Bonds to pay down the amount borrowed under the Short Term Borrowing Program. See "PLAN OF FINANCING-Repayment of Short Term Borrowing Program."

Interest Rate Swap Terminations

The City entered into a number of interest rate swaps with respect to its general obligation variable rate bonds. The interest rate swaps provided the City with synthetic fixed rates on its general obligation variable rate bonds or altered the index used to calculate the variable rate amount being paid to the City by the swap counterparty under the swap. As of June 8, 2015, the City terminated all ofthe interest rate swaps associated with its general obligation variable rate bonds The total amount of the termination payments paid by the City in connection with swap terminations was $192.1 million, all of which was funded from borrowings under the Short Term Borrowing Program.

The City also previously terminated a swaption relating to general obligation fixed rate bonds for $4.9 million, which was paid from borrowings under the Short Term Borrowing Program. Of that amount, $2.8 million remains outstanding.

On June 2, 2015, the City terminated the interest rate swap associated with the City's sales tax variable rate revenue bonds, 'fhe City funded the swap termination payment of $24.5 million from sales tax revenues that had been deposited in the General Fund pursuant to the trust indenture governing the sales tax revenue bonds and bond premium received by the City upon the reoffering ofthe sales tax variable rate revenue bonds as fixed rate bonds.

The City will use proceeds of the Bonds to pay down amounts borrowed under the Short Term Borrowing Program to fund the swap and swaption termination payments and to reimburse the General Fund for the sales tax revenues used lo make the swap termination payment in connection with the conversion of ihe sales tax variable rate revenue bonds to fixed rates. See "PLAN OF FINANCING- Repayment of Short Term Borrowing Program."

Long- Term General Obligation Bonds

A significant portion of Ihe Cily's long-lcrm general obligation bonds, including the Bonds, arc backed by the full faith and credit ofthe City, and all taxable properly within the City is subject to the levy of laxes to pay the principal of and interest on general obligation bonds without regard to rate or amount As described below, certain general obligation bonds of ihe Cily do not have a specific revenue source, such as a properly tax levy, pledged for their repayment

Ihe Cily has three types of long-term general obligation bonds outstanding For a significant portion ofthe City's long-term general obligation bonds (including the Bonds), an annual property tax levy has been established and pledged to the payment of debt service on such bonds ("Tax Levy Bonds") For certain other long-term general obligation bonds issued by the City (which make up a small subset of the Cily's general obligation bonds), either (i) an annual property lax levy has been established but is

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annually abated if certain other specified revenues are available that year for payment of debt service ("Alternative Revenue Bonds"), or (n) no annual property tax levy has been established for debt service and payments of debt service are appropriated from sources of revenue other lhan property taxes ("Pledge Bonds"). Alternative Revenue Bonds include the City's General Obligation Bonds (Modern Schools Across Chicago Program), Series 2007 A-K, Series 201 OA and Series 201 OB, and General Obligation Bonds (Emergency Telephone System), Scries 1999 and Scries 2004 Pledge Bonds include the City's General Obligation Building Acquisition Certificates (Limited Tax), Series 1997, and the general obligation note issued by the City in connection with the acquisition by the City ofthe former Michael Reese Hospital campus (the "MRL Note") All other long-term general obligation bonds ofthe City are Tax Levy Bonds.

Long-term general obligation bonds are generally issued annually by the City to pay for capital projects, general obligation refundings for savings, general obligation debt restructuring, legal settlements and judgments, and, from time to time, the retroactive employment wage and salary increases (including related pension costs).

Over the last five years, the City has issued approximately $350 million of long-term general obligation bonds per year to fund capital improvements, equipment and legal judgments and settlements For information on the use of long-term general obligation bonds for capital projects, see ' FINANCIAL DISCUSSION AND ANALYSIS-Capital Improvements." The City currently intends to curtail the use oflong-tcrm general obligation bonds lo fund settlements and judgments in future budgets

Since 2007, proceeds from long-term general obligation bonds in the range of $90 million to $170 million per year have been used to restructure the Cily's general obligation annual debt service. The City will use approximately $170 million of Bond proceeds to repay amounts borrowed under the Short Term Borrowing Program used to fund payment ofthe debt service on certain City general obligation bonds on July 1, 2015 and January I, 2016 The City expects lo use approximately $220 million of proceeds from its next issuance of general obligation bonds to pay the debt service on the City's general obligation bonds on July 1, 2016 and January 1, 2017. The City currently plans to eliminate the use of general obligation bonds for debt restructuring by 2019 See "INVESTMENT CONSIDERATIONS-Structural Deficit and Debt Restructuring "

Following arc selected debl statistics regarding the City's long-term general obligation bonds from 2005 through 2014.

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Long-Term General Obligation Bonds Selected Debt Statistics 2005-2014

Year	Aggregate Debt (S in thousands/"	Total Est. Fair Cash Value'2' ($ in thousands)	Ralio of Debt to Fair Cash Value'2'	Per Capita1'
2005	$5,123,729	$283,137,884181%$1,76923		
2006	5,422,232	329,770,7331 641,872 31		
2007	5,805,921	320,503,5031812,004 80		
2008	6,126,295	310,888,6091972,115.42		
2009	6.866,270	280,288,7302 452,370 94		
2010	7,328,452	231,986,3963 162,718 67		
2011	7,628,222	222,856,0643 422,829 88		
2012	7.939,682	206,915,7233 842,945 43		
2013	7,670,298	- 3 712,845.49		
2014	8,339,626	- 4.033,093.79		

Source City of Chicago, Department of Finance
Source The Civic Federation Excludes railroad property, pollution control facilities and portion of City in DuPage County. 2013 and 2014 information is not available at lime of publication The ratios of debt lo fair cash value for 2013 and 2014 are bused on 2012 estimated fair cash value "" Population source U S Census Bureau From 2005 through 2009, per capita calculation is based on ihe 2000 population of 2,896,016 From 2010 through 2014, per capita calculation is based on the 2010 population of 2,695,598

The City's long-term general obligation debt service schedule for 2015 to 2043 is set forth in the following table.

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Short Term Borrowing Program

The City issues commercial paper notes and maintains revolving lines of credit (the "Short Term Borrowing Program'"). Borrowings under the Short Term Borrowing Program are general obligations of the City but do not have a specific revenue source, such as a property tax levy, pledged for their repayment

The Short Term Borrowing Program is used by the City for working capital in anticipation of receipt of other revenue, and to fund capital projects, debt refinancing or restructuring and the payment of non-capital expenditures, such as settlements and judgments or retroactive payment of employment salaries and wages, which arc typically repaid from proceeds of later issuances of general obligation bonds

The City has increased its borrowing capacity under the Short Term Borrowing Program over time. By ordinance, the current maximum aggregate principal amount of debt that can be outstanding under the Short Term Borrowing Program is $1 0 billion. The City has sized its borrowing capacity for interim funding in anticipation of receiving revenues or issuing long-term general obligation bonds and to cover General fund operating expenses.

The following table shows the City's lowest and highest outstanding balances and the total amount available for borrowing under the current commitments in place for the Short Term Borrowing Program for the years 2010 through 2014 and for the period January 1, 2015 through June 30, 2015.

Short-Term Borrowings 2010-2014
($ in thousands)

Year	Lowest Outstanding Principal Amount	Highest Outstanding Principal Amount	Total Available Principal Amount
2010	$27,448$198,101$ 200,000		
2011	30,092198,112200,000		
2012	32,676166,513300,000		
2013	72,517415,256500.000		
2014	77,294415,294900,000		
2014	2015[u] 263,174	835,042	1.000,000

Source Cily of Chicago, Department of Finance
For the period January I, 2015 through June 30, 2015

Moody's May 12, 2015 downgrade ofthe Cily's general obligation credit rating triggered an event of default under the credit agreements in place under the Short Term Borrowing Program as ofthe date of the downgrade. The affected banks participating in the Short Term Borrowing Program have agreed to forbear from exercising their respective rights for a period ending September 30. 2015, to allow the City sufficient time to complete the planned conversion ofthe general obligation variable rale bonds to fixed rate bonds, to refinance ihe Short Term Borrowing Program with general obligation bonds and to restructure the Short Term Borrowing Program going forward.

Set forth in the following table is information about the credit components of the Short Term Borrowing Program as of June 30, 2015

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Short Term Borrowing Program

($ m thousands)

Facility	Series or Year	Borrowing Authority	Amount Outstn nding (July 16, 2015)	Expiration or Termination	Bank
Commercial Paper	2002C/D	5100,000	$95,105	9/30/2015	HMO Harris
Line of Credit	2013	348,413	172,540	11/30/2015	Bank of America
Line ol'Credit	2014	100,000	100.000	6/30/2016	Morgan Stanley
Line of Credit	2014	100,000	98.865	9/30/2015	Barclays Bank
Line of Credit	2014	200,000	200,000	4/25/2016	JPMorgan
Line of Credit'"	2015	151,587	151,587	9/30/2015	DN'f Asset Trust''
Total		51.000,000	$818,097		

Source Cily of Chicago, Department of Finance

'" fhe line of credit was available only to pay the redemption prices and other costs of ihe conversions of the general obligation variable rate bonds
(2) DN'f Asset Trust is a subsidiary of JPMorgan.

The City is currently prohibited from borrowing under the Short Term Borrowing Program without the approval or consent of the related banks notwithstanding the repayment of amounts outstanding under the Short Term Borrowing Program with proceeds of the Bonds The City is negotiating with current and potential new credit providers for amended or new credit facilities that would permit new borrowing under the Short Term Borrowing Program at the City's discretion. The City expects to have amended or new credit facilities in place for the Short Term Borrowing Program shortly after the issuance of the Bonds that provides for an aggregate borrowing capacity of $500 million to $750 million. The City has received expressions of interest from current and potential credit providers in excess of the anticipated size of the program. See "INVESTMENT CONSIDERATIONS-Loss of Liquidity "

Proceeds ofthe Bonds will be used to repay all but approximately $140 million ofthe amounts currently outstanding under the Short Term Borrowing Program. The approximate amounts, uses and anticipated source of repayment ofthe outstanding borrowings under the Short Term Borrowing Program after the application ofthe proceeds of Ihe Bonds arc as follows'

- $45 million in lieu ofthe issuance of tax anticipation notes by the City to be repaid with property taxes expected to be collected shortly after the date of issuance ofthe Bonds
- $58 million for retroactive employment compensation under the FOP collective bargaining agreement to be repaid with general City revenues over two years.
- $23 million for Millennium Park operations lo be repaid with general City revenues over several years.
- $10 million for City Hall renovations to be repaid with building rent savings over several years
- $3 million for repayment of Lincoln-Belmonl-Ashland TIF bonds lo be repaid with 111-revenues

MRL Financing LLC Promissory Note

In 2009, the City purchased the former Michael Reese Hospital campus in connection with the City's bid for the 2016 Summer Olympics. The purchase was implemented by the MRL Note issued by the City to the seller, which is currently outstanding in the amount of $81 9 million The MRL Note is a general obligation ofthe City not supported by a properly tax levy. Interest payments for the first five years were not required to be paid until June 30, 2014, at which time the City was required to either pay the accrued interest or add it lo the outstanding principal amount. At thai lime, the City was also required to begin making quarterly interest payments and annual principal payments The City used the Short Term Borrowing Program to make the accrued interest payment of $19 9 million on June 30, 2014. the first regularly scheduled interest payment of $1.4 million in September 2014, and the scheduled principal and interest payment of approximately $11 million on June 30, 2015 The quarterly interest amounts of $1.4 million for December 2014, and $1.3 million for March 2015, were paid from funds available in the Genera) Fund. The City anticipates using the amounts available from the General Fund and/or the Short Term Borrowing Program lo make continued debt service payments due under the MRL Note until such time as ihe property is sold, given that the funding costs of the Short Term Borrowing Program are less than having interest capitalized at the interest rate on the MRL Note (5.95 percent). When the property is sold, in whole or in part, the City currently expects to use such sale proceeds to pay the MRL Note

The City intends to use proceeds of the Bonds to repay borrowings under the Short Term Borrowing Program used lo make debt service payments on the MRL Note. See "PLAN OF FINANCING-Repayment of Short Term Borrowing Program "

Capital Lease

The City received grant funding from the federal government in the 1980s to build a train line (the "Grant-Funded Track") connecting Midway Airport with the rapid transit rail system operated by the Chicago Transit Authority ("CTA"). The Grant-Funded Track is owned by the City and is operated and maintained by the CTA as part of its Orange Line In 2005. the City entered into a sale/Ieaseback agreement with a trust (the "Trust") pertaining to the Grant-Funded Track, with the lease term ending in 2031 (the "Orange Line Lease"). In connection with Ihe Orange Line Lease, Ihe City posted as collateral a letter of credit (which varies in amount up to a maximum $180.7 million) issued by PNC Bank, National Association ("PNC Bank") expiring on February 13, 2018 The letter of credit provides collateral for repayment ofthe investment by the Trust's equity investor in ihe Orange Line Lease An evenl of default is triggered under the letter of credit reimbursement agreement with PNC Bank if the City's general obligation rating falls below BBB- by Fitch, Baa3 by Moody's or BBB- by S&P Also, a covenant to use reasonable efforts to replace the letter of credit within 30 days is triggered if the rating is below Baal or BBB+ by Moody's or S&P, respectively Due to a credit rating downgrade by Moody's on February 27. 2015, the City was required under the agreement with PNC Bank to use reasonable efforts to replace the PNC Bank letter of credit with other collateral by March 29, 2015 On March 23, 2015, the letter of credit reimbursement agreement with PNC Bank was amended to change the applicable rating threshold for the 30-day covenant to below I3aa2 or BBB+ by Moody's or S&P, respectively On May 12, 2015. Moody's downgraded its rating on the Cily's outstanding general obligation bonds, which triggered a default under the letter of credit reimbursement agreement In response, the City entered into a forbearance agreement with PNC Bank that extends through September 30. 2015, unless earlier terminated under the terms ofthe agreement.

The City intends to use a portion of the proceeds of the Bonds to terminate the Orange Line Lease, reacquire title to the Grant -Funded Track and terminate the PNC Bank letter of credit See 'PLAN OF FINANCING- Other Application of Bond Proceeds "

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USX South Works

The City entered into a tax-increment financing redevelopment agreement dated December 23, 2010 (Ihe "Lakeside I'll-" Agreement") in connection with the redevelopment of the currently vacant former U S Steel plant along the shore of Lake Michigan on the southeast side ofthe City The terms of the Lakeside TIF Agreement require the City, upon the fulfillment by the developer of certain specified leasing, sale, financing and other conditions, to issue a series of general obligation bonds secured by or otherwise payable from citywide properly laxes and a series of special assessment bonds secured by or otherwise payable from a special assessment levy on the redevelopment project site. Pursuant to the Lakeside TIF Agreement, the proceeds of such general obligation and special assessment bonds may be used to pay for certain costs ofthe redevelopment project, located in the Chicago Lakeside Development-Phase 1 TIF Redevelopment Project Area (the "TIF Area"), including public infrastructure. If and when the general obligation and special assessment bonds arc issued, the Lakeside TIF Agreement provides that such bonds will be paid from the incremental taxes collected in the TIF Area to the extent available rather than from citywide property laxes. The debt service on the general obligation bonds will be based on the first 50 percent of the incremental taxes projected at the time of issuance and have a first lien on the incremental taxes; the debt service on the special assessment bonds will be based on the second 50 percent of the incremental taxes projected at the time of issuance and have a second lien on the incremental taxes If the incremental taxes are insufficient to pay the debt service on the general obligation and special assessments bonds. (1) debt service on the general obligation bonds will be paid first by a letter of credit posted by the developer m an amount equal to 100 percent of maximum annual debt service on the general obligation bonds and then if necessary by citywide property taxes; and (2) debt service on the special assessment bonds will be paid by the special assessment levy The Lakeside TIF Agreement estimated that there will be approximately $96,000,000 of redevelopment project costs eligible to be paid with the proceeds ofthe general obligation and special assessment bonds but did not otherwise estimate the principal amounts ofthe general obligation and special assessment bonds.

INVESTMENT CONSIDERA TIONS

The follcnving discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Bonds or, ultimately, a payment default on the Bonds. There can be no assurance that other factors not discussed herein will not become material in the future.

Credit Rating Downgrades

The interest rale Ihe City pays on new issuances of general obligation debt is highly dependent on the City's credit ratings, and downward changes in the City's ratings have resulted and may continue to result in significantly higher interest rates payable by the City on bond issuances and other borrowings.

On May 12, 2015, Moody's downgraded to Bal from Baa2 its rating on the City's outstanding general obligation bonds and the outlook remained negative On July 3, 2015, Fitch affirmed its BBB+ rating on the City's outstanding general obligation bonds with a negative outlook and removed the rating from negative rating watch On July 7, 2015, Kroll affirmed its long-term rating of A- with a stable outlook on the City's general obligation bonds On July 8, 2015, S&P lowered its rating to BBB+ from A- on the City's outstanding long-term fixed rate general obligation bonds with a negative outlook and removed the ruling from negative credit watch

The rating agencies have indicated that further downgrades to the City's credit rating could result from the courts declaring P A. 98-641, the Slate law which changed the Pension Code for MLABf and

LABF, unconstitutional, the failure to implement a pension funding solution in 2015, growth in the debt and unfunded pension liabilities ofthe City or overlapping governments, widening budget gaps, loss of liquidity, or draws on City reserve funds. The City cannot predict if or when, or on what basis, the rating agencies may take further action with respect to the City's credit ratings, and no assurances can be provided that the City's credit rating will not be subject to further downgrades as a result ofthe factors stated above or other factors.

I'nfunded Pensions

The Retirement Funds have significant unfunded liabilities and low funding ratios Under current law, the City's required contributions to PABF and FABF will significantly increase beginning in 2016. The City has not identified the sources of funds to meet the City's pension obligations for PABF and FABF in 2016 or thereafter, and it is likely that, without further changes to the Pension Code, the City will have to seek increases in taxes or implement cutbacks in City services or some combination thereof to meet its obligations to such pension funds. If the City were to raise taxes substantially or reduce and/or eliminate essential city services, residents or businesses may choose to relocate to states or municipalities with a lower tax burden or better services. A drop in population or business activity could have an adverse impact on the Cily's economy.

Pension Reform Litigation

On May 8, 2015, the Illinois Supreme Court determined that the State Pension Reform Act is unconstitutional Sec "FINANCIAL DISCUSSION-Pensions-City and State Pension Litigation- State Pension Litigation." P.A. 98-641, ihe law which modified required contribution and benefit amounts for MEABF and LABF, remains subject to litigation which may be affected by the decision of the Supreme Court regarding the State Pension Reform Act. See "LITIGATION-Pension Litigation." 'fhe City believes P.A 98-641 is distinguishable from the Stale Pension Reform Act. As a threshold matter, the City's position is that P.A. 98-641 docs not violate the Pension Clause of the Illinois Constitution and protects benefits being paid from MEABF and LABF that are projected (in the absence of P A 98-641) to be insolvent in approximately 11 and 14 years, respectively. PA. 98-641 was developed in consultation with numerous affected collective bargaining units.

If the courts determine that P.A. 98-641 is constitutional, the City would be required lo make increased pension payments as set forth in APPENDIX E-"RETIREMENT FUNDS-Determination of City's Contributions-City's Required Contributions to LABF and MEABF Pursuant to P.A 98-641 " If the courts determine that P.A. 98-641 is unconstitutional, the City's obligation to fund MEABF and LABF may revert to the prior, lower levels of funding based on the multiplier formula set fonh in Ihe prior law In that instance, the unfunded liabilities of MEABF and LABF would remain unresolved Sec APPENDIX E-"RETIREMENT FUNDS-Effect on MEABF and LABF if PA 98-641 Found Unconstitutional "

If a court were to determine that PA. 98-641 is unconstilulional, ihe City's credit ratings on its general obligation bonds, including the Bonds, could be downgraded See "-Credit Rating Downgrades" above

Overlapping Taxing Districts

A number of overlapping taxing districts whose jurisdictional limits overlap with the City have Ihe power to raise taxes, including property taxes See "FINANCIAL DISCUSSION AND ANALYSIS-Property Taxes-Overlapping Taxing Districts " The City does not control the amount or liming of the taxes levied h\ these overlapping taxing districts Depending on the amount of such

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increase(s), an increase in the amount of taxes by these overlapping taxing districts could potentially be harmful lo Ihe City's economy and/or may make it more difficult for the Cily lo increase laxes, including property taxes, to pay for its unfunded pensions

Structural Deficit and Debt Restructuring

Over the past ten years, the City has experienced an imbalance of tax revenues relative to operating expenditures resulting in operating budget gaps Since 2012, Ihe City has reduced the General Fund budget gap each year through targeted cuts, revenue enhancements, and improved operating efficiencies However, the City projects large budget gaps in 2016 and 2017 due to operating budget shortfalls and increased pension obligations See "FINANCIAL DISCUSSION AND ANALYSIS- General Fund-General Fund Financial Forecasts-2016-2017 General Fund Outlook."

Since al least 2007, the City has used proceeds from general obligation bonds with extended maturities to fund a portion ofthe City's general obligation annual debt service The City expects to use approximately $170 from proceeds of the Bonds and approximately $220 million from proceeds of its next issuance of general obligation bonds to restructure annual debt service in this manner. Sec "GENERAL OBLIGATION DEBT- Long-Term General Obligation Bonds." This practice has the effect of extending and increasing the City's overall debt levels Unless the City is able to pay its annual general obligation debt service from recurring revenue sources, the City's interest costs and outstanding debt are likely to continue to rise. The City currently plans lo eliminate the use of general obligation bonds to pay general obligation debt service by 2019.

Recurring operating budget gaps and increases in the City's debt burden could result in the need for new or enhanced revenue sources, including tax increases, or reduction of essential city services.

Loss of Liquidity

fhe City utilizes the Short Term Borrowing Program for working capital and interim funding of capital projects, debt refinancing or restructuring and the payment of non-capital expenditures such as settlements and judgments Moody's May 12, 2015, downgrade triggered an event of default under the credit agreements in place under the Short Term Borrowing Program as of the date of the downgrade. The Cily cannot borrow under the credit facilities while an event of default is continuing unless the credit facility provider otherwise agrees even after the City pays down amounts outstanding under the Short Perm Borrowing Program with proceeds ofthe Bonds.

The City is currently negotiating with current and potential new credit providers for amended or new credit arrangements that would permit new borrowing under the Short Term Borrowing Program. If the City is unable to negotiate amended or new credit arrangements, the City's liquidity position may be adversely affected and, to meet its obligations, alternative funding arrangements or other measures may be required. No assurance can be given as to whether the City will be successful in negotiating amended or new credit arrangements for the Short Term Borrowing Program, what the actual terms might be or whether the amounts available will be sufficient for the City's liquidity needs

Following the event of default resulting from the Moody's May 12, 2015, rating downgrade, the City executed forbearance agreements with each of the banks providing credit under the Short Term Borrowing Program as of the date of the downgrade. A further downgiade by Moody's and/or a downgrade below investment grade by S&P or Filch could result in the termination of the forbearance agreements and/or a default under the credit agreement with DNT Asset Trust Although the Cily will use proceeds ofthe Bonds to repay a significant portion of the outstanding borrowings under the Short I erm Borrowing Program, further rating downgrades may make it more difficult for ihe City to successfully

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negotiate revolving credit arrangements for its Short Term Borrowing Program See "GENERAL OBLIGATION DEBT-Short Term Borrowing Program "

Increased Debt Levels

Upon issuance of the Bonds, the City's long-term general obligation debt will increase. In addition, the City expects to issue additional long-term general obligation debt later in 2015 or early in 2016. Sec "SECURITY FOR THE BONDS-Additional General Obligation Debt." The City's annual debt service on its long-term general obligation debt will increase accordingly. Further increases m the City's long-term general obligation debt and annual debt service could crowd out spending for other City services and/or require substantial increases in property taxes or other revenue sources. See "GENERAL OBLIGATION DEBT-Long-Term General Obligation Bonds."

Financial Condition of Chicago Public Schools

CBOE, which is responsible for the governance, organizational and financial oversight of Chicago Public Schools, has reported a substantial budget deficit for 2016 and increasing deficits in subsequent years, due in large part to CBOE's pension funding obligations. See "FINANCIAL DISCUSSION AND ANALYSIS-Pensions-Overlapping Taxing Districts " While CBOE is a separate governmental entity and the City has no legal obligation to contribute financially to CBOE, any failure of CBOE to resolve its current and future deficits or resolving them by budget cuts and/or increases in property taxes, without State assistance, could have an adverse effect on the City's economy and/or property tax base

Reductions and Delays in Receipt of State Revenues

State tax revenue received by the City includes the City's local share ofthe State's sales and use taxes, income tax and personal property replacement tax. The State is itself facing a substantial budget deficit and Governor Rauncr has made a number of proposals to close the Slate's budget gap. Among them is a reduction in the local government distributive share of the State's income tax If such a reduction were to become law, the City would lose significant income tax receipts. This proposal, or any other that reduces the State taxes received by the City, would have an immediate and adverse effect on the City's budget.

There could also be significant delays in the receipt of stale lax revenue by the Cily. I he Stale has in the past delayed by months the distribution to local governments of their respective shares of state taxes due to the Stale's own budget problems. Although the delay in receipt of state taxes would not affect the payment of principal or interest on the Bonds when due, in the event of significant delay in receipt of stale lax revenue, the City may be forced to delay payments to vendors, service providers or other recipients of City funds.

Cap on Property Taxes

The Illinois Property fax Code limits, among other things, the amount of properly tax that can be extended for non-home rule units of local government located in Cook County and five adjacent Counties (the "Stale Tax Cap"). As a home rule unit of government, the City is not subject to the State Tax Cap. A number of bills have been introduced in the Illinois General Assembly to limit or freeze property taxes, including those imposed by home rule units of local government such as the City The application ofthe Slate Tax Cap to the City or any other measure that would limit or freeze property taxes would require three-fifths vole of each house of the Illinois General Assembly If ihe City were to become .subject lo a State-imposed property lax limitation icstnclion in the future similar to the State lax Cap or any other

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restriction or freeze on property taxes, the City's ability to levy property taxes in amounts needed for its future funding needs may be adversely affected.

Adverse Change in Laws

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City's ability to raise taxes, fund its pension obligations or to reorganize its debts There is no assurance that there will not be any change in, interpretation of or addition to such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition.

Bankruptcy

Municipalities cannot file for protection under the U.S. Bankruptcy Code unless specifically authorized to be a debtor by state law or by a governmental officer or organization empowered by state law to authorize such entity to be a debtor in a bankruptcy proceeding State law docs not currently permit municipalities in Illinois to tile for bankruptcy; however, legislation was recently introduced in the General Assembly of the State which, if enacted, would permit Illinois municipalities to file for bankruptcy under the U.S. Bankruptcy Code. No assurance can be provided as to whether any such legislation that would permit municipalities such as the City to flic for bankruptcy will be enacted into law

Uncertain Enforcement Remedies

The Bonds are direct and general obligations ofthe City and all taxable property in the City is subject to levy to pay the debt service on the Bonds. The Bonds arc not secured by a statutory lien on the Bond Interest and Redemption Fund, any real property in the City or any physical assets ofthe City. The maturity ofthe Bonds cannot be accelerated in the event that the City fails to pay any installment of interest on, or principal of, the Bonds when due

The remedies available to bondholders upon nonpayment of principal of or interest on the Bonds arc uncertain and in many respects dependent upon discretionary judicial actions There currently is no established judicial precedent addressing the rights of bondholders to compel the City to levy taxes or to enforce any other bondholder remedy. See APPENDIX A-"SUMMARY OF THE INDENTURES-Default and Remedies "

Force Majeure Events

There are certain unanticipated events beyond the City's control that could have a material adverse impact on the City's operations and financial conditions if they were to occur These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or seventy ofthe impact on the City's operations and financial condition

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Forward-Looking Statements

This Official Statement contains certain statements relating to future results that are forward-looking statements. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, bondholders and potential investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. The City does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

LITIGATION

There 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 remarketing or delivery of the Bonds, or which concerns the proceedings of the City taken in connection with the Bonds or the Cily's pledge of its full faith, credit and resources lo 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 ofthe City.

Property Tax Rate Objections: 2005 and following. The City's property tax levies for 2005 and following have varied between approximately $720 million and $835 million annually, excluding the School Building and Improvement Fund levy. Objections have been filed in the Circuit Court of Cook County (the "Circuit Court") to these levies, which objections remain pending The City is unable to predict the outcome ofthe proceedings concerning the objections.

E2 Nightclub Litigation. The City was a defendant in 57 wrongful death and personal injury lawsuits arising out of a stampede of patrons at the E2 Nightclub on February 17, 2003. The sole remaining claim against the City in this litigation was that police officers blocked, locked, or jammed access to the entry-exit door, causing a stampede of patrons to pile up on the only stairway leading to the door. On April II, 2012, the Circuit Court granted the City's motion for summary judgment and dismissed the sole remaining claim against the City with prejudice The City docs not know whether the plaintiffs will appeal the issuance of summary judgment. If the plaintiffs do appeal, the City will vigorously defend the Circuit Court's judgment in the appellate court

Automated Traffic Enforcement Ticketing Litigation. In July 2010, individual plaintiffs, seeking to maintain a class action, filed suit against the City and other defendants to challenge the City's use since 2003 of an automated red-light ticketing system. The plaintiffs allege, among other things, that the 2006 statute authorizing eight Illinois counties to enact red-light camera ordinances is unconstitutional local legislation and that the City lacks home-rule authority to enact a red-light camera ordinance and adjudicate violations administratively The plaintiffs sought an injunction against the operation ofthe City's red-light ticketing system and restitution of fines paid The Circuit Court granted the City's motion to dismiss the case; the Illinois Appellate Court affirmed in an unpublished decision The Illinois Supreme Court took the case, but two justices recused themselves and a majority ofthe remaining justices did not reach a consensus This had the effect of affirming the Appellate Court decision While the appeal was pending, the same attorney filed another putative class action case in the Circuit Court, with

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different named plaintiffs raising similar claims about the automated red-light ticketing system The City has filed a motion lo dismiss that case, which is pending in the Circuit Court fhe City will continue to defend this matter vigorously On March 23, 2015, individual plaintiffs, seeking to maintain a class action, filed a separate lawsuit alleging that the City has exceeded its home rule authority and has violated Illinois state law and City ordinances by issuing notices of violation and determinations of liability for automated speed enforcement violations and automated red-light violations that allegedly do not comply with state and local requirements They seek declaratory judgment, injunctive relief and, in an unjust enrichment claim, seek restitution of fines paid. The City filed a motion to dismiss on May 6, and will continue lo defend this case vigorously

Parking Garages Litigation. On February 13, 2013, Independent Voters of Illinois Independent Precincl Organization and an individual plaintiff filed a complaint challenging the facial validity ofthe Parking Garages Lease Agreement. The plaintiffs allege that certain compensation provisions in the Parking Garages Lease Agreement violate the legal prohibition against the delegation, by a governmental entity, of its police powers to a private parly. On January 16, 2014, the Circuit Court dismissed Ihe case, on motions by both the City and CLP. Plaintiffs have appealed; the appeal is pending. The Cily will continue to defend this case vigorously.

HDD Certifications Litigation. This is a False Claims Act case m which Albert C Hanna (the "Relator") has sued the City in federal district court for the Northern District in Illinois (the "District Court") seeking to recover funds on behalf of the U S government. The Relator alleges thai the City has an affirmative obligation to dismantle racial and ethnic segregation in housing under Title VI ofthe Civil Rights Act of 1964 and the Fair Housing Act and that the City has falsely claimed to do so in certifications made by the City to the U.S. Department of Housing and Urban Development ("HUD") as a condition of receiving federal funding through certain HUD-funded grant programs. The Relator seeks the return to the federal government of approximately $880 million in funds received by the City under these programs and asks the court to treble that amount, as allowed by statute. The City moved to dismiss the complaint and the District Court dismissed it with leave to amend The plaintiff filed an amended complaint and the City has moved to dismiss that complaint. The City will continue to vigorously defend this case.

Pension Litigation. P.A. 98-0641, which became law on June 9, 2014, reforms MEABF and LABF through a combination of increased employer contributions and changes to employee contributions and retiree benefits. In December 2014, shortly before P A 98-0641 was to go into effect, two lawsuits were filed by plaintiffs, who are individual participants in the two affected pension funds and (in one of the lawsuits) unions representing participants, in the Circuit Court challenging the constitutionality of P A 98-0641 Plaintiffs argue that P A 98-0641 violates the Pension Clause ofthe Illinois Constitution and seek a preliminary and permanent injunction prohibiting its enforcement. The City was allowed to intervene to defend the constitutionality of P A. 98-0641 On February 19, 2015, the Circuit Court entered an order staying the preliminary injunction proceedings pending further court order and pending the outcome ofthe Illinois Supreme Court's review ofthe State Pension Reform Act. On July 9, 2015, a hearing was held in the Circuit Court on the parties[1] cross motions for summary judgment At the conclusion ofthe hearing, the Circuit Court staled that its judgment on the motions would be' delivered on July 24, 2015 fhe City has been defending and will continue to defend this matter vigorously The City expects that whatever decision is entered by the Circuit Court in this lawsuit, the decision will be appealed, and the constitutionality of P A 98-641 will ultimately be decided on appeal

Retiree Healthcare Litigation. In Undenvood v. City of Chicago, retired employees ofthe City filed suit in Stale court to challenge planned changes lo the healthcare benefits of retirees fhe complaint advanced state law claims, including alleged violation ofthe Pension Clause ofthe Illinois Constitution, and federal law claims I he City removed the case to federal court based on the federal law claims The

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federal district court dismissed the case in its entirety. As to plaintiffs' claim that the planned changes violate the Pension Clause, the district court predicted that the Illinois Supreme Court would rule in a separate case then pending before the Illinois Supreme Court that the healthcare benefits are not protected by the Pension Clause. Thereafter, the Illinois Supreme Court ruled in that separate case that the healthcare benefits in question, which were promised to State retirees, are protected under the Pension Clause fhe City argued on appeal to the federal appellate court that it should affirm the district court dismissal, including the state law claims, on an alternative ground On February 25, 2015, the federal appellate court affirmed the dismissal of the federal law claims and declined to rule on the state law claims on the ground that the state law claims involved a question of Illinois slate law, which it ordered returned lo the Illinois state court for decision. The City and olhcr defendants filed a motion in the Circuit Court to dismiss the case Oral argument on the motion is scheduled for Oclober I, 2015. The City has been defending and will continue to defend this matter vigorously.

INDEPENDENT AUDITORS

The basic financial statements of the City as of and for the year ended December 31, 2014, included in APPENDIX C to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in APPENDIX C.

RATINGS

The Bonds are rated "BBB+" (negative outlook) by S&P, "BBB+" (negative outlook) by Fitch, and "A-" (stable outlook) by Kroll.

A rating reflects only the view of the rating agency giving such rating. A rating is nol a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time. 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 nol 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 adverse consequences for the City or an adverse effect on the price at which the Bonds may be resold Sec ""INVESTMENT CONSIDERATIONS-Credit Rating Downgrades."

FINANCIAL ADVISOR AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The City has retained Acacia Financial Group, Inc. to act as financial advisor (the "Financial Advisor") in connection with the offering of the Bonds. 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. The Financial Advisor is a "municipal advisor" as defined in Rule l5Bal-l ofthe Commission

fhe City has retained Martin J Luby LLC as its independent registered municipal advisor (the "IRMA") pursuant to Rule 15Ba I - l-(d)(3)(vi) ofthe Commission to evaluate financing proposals and recommendations in connection with the City's various bond issuance programs and othei financing ideas being considered by the City; however, the IRMA will not advise on the investment of City funds held by the Office of the City Treasurer fhe IRMA's compensation is not dependent on the offering ofthe Bonds

UNDERWRITING

Morgan Stanley & Co LLC, as representative on behalf of itself and the other underwriters listed on the cover of this Official Statement (the "Underwriters"), has agreed, subject to certain conditions, to

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purchase the Scries 20I5A Bonds at a price equal to $338,783,430 15 (which represents the aggregate principal amount of the Series 2015A Bonds less an Underwriters' discount of $2,176,525.60 and less a net original issue discount of $4,570,044.25), and the Taxable Series 2015B Bonds at a price equal to $726,784,205 13 (which represents the aggregate principal amount ofthe Taxable Series 2015B Bonds less an Underwriters' discount of $4,678,862.02 and less an original issue discount of$l 1.396,932 85).

The obligation ofthe Underwriters to accept delivery ofthe Series 20I5A Bonds is subject to various conditions set forth in a Bond Purchase Agreement dated July 16, 2015, between the Underwriters and the City The obligation ofthe Underwriters to accept delivery ofthe Taxable Series 20I5B Bonds is subject to various conditions set forth in a Bond Purchase Agreement dated July 15, 2015, between the Underwriters and the City. The Underwriters are obligated to purchase all of the Bonds if any of the Bonds are purchased

Morgan Stanley, parent company of Morgan Stanley & Co LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Academy Securities has entered into distribution agreements ("Distribution Agreements") with e*Trade Securities LLC, TD

Amentrade Inc , BNY Mellon Capital Markets LLC, Ladenburg Thalmann & Co Inc., R Scelaus & Co, Maxim Group LLC, Newbridge Independent Services, National Alliance Capital Markets, JHS Capital Advisors Inc., World First Financial Services Inc , Bonwick Capital Partners LLC, Commonwealth Equity Services, Winslow Evans & Crocker, Sccurcvcst Financial Group, Moors & Cabot Inc , Crews & Associates Inc., Hennion & Walsh Inc., Celadon Financial Group, Douglas & Co. Municipals, Inc., National Securities Corp, Ross Sinclaire & Associates LLC, E K. Riley Investments LLC, First Integrity Capital Partners. SWBC Investment Services LLC, Dctwilcr Fcnlon & Co, Intercoastal Capital Markets, Inc., W1I Mell & Co., and Fulcrum Securities LLC for the retail distribution of certain municipal securities such as the Bonds at the original issue prices. Pursuant to the Distribution Agreements (if applicable to the Bonds), Academy Securities may share a portion of its underwriting compensation with these firms.

BMO Capital Markets is the trade name for certain capital markets and investment banking services of Bank of Montreal and its subsidiaries, including BMO Capital Markets GK.ST Inc , which is a direct, wholly-owned subsidiary of BMO Financial Corp , which is itself a wholly-owned subsidiary of Bank of Montreal North South Capital LLC has entered into an agreement with BMO Capital Markets GK.ST Inc whereby BMO Capital Markets is compensated for the assumption ofthe underwriting and retention risk ofthe Bonds in the form of a percentage ofthe overall commission (takedown) paid to North South Capital

Citigroup Global Markets Inc , an underwriter ofthe Bonds, has entered into a retail distribution agreement with each of TMC Bonds LLC ("IMC") and UBS Financial Services Inc ("UBSFS") Under these distribution agreements, Citigroup Global Markets Inc may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC As part of this arrangement. Citigioup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect, to the Bonds

George K Baum & Company and Pershing LLC, a subsidiary of The Bank of New Yoik Mellon Corporation, have a distribution agreement enabling Pershing LLC lo obtain and distribute certain municipal securities underwritten by or allocated to George K Baum & Company Under the distribution

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agreement, George, K. Baum & Company will allocate a portion of received takedowns, fees or commissions to Pershing for bonds sold under the agreement.

TAX MATTERS

The Series 2015A Bonds

Federal tax law contains a number of requirements and restrictions which apply to the Series 20I5A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2015A Bonds to be excludable from gross income for federal income tax purposes Failure to comply with cerlain of such covenants could cause interest on the Series 20I5A Bonds lo become includible in gross income for federal income lax purposes retroactively lo the date of issuance ofthe Scries 20 ISA Bonds

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Series 20 ISA Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Series 2015A Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering Us opinion, Co-Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Co-Bond Counsel's opinion represents its legal judgment based upon its review ofthe law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum lax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments One of the ad justment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75 percent of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction) "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Series 2015A Bonds.

Ownership ofthe Series 2015 A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers ofthe Series 20 ISA Bonds should consult their tax advisors as to applicability of any such collateral consequences

The issue price (the "Issue Price") for each maturity ofthe Scries 20 ISA Bonds is the price at which a substantial amount of such maturity ofthe Scries 20 ISA Bonds is first sold to the public The Issue Price of a maturity ofthe Series 2015A Bonds may be different from the price set forth, or ihe price corresponding to the yield set forth, on the inside cover page hereof

If the Issue Price of a maturity ofthe Scries 20I5A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, ofthe Sene.s 20 ISA Bonds (the "OIO Bonds") and the principal amount payable at maturity is original issue discount

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

Owners of Series 20I5A Bonds who dispose of Series 20I5A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Scries 2015A Bonds in the initial public offering, but at a price different from the Issue Price or purchase Series 20I5A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Scries 20I5A Bond is purchased at any time for a price that is less lhan the Series 2015A Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased a Scries 2015A Bond with market discount subject to the market discount rules ofthe Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 20ISA Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. I he applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2015A Bond Purchasers should consull their own tax advisors regarding the potential implications of market discount with respect to the Series 2015A Bonds

An investor may purchase a Series 2015A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term ofthe Series 2015A Bond in a manner that takes into account potential call dates and call prices An investor cannot deduct amortized bond premium relating lo a tax-exempt bond The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in Ihe Series 20ISA Bond Investors who purchase a Series 2015A Bond at a premium should consull their own tax advisors regarding the amortization of bond premium and its effect on the Series 2015A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement ofthe Scries 20 ISA Bond.

there are or may be pending in the Congress of Ihe United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax mailers referred lo above or affect the market value ofthe Series 20 ISA Bonds It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior lo enactment Prospective purchasers of the Series 20ISA Bonds should consult then own tax advisors regarding any pending or proposed federal lax legislation Co-Bond Counsel expiess no opinion regarding any pending or proposed federal tax legislation

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The Internal Revenue Service (the ' Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view ofthe Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit ofthe Series 2015A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer ant) the Series 20I5A Bondholders may have no right to participate in such procedure The commencement of an audit could adversely affect the market value and liquidity of the Series 2015A Bonds until the audit is concluded, regardless ofthe ultimate outcome

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2015A Bonds, are in certain cases required to be reported to the Service Additionally, backup withholding may apply to any such payments lo any Series 2015A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2015A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income lax returns. I he reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

The Taxable Series 2015B Bonds

Interest on the Taxable Scries 2015B Bonds is includible in gross income for federal income purposes. Ownership of the Taxable Series 2015B Bonds may result in other federal income tax consequences to certain taxpayers Taxable Series 2015B Bondholders should consult their tax advisors with respect to the inclusion of interest on the Taxable Series 2015B Bonds in gross income for federal income tax purposes and any collateral tax consequences

The City may deposit moneys or securities with a Defeasance Escrow Agent pursuant to the terms ofthe Bond Ordinance in such amount and manner as to cause the Taxable Series 2015B Bonds to be deemed to be no longer secured by the Bond Ordinance and the Indenture under which they are issued (a "defeasance"). See APPENDIX A-"SUMMARY OF THE INDENTURES-Defeasance " A defeasance of Ihe Taxable Scries 2015B Bonds may be treated as an exchange of Ihe Taxable Series 20I5B Bonds by the holders thereof and may therefore result in gain or loss to the holders. Bondholders should consult their own tax advisors about the consequences (if any) of such a defeasance.

The Taxable Series 20I5B Bonds maturing on January I, 2033 and January I, 2042 were sold to the public al a price below par. The amount ofthe discount was less than the amount that would be treated under federal income tax law as creating original issue discount Bondholders should consult their tax advisors concerning the accrual of income in each tax year.

State and Local Considerations

Interest on the Bonds is nol exempt from present State of Illinois income taxes. Ownership ofthe Bonds may result in other state and local tax consequences lo certain taxpayers Co-Bond Counsel express no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers ofthe Bonds should consult their tax advisors regarding the applicability of any such state and local laxes.

APPROV AL OF LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale ofthe Bonds are subject lo the approving legal opinions of Co-Bond Counsel, who have been retained by, and act as, Bond Counsel to the City Except as noted below. Co-Bond Counsel have not been retained or consulted on disclosure

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matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference m this Official Statement., except that Co-Bond Counsel have, at the request and for the benefit ofthe City, reviewed only those portions ofthe Official Statement involving the description ofthe Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith) and the description ofthe federal tax status of interest on the Bonds. This review was undertaken solely at the request ofthe City and did not include any obligation to establish or confirm factual matters set forth herein

Certain legal matters will be passed on for the City by (i) its Corporation Counsel, (11) in connection with the preparation of this Official Statement, Duane Morris LLP, Chicago, Illinois, and Shanahan & Shanahan LLP, Chicago, Illinois, Co-Disclosure Counsel to the City, and (in) in connection with certain pension matters described in this Official Statement, Chapman and Cutler LLP, Chicago, Illinois, Special Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Mayer Brown LLP, Chicago, Illinois, Underwriters' Counsel

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit ofthe beneficial owners ofthe Bonds to send certain information annually and lo provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB'") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Commission under the Exchange Act. I he 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 ofthe 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, cither Indenture or the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See "-Consequences of Failure of the City to Provide Information" below. 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 ofthe Bonds in the secondary market Consequently, such a failure may adversely affect the transferability and liquidity ofthe Bonds and their market price

The following is a brief summary of cerlain provisions of the Undertaking of ihe City and does nol purport to be complete. The statements made under this caption are subject lo the detailed provisions ofthe Undertaking, a copy of which is available upon request from the City-Annual Financial Information Disclosure

flic City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB fhe Cily is required to deliver such information so that ihe MSRB receives the information by (he dates specified in the Undertaking.

"Annual Financial Information"' means information generally consistent with that contained in (i) the financial table -General Fund" under the caption "FINANCIAL DISCUSSION AND ANALYSIS- General Fund-Selected Financial Information," (n) the financial tables included under the caption "FINANCIAL DISCUSSION AND ANALYSIS-Property 'faxes-LA V and Properly Taxes:' and "-Use of City Property Tax levy." (in) the financial tables included under the caption "GENERAL

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OBLIGATION DEBT' (except for the table "Short Term Borrowing 2010-2014"), and (iv) tables 1-10 included in APPENDIX E -"RETIREMENT FUNDS" (said tables collectively referred to as (he "Third-Party Sourced Retirement Fund Tables"). The information contained in the Third-Party Sourced Retirement Fund Tables is sourced from documents published by MEABF, PABF, FABF and LABF, and the City takes no responsibility for the accuracy and completeness of such information If the information contained in the Third-Parly Sourced Retirement Fund Tables is no longer publicly available or is not publicly available in the form, manner or time that the Annual Financial Information is required to be disseminated by the City, the City shall, as part of its Annual Financial Information for the year in which such a lack of availability arises, include a statement to that effect and to the effect that it will promptly file such information as it becomes available

"Audited Financial Statements" means the audited basic financial statements ofthe 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 ofthe City's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements will be included, and Audited Financial Statements will be filed within 30 days of availability to the City.

Reportable Events Disclosure

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

a) principal and interest payment delinquencies;

b) non-payment related defaults, if material;

c) unscheduled draws on debt service reserves reflecting financial difficulties,

d) unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

h) bond calls, if material, and tender offers,

(i) defeasances,

(l) release, substitution or sale of property securing repayment ofthe securities, if material.

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(k) rating changes.

(l) bankruptcy, insolvency, receivership or similar event ofthe City (considered to have occurred in the following instances' the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U S Bankruptcy Code or in any other proceeding under stale or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business ofthe City, or if ihe jurisdiction ofthe City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all ofthe assets or business ofthe City);

(m)the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all ofthe assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

Consequences of Failure of Ihe 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, the Bond Ordinance or the applicable Indenture, and the sole remedy under the Undertaking in the event of any failure of the City to comply with the Undertaking shall be an action to compel performance

Amendment; Waiver

Notwithstanding any other provision ofthe Undertaking, the City may amend the Undertaking, and any provision ofthe Undertaking may be waived, if.

a) (i) the amendment or the 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 ofthe City or type of business conducted, (n) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements ofthe Rule at the time ofthe offering ofthe Bonds, after taking into account any amendments or interpretations ofthe Rule, as well as any change in circumstances; and (in) the amendment or waivei does not materially impair the interests ofthe Beneficial Owners ofthe Bonds, as determined by a parly unaffiliated with the City (such as the Trustee or Co-Bond Counsel), or by-approving vole ofthe Beneficial Owners ofthe Bonds pursuant to the terms ofthe Indentures at the time of the amendment, or

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

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EMMA

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

t ermination of Undertaking

Ihe Undertaking shall be terminated if the City shall no longer have any legal liability for any obligation on or relating to repayment ofthe Bonds under the Bond Ordinance or the Indentures.

Additional Information

Nothing in the Undertaking will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking If the City chooses to include any information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event.

Corrective Action Related to Certain Bond Disclosure Requirements

The City is in compliance in all material respects with undertakings previously entered into by it pursuant to the Rule, except insofar as any ofthe following paragraphs describe material non-compliance

During the period from 1996 through 2007, the City issued multiple series of Collateralized Single Family Mortgage Revenue Bonds (the "Single Family Bonds"), 'fhe trustees for the respective scries of the Single Family Bonds arc responsible for continuing disclosure tilings as the City's dissemination agent under the applicable continuing disclosure undertakings A material event notice was not filed with respect to a tender offer occurring on June 29, 2011 with respect to the following series 2006C, 20061, 2007A, 2007G, 2007-2A, 2007-2C and 2007-2E

No annual report was filed by Ihe City in 2010 with respect to one subsenes of the City's General Obligation Direct Access Bonds. Annual reports were not filed by the City in 2010 with respect to one series ofthe City's Chicago OTIare International Airport General Airport Revenue Bonds and one series of its Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds. Annual reports were not filed by the City in 2011 and 2012 with respect to two series of such bonds.

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

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With respect to Ihe City's Chicago OTlare International Airport General Airport Third Lien Revenue Bonds, Scries 2011, American Airlines is an "obligated person" with respect lo such bonds On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States-based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York T he City filed a notice with EMMA with respect lo this event on March 30, 2012 (not within the ten business-day deadline imposed by the Rule). On December 9, 2013, American Airlines merged with US Airways The City filed a notice with EMMA with respect to this event on August 25, 2014

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

With respect to the City's Outstanding O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds, Series 2013, Simply Wheelz, LLC d/b/a Advantage Rent A Car ("Advantage") is an "obligated person" with respect to such bonds Advantage filed a voluntary bankruptcy petition in the Southern District of Mississippi on November 5, 2013. T he City filed a notice with EMMA with respect to this event on December 5, 2013.

The Rating Agencies took certain rating actions with respect to the ratings of Ambac Assurance Corporation and Financial Security Assurance Inc (collectively, the "Bond Insurers"). The Bond Insurers provided municipal bond insurance policies relating to certain series of the City's Chicago Midway Airport revenue bonds Event notices with respect to such rating changes were not filed with EMMA. The City made such filings on May 22, 2014.

Ambac provided a municipal bond insurance policy relating to the Cily's Motor Fuel Tax Revenue Bonds, Series 2003A and Assured Guaranty Corp. provided municipal bond insurance policies relating to the City's Motor Fuel Tax Revenue Bonds, Series 2008. Event notices with respect to ihe rating changes taken by the Rating Agencies with respect to these insurers were not filed The City made filings with EMMA on June 3, 2014 and August 22, 2014 with respect to these rating changes.

The City failed to tile material event notices with respect to certain rating changes affecting the City's bonds subject to the

Rule and for which the City is an "obligated person" under the Rule (collectively, the "Prior Bonds") or affecting bond insurance companies which insured any Prior Bonds (collectively, the "Bond Insurers") The City filed with EMMA on August 29, 2014 a notice with respect to all rating changes known to the City and affecting the Prior Bonds (including certain Senior Lien Bonds and Second Lien Bonds) occurring over the prior ten years. The City filed with EMMA on August 27, 2014 a notice with respect to all rating changes known to the City and affecting the Bond Insurers occurring during the prior seven years

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MISCELLANEOUS

The summaries or descriptions contained herein of provisions of the Indentures 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 office ofthe Chief financial Officer

The Bonds arc authorized and are being issued pursuant lo the City Council's approval under Ihe powers ofthe City as a home rule unit under Article VII ofthe Illinois Constitution.

CITY OF CHICAGO

By: /s/ Carole L. Brown Carole L. Brown Chief Financial Officer

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APPENDIX A SUMMARY OF THE INDENTURES

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SUMMARY OF THE INDENTURES

The following is a swnmaiy of certain provisions ofthe Indentures to which reference is made for a complete statement ofthe provisions and contents thereof. The provisions ofthe Indentures summarized in this Appendix A are substantially similar m each ofthe Indentures. References to "the Bonds " /// this Appendix A shall refer to the Bonds of a Series issued pursuant to a particular Indenture. References to "the Trustee " in this Appendix A shall refer to the Trustee for the Bonds of a Series issued pursuant to a particular Indenture. Copies of the Indentures are available for review prior to the sale and dehveiy of the Bonds at the office of the City's Chief Financial Officer and thereafter at the office of the applicable Trustee.

Glossary of Terms

The following are definitions of certain terms used in the Indenture and this Official Statement. This glossaiy is provided for the convenience of the reader and does not purport to be comprehensive or definitive. All references herein to terms defined in the Indenture are qualified in their entirety by the definitions set forth in the Indenture.

"Authorized Denomination" means (a) with respect to Series 2015A Bonds, $5,000 and any integral multiple thereof, and (b) with respect to Taxable Series 20I5B Bonds, $1,000 and any integral multiple thereof

"Authorized Officer" means (a) the Mayor, the Chief Financial Officer, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor or Chief Financial Officer and filed with the Trustee for so long as such designation shall be in effect, and (b) the City Clerk with respect to the certification of any ordinance or resolution ofthe City Council or any other document filed in his or her office

"Beneficial Owner" means the owner of a beneficial interest in the Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them)

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

"Bond Fund" means the fund of that name established and described in the Indenture.

"Bondholder," "holder," or "owner of the Bonds" means the Registered Owner or Beneficial Owner of any Bond, as the case may be.

"Bond Ordinance" means the ordinance duly adopted by the City Council ofthe City on June 17, 2015 authorizing the issuance ofthe Bonds

"Bond Register"' means the registration books of the City kcpl by the T rustee to evidence the registration and transfer of Bonds

"Bond Year" means a 12-month period commencing on January 2 of each calendar year and ending on lanuary I of the next succeeding calendar year

"Business Da\" means any day other than (a) a Saturday or Sunday, (u) a day on which banks located in the city where the Designated Corporate Trust Office ofthe Trustee is located are authorized or required by law to close, and (in) a day on which The New York Stock Exchange, Inc , is closed

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

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office ofthe Chief Financial Officer.

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

"City Clerk" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person thai may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Bond Ordinance.

"City Comptroller" means the City Comptroller ofthe City.

"Citv Council" means the City Council ofthe City.

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

"Date of Issuance" means the dale of issuance and delivery ofthe Bonds to the initial purchasers thereof

"Debt Management Project" when used with respect to an Indenture means (i) the payment of costs ofthe Debt Management Purposes identified in and being paid with proceeds ofthe Bonds issued pursuant to such Indenture and (11) any other expenditure of proceeds of the Bonds issued pursuant lo such Indenture authorized after the date of execution and delivery of such Indenture by the City Council, which expenditure, in the case of proceeds ofthe Series 20 ISA Bonds, must be in accordance with the provisions ofthe 'fax Agreement.

"Debt Management Purposes" has the meaning assigned to such term in the Bond Ordinance and generally refers to the purpose for which the Bonds of each Series are authorized to be issued

'Defeasance Obligations" means (I) money, or (2) (A) direct obligations ofthe United Stales of America, (B) obligations of agencies ofthe United Slates of America, Ihe limely payment of principal of and interest on which are guaranteed by ihe United Slates of America, (C) obligations ofthe following government-sponsored agencies that are not backed by the full faith and credit ofthe U S. 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 (Fi ll. Banks) debt obligations, Fannie Mae debt obligations, Financing Corp (FICO) debt obligations. Resolution Funding Corp (RCFCORP) debt obligations, and U S Agency for

International Development (US AID) Guaranteed notes, (D) pre-refunded municipal obligations defined as follows, any bonds or other obligations of any state ofthe United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C), or (3) a combination ofthe investments described in clauses (1) and (2) above

"Designated Corporate Trust Office" means the corporate trust office ofthe Trustee located at the address of the Trustee set forth for notices lo the Trustee in the Indenture, as such address may be changed from time to time by the Trustee.

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

"Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

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

"Indenture" means the Trust Indenture dated as of July 1, 2015, between the City and the Trustee

"Interest Payment Date" means each January I and July 1, commencing January I, 2016

"Kroll" means Kroll Bond Rating Agency, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Kroll" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the T rustee

"Maturity Date" means, for the Bonds of each specified maturity, Ihe applicable maturity date set forth on the inside front cover

"Mavor" means the Mayor of the City

"Municipal Code" means the Municipal Code of Chicago, as from time to time amended

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"Outstanding." means, when used with reference to any Bonds, all of such obligations issued under the Indenture that are unpaid, provided that such term does not include

a) Bonds canceled at or prior to such dale or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

b) matured or redeemed Bonds which have not been presented for payment in accordance with the provisions of the Indenture and for the payment of which the City has deposited funds with the T rustee or the Paying Agent,

c) Bonds for which Ihe City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Bonds,

d) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

e) Bonds owned by the City and tendered to the Trustee lor cancellation. "Paving Agent" means the

Trustee and any successor thereto.

"Permitted Investments" means any ofthe following obligations or securities permitted under the laws of the State and the Municipal Code.

a) interest-bearing general obligations ofthe United States of America, the State or the City,

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

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

d) certificates of deposit of national banks or banks located within Ihe City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market al least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed lo do business in the State and having a claims-paying rating in Ihe top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

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

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

g) domestic money market mutual funds rcgulalcd by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid; and

h) any other suitable investment instrument permitted by State laws and the Municipal Code governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

"Principal and Interest Account" means the Account of that name established within the Bond Fund

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"Principal and Interest Account Requirement" means an amount, equal to the total principal installment and interest due on such Bonds as of each January 1 and July 1 (including any mandatory redemption ofthe Bonds), which amount shall be deposited in the Principal and Interest Account not later than the Business Day prior to such January I and July I.

"Qualified Collateral" means.

a) Federal Obligations;

b) direct and general obligations of any stale of the United States of America or any political subdivision ofthe Slate which are rated not less than "AA" or "Aa2" or their equivalents by any Rating Agency, and

c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"Rating Agency" means any of Fitch, S&P and Kroll, or another rating agency that has a credit rating assigned to the Bonds at the request of the City.

"Record Dale" means each June 15 and December 15 (whether or not a Business Day)

"Redemption Price" means (i) in the case of an optional redemption of Taxable Series 20I5B Bonds due on or before January I, 2033, the Make-Whole Redemption Price, and (ii) in the case of an optional redemption ofthe Series 2015A Bonds or the Taxable Scries 2015B Bonds due January 1, 2042, or a mandatory redemption of the Bonds, the principal amount thereof plus accrued interest on such Bonds to be redeemed to the date fixed for redemption.

"Registered Owner" or "Owner" means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section I7A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Bonds.

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

"Slate" means the State of Illinois

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

"Tax Agreement" means the Tax Exemption Certificate and Agreement of the City, dated the date of issuance ofthe Scries 20I5A Bonds

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' Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Zions First National Bank, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee under the Indenture.

Source of Payment of Bonds

Pursuant to the Bond Ordinance, the Bonds constitute direct and general obligations of the Cily for the payment of which the Cily pledges its full faith and credit. See "SECURITY FOR THE BONDS."

Funds and Accounts

Bond Fund

Pursuant to each Indenture, the City has established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Series 2015 Bond Fund" (the "Bond Fund"). At each such time as required under the Indenture, the Cily shall deposit into the Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement applicable to the Bonds issued under such Indenture. Money on deposit in the Bond Fund shall be applied by the Trustee to pay the principal of (whether due at maturity or by mandatory redemption) and interest on such Bonds as ihe same become due. Pending Ihe use of moneys held in ihe Bond Fund, ihe Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be credited to such Bond Fund Each Indenture also provides that an account within the Bond Fund be established with the Trustee, designated as the "Series 2015 Principal and Interest Account" (Ihe "Principal and Interest Account").

Not later than the Business Day prior to each Interest Payment Date, commencing January I, 2016 (each such dale referred to herein as the "Deposit Date") there shall be on deposit in the Bond Fund (which deposit may include amounts from the Capitalized Interest Account described below) an amount equal to the Principal and Interest Account Requirement applicable to Ihe Bonds issued under such Indenture (such amount with respect to any Deposit Date being referred to herein as the "Deposit Requirement").

In addition lo the Deposit Requirement, there shall be deposited into each Bond Fund any other moneys received by the Trustee under and pursuant to the Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into such Bond Fund.

Upon calculation by the Trustee of each Deposit Requirement, the Trustee shall notify the City of the Deposit Requirement and the Deposit Dale lo which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request

Capitalized Interest Account

Puisuant to each Indenture, the City has established with the Trustee a trust account as part ofthe respcclive Bond Fund for each Series designated "City of Chicago General Obligation Bonds, Scries 20I5_ Capitalized Interest Account" (the "Capitalized Interest Account") lo hold certain proceeds of sale of the Bonds ofthe Series issued pursuant to such Indenture Moneys on deposit in the Capitalized

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Interest Account shall be withdrawn by the T rustee on the Business Day prior to each ol" the Interest Payment Dates occurring on and before January I, 2018 and deposited into the Bond Fund established under such Indenture for application to the payment ofthe interest due on the Bonds issued under such Indenture on those Interest Payment Dates Pending the use of moneys held in the Capitalized Interest Account, the T rustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be transferred to the Project Account established under such Indenture. Any amount remaining in the Capitalized Interest Account on January 2, 2018, shall be withdrawn therefrom and deposited into the Bond Fund established under such Indenture and applied to the payment ofthe next interest to become due on the Bonds of such Series.

Project Account

Pursuant lo each Indenture, the City has established with the Trustee a trust account designated "City of Chicago General Obligation Bonds, Series 2015_ Project Account" (the "Project Account") to hold certain proceeds of sale of the Bonds of the Series issued pursuant to such Indenture. Moneys deposited in the Project Account established under such Indenture shall be used (i) to pay costs of the Debt Management Project identified in such Indenture, and/or (ii) to pay costs of issuance ofthe Bonds issued pursuant to such Indenture Moneys on deposit in the Project Account shall be disbursed by the Trustee upon receipt of a written request therefor executed by an Authorized Officer, specifying the purpose for which such disbursement is being made. Pending the use of moneys held in the Project Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be retained in such Project Account Completion of the Debt Management Project identified in such Indenture shall be evidenced by a written notification to the Trustee executed by an Authorized Officer directing the Trustee to transfer any remaining balance in such Project Account to the Bond Fund established under such Indenture and applied to the payment of the next interest to become due on the Bonds of such Series.

Supplemental Indentures

A Supplemental Indenture may be authorized at any time by ordinance ofthe City Council and shall be fully effective in accordance with its terms and not subject to consent by the Owners ofthe Bonds for the following purposes, (a) to add to the covenants and agreements ofthe City in the Indenture other covenants and agreements to be observed by the City which arc not contrary to or inconsistent with the Indenture as theretofore in effect, (b) to add to the limitations and restrictions in the Indenture other limitations and restrictions lo be observed by the City which are nol contrary to or inconsistent with the Indenture as theretofore in effect, (c) to surrender any right, power or privilege reserved to or conferred upon the City by the terms ofthe Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements ofthe City contained in the Indenture.
d) to confirm, as further assurance, the pledge under the Indenture, and the subjection ol", additional properties, taxes or other collateral to any hen, claim or pledge created or to be created by, the Indenture.
e) lo cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture, (f) lo insert such provisions clarifying matters or questions arising under ihe Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as (heretofore in effect, or (g) to provide additional duties ofthe I ruslec under the Indenture

The Indenture shall not be modified or amended in any respect except as provided therein Nothing in the Indenture shall affect or limit the right or obligation of the City to adopt, make, do. execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the

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provisions ofthe Indenture or the right or obligation ofthe City to execute and deliver to the Trustee any instrument which is required to be delivered to the Trustee pursuant to the Indenture.

Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City Council and executed by the City in accordance with the provisions ofthe Indenture, is authorized or permitted by the Indenture, and will, when executed and delivered by Ihe Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

The Trustee is authorized to enter into, execute and deliver a Supplemental Indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee in taking such action shall be fully protected in relying on an opinion of counsel that such Supplemental Indenture is authorized or permitted by the provisions ofthe Indenture.

No Supplemental Indenture shall change or modify any of the rights or obligations ofthe Trustee without its written assent thereto.

No Supplemental Indenture supplementing the Indenture authorizing the Scries 2015A Bonds shall take effect unless and until there has been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture docs not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Series 20I5A Bonds would otherwise be entitled.

Supplemental Indentures Requiring Bondholder Consent

At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, subject to consent by the owners of Bonds in accordance with and subject to the provisions ofthe Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions ofthe Indenture, and upon execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Any modification or amendment of the Indenture or ofthe rights and obligations ofthe City and of the owners of Bonds, in particular, which requires the consent ofthe Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture- (a) ofthe Owners of a majority in principal amount ofthe Bonds Outstanding at the time such consent is given; or (b) in case less than all ofthe then outstanding Bonds are affected by the modification or amendment, ofthe Owners of a majority in principal amount of the then Outstanding Bonds so affected. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount or the applicable Redemption Price thereof or in the rate of interest thereon, without the consent ofthe Owner of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent ofthe Owners of which is required to effect any such modification or amendment, or shall change or modify any ofthe rights or obligations ofthe Trustee without its written assent thereto. A Bond shall be deemed to be affected by a modification or amendment ofthe Indenture if the same adversely affects or diminishes the rights ofthe Owners of such Bond

Default and Remedies

Each ofthe following events is an "Event of Default" under ihe Indenture

a) payment ofthe principal or Redemption Price, if any, of any Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise:

b) payment of any installment of interest on any Bonds shall not be made when and as the same shall become due; or

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

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) above, the Trustee shall proceed, or upon the happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) above, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Bonds, shall proceed, in its own name, to protect and enforce its rights and the rights ofthe owners ofthe Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights

(i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights ofthe owners ofthe Bonds including the right to require the City to receive and collect taxes adequate to cany out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Bonds and to perform its duties under the Indenture,

(u) by bringing suit upon the Bonds:

(in) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners ofthe Bonds, and/or

(iv)by action or suit in equity, enjoin any acts or things which may be unlawful or in violation ofthe rights ofthe owners ofthe Bonds

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Bonds for principal. Redemption Price, interest or otherwise, under any provision ofthe Indenture or ofthe Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy ofthe Trustee or ofthe owners ofthe Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the Indenture for such purpose, in any manner provided by law. the moneys adjudged or decreed to be payable

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Under no circumstance may the Trustee declare the principal of or interest on the Bonds to be due and payable prior to the Maturity Date following the occurrence of an Event of Default under the Indenture.

Resignation or Removal ofthe Trustee; Successors

The Trustee may at any lime resign and be discharged of its duties and obligations created by the Indenture by giving not fewer than 60 days' written notice to the City and to the owners of Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of Bonds as provided in the Indenture

The Trustee may be removed at any lime by ihe Owners of a majority in principal amount ofthe Bonds then Outstanding, excluding any Bonds held by or for the account ofthe City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Bonds or by their attorneys duly authorized in writing and delivered lo the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor The City may remove the Trustee at any time, except during the existence of an Event of Default, tor such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice Ihereof lo the Owners of Bonds at their addresses shown on the registration books kept by the Trustee. Any removal ofthe Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator ofthe Trustee or of its property shall be appointed, or if any public officer shall take charge or control ofthe Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Cily, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in wnling and delivered lo such successor Trustee, notification thereof being given lo the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of Bonds as authorized in the Indenture. The City shall mail notice to Owners of Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Bonds. If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Cily written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any Owner of Bonds may apply to any court of competent jurisdiction to appoint a successor Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee Any Trustee appointed shall be a bank, trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City

Any successor T rustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor 'Trustee, wtlhout any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request ofthe City, or ofthe successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor T rustee all the right, title

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and interest ofthe predecessor Trustee in and to any property held by it under the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Defeasance

Each Indenture provides that if the City will pay to the Registered Owners of the Bonds issued under such Indenture, or provide for the payment of, the principal, premium, if any, and interest to become due on such Bonds, then the Indenture and the Bond Ordinance will be fully discharged and satisfied with respect to such Bonds. Upon the satisfaction and discharge of the Indenture, the T rustee will, upon the request ofthe City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries will pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to the Indenture which are not required for the payment or redemption ofthe Bonds If payment or provision for payment is made, to or for the Registered Owners of all or a portion 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 Trustee, all sums of money due and to become due according to the provisions of the Indenture, then these presents and the estate and rights thereby granted under the Indenture and the Bond Ordinance shall cease, terminate and be void as to those Bonds or portions thereof except for purposes of registration, transfer and exchange of Bonds and any such payment from such moneys or obligations. Any Bond will be deemed to be paid when payment of the principal of any such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture or otherwise), either (a) will have been made or caused to have been made in accordance with the terms thereof, or (b) will have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2) Defeasance Obligations, or (3) a combination ofthe investments described in clauses (1) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and al such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants) If the City will pay and discharge a portion ofthe Bonds as aforesaid, such portion shall cease to be entitled lo any lien, benefit or security under the Indenture and the Bond Ordinance. The liability ofthe City with respect to such Bonds will continue, but the Registered Owners thereof shall thereafter be entitled to payment (lo the exclusion of all other Bondholders) only out ofthe Defeasance Obligations deposited with the T rustee under the Indenture.

No deposit pursuant to the paragraph above shall be made or accepted under the Indenture authorizing the Series 2015A Bonds and no use made of any such deposit unless the Trustee shall have received an opinion of nationally recognized municipal bond counsel to the effect that such deposit and use would not cause any of such Scries 20I5A Bonds to be treated as "arbitrage bonds'[1] within the meaning of Seclion 148 ofthe Code or any successor provision thereto

A defeasance deposit of escrow securities may be subject to a subsequent sale of such escrow securities and reinvestment of all or a portion of the proceeds of thai sale in escrow securities which, together with money to remain so held in trust, shall be sufficient to provide for payment of principal, redemption premium, if any. and interest on any ofthe defeased Bonds Amounts held by the Trustee in excess ol the amounts needed so to provide for payment of the defeased Bonds may be subject to withdrawal by the City

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APPENDIX B ECONOMIC AND DEMOGRAPHIC INFORMATION

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ECONOMIC AND DEMOGRAPHIC INFORMATION

Set forth below is certain economic and demographic information regarding the City. Sources of information are set forth in footnotes at the end of this Appendix. With respect to non-City sources, the City considers these sources to be reliable but has made no independent verification of the information provided and does not warrant its accuracy.

Economy

The Chicago metropolitan area has a population of 9.5 million people, with over 4.5 million employees '[2] Chicago's large and diverse economy contributed to a gross regional product of more than $590 billion in 2013.[3]

Chicago's transportation and distribution network offers access to air, rail, and water, with two ports capable of handling ocean-going ships and barges, and an airport system that moves 1 5 million tons of freight, mail, and goods annually.[4]

The Chicago metropolitan area's largest industry sectors by employment include trade, transportation and utilities, professional and business services, education and health services, government, leisure and hospitality and manufacturing.[5]

Population

Chicago is home to over 2 7 million people that live in more than one million households.[6] The City's population increased nearly 1.0 percent since the 2010 Census.[7]

The population ofthe United States, the State of Illinois, Cook County and the City for the census years from 1980 to 2010 and the estimate for 20)4 is set forth below.

Population" 1980-2014

Year	United States	Slate of Illinois	Cook County Chicago
1980	226,545,805	11,427,409	5,253,6553,005,072
1990	248,709,873	11,430,602	5,105,0672,783,726
2000	281,421,906	12,419,293	5,376,7412,896,016
2010	308,745,538	12,830,632	5,194,6752,695,598
2014 Estimate	318,857,056	12,880,580	5,246,4562,722,389

34.2 percent of Chicago's residents (age 25 or older) have bachelor's degrees, which is higher than the national average of 28.8 percent."

Per Capita Income and Wages

The per capita personal income (estimated annual earnings) for the United Slates, the State of Illinois, Cook County and the

Chicago MSA is set forth below for the years 2005 through 2014

Per Capita Income[10] 2005-2014

Year	United States	State of Illinois	Cook County	Chicago MSA
2005	$ 35,888	$ 37,697	$40,648 $40,470	
2006	38.127	40,184	43,701	43,276
2007	39,804	42,260	46,436	45,459
2008	40,873	43,327	47,046	46,138
2009	39,379	41,545	44,824	43,847
2010	40,144	42,033	45,213	44,186
2011	42,332	44,169	47,966	46,279
2012	44,200	46,009	48,948	48,447
2013	44,765	46,980	49,661	49,071
2014	46,129	48,120	Unavailable Unavailable	

Chicago's 2013 median household income is $47,270, compared to $56,797 in Illinois and $53,046 in the U.S., and Chicago ranks 36th among other major metropolitan areas on the cost of living index."-[12]

Employment

Total employment for the State of Illinois, the Chicago MSA, Cook County and the City for the years 2005 through 2014 is set forth below.

Employment (in thousands)[13] 2005-2014

Year	Chicago	Cook County	Chicago MSA	State of Illinois
2005	1,199	2,393	4,4615,862	
2006	1,228	2,453	4,5195.933	
2007	1,249	2,491	4,5575,980	
2008	1,238	2,461	4,5285,949	
2009	1,172	2,327	4,2915,657	
2010	1,117	2,301	4,2465,613	
2011	1,120	2,316	4,3055,677	
2012	1,141	2,359	4,3755,751	
2013	1,144	2,365	4,4435,805	
2014	1,185	2,450	4.5025,873	

T he percentage of total (nonfarm) employment by sector for the Chicago MSA, Stale of Illinois and the United States for April 2015 is shown in the following table.

Percentage of Total Non-Farm Employment by Major Industry Sector
April 2015[IJ 15]

Sector	Chicago MSA
Trade, Transportation and Utilities ..	19 9%
Government	11 8%

Education and Health Services	15 9%
Professional and Business Services . ..	18 8%
Leisure and Hospitality	9 5%
Manufacturing.	7 7%
Financial Activities	6.8%
Construction	3 2%
Other Services	4 4%
Information.	2 0%
Mining and Logging	0.0%
Total	100 0%

Illinois

19 9%

14 2%

15 3% 15 8%

9 4% 9 7% 6 2% 3.5% 4.3% 1.7% 0 2%

100 0%

United States

19 0% 15 5% 15 5% 13 9% 10 6% 8 7% 5 7% 4 5% 4.0% 2 0% 0 6% 100 0%

The City of Chicago's average annual unemployment rate decreased from 11.2 percent in 2010 to 7.7 percent in 2014, while statewide, Illinois' unemployment rate dropped from 10 4 percent in 2010 lo 7.1 percent in 2014 [16] In April 2015, the Chicago MSA's preliminary unemployment rate before seasonal adjustment was 5 8 percent.[17]

The annual unemployment rates (percent of population, not seasonally adjusted) for the United Stales, the State of Illinois, Cook County, the Chicago MSA and the City is set forth below for the years 2005 through ycar-to-date for 2015.

Annual Unemployment Rates"[1] 2005-2015

Year

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015'

Chicago

7.1% 54

5 8 7.0

I I.I 1 1.2 10 8 10 0 10 0 77

6 5

Cook County

6 4% 4.9

5 3

6 4 10 5 10 9 104

9.6 9 6 74 6 2

Chicago MSA

5 9% 4 6

4 9

6 1 10 2 10 6

99 9 I 9.0

7 0

5 8

State of Illinois

5.7%

4 5 5.0 6.3
10.2 104
9 7
9 0
9.1
7 1
5 5
United States

5 1%
4.6
4.6
5 8 9 3 96 8.9 8.1 74
6 2 5 4

April 2015 Jala

Employers

The companies employing Ihe greatest number of workers in the Chicago MSA as ofthe end of 2014 are set forth below.

Largest Employers in Chicago MSA[1]" " 2014

Percentage of

Advocate Health Care Bank, N A.
University of Chicago
J.P. Morgan Chase
Northwestern Memorial Healthcare
United Continental Holdings Inc.
Walgreens Co.
AT&T
Presence Health
University of Illinois at Chicago Abbott Laboratories

Number of Total
Employer Employees Employment

18,556 1 47%
16,025 1.27
15,015 1.19
14,550 1.15
14,000 1.11
13,797 109
13,000 I 03
11,279 0 89
10,100 0.80 10,000 0.79

Top T ax Payers

The top property tax payers in the City in 2013 based on 2013 EAV arc shown in the following table.

Rank
I
2 3 4 5 6 7 8 9 10

Top Ten Property Tax Payers 2013[2]"

($ in thousands)

Property
Willis Tower AON Center

Blue Cross Blue Shield Tower One Prudential Plaza Water Tower Place Chase 'Power AT&T" Corp Center Three First National Plaza Citadel Center 300 N LaSalle

Total

% of Total EAV

0.59%.
0 40
0.32
031
0.31
0 31
0.29
0 29
0 28
0.26
3.36%

As shown in the table, the lop ten taxpayers account for less than 4 percent ofthe City's total lax

Transportation

According to statistics compiled by Anports Council International in 2013. O'llarc ranked fifth worldwide and second m the United Slates in terms of total passengers while Midway ranked 26[1'1] in the United States [21] According to ihe Chicago Department of Aviation, OTIarc and Midway had 70 1 and

21 2 million in total passenger volume in 2014, respectively. OTIare supports substantial international service with international passengers constituting approximately 15 percent of total enplaned passengers in 2014"

The Chicago T ransit Authority operates the second largest public transportation system in the nation, with: 1,865 buses operating over 128 routes and 1.354 route miles, making 19.000 trips per day and serving 11,104 bus stops; 1,356 rail cars operating over eight routes and 224 miles of track, making 2,250 trips each day and serving 146 stations; and 1.7 million rides on an average weekday and over 529 million rides a year (bus and train combined)[23]

Schools

The Chicago Public School system is the third largest school district in the nation, serving approximately 396,000 students [24] CPS is comprised of 420 elementary schools, 96 high schools, 6 combination schools (schools that serve both elementary and high school grade levels), 9 contract high schools, and 131 charter school campuses [25] The City Colleges of Chicago operate seven colleges and serve approximately 114,000 students.[26]

Government

The number of full-time employees ofthe City for the years 2006 through 2014 is included in the following table.

City Full-Time Employees
2006-2014

Budgeted Full-Time Equivalent Positions

2006	2007	2008	2009	2010	2011	2012	2013	2014
40,297	40,207	39,921	37,419	36.889	36.448	33,708	33.563	34,045

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Housing Market

The monthly home sales and the median home sale prices for Chicago for the years 2009 through April, 2015 are shown below.

Chicago Monthly Home Sales [28] 2009-April 2015

	January	February	March	April	May	June	July	August	September	October	November	December
2009	917	866	1,212	1407	1,557	1,981	1,975	1,927	1,918	2,012	1,859	1,767
2010	1,202	1,225	1,814	1,984	2,057	2,526	1,588	1,486	1,403	1,216	1,144	1,444
2011	1,034	1,056	1,450	1,466	1,703	1,841	1,655	1,787	1,498	1,312	1,429	1,576
2012	1,123	1,250	1,664	1,816	2,125	2,332	2,164	2,293	1,906	2,076	1,798	1,849
2013	1,485	1,378	1,894	2,331	2,762	2,623	2,838	2,797	2,352	2,231	1,800	2,080
2014	1,383	1,361	1,819	2,210	2,390	2,761	2,664	2,414	2,187	2,082	1,632	1.992
2015	1,295	1,448	2,118	2,386								

Chicago Median Home Sale Prices" 2009-April 2015

January
February
March
April
May
June
July
August
September
October
November
December

2009

$205,000 218,625 219,000 218,000 225,000 242,050 245.000 229,900 225,000 215,000 215,000 210.000

2010

$195,000 176,500 209,000 225,000 230,000 234,250 196,500 200,000 180,000 183,000 182,500 166.250

2011

$150,000 150.000 163,200 169,000 190,000 207,000 210.000 192,500 190,000 162.000 157,000 155.000

2012

$148,000 140,000 172,000 182,000 200,000 217,000 200,000 200,000 IS8,400 175,000 180,000 185,000

2013

$159,000 158,000 187,500 222,000 234,000 254,900 250,000 245,000 231,000 218,500 200,000 210,000

2014

$200,750
175,000
237,000
250,000
270,000
275,000
270.000 270,000
250,000
237,500
230,000
229,250

2015

$222,000 212,000 235,000 275,000

U S Census, "Annual Estimates ofthe Resident Population April 1. 2010 to .Inly 2014," hltp //factfinder census gov/fuces/nuv/isf/paucs/indcx xhtml
U S Bureau of Labor Statistics, ' Employees on Nonfatal Payiolls by Slate and Metropolitan Area," hltp //www.bls.gov/news <http://www.bls.gov/news> rclcasc/mctro 103 htm
U S Bureau of Economic Analysis. "Table I Current-Dollar Gross Domestic Product (GDP) by Metropolitan Area," htlp //www ben gov/ncwsrclcascs/rcgion.il/Rdn inctro/2014/pdf/gdp mctroQ914.pdf

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[4] Chicago Department of Aviation, "Monthly Operations, 1'assengers, Cargo Summary' By Class, December 2014,' www flvchicago com
[I] U S. Bureau of Labor Statistics, " Chicago Area Economic Summary, June 3, 2015." httpV/www bls.gov/regions/midwcst/summarv/blssummaiv <http://bls.gov/regions/midwcst/summarv/blssummaiv> Chicago pdf
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APPENDIX C

CITY OF CHICAGO

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Deloitte

City of Chicago

Basic Financial Statements for the Year Ended December 31, 2014

Rahni Emanuel, Mayor

Carole L. Brown, Chief Financial Officer Daniel Widawsky, City Comptroller

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CITY OF CHICAGO, ILLINOIS YEAR ENDED DECEMBER 31, 2014 TABLE OF CONTENTS

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Deloitte

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements ofthe governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information ofthe City of Chicago, Illinois (the "City"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements ofthe City's

Pension Plans (ihe "Plans") which, in aggregate, represent substantially all the assets and revenues of the fiduciary funds, included in the aggregate remaining fund information. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the reports ofthe other auditors. We conducted our audit in accordance wilh auditing standards generally accepted in the United Slates of America. Those standards require that we plan and perform the audil to obtain reasonable assurance about whether the financial statements arc free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position ofthe governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chicago, Illinois, as of December 3 1, 2014, and the respective changes in financial position and, where applicable, cash flows Ihereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Chicago, Illinois June 30, 2015

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

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

Management's Discussion and Analysis

As management of the City of Chicago, Illinois (City) we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage the readers to consider the information presented here in conjunction with information contained within this report.

2014 Financial Highlights

- Liabilities and Deferred Inflows of the City, in the government-wide financial statements, exceeded its assets and deferred outflows at the close of the most recent fiscal year by $6,536.3 million (net deficit). The net deficit is composed of $2,742.5 million in net investment in capital assets and $2,471.0 million in net position restricted for specific purposes offset by an unrestricted deficit of $11,749.8 million. The net deficit increased in 2014 by $1,165.2 million primarily as of result of increased pension costs.
- The City's total assets increased by $1,347.4 million. The increase primarily relates to a $897.8 million increase in capital assets as a result of the City's capital improvement program, and an increase in cash and cash equivalents and investments of $548.0 million, primarily as a result of an increase in charges for services, improved collection of receivables, and proceeds from financing to fund capital projects.
- Revenues and Other Financing Sources, in the fund financial statements, available for general governmental operations during 2014 were $6,769.4 million, an increase of $806.9 million (13.5 percent) from 2013, primarily due to the issuance of General Obligation and Motor Fuel tax bonds.
- The General Fund ended 2014 with a total Fund Balance of $141.3 million, of which $51.6 million was Unassigned. Total Fund Balance decreased from 2013 primarily because Revenues and Other Financing Sources were less than Expenditures and Other Financing Uses by $25.5 million.
- The City's general obligation bonds and notes outstanding increased by $605.3 million during the current fiscal year. The proceeds from the issuance of General Obligation were used to finance the City's capital plan and certain operating expenses.
- The General Fund expenditures on a budgetary basis were $28.9 million less than budgeted as a result of favorable variances in general government expenditures, offset by unfavorable variances in public safety primarily as a result of higher than expected personnel related expenses.

Overview ofthe Basic Financial Statements

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

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

The government-wide financial statements include two statements:

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

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government

-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 19 individual governmental funds. Information for the six funds that qualify as major is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The six major governmental funds are as follows: the General Fund, the Federal, State and Local Grants Fund, the Special Taxing Areas Fund, Service Concession and Reserve Fund, the Bond, Note Redemption and Interest Fund, and the Community Development and Improvement Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

Proprietary funds provide the same type of information as the government-wide financial statements, but provide more detail. The proprietary fund financial statements provide separate information for the Water Fund, Sewer Fund, Chicago Skyway Fund, Chicago-O'Hare International Airport Fund and the Chicago Midway International Airport Fund. All the proprietary funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

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

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

Financial Analysis of the City as a whole

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets by $6,536.3 million at December 31, 2014. Of this amount, $2,742.5 million represents the City's 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.

An additional portion of the City's net position, $2,471.0 million, represents resources that are subject to external restrictions on how they may be used.

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

City of Chicago, Illinois Summary Statement of Net Position
(in millionsof dollars)

	Governmental Activities		Business-type Activities	
	2014	**2013**	**2014**	**2013**
Current and olher assets	$ 5,254.5	$ 5,311.5	$ 4.734.1	$ 4,227.5
Capital assets	8,281.2	7,993.6	13,822.5	13,212.3
Total Assets	13,535.7	13,305.1	18,556.6	17.439.8
Deferred outflows	281.5	266.1	320.9	274.1
Total	13,817.2	13.571.2	18,877.5	17,713.9
Long-term liabilities outstanding	19,516.8	18,069.6	13,602.6	13,094.8
Other liabilities	1,767.4	1,326.6	1,122.7	904.3
Total Liabilities	21,284.2	19,396.2	14,725.3	13,999.1
Deferred Inflows	1,576.3	1,597.3	1,645.2	1,663.6
Nel Position:				
Nel investment in capital assets	28.7	(242.8)	2,713.8	2,446.2
Restricted	1,492.0	1.940.9	979.0	883.8
Unrestricted	(10,564.0)	(9,120.4)	(1,185.8)	(1,278.8)
Total net (deficit) position	$ (9,043.3)	$ (7,422.3)	$ 2,507.0	$ 2,051.2

2013

Total

9,539.0 21,205.9 30.744.9 540.2

31,285.1

31,164.4 2,230.9

33,395.3 3,260.9

2,203.4 2,824.7 (10,399.2)

2014

9,988.6 22,103.7
32,092.3 602.4
32,694.7

33,119.4 2,890.1

36,009.5 3,221.5

2,742.5 2,471.0 (11,749.8)

$ (6,536.3) $ (5,371.1)

Governmental Activities. Net position ofthe City's governmental activities decreased $1,621.0 million to a deficit of $9,043.3 million, primarily as a result of increased pension costs. A significant portion of net position is either restricted as to the purpose they can be used for or they are classified as net investment in capital assets (buildings, roads, bridges, etc.). Consequently, unrestricted net position showed a $10,564.0 million deficit at the end of this year. This deficit does not mean that the City does not have the resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from personnel, property, pollution and casualty claims ($900.6 million) and Municipal employees, Laborers', Policemen's and Firemen's net pension obligation and other post-employment benefits ($8,884.3 million). The City will include these amounts in future years' budgets as they come due. In addition, the remaining deferred inflow of $1,576.3 million from concession service agreements will be amortized into income over the life of such agreements.

Revenues for all governmental activities in 2014 were $5,729.1 million, an increase of $172.8 million from 2013. Over half of the City's revenues derived from taxes which increased by $98.8 million (3.2 percent). Total tax revenue includes an increase in property taxes received of $20.1 million (2.2 percent).

Expenses for governmental activities in 2014 were $7,350.1 million, an increase of $269.2 million (3.8 percent) over 2013. The amount (hat taxpayers paid for these governmental activities through City taxes was $3,191.6 million. Some of the cost was paid by those who directly benefited from the programs ($819.2 million), or by other governments and organizations that subsidized certain programs with grants and contributions ($720.6 million).

The City paid $997.7 million for the "public benefit" portion with other revenues such as state aid, interest and miscellaneous income.

Although total net position of business-types activities was $2,507.0 million, these resources cannot be used to make up for the deficit in net position in governmental activities. The City generally can only use this net position to finance the continuing operations of the water, sewer. Skyway, and airports activities.

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

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

Governmental Business-type

Activities Activities

	2014	2013	2014	2013
Revenues				
Program Revenues				
Licenses, Permits, Fines and Charges for Services	$ 819.2	$ 773.4	S 2,244.1	S 2,021.3
Operating Grants and Contributions	470.7 634.4			
Capital Grants and Contributions	249.9	184.4	95.6 213.0	
General Revenues:				
Property Taxes	926.8 906.7			
Other Taxes	2,264.8 2,186.1			
Grants and Contnbulions not				

Restricted to Specific Programs	740.9 754.7			
Other	256.8	116.6	85.3	34.1
Total Revenues	5,729.1	5,556.3	2,425.0 2,268.4	

Expenses.

General Government	2,857.7			2.667.2
Public Safety	2.913.5			3,044.8
Streets and Sanitation	275.8			242.5
Transportation	475.8			400.5
Health	125.1			119.7
Cultural and Recreational	121.5			128.3
Interest on Long-term Debt	580.7			477.9
Water	--	455.4 442.5		
Sewer	--	225.6 216.6		
Midway International Airport	--	248.2 241.1		
Chicago-O'Hare International Airport	--	1,029 7 920.8		
Chicago Skyway	-	-	10 3	10.6

Total Expenses 7,350.1 7,080.9 1,969.2 1,831.6

Cnange in Net Position (1,621 0) (1,524.6) 4558 436.8

Nel (Deficit) Position, Beginning of Year (7.422.3) (5.897 7) 2.051.2 1.614.4

Nel (Deficit) Position, End of Year $ (9,043.3) $(7,422 3) J 2,507.0 $ 2,051.2

2014

3,063.3 470.7 345.5

926.8 2,264.8

740.9 342.1

8,154.1

2013

2,794.7 634.4 397.4

906.7 2,186.1

754.7 150.7

2,857.7 2,913.5 275.8 475.8 125.1 121.5 580.7 455.4 225.6 248 2 1,029.7 10.3

9,319.3 (1,165.2)

(5,371.1)

7,824.7

2,667.2 3,044.8 242.5 400.5 119.7 128.3 477.9 442.5 216.6 241.1 920.8 10.6

8,912.5 (1,087.8)

(4,283.3)

S (6,536.3) $ (5,371.1)

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

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

General Government Public Safety Streets and Sanitation Transportation

Health ^ Cultural and Recreational p Interest on Long-term Debt

200 400 600 800 1,000 1,200 1,400 1,600 1,800 2,000 2,200 2,400 2,600 2,800 3,000 3,200

□ Expenses BProgram Revenues

Revenues by Source - Governmental Activities

Capital Grants and Operating Grants and Contributions Contributions 4% 8%

Other 5%

Grants and Contributions not restricted to specific programs 13%

Property Tax 16%

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

Business-type Activities. Total Revenues of the City's business-type activities increased by $156.6 million in 2014 mostly from an increase in the charges for services and rental income, offset by a decrease in capital grant funding.

- The Water Fund's operating revenues increased by $80.9 million (13.2%) from 2013 due to a 15% increase in water rates, offset by the conversion of 20,256 accounts from nonmetered to metered. Operating expenses before depreciation and amortization for the year ended 2014 increased by $23.5 million (8.6%) from the year ended 2013 mainly due to increases in transmission and distribution expenses of $14.2 million and central services of $10.5 million; offset by a decrease in purification costs of $2.3 million.

- The Sewer Fund's operating revenues increased in 2014 by $42.5 million (15.2%) primarily due to an increase in sewer rates. Operating expenses before depreciation and amortization for 2014 increased $9.9 million (9.1%) from the year ended 2013 due to an increase in repairs, general fund reimbursements, maintenance and administrative and general.

- Chicago Midway International Airport's operating revenues for 2014 decreased by $4.9 million (2.8%) from 2013 primarily due to lower landing fees, and terminal area use charges. Concessions were by $1.7 million higher than last year due to an increase in auto parking. Total operating expenses before depreciation and amortization were $8.5 million (7.0%) higher than last year, due to increases in repairs and maintenance, professional and engineering fees, and salaries and wages of $4.6 million, $4.1 million, and $3.8 million, respectively. These increases are offset by a decrease of $4.0 million in other operating expenses.

- Chicago O'Hare International Airport's operating revenues for 2014 increased by $126.8 million (17.7%) compared to 2013 primarily due to increased landing fees and terminal area use charges. Operating expenses before depreciation, amortization and capital asset impairment costs increased by $68.9 million (16.2%) compared to 2013 primarily due to increases in repairs and maintenance, salaries and wages, other operating expenses and professional and engineering fees of $25.4 million, $20.8 million, and $15.7 million, and $7.0 million, respectively.

- The Chicago Skyway was leased for 99 years to a private company. The agreement granted the company the right 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 nonoperating revenue over the period of the lease ($18.5 million annually).

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

100 200 300 400 500 600 700 800 900 1.000 1.100 1,200

Water

Sewer

Chicago Midway International Airport

Chicago-O'Hare International Airport

□ Expenses BProgram Revenues

Revenues by Source - Business-type Activities

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

Financial Analysis of the City's Funds

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

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

At December 31, 2014, the City's governmental funds reported combined ending fund balances of $823.3 million, a decrease of $403.3 million in comparison with the prior year. Of this total amount $696.1 million was committed to specific expenditures, $65.2 million was assigned to anticipated uses, a deficit of $1,791.9 million was unassigned, $1,829.4 million was restricted in use by legislation, and $24.5 million was nonspendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $51.6 million with a total fund balance of $141.3 million. As a measure of the General Fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total General Fund balance represents 4.4 percent of total General Fund expenditures. The fund balance of the City's General Fund decreased by approximately $25.8 million during the current fiscal year mainly due to an increase in personnel expenditures in public safety. The General Fund also provided $5.0 million to the Service Concession and Reserve Fund as appropriated for in the 2014 Budget.

The Federal, State and Local Grants Fund has a total deficit fund balance of $225.0 million. The deficit is $61.4 million lower than 2013 primarily due to more timely reimbursement of expenditures.

The Special Taxing Areas Fund has a total fund balance of $1,327.0 million, which is all restricted to specific expenditures.

The Service Concession and Reserve Fund accounts for deferred inflows from nonbusiness type long-term concession and lease transactions and has $620.9 million committed to specific expenditures. The unassigned deficit of $1,576.3 million results from the deferred inflows from long-term asset leases.

The Bond, Note Redemption and Interest Fund has a total fund balance of $26.9 million. This is $223.9 million lower than 2013 due to reclassification of long-term debt to short term debt during 2014. For more information, please refer to Note 9 to the basic financial statements.

The Community Development and Improvement Projects Fund has a total fund balance of $347.7 million. This is $15.9 million lower than 2013 due to increased capital improvement efforts.

Changes in fund balance. The fund balance for the City's governmental funds decreased by $403.3 million in 2014. This includes a decrease in inventory of $0.3 million.

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

Unrestricted net position of the Water, Sewer, Chicago Skyway, Chicago-O'Hare International Airport, and Chicago Midway International Airport Funds at the end of the year amounted to a deficit of $1,185.8 million. The unrestricted net position deficit decreased by $93.0 million due to an increase in the unrestricted assets in the Water Fund and Sewer Fund. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City's business-type activities.

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CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

General Fund Budgetary Highlights

The City's 2014 Original General Fund Budget was $3,290.2 million. This budget reflects an increase of $131.2 million (4.2 percent) over the 2013 Budget. On November 26, 2013 the City's 2014 General Fund Budget was approved by the City Council. The General Fund revenues on a budgetary basis were $28.9 million less than the final budget as a result of lower collection of fines, state income tax, internal service, and licenses and permits revenue offset by higher than expected taxes. Expenditures were $28.9 million less than budgeted as a result of favorable variances in general government expenditures, offset by unfavorable variances in public safety primarily as a result of higher than expected personnel related expenses. Additional information on the City's budget can be found in Note 3 under Stewardship, Compliance and Accountability within this report.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of December 31, 2014 amount to $22,103.7 million (net of accumulated depreciation). These capital assets include land, buildings and system improvements, machinery and equipment, roads, highways and bridges, and property, plant and equipment.

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

- The City continues its commitment to sustainable design in new construction projects utilizing the Leadership in Energy & Environmental Design (LEED) strategy. Completed construction in 2014 totaled $28.5 million including; Albany Park Branch Library totaling $11.9 million and Harold Washington Library totaling $7.7 million.

- During 2014, $14.5 million of Architectural Plans and Landscape Drawings (Manuscripts) were donated to the City of Chicago. This was recorded as a donated capital asset addition in Works of Art and Historical Collections.

- During 2014, the City completed $271.4 million in infrastructure projects including $141.0 million in street construction and resurfacing projects, $96.7 million in bridge and viaduct reconstruction projects, and $33.7 million in street lighting and transit projects. At year end, Infrastructure projects still in process had expenses totaling nearly $511.2 million.

- At the end of 2014, the Water Fund had $3,482.2 million invested in utility plant, net of accumulated depreciation. During 2014, the Water Fund expended $364.8 million on capital activities. This included $16.4 million for structures and improvements, $62.0 million for distribution plant, $4.0 million for equipment, and $282.4 million for construction in progress.

- During 2014, net completed projects totaling $137.6 million were transferred from construction in progress to applicable capital accounts. The major completed projects relate to installation and replacements of water mains ($109.4 million), and Jardine Water Purification plant's east building filter roof replacement and structural repair ($26.3 million).

- At the end of 2014, the Sewer Fund had $2,025.2 million invested in utility plant, net of accumulated depreciation. During 2014, the Sewer Fund had capital additions being depreciated of $210.4 million, and completed projects totaling $16.3 million were transferred from construction in progress to applicable facilities and structures capital accounts. The 2014 Sewer Main Replacement Program completed 21.1 miles of sewer mains and 59.0 miles of relining of existing sewer mains at a cost of $210.4 million.

- At the end of 2014, Chicago-Midway International Airport totaled $1,172 3 million, invested in net capital assets. During 2014, the Airport had additions of $48.4 million related to capital activities. This included $1.0 million for land acquisition and the balance of $47,4 million for construction projects relating to terminal improvements, runway rehabilitation and parking improvements.

- At the end of 2014, Chicago-O'Hare International Airport totaled $6.9 billion, invested in net capital assets. During 2014, the Airport had additions of $346.7 million related to capital activities. This included $1.0 million for land acquisition and the balance of $345.6 million for terminal improvements, road and sidewalk

enhancements, runway and taxiway improvements. During 2014, completed projects totaling $438.8 million were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway and taxiway improvements, road and sidewalk enhancements and terminal improvements.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 1,392.8	$ 1,392.6	$ 1,018.7	$ 1,016.6	$ 2,411.5	$ 2,409.2
Works of Art and Historical Collections	45.2	30.8	--	45.2	30.8	
Construction in Progress	545.5	260.2	1,256.3	1,207.8	1,801.8	1,468.0
Buildings and Other Improvements	1,630.2	1,668.0	11,227.0	10,651.6	12,857.2	12,319.6
Machinery and Equipment	235.3	225.8	320.5	336.3	555.8	562.1
Infrastructure	4,432.2	4,416.2	-	-	4,432.2	4,416.2
Total	$ 8,281.2	$ 7,993.6	$ 13,822.5	$ 13,212.3	$ 22,103.7	$21,205.9

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

Debt. At the end of the current fiscal year, the City had $7,860.4 million in General Obligation Bonds and $475.1 million in General Obligation Certificates and Other Obligations outstanding. Other outstanding long-term debt is as follows: $189.7 million in Motor Fuel Tax Revenue Bonds; $554.1 million of Sales Tax Revenue Bonds; $74.4 million in Tax Increment Financing Bonds; and $13,071.6 million in Enterprise Fund Bonds and long-term obligations. For more detail, refer to Note 10 Long-term Obligations in the Basic Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation	$ 8,335.5	$ 7,730.2	$ -	$ -	$ 8,335.5	$ 7,730.2
Tax Increment	74.4	88.4	-	-	74.4	88.4
Revenue Bonds	743.8	753.2	13,071.6	12,526.5	13.815.4	13,279.7
Total	$ 9,153.7	$ 8,571.8	$ 13,071.6	$ 12,526.5	$ 22,225.3	$ 21,098.3

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

During 2014, the City issued the following: General Obligation

Bonds:

- General Obligation Bonds, Project and Refunding Series 2014A and Taxable Project and Refunding Series 2014B ($883.4 million).
- Motor Fuel Tax Revenue Refunding Bonds Series 2013 ($105.9 million - issue of 2014).
- Tax Increment Allocation Revenue Refunding Bonds (Pilsen Redevelopment Project) Series 2014A and 2014B Series Taxable ($33.4 million).

Enterprise Fund Revenue Bonds and Notes:

- Chicago-O'Hare International Airport General Commercial Paper Notes ($51.0 million)
- Chicago Midway International Airport Second Lien Revenue and Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (AMT) ($896.5 million).
- Second Lien Water Revenue Bonds, Series 2014 ($367.9 million).
- Second Lien Wastewater Transmission Revenue Bonds, Series 2014 ($292.4 million).

At December 31, 2014 the City had credit ratings with each of the three major rating agencies as follows:

Standard & Poors

General Obligation: City

Revenue Bonds:

O'Hare Airport: Senior Lien General Airport Revenue Bonds Senior Lien Passenger Facility Charge (PFC) Customer Facility Charge (CFC)

Midway Airport: First Lien Second Lien

Water: First Lien Second Lien

Wastewater: First Lien Second Lien

Sales Tax

Motor Fuel Tax

Baal

A2 A2 Baal

A2 A3

A2 A3

A2 A3

Baal

Baal

A+

A-
A-BBB

A A-

AA AA-

AA AA-

AAA

AA+

A-

A-
A
NR

A A-

AA+ AA

NR AA

A-

BBB+

NR

NR NR NR

NR NR

NR AA

NR AA-

NR

NR

See Subsequent Events in the footnotes for ratings changes in 2015.

CITY OF CHICAGO, ILLINOIS MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2014

Economic Factors and Next Year's Budgets and Rates

Local, national, and global economies play a major role in the City's finances and economic growth. In 2014, local and national economies experienced moderate growth and recovery from the economic downturn. Although rising home prices and shrinking inventory slowed the housing market in 2014 and home sales were down 7 percent compared to 2013, median home prices were up 14 percent over 2013. In 2014, nationwide, retail sales grew 4 percent over 2013, with consumer confidence showing consistent improvement. The average national unemployment rate decreased from 7.3 percent in 2013 to 6.2 percent in 2014, and Chicago's unemployment rate was down consistently throughout 2014. Tourism, business, and convention travel to Chicago remained strong in 2014, with amusement tax collections up about 17 percent and hotel tax revenues up about 12 percent from 2013. Additionally, in July 2014, Chicago had over one million occupied hotel rooms; this was the first time this benchmark has ever been reached in a single month.

The City's 2015 General Fund budget, totaling $3,534 million, was approved by a 46 to 4 vote of City Council on November 19, 2014. The 2015 budget balanced a preliminary budget shortfall of $297 million by reforming and cutting spending, and improving revenue growth. The 2015 budget balances the City's finances without raising property, sales or gas taxes. At the same time, it makes significant investments in youth, infrastructure, and businesses, as well as in City services, and it continues to build the City's reserves in order to enhance long-term financial stability. The 2015 budget also commits an additional $5 million to the City's long-term reserves, following provisions of $20 million in 2012, $15 million in 2013 and $5 million in 2014.

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 Department of Finance

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Exhibit 1
CITY OF CHICAGO, ILLINOIS STATEMENT OF NET POSITION December 31, 2014
(Amounts are in Thousands of Dollars)

Governmental Activities

ASSETS AND DEFERRED OUTFLOWS
Cash and Cash Equivalents $
Investments
Cash and Investments with Escrow Agent
Receivables (Net of Allowances):
Property Tax
Accounts
Internal Balances
Inventories
Restricted Assets:
Cash and Cash Equivalents
Investments
Other Assets
Capital Assets:
Land, Art, and Construction in Progress
Other Capital Assets, Net of Accumulated Depreciation
Total Capital Assets

Total Assets

Deferred Outflows

281,487

Total Assets and Deferred Outflows S 13,817,197

Primary Government

Business-type Activities

105,422 271,858

340,836 50,892 21,808

1,121,163 2,730,771 91,354

2,274,965 11.547,521 13.822.486 18,556.590 320,939 18,877,529

Total

643,087 1,835,373 411,085

1,150,682 1,318,709

46,306

1,149,852 3,324,414 109,132

4,258,559 17,845,101 22.103.660 32,092,300 602,426 32,694,726

LIABILITIES AND DEFERRED INFLOWS
Voucher Warrants Payable $
Short-term Debt
Accrued Interest
Accrued and Other Liabilities
Unearned Revenue
Derivative Instrument Liability
Long-term Liabilities:
Due Within One Year
Due in More Than One Year

Total Liabilities
Deferred Inflows
Total Liabilities and Deferred Inflows

579,901 297,981 225,459 401,318 113,862 148,923

314,682 19,202,103 21,284,229 1,576,293

22,860,522

340,810 $

273,287 164,317 144,227 200,095

307,813 13,294,786
14,725.335
1,645,152

16,370.487

920,711 297,981 498.746 565,635 258,089 349,018

622,495 32,496,889
36,009,564 3,221,445

39,231.009

NET POSITION
Net Investment in Capital Assets Restricted for:
Capital Projects
Debt Service
Special Taxing Areas
Passenger Facility Charges
Contractual Use Agreement
Airport Development Fund ..
Customer Facility Charges ..
Other Purposes
Unrestricted (Deficit)

Total Net Position

28,744
2.713,825

193,782 35,298

142,765 158.165 300.101 113,661 35,200 (1,185.755)

2,742,569

164,937 1.327.058

193,782 200,235 1.327.058 142.765 158.165 300.101 113,661 35,200 (11,749,819)

(10,564,064)
$ (9.043.3251 $ 2.507.042 $ (6.536,283)

See notes to basic financial statements.

Exhibit 2
CITY OF CHICAGO, ILLINOIS STATEMENT OF ACTIVITIES Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

Functions/Programs	Expenses	Licenses, Permits, Fines and Charges for Services

Primary Government Governmental Activities:		
General Government	$ 2,857,789	$ 505,275
Public Safety	2,913,469	208,206
Streets and Sanitation	275,814	44,552
Transportation	475,751	44,278
Health	125,068	2,281
Cultural and Recreational	121,548	14,643
Interest on Long-term Debt	580,701	-
Total Governmental Activities	7,350,140	819,235

Business-type Activities:			
Water	455,433	692,634	
Sewer	225,600	322,228	
Chicago Midway International Airport	248,231	216,662	
Chicago-O'Hare International Airport	1,029,559	1,012,529	
Chicago Skyway	10,314	-	
Total Business-type Activities		1,969,137	2,244,053
Total Primary Government	$ 9,319,277 J>	3,063,288	

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

Governmental Business-type
Contributions Activities

Activities Total

$ 294,052 $ - $ (2,058,462) $
- $ (2,058,462)
57,633 - (2,647,630) - (2,647,630)
(231,262) - (231,262)

249,860 (181,613) - (181,613)
104,447 - (18,340) - (18,340)
14,527 - (92,378) - (92,378)
- - (580,701) - (580,701)
470,659 249,860 (5,810,386) - (5,810,386)

1,766 -238,967238,967
96,628 96,628
4,826 -(26,743)(26,743)
89,032 - 72,002 72,002
- (10,314) (10,314)
- 95,624 - 370,540 370,540
$ 470,659 $ 345,484 (5,810,386) 370,540 (5,439,846)

General Revenues Taxes.					
Property Tax	926,839	-926,839			
Utility Tax		570,469	-570,469		
Sales Tax		324,273	-324,273		
Transportation Tax		406,624	-406,624		
Transaction Tax		379,256	-379,256		
Special Area Tax		260,256	-260,256		
Recreation Tax		193,680	-193,680		
Other Taxes		130,266	-130.266		
Grants and Contributions not Restricted to Specific Programs		740,911	-740,911		
Unrestricted Investment Earnings		62,400	35,849	98,249	
Miscellaneous	194,415	49,430	243,845		
Total General Revenues			4,189,389	85,279	4,274,668
Change in Net Assets			(1,620,997)	455,819	(1,165,178)
Net Position - Beginning		(7,422,328)	2,051,223	(5,371,105)	
Net Position - Ending		$ (9,043,325)	$ 2,507,042	$ (6,536,283)	

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Exhibit 3
CITY OF CHICAGO, ILLINOIS BALANCE SHEET
GOVERNMENTAL FUNDS December 31, 2014
(Amounts are in Thousands of Dollars)

	General
ASSETS	
Cash and Cash Equivalents	$ 1.102
Investments	102,400
Cash and Investments with Escrow Agent	
Receivables (Net of Allowances):	
Property Tax	
Accounts	209,386
Due From Other Funds	109,514
Due From Other Governments	241,878
Inventories	24,498
Restricted Cash and Cash Equivalents	389
Restricted Investments	
Other Assets	-

	Total Assets	$ 689,167
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE Liabilities:		
Voucher Warrants Payable	$ 185,783	
Bonds, Notes and Other Obligations Payable - Current		
Accrued Interest		
Due To Other Funds	276,805	
Accrued and Other Liabilities	69,811	
Line of Credit and Commercial Paper		
Claims Payable	13,326	
Unearned Revenue	2,164	
	Total Liabilities	547,889~
Deferred Inflows	-	
Fund Balance:		
Nonspendable	24,498	
Restricted		
Committed		
Assigned	65,223	
Unassigned	51,557	
Total Fund Balance	141,278	
Total Liabilities, Deferred Inflows and Fund Balance	$ 689,167	

Special Taxing Areas

403,019 588,005

Federal, State and Local Grants

288,302 4,429 423,933

$ 22,980 71,036

3,778 10,059 452,721

3,220

4,075

$ 567,869

$ 1,707,689

11,682 2,920

$ 157,929 $ 117,027

69,825 533,774

296,159 9,861

259,140

131,629

15,230

249,002

1,327,058

(240,275) -

(225,045) 1,327,058 567,869 $ 1,707,689

See notes to basic financial statements.

Service Community
ConcessionBond, NoteDevelopmentOther Total
and Redemption and Improvement Governmental Governmental
Reserve and InterestProjectsFunds Funds

$ 99 $ 17,119 $ 77,793 $ 15,553 S 537,665
172,490 439,137 190,4471,563,515
338,533 - 72,552411,085

491,473 - 370,9071,150,682
2,435 2,971 2,626 16,608 242,233
5,000 - 97,053 79,210 724,769
2,578 - 38,463 735,640
24,498
24,868 - 211 - 28,689
593,643 - - - 593,643
- - - - 4,075
$ 626,045 $ 1,025,164 $ 616,820 $ 783,740
$ 6,016,494

$ 14 $ $ 38,999 $
64,877 $ 564,629
82,331 - 4,400 86,731
223,995 - 1,464 225,459
5,140 85,700 56,996 94,698 827,180
95,373 67,648 245,613
198,086 77,800 21,423 297,309
13,326
- 41,873 - - 113,862
5,154 631,985 269,168 254,510 2,374,109

1,576,293 420,051 - 314,563 2,819,049

24,498
347,652 139,491 1,829,431
620,891 - - 75,176 696,067
65,223
(1,576,293) (26,872) - - (1,791,883)
(955,402) (26,872) 347,652 214,667 823,336
$ 626,045 $ 1,025,164 $ 616,820 $ 783,740 $ 6,016,494

Amounts reported for governmental activities in the statement of net position are different because Capital assets used in governmental activities are not financial resources

and therefore are not reported in the funds	8,281,174	
Other long-term assets are not available to pay for current-period expenditures and therefore are recorded as deferred inflows in the funds	1,242,756	
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		(19,390,591)
Net position of governmental activities		$ (9,043,325)

Exhibit 4
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

Federal,

State and Special
Local Taxing

General | Grants | Areas

Revenues.					
Property Tax	$	-	$	- $	
Utility Tax	473,496				
Sales Tax (Local)	285,773				
Transportation Tax	185,076				
State Income Tax	278,031				
State Sales Tax	334,526				
Transaction Tax	316,201				
Special Area Tax		-		- 331,380	
Recreation Tax	193,680				
Other Taxes	109,004				
Federal/State Grants		2,335 809,840			
Internal Service	305,716				
Licenses and Permits	119,940				
Fines	338,329				
Investment Income		1,573		- 4,822	
Charges for Services		141,850		- 5	
Miscellaneous		90,620			2,149
Total Revenues		3,176,150		809,840	338,356

Expenditures: Current:
General Government
Health
Public Safety
Streets and Sanitation
Transportation
Cultural and Recreational
Employee Pensions
Other
Capital Outlay
Debt Service-
Principal Retirement
Interest and Other Fiscal Charges

Total Expenditures

Revenues (Under) Over Expenditures

929,918 25,902 2,020,072
195,390 47,309

2,298

7,830 2,539

3,231,258

(55,108)

360,892 102,350 40,122

237,961 12,272

2,197 9,863

765,657

44,183

446,652 15

419 139,933 15

587,034 (248,678)

Continued on following pages.

Service Concession and Reserve

39.607 21,033

60,640

Bond, Note Redemption and Interest

481,698 22,332 38,500 12,552

17

2,203 17,963 15.303

590,568

Community Development

and Improvement Projects

5,579 27,538

33,117

Nonmajor Governmental Funds

$ 448,143 74,641

208,996 126,019

63,055

21,245

30,046

15,188 106 31,073 23,296

1,041,808

Total

Governmental

Funds

929,841

570,469

324,273

406,624

404,050

334,526

379,256

331,380

193,680

130,266

812,175

335,762

122,143

353,517

69,650

172,928

179,939

6,050,479

14 - - 306,081 2.043,557

502 128,769

6,785 2,066,979

73,584269,393

93,298518,501

81,23893,525

483,493 483,493

- 915 5,410

317,499 67,854 395,216

518,078 - 73,487 599,395

533,897 - 31,720 568,156

14 1,051,975 317,499 1,218,957 7,172,394

60,626 (461,407) (284,382) (177,149) (1,121.915)

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Exhibit 4 - Concluded

CITY OF CHICAGO, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

Federal, State and Local

General Grants

Special Taxing Areas

Other Financing Sources (Uses):					
Issuance of Debt	$	-	$ 17,168 $		
Premium	...				
Payment to Refunded Bond Escrow Agent					
Transfers In		39,700	- 97,513		
Transfers Out	(10,081)			(44,463)	
Total Other Financing Sources (Uses)			29,619	17,168	53,050
Net Changes in Fund Balance		(25,489)	61,351 (195,628)		
Fund Balance, Beginning of Year		167,057	(286,396) 1,522,686		
Change in Inventory	(290)		-	-	
Fund Balance, End of Year	$ 141,278	$	(225,045) $ 1,327,058		

See notes to basic financial statements.

Service Concession Agreements and Reserve

Bond, Note Redemption and Interest
Community Development

and Improvement Projects

Nonmajor Governmental Funds

Total Governmental Funds

		$ 328,471		$ 535,240	$ 123,468		$ 1,004,347
			9,995	5,208	2,262		17,465
			(302,862)	-	-		(302,862)
	5,000		366,198	7,004	137,171		652,586
(13,900)	(164,268)	(279,009)	(140,865)	(652,586)			
(8,900)	237,534	268,443	122,036	718,950			
51,726	(223,873)		(15,939)		(55,113)	(402,965)	
(1,007,128)	197,001		363,591		269,780	1,226,591	
;	:		-	(290)			
(955,402)	$ (26,872)		$ 347,652	$	214,667		$ 823,336

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, 2014 (Amounts are in Thousands of Dollars)

Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds	$ (402,965)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	303,167
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(155,112)
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	(115,625)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(1,250,462)
Change in the net position of governmental activities	$ (1,620,997)

See notes to basic financial statements.

Exhibit 6
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND (BUDGETARY BASIS) Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

	Original Budget
Revenues:	
Utility Tax	$ 450,274
Sales Tax	274,505
Transportation Tax	183,732
Transaction Tax	284,627
Recreation Tax	182,565
Business Tax	102,470
State Income Tax	293,700
State Sales Tax	322,272
State Auto Rental	4,100
Federal/State Grants	1,500
Internal Service	318,212
Licenses and Permits	131,668
Fines	414,680
Investment Income	4,725
Charges for Services	124,476
Municipal Utilities	6,656
Leases, Rentals and Sales	22,118
Miscellaneous	55,920
Budgeted Prior Years' Surplus and Reappropriations	53,417
Transfers In/Out	58,608
Total Revenues	3,290,225
Expenditures: Current:	
General Government	1,051,842
Health	28,127
Public Safety	1,960,557
Streets and Sanitation	196,446
Transportation	50,873
Debt Service:	
Principal Retirement	1,830
Interest and Other Fiscal Charges	550
Total Expenditures	3,290,225
Revenues Over (Under) Expenditures ...	$ -

Final Budget

450,274 274,505 183,732 284,627 182,565 102,470 293,700 322,272
4,100
1,500 318.212 131,668 414,680
4,725 124,476
6,656 22,118 55,920

53,417 58,608

3,290,225

1,051,842 28,127
1,960,557 196,446 50,873

1,830 550

3,290,225

Actual Amounts

473,496 285,773 185,076 316,201 193,680 104,829 278,031 334,526
4,175
2,335 305,716 119,940 338,329
1,573 134,593
7,257 24,127 66,493

45,472 39,700

3,261,322

958,216 26,229 2,037,661
189,909 46,927

1,830 550

3.261,322

Variance

23,222 11,268 1,344 31,574 11,115 2,359 (15,669) 12,254 75 835 (12,496) (11,728)
(76,351) (3,152) 10,117 601 2,009 10,573

(7,945) (18,908)

(28,903)

93,626 1,898
(77,104) 6,537 3,946

28,903

See notes to basic financial statements.

Exhibit 7
CITY OF CHICAGO, ILLINOIS STATEMENT OF NET POSITION PROPRIETARY FUNDS December 31, 2014
(Amounts are in Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

Chicago-	Chicago-
Midway	O'Hare
International	International Chicago

Airport Airport Skyway

ASSETS AND DEFERRED OUTFLOWS CURRENT ASSETS:

Cash and Cash Equivalents $ 23,551
Investments 101.359
Accounts Receivable (Net of

Allowances) 159,613

Interest Receivable 163
Due from Other Funds 91,224
Inventories 21,192
Cash and Cash Equivalents - Restricted 12,596
Investments - Restricted 132,451
Interest Receivable - Restricted 599
Other Assets - Restricted

TOTAL CURRENT ASSETS 542,748

NONCURRENT ASSETS

Cash and Cash Equivalents - Restricted
Investments - Restricted 386,090
Interest Receivable - Restricted
Other Assets - Restricted
Due from Other Governments - Restricted
Other Assets 4,898

Property, Plant, and Equipment:

Land 5,083
Structures, Equipment and

Improvements 3,986,305

Accumulated Depreciation (966,834)
Construction Work in Progress 457,645

Total Property, Plant and Equipment 3,482,199

TOTAL NONCURRENT ASSETS: 3,873,187
TOTAL ASSETS 4,415,935
DEFERRED OUTFLOWS 129,229
TOTAL ASSETS and DEFERRED OUTFLOWS .. $ 4,545,164

676 481
5,632 $ 94,002

76,760 212 33,751

6,358 34,042

11,518

527

72,514
S 69,205 $ 41,974

91,339

29,416 616
21,247 103,473 541

$ 105,422 271,858
494,735
357,811
1,159

2,860 707,952

464,329 1,503,728 3,684 31,729 1,229 33,987

124,959

55,742 310,902 262 3,045

901

114,780

1,556,519 (519,551) 20,585 1,172,333

339,232 375 154,918 21,808 601,092 235,924 1,140 2,860 1,734,629

289,041
9,964
3,970
560

885,669

8,208,757 (2,973,903) 752,331 6,872,854

12,609

490,818 (233,547)

269,880 279,844

2,676,042 1,668,144 9,619,492 281,003

520,071 2,489,761 3,946 34,774 1,229 53,720

2,494,910 (495,953) 25,703

2,025,220 2,318,231

1,018,701

16,737,309 (5,189,788) 1,256,264

1,543,185 8,911,540

13,822,486

16,925,987

50,172
89,905
51,633

18,660,616

320,939

S 2,765,947 S 1,719.777 S 9,669,664 $ 281,003 S 18,981,555

See notes to basic financial statements.

Business-type Activities - Enterprise Funds

Major Funds

	Water
LIABILITIES CURRENT LIABILITIES:	
Voucher Warrants Payable	$ 26,168
Due to Other Funds	20,130

Accrued and Other Liabilities 92,312
Unearned Revenue 22,411
Current Liabilities Payable From

Restricted Assets 144,321

TOTAL CURRENT LIABILITIES 305,342

NONCURRENT LIABILITIES: Revenue Bonds and
Commercial Paper Payable 2,456,933
Derivative Instrument Liability 98,106
Other 1,577
TOTAL NONCURRENT LIABILITIES ..2,556,616
TOTAL LIABILITIES 2,861,958

DEFERRED INFLOWS

NET POSITION: Net Investement
in Capital Assets 1,393,968

Restricted Net Position:
Debt Service
Capital Projects 599
Passenger Facility Charges
Contractual Use Agreement
Air Development Fund
Customer Facility Charge
Other
Unrestricted Net Position 288,639
TOTAL NET POSITION $ 1,683,206
Chicago-O'Hare
Chicago Skyway
Chicago-Midway
Sewer
Total
110,388 104,026 132,933 144.227

836,290
4,242 $ 71,228 31,047 18,076

124,720

18,732 9,134 2,165 558

72,514

International International Airport Airport

140 15

61,106 $ 3,519 7,409 103,182
249,313
669,951
155
103,103

494,735

1,327.864
7,536,900

1,710,019 71,861
1,590,934 30,128 2,310

2,729 7,539,629 8,209,580
1,781,880 1,623,372
2,031,193 1,726,475

13.294,786 200,095 6,616 13,501,497
1,645,152
155 14,829,361
520,627
(115,080)

12,109 10,160 4,658 28,282

23,651 7,666 21,856
644,430

23,189 71,690 138,107 129,883 300,101 90,010 27,534 35,140
1,645,152

269,880
2,713,825
111,333

35,298 193,782 142,765 158.165 300,101 113,661
102,794
35,200 (1,185,755)
(1,634,184)
$ 734,754 $ (6,698) $ 1,460,084 $ (1,364,304) $ 2,507,042

See notes to basic financial statements.

Exhibit 8
CITY OF CHICAGO, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2014
(Amounts are in Thousands of Dollars)

	Business-type Activities - Enterprise Funds					
	Major Funds					
	Water	Sewer	Chicago-Midway International Airport	Chicago-O'Hare International Airport	Chicago Skyway	Total
Operating Revenues:						
Charges for Services - Net	S 670,559	$ 321,100	$ 83,455	$ 552,431	$-	$ 1,627,545
Rent		-	- 86,804	292,093		- 378,897
Other	22,075	1428	-	-	-	23,203
Total Operating Revenues	692,634	322,228	170,259	844,524	-	2,029,645
Operating Expenses:						
Personnel Services	120,607	14,394	47,836	182,984		- 365,821
Contractual Services	55,664	3,336	23,255	88,143		- 170,398
Repairs and Maintenance	1,886	64.809	44,160	110,928		- 221,783
Commodities and Materials	22,089	....				22,089

Depreciation and Amortization	57,949	36,701	46,163	218,211	10,314	369,338
General Fund Reimbursements	77,371	36,740	-	-	-	114,111
Other	21,105	-	14,345	112,952	-	148,402
Total Operating Expenses	356,671	155,980	175,759	713,218	10,314	1,411,942
Operating Income (Loss)	335,963	166,248	(5,500)	131,306	(10,314)	617,703
Nonoperaling Revenues (Expenses):						
Investment Income (Loss)	(515)	2,984	3,540	29,838	2	35,849
Interest Expense	(98,762)	(69,620)	(64,111)	(300,295)	-	(532,788)
Passenger Facility Charges	-	-	39,889	131,721	-	171,610
Customer Facility Charges	-	-	6,514	36,284	-	42,798
Noise Mitigation Costs	-	-	(3,103)	(15,892)	-	(18,995)
Cost of Issuance	-	-	(5,258)	(154)	-	(5,412)
Other	(2,223)	829	1,522	30,845	18,457	49,430
Total Nonoperating Revenues (Expenses)	(101,500)	(65,807)	(21,007)	(87,653)	18,459	(257,508)
Capital Grants	1,766	-	4,826	89,032	-	95,624
Net Income (Loss)	236,229	100,441	(21,681)	132,685	8,145	455,819
Nel Position (Deficit)-Beginning of Year . ..	1,446,977	634,313	14,983	1,327,399	(1,372,449)	2,051.223
Net Position (Deficit)-End of Year	$ 1,683,206	S 734,754	$ (6,698)	$ 1,460,084	$ (1,364,304)	$ 2,507,042

See notes to basic financial statements

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Exhibit 9

CITY OF CHICAGO, ILLINOIS STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

Cash Flows from Operating Activities-

Received from Customers

Payments to Vendors

Payments to Employees

Transactions with Other City Funds

Cash Flows Provided By Operating Activities

Cash Flows from Capital and Related Financing Activities: Proceeds from Issuance of Bonds/ Commercial Paper

Acquisition and Construction of Capital Assets

Capital Grant Receipts

Bond Issuance Costs
Payment to Refund Bonds
Principal Paid on Debt
Interest Paid
Passenger and Customer Facility Charges
Concessionaire Funds

Cash Flows (Used in) Provided By Capital
and Related Financing Activities

Cash Flows from Non Capital Financing Activities
Noise Mitigation Program
Proceeds from Settlement Agreement

Cash Flows Used in Non Capital
Financing Activities

Cash Flows from Investing Activities
Sale (Purchases) of Investments, Net ....
Investment Income (Loss)

Cash Flows Provided By (Used in)
Investing Activities

Net Inciease (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents, Beginning ol Year Cash and Cash Equivalents, End ol Year

Water

670,519 (80,663) (120,607) (143,903)

325,346

462,500

(334,191)

(3,146)

(43,633) (109,432)

(27,902)

(306,037)

8,209 _

(297,828) _

(384)

36,531 _

36.147 S

Sewer

310,970 (35.780) (43,617) (40,218)

191,355

338,026 (167.115)

(37,929) (69,860)

63,122

(213,388) 4,657

(208,731)

45.746 44,706
90,452

Chicago-Midway International Airport

5 164,849 (83,377) (39,295) (6,440)

35,737

972,038

(41,443) 4,894 (5,258) (797,008) (82,378) (59,237) 46,539

38,147

(2,609) 1,029

(1,580)

(111,577) 2,953

(108,624)

(36.320)

170,934 134.614

Chicago-O'Hare International Airport

i 842,353 (272,612) (167,248) (61,543)

340,950

43,380

(289,835) 88,942 (154)

(168,895) (368,370) 169,837

(525,095)

(15,892) 1,999

(13,893)

162,528 17,991

180,519

(17,519) 982,215
964,696 $

Total

$ 1,988,691 (472,432) (370,767) (252,104)

893,388

1,815.944
14
14

(832.584) 93,836 (8,558) (797,008) (332,835) (606,899) 216,376 14

(451,714)

(18,501) 3,028

(15,473)

(468,580) 33,812

(434,768)

(90) (8.557)

766 1,235,152 676 S 1,226,585

See notes lo basic financial slalemenls

Exhibit 9 - Concluded
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2014
(Amounts are in Thousands of Dollars)

Business-type Activities - Enterprise Funds

Major Funds

Chicago- Chicago-

Midway O'Hare

International International Chicago

Airport Airport Skyway

Reconciliation of Operating Income to Cash Flows from Operating Activities'

Operating Income (Loss)	$ 335,963	$ 166,248	$ (5,500)	$ 131,306	$ (10,314)	$ 617,703

369,340 38,765

(81,554) (73,208)

1,728

19,120

1,494

Adjustments to Reconcile.

Depreciation and Amortization	57,949	36,701	46,164	218,212 10,314		
Provision for Uncollectible Accounts	22.53716,557 (329)					
Change in Assets and Liabilities.						
(Increase) Decrease in Receivables	(45,813)	(29,162)	3,739 (10,318)			
(Increase) Decrease in Due From Other Funds		(71,789)	(2,489) 3.612 (2,542)			
Increase (Decrease) in Voucher Warrants Payable and Due to Other Funds	10,775	(1,541)	(3,463) (4,043)			
Increase (Decrease) in Unearned Revenue and Other Liabilities	15,0774.3B9	(8,492) 8,146				
(Increase) Decrease in Inventories and Other Assets	647	652	(3	189	:	
Cash Flows from Operating Activities	$ 325,346	$ 191,355	$ 35,737	$ 340,950	$ -	$ 893,388

Supplemental Disclosure of Noncash Items: Capital asset additions in 2014 have outstanding accounts payable and accrued and other liabilities	S 64,553	$ 54,611	$ 18,615	S 89,773	$	$ 227,552

See notes to basic financial statements.

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Exhibit 10
CITY OF CHICAGO, ILLINOIS STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS December 31, 2014
(Amounts are in Thousands of Dollars)

	Pension Trust Agency		
ASSETS			
Cash and Cash Equivalents	$ 234,273 $ 53,202		
Investments	- 109,447		
Investments, at Fair Value Bonds and U.S. Government			
Obligations	2,426,669		
Stocks	5,139,698		
Mortgages and Real Estate	668,384		
Other	1,862,939		
Cash and Investments with			
Escrow Agent	- 6,437		
Property Tax Receivable	- 91,619		
Accounts Receivable, Net	623,874 114,155		
Due From City	51,519		
Property, Plant, Equipment and other	570		
Invested Securities Lending Collateral	906,189	-	
Total Assets		$ 11,914,115	$ 374,860
LIABILITIES			
Voucher Warrants Payable	$ 341,537$ 37,534		
Accrued and Other Liabilities	- 259,623		
Securities Lending Collateral	906,189	-	
Total Liabilities	1,247,726S 297,157		
Deferred Inflows	_$ 787 $ 77,703		
Total Liabilities and Deferred Inflows	$ 1,248,513$ 374,860		
NET POSITION			
Restricted for Pension Benefits	10,665,602		
Total Net Position	$ 10,665,602		

See notes to basic financial statements.

Exhibit 11
CITY OF CHICAGO, ILLINOIS
STATEMENT OF CHANGES IN PLAN NET POSITION FIDUCIARY FUNDS - PENSION TRUST FUNDS
Year Ended December 31, 2014 (Amounts are in Thousands of Dollars)

	Total		
ADDITIONS Contributions:			
Employees	$ 290,063		
City	470,199		
		Total Contributions	760,262
Investment Income: Net Appreciation in			
		Fair Value of Investments	365,194
Interest, Dividends and Other	232,118		
Investment Expense	(50,906)		
		Net Investment Income	546,406
Securities Lending Transactions:			
Securities Lending Income	2,711		
Securities Lending Expense	1,075		
Net Securities Lending Transactions	3,786		
Total Additions	1,310,454		
DEDUCTIONS			
Benefits and Refunds of Deductions	1,888,392		
Administrative and General	17,713		
Total Deductions	1,906,105		
Net Increase in Net Position	(595,651)		
Net Position:			
Beginning of Year	11,261,253		
End of Year	$ 10,665,602		

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

1) Summary of Significant Accounting Policies

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

The accounting policies of the City are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Effective January 1, 2014, the City adopted the following GASB Statements:

GASB Statement No. 67, Financial Reporting for Pension Plans, an amendment of GASB No. 25 ("GASB 67"), was established to provide improved financial reporting by state and local government pension plans. The Pension Plans (as defined below in subsection a) adopted GASB No. 67 during the year ended December 31, 2014.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations ("GASB 69"), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The City adopted GASB 69 for the year ended December 31, 2014. GASB 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. There was no impact on the City's Financial Statements as a result of the implementation of GASB 69.

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

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

GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), establishes new financial reporting requirements for most governments that provide their employees with pension benefits through these types of plans. GASB 68 will be effective for the City beginning with its year ending December 31, 2015. GASB 68 replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GAS8 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). As of December 31, 2014, the City reported a net pension obligation of $8.6 billion on the statement of nel position and disclosed within Note 11 a combined unfunded actuarial accrued liability for all of the pension plans of $19.7 billion in accordance with GASB Statement No. 27. During 2014, the Pension Plans (as defined below in subsection a) implemented GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. and disclosed a combined net pension liability of S20.1 billion. The City has not yet determined the impact, if any, GASB 68 will have on the enterprise fund financial statements.

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date -an amendment of GASB Statement No. 68 ("GASB 71"), relates to amounts associated with contributions, if any. made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB 71 will be effective for the City beginning with its year ending December 31, 2015. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability and requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

GASB Statement No. 72 Fair Value Measurement and Application ("GASB 72"), addresses accounting and financial reporting issues related to fair value measurements. GASB 72 will be effective for the City beginning with its year ending December 31, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and the related disclosures. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

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

The City's financial statements include the following legal entities as fiduciary trust funds:

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

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

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

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

Financial statements for each of these four pension plans (collectively,"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 financial accountability or fiscal dependency exists between the City and these organizations. Therefore, the Chicago Park District, Chicago Public Building Commission, Chicago Public Schools, Community College District No. 508, Chicago Housing Authority and the Chicago Transit Authority are deemed to be related organizations.

b) Government-wide and fund financial statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 recorded as deferred inflows unless taxes are received within 60 days subsequent to year-end. Licenses and permits, charges for services and miscellaneous revenues are not considered to be susceptible to accrual and are recorded as revenues when received in cash. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting, except for interest and principal on long-term debt, the long-term portion of compensated absences, claims and judgments and pension obligations.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts'for and reports all financial resources not accounted for and reported in another fund.

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

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

Service Concession and Reserve Fund accounts for monies committed for mid and long term uses. The Mid-term portion is subject to appropriation for neighborhood human infrastructure programs, health, and other initiatives, whereas the Long-term portion is committed for future budgetary and credit rating stabilization. These reserves were created as a result of the Skyway Lease and Parking Meter System transactions. The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of the agreements.

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

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

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

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

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

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

Assigned - includes amounts that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: a) the City Council itself; or b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. The Budget Director or Comptroller have authority to assign amounts related to certain legal obligations outside of the appropriation process within the General Fund. Within the other governmental fund types (special revenue, debt service, and capital projects) resources are assigned in accordance with the established fund purpose and approved appropriation. Residual fund balances in these fund types that are not restricted or committed are reported as assigned.

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

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

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

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

Chicago Midway International Airport Fund records operations of Chicago Midway International Airport (Midway) that provides regional travelers with access to airlines that generally specialize in low-cost, point-to-point, origin and destination passenger services. Midway Airport is conveniently located 10 miles from downtown Chicago.

Chicago-O'Hare International Airport Fund records operations of Chicago-O'Hare International Airport (O'Hare), the primary commercial airport for the City. The airlines servicing the airport operate out of four terminal buildings. Three domestic terminal buildings, having a total of 169 gates, serve domestic flights

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and certain international departures. The International Terminal, having a total of 20 gates and five remote aircraft parking positions, serves the remaining international departures and all international arrivals requiring customs clearance.

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

Additionally, the City reports the following fiduciary funds:

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

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

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

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

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

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

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

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

d) Assets, liabilities, deferred inflows, deferred outflows, and net position or equity

i) Cash, Cash Equivalents and Investments generally are held with the City Treasurer as required by the Code. Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly. The City uses separate escrow accounts in which certain tax revenues are deposited and held for payment of debt. The Code permits deposits only to City Council-approved depositories, which must be regularly organized state or national banks and federal and state savings and loan associations, located within the City, whose deposits are federally insured.

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

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

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

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

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

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

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

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

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

iii) Inventory includes government-wide inventories, which are slated at cost determined principally, using the average cost method. For proprietary funds, the costs of inventories are recorded as expenses when used (consumption method). Governmental fund inventories are accounted for using the purchases method and represent nonspendable resources because they do not represent expendable available financial resources.

iv) Assets Held for Resale includes land and buildings of $4.1 million, recorded at lower of cost or market in the Federal, State and Local Grant Funds. These assets are purchased through the use of federal grants and City resources and are intended to be resold.

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. The total interest expense (Governmental and Business Activities) incurred by the City during the current fiscal year was $1,184.7 million, of which $83.8 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
Utility structures and improvements
Buildings and improvements
Airport runways, aprons, tunnels, taxiways, and paved roads
Bridge infrastructure
Lighting infrastructure
Street infrastructure

Transit infrastructure

Equipment (vehicle, office, and computer)

25- 100 years 50- 100 years 15 - 40 years 5 - 30 years 10- 40 years

25 years 10- 25 years 40 years 5 - 20 years

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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 Ihe collection are used to purchase other acquisitions. A portion of this collection is not capitalized or depreciated as part of capital assets.

vii) Deferred Outflows represent the fair value of derivative instruments that are deemed to be effective hedges and unamortized loss on bond refundings.

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

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

The City is subject to the State of Illinois Unemployment Compensation Act and has elected the reimbursing employer option for providing unemployment insurance benefits for eligible former employees. Under this option, the City reimburses the State for claims paid by the State. Expenditures for workers' compensation are recorded when paid in the governmental funds. A liability for these amounts is recorded in the government-wide and proprietary fund financial statements.

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

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

The City enters into interest rate swap agreements to modify interest rates and/or cash flows on outstanding debt. For existing swaps, the net interest expenditures resulting from these arrangements are recorded as interest expense. The fair value of derivative instruments that are deemed to be effective is accounted for as deferred outflows. Derivative instruments that are deemed not effective are adjusted to fair value with the change in fair value recorded to investment earnings. Under certain bond ordinances adopted by the City Council, interest rate swaps and swaptions are authorized to be entered into by designated City officials in connection with certain bonds issued by the City For swaps related to O'Hare Bonds, airline approval is also required before entering into a swap agreement.

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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. Pension
The City's contributions to the four Pension Plans primarily serving City employees are set by State law. In recent years, the total contributions have been lower than the actuarially required amounts for the Plans, which has served to increase the Plans' unfunded actuarial accrued liabilities. Recurring cash inflows from all sources to the Plans (including City contributions, employee contributions, and investment earnings) have been lower than the cash outlays of the Plans in some recent years. As a result, the Plans have liquidated investments and used assets of the Plans to satisfy their respective current payment obligations in those years. The use of assets by the Plans for these purposes reduces the amount of assets on hand to pay benefits or earn investment returns in the future.

Current State law for the Policemen's and Firemen's Plans, known as Public Act 96-1495 (P.A. 96-1495), requires the City to significantly increase contributions to those Plans beginning in 2016. In each year, the City must contribute the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2040. Under the enacted State legislation for the Municipal Employees' and Laborers' Plans, known as Public Act 98-641 (P.A. 98-641), the City is required to significantly increase contributions to those two Plans beginning in 2016. During the period 2016 through 2020, the City's contributions to the Municipal Employees' and Laborers' Plans increase by statutorily determined amounts which are not based on actuarial calculations. Beginning in 2021, P.A. 98-641 requires the City to contribute in each year to the Municipal Employees' and Laborers' Plans the amount needed for each Plan to achieve a 90% Funded Ratio by the end of 2055. P.A. 98-641 also makes certain modifications to the automatic annual increases paid to retirees and requires increases in employee contributions toward the cost of their retirement benefits. P.A. 98-641 is currently subject to challenge in a lawsuit alleging its unconstitutionality.

Senate Bill 777 ("SB 777"), an amendment to P.A. 96-1495, passed both houses of the Illinois General Assembly as of May 31, 2015. SB 777 institutes a Phase-in Period until 2020 and a Revised Amortization Period to 2055. A Revised Amortization Period would reduce the annual funding obligation required to reach a 90% Funded Ratio, but extend the number of years over which such payments would need to be made. Enactment of a Phase-in Period would reduce the City's required payment in the initial years to allow for a more gradual phase-in of the requirements of P.A. 96-1495. Although SB 777 has passed both chambers of the Illinois General Assembly, a motion to reconsider the vote on SB 777 has been filed in the Illinois Senate, and accordingly, SB 777 has not been sent to the Governor for consideration. The City makes no representation as to whether SB 777 will be enacted.

Liquidity
The City's general obligation bonds, sales tax revenue bonds and motor fuel tax revenue bonds were downgraded by Moody's, Standard & Poor's and Fitch Ratings in May 2015. Moody's cited in its rating action the Illinois Supreme Court's decision on May 8, 2015, which found the State Pension Reform Act unconstitutional, as limiting the City's options for addressing its unfunded pension liabilities. Moody's downgraded the City's general obligation, sales tax revenue and motor fuel tax revenue credits to Ba1. Moody's indicated that further downgrades could follow upon the occurrence of any of the following: (a) a determination by a court of law that P.A. 98-641 is unconstitutional; (b) continued growth in the debt and/or unfunded pension liabilities of the City and overlapping governments; and (c) narrowing of the City's fund balances and liquidity. At the same time, Moody's downgraded the City's Water senior hen revenue bonds from A2 to Baal, the Water second hen revenue bonds from A3 to Baa2 and the City's Wastewater senior lien bonds from A3 to Baa2 and the Wastewater second lien revenue bonds from Baal to Baa3, each with a negative outlook.

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In May 2015, Standard and Poor's downgraded the rating of the City's general obligation bonds to A-from A+, Water senior lien and Wastewater senior lien revenue bonds to A from AA, and Water second lien revenue bonds and Wastewater second lien revenue bonds to A- from AA-.

In May 2015, Fitch Ratings downgraded the rating of the City's general obligation bonds and sales tax revenue bonds to BBB+ from A-.

The rating actions by Standard & Poor's and Fitch, in part, cited the Moody's rating action and the resulting uncertainty regarding the City's liquidity position.

Due to the Moody's downgrade of the City's general obligation credit to Ba1 (below investment grade) from Baa2, an event of default was triggered under credit agreements the City had entered into with certain banks to provide letters of credit supporting the City's general obligation debt (including the general obligation variable rate demand bonds) and to provide letters of credit or revolving lines of credit for the City's general obligation commercial paper notes and line of credit facilities, which consisted of general obligation revolving lines of credit from four banks and two series of general obligation commercial paper notes (one series backed by a letter of credit from Wells Fargo Bank and the other series backed by a letter of credit from Bank of Montreal). Upon the event of default, the banks providing letters of credit for the general obligation debt as well as the banks supporting the commercial paper/line of credit program had the right to demand immediate repayment of amounts owed under their credit agreements. The Moody's downgrade also resulted in a termination event under the City's existing interest rate swaps on its general obligation variable rate bonds; pursuant to those swap agreements, the swap counterparties had the right to set an early termination date for the swaps and demand a termination payment from the City.

Shortly after the Moody's downgrades and resulting event of default/termination event, the City terminated the letter of credit from Wells Fargo Bank; there were no commercial paper notes outstanding secured by that letter of credit. With respect to the other banks supporting the commercial paper/line of credit program, the banks providing letters of credit for the City's general obligation debt, and the counterparties on the interest rate swaps for its general obligation variable rate bonds, the City entered into forbearance agreements pursuant to which the affected banks agreed to temporarily forbear from exercising their respective rights resulting from the event of default/termination event. In May and June 2015, the City converted ($674 million) and/or redeemed ($132 million) all of its general obligation variable rate bonds and converted sales tax variable rate revenue bonds ($112 million) to long-term fixed rate bonds and terminated the associated letters of credit and interest rate swaps (termination payment of $221 million) for those bonds. For the agreements with the banks supporting the commercial paper/line of credit program, the forbearance agreements ($849 million) extend to September 30, 2015, but can terminate earlier if: (i) there are any other events of default by the City under the related credit agreements, (ii) there are further downgrades of the rating on the City's general obligation bonds, or (iii) the forbearance period in one of the other forbearance agreements terminates prior to its scheduled end date. The City plans to issue long-term general obligation fixed rate bonds in mid-2015 to repay most of the outstanding amounts under the commercial paper/line of credit program.

With respect to the City's Series 2000 and Series 2004 Water Second Lien Revenue Bonds, the downgrades triggered defaults under certain credit and/or liquidity facilities, and for the Series 2008C Wastewater Second Lien Revenue Bonds, certain continuing covenant agreements with those bondholders. The Moody's downgrades also triggered termination events under interest rate swap agreements relating to these bonds. In response to the triggering of these defaults and termination events, the City entered into forbearance agreements with the holders of its Series 2008C Wastewater Second Lien Revenue Bonds ($332 million) to June 30, 2016; and amended and/or transferred the interest rate swap agreements for its Water Second Lien Revenue Bonds (estimated termination value of $125 million) and its Wastewater Second Lien Revenue Bonds (estimated termination value of $75 million) to remove such termination event from the swap agreements prior to any demand being made for a termination payment by the counterparties; and obtained a waiver of the event of default from the provider of a letter of credit relating to the Series 2000 Water Second Lien Revenue Bonds. With respect

to the forbearance agreements with the holders of the Series 2008C Wastewater Second Lien Revenue Bonds, the forbearance period under each of those forbearance agreements extends to June 30, 2016, but can terminate earlier if: (i) there are any other events of default by the City under the related continuing covenant agreements, (ii) there are further downgrades of the rating on the Wastewater Second Lien Bonds, or (iii) the forbearance period in one of the other forbearance agreements for the Wastewater Second Lien Bonds terminates prior to its scheduled end date. With respect to the Series 2008C Water and Wastewater swap agreements, a ratings downgrade below Baa3 on the Second Lien Revenue Bonds for each of the respective credits would trigger a termination event with respect to the related swap agreement. With respect to the Water credit and/or liquidity facilities, a ratings downgrade below Baa3 on the Water Second Lien Revenue Bonds would trigger an event of default.

The City believes its expected revenues along with current assets are sufficient to fund its operations on a continuing basis, through 2015 and beyond, notwithstanding the City's plans to issue additional bonds in 2015.

xi) Deferred inflows represent amounts to be recognized as revenue on a straight line basis over the life of the related long-term lease and concession agreements. In the fund financials, grants that meet all of the eligibility criteria except for time availability and property taxes levied for a future period are also included in deferred inflows.

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

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

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

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

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

2) Reconciliation of Government-wide and Fund Financial Statements

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

i) The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and nel position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds." The details of this $1,242.8 million are as follows (dollars in thousands):

Deferred inflows - property tax	$ 983,616	
Deferred inflows - grants		259,140
Net adjustment to increase fund balance - total governmental funds - to arrive at net position - governmental activities	$ 1,242,756	

ii) Another element of that reconciliation explains that "Certain liabilities and deferred outflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $19,390.5 million are as follows (dollars in thousands):

Long-term liabilities:			
Total bonds, notes and certificates payable	$ 9,606,475		
Pension and other postemployment benefits	8,884,304		
Lease obligation	116,858		
Pollution remediation	8,532		
Claims and judgments		900,616	
Total Long-term liabilities			19,516,785
Accounts payable - infrastructure retainage	15,272		
Bonds, notes and other obligations payable current	(86,059)		
Other assets - issuance costs (bond insurance)	(16,033)		
Deferred outflows-unamortized loss on refunding	(158,102)		
Accrued interest	2,330		
Derivative instrument liability	25,538		

Accrued and other liabilities - compensated absences		90,860
Net adjustment to reduce fund balance - total governmental funds - to arrive at net position - governmental activities	$ 19,390,591	

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

i) The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $303.2 million are as follows (dollars in thousands):

Capitalized asset expenditures	$ 656,672		
Donated assets	14,476		
Depreciation expense	(367,845)		
Loss - disposal of equipment		(136)	
Net adjustment to increase net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities			$ 303,167

ii) Another element of that reconciliation states that "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position." The details of this decrease of $115.6 million are as follows (dollars in thousands):

Proceeds of debt	$ (1,004,347)	
Premium	(17,465)	
Payment of refunded bond escrow agent	302,862	
Principal retirement	599,395	
Interest expense	3,643	
Cost of Issuance	287	
Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at changes in net position - governmental activities		$ (115,625)

iii) Another element of that reconciliation states that "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this decrease of $1,250.4 million are as follows (dollars in thousands):

Claims and judgments	$ (20,849)	
Pension and other post employment benefit liabilities	(1,209,339)	
Pollution remediation	66	
Vacation	(1,532)	
Lease obligations	(18,518)	
Inventory		(290)

Net adjustment to reduce net changes in fund balances - total governmental funds - to arrive at

changes in net position - governmental activities	$ (1,250,462)

3) Stewardship, Compliance and Accountability

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

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

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

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

iv) Subsequent to the enactment of the appropriation ordinance, the City Council has the authority to make necessary adjustments to the budget, which results in a change in total or individual appropriations. The legal level of budgetary control is designated in the budget by object grouped by purpose except for the Motor Fuel Tax Fund, which is subsequently re-appropriated by project. A separate Motor Fuel Tax Fund Report demonstrates compliance with annual and project-length budgets required by the State. The

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separately issued Supplement to the Comprehensive Annual Financial Report provides budgetary information for all other budgeted funds. Copies of this report are available upon request, v) All annual appropriations unused and unencumbered lapse at year-end. Encumbered appropriations are carried forward to the following year. Project-length financial plans are adopted for Capital Project Funds. Appropriations for Debt Service Funds are established by bond ordinance.

b) Reconciliation of GAAP Basis to Budgetary Basis - The City's budgetary basis of accounting used for budget vs. actual reporting differs from GAAP. For budgetary purposes, encumbrances are recorded as expenditures but are included in "Unassigned" fund balance for GAAP purposes. For budgetary purposes, proceeds of long-term debt and transfers in are classified as revenues. For budgetary purposes prior years' resources used to cover current year budgetary expenditures are recorded as revenues. For GAAP purposes, proceeds of long-term debt and transfers out are treated as other financing sources. Provision for doubtful account expenditures are not budgeted. A reconciliation of the different basis of revenue and expenditure recognition for the year ended December 31, 2014 is as follows (dollars in thousands):

	General Fund
Revenues, GAAP Basis	$ 3,176,150
Add:	
Transfers In	39,700
Prior Year's Surplus Utilized	45,472
Revenues, Budgetary Basis	$ 3,261,322
Expenditures, GAAP Basis	$ 3,231,258
Add:	
Transfers Out	10,081
Encumbered in 2014	29,223
Deduct:	
Payments on Prior Years' Encumbrances	(6,943)
Provision for Doubtful Accounts and Other	(2,297)
Expenditures, Budgetary Basis	$ 3,261,322

c) Individual Fund Deficits include the Chicago Skyway Fund, an Enterprise Fund, which has a fund deficit of $1,364.3 million which management anticipates will be funded through recognition of deferred inflows. Midway International Airport Fund has a fund deficit of $6.7 million which will be funded through future revenues. Federal State and Local Grants, a governmental fund, has a deficit of $225.0 million and will be funded by the recognition of deferred grant inflows and unearned revenue. The Service Concession and Reserve Fund, a Special Revenue Fund, has a deficit fund balance of $955.4 million which will be funded through the recognition of deferred inflows. Also, the Bond, Note Redemption and Interest Fund has a deficit of $26.9 which will be funded through the issuance of General Obligation Bonds.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

4) Restricted and Unrestricted Cash, Cash Equivalents and Investments

a) Investments As of December 31. 2014, the City had the following Investments (dollars in thousands):

Investment Type	Investment Maturities (in Years)				
	Less Than 1	1-5	6-10	More Than 10	Total
City Funds					
U.S. Agencies*	$ 892,426	S 3.025,098	$ 172.590	$ 112,073	S 4.202,187
Commercial Paper	556.993	-	-	-	556.993
Corporate Bonds	73,420	182,564	120,707	73,998	450,689
Corporate Equities	910	-	-	-	910
Municipal Bonds	72,144	300,170	69,591	11,209	453,114
Certificates of Deposit and Other Short-term	1,593,657	-	-	-	1,593,657
Total City Funds	$ 3,189,550	$ 3,507,832	$ 362,888	$ 197.280	$ 7,257,550

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

Pension Trust Funds					
U.S. and Foreign Governmen! Agencies	$ 293,168	$ 369.223	S 155,772	$ 467,811	$ 1,285,974
Corporate Bonds	861,112465,027	394,251	321,362		2,041,752
Corporate Equities	5,629,900---5,629,900				
Pooled Funds	G6.14322,339-	-88,482			
Real Estate	634,015---634,015				
Secunties Received from Secunties Lending	906,189	-	-	-	906,189
Venture Capital	435,340---435.340				
Certificates of Deposit and Other Short-lerm	178.686	-	-	-	178.686
Derivatives	787---787				
Other	36.539---36,539				
Total Pension Trust Funds	S 9,041.879	$ 856,589	S 550.023	$ 789,173	$ 11,237,664

Total	$ 12,231.429	S 4,364.421	$ 912.911	$ 986,453	$ 18.495,214

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

ii) Credit Risk - The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of Deposit are also limited by the Code to national banks which provide collateral of at least 105 percent by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The following schedule summarizes the City's and Pension Trust Funds exposure to credit risk (in thousands):

Quality Rating	City
Aaa/AAA	$ 176,616
Aa/AA	4,150,011
A/A	252,722
Baa/BBB	
Ba/BB	
B/B	
Caa/CCC	
Ca	
C/CC	
DID	
P1/A1	888,599
Not Rated*	1,789,602
Total Funds	$ 7,257,550

Quality Rating

Aaa/AAA
Aa/AA
A/A
Baa/BBB
Ba/BB
B/B
Caa/CCC
Ca
C/CC
D/D
Not Rated
Other

Pension Trust Funds

$ 116,827
136,607
252,464
352,443

162,158
150,649
36,095
828
350
528
357,957
932,256

$ 2,499,162

* Not rated is primarily composed of money market mutual funds.

iii) Custodial Credit Risk - Cash and Certificates of Deposit: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy states that in order to protect the City's deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 102 percent of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. The bank balance of cash and certificates of deposit with the Cily's various municipal depositories was $318.2 million. 97.7 percent of the bank balance was either insured or collateralized with securities held by City agents in the City's name. $7.4 million was uncollateralized at December 31, 2014, and thus was subject to custodial credit risk.

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

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

Foreign Currency Risk	
Australian dollar	$ 62,870
Brazilian real	43,414
British pound	303,227
Canadian dollar	79,768
Chilean peso	2,666
Chinese yuan	(1,493)

Columbian peso	1,941
Czech Republic koruna	2,661
Danish krone	21,222
Egyptian pound	434
European euro	394,560
Hong Kong dollar	185,487
Hungarian forint	832
Indian rupee	47,536
Indonesian rupiah	19,691
Japanese yen	317,654
Malaysian ringgit	7,704
Mexican peso	29,391
New Israeli shekel	9,136
New Romanian leu	377
New Taiwan dollar	30,860
New Zealand dollar	1,835
Nigeria Naira	(34)
Norwegian krone	19,080
Pakistan rupee	302
Peruvian Nuevo Sol	3
Philippines peso	3,252
Polish zloty	3,122
Qatari riyal	610
Russian ruble	337
Singapore dollar	18,145
South African rand	40,395
South Korean won	58,148
Swedish krona	57,088
Swiss franc	101,272
Taiwan dollar	5,175
Thailand baht	14,232
Turkish lira	19,608
United Arab Emirates dirham...	4,333
Urguayan peso Uruguayo	466
Total Pension Trust Funds	$ 1,907,307~

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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

Per Note 4:		
Investments - City	$ 7,257,550	
Investments - Pension Trust Funds	11,237,664	
		$ 18,495,214
Per Financial Statements:		
Restricted Investments	$ 3,324,414	
Unrestricted Investments	1,835,373	
Investments with Fiduciary Funds	10,207,137	
Investments with Escrow Agent	417,522	
Invested Securities Lending Collateral	906,189	

Investments Included as Cash and Cash Equivalents on the Statement of Net Position	1,804,579
	$ 18,495,214

5) Property Tax

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

Property in the County is separated into fifteen 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 10.0 percent for certain residential, commercial, and industrial property to 25.0 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 and subtracts total amounts of EAV in Tax Increment Financing Districts to arrive at the base amount (Tax Base) used in calculating the annual tax rates.

The County Clerk computes the annual tax rate by dividing the levy by the Tax 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 55.0 percent of the prior year's tax bill. The second installment tax bill equals the total tax liability for the year minus the first installment tax bill amount.

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, based on Ihe ordinance. The ordinance provides an exception 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. Most general obligation bond levies approved after 2001 have also been excluded from this limit.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

6) Interfund Balances and Transfers

a) The following balances at December 31, 2014 represent due from/to balances among al) funds (dollars in thousands):

Fund Type/Fund	Due From	Due To
Governmental Funds:		
General	$ 109,514	$ 276,805
Federal, State and Local Grants	10,059296,159	
Special Taxing Areas	423,933	11,682
Service Concession and Reserve	5,0005,140	
Bond, Note Redemption and Interest	-85,700	
Community Development and Improvement Projects....	97,053	56,996
Nonmajor Governmental Funds	79,21094,698	
Total Governmental Funds	724,769	827,180
Enterprise Funds:		
Water	91,224	20,130
Sewer	29,416	71,228

Chicago Midway International Airport	5279,134		
Chicago-O'Hare International Airport	33,7513,519		
Chicago Skyway	- 15		
Total Enterprise Funds	154,918 104,026		
Fiduciary activities:			
Pension Trust	51,519-		
Total Fiduciary activities	51,519-		
Total		$ 931,206	$ 931,206

The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

b) The following balances at December 31, 2014 represent interfund transfers among all funds (dollars in

b) thousands):

Fund Type/Fund	Transfer In	Transfer Out
Governmental Funds:		
General	$ 39,700	$ 10,081
Special Taxing Areas	97,513	44,463
Service Concession and Reserve	5,00013,900	
Bond, Note Redemption and Interest	366,198164,268	
Community Development and Improvement Projects....	7,004279,009	
Nonmajor Governmental Funds	137,171	140,865
Total Governmental Funds	$ 652.586	$ 652,586

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

7) Capital Assets

a) Capital Assets activity for the year ended December 31,

Balance

January 1, 2014

Governmental activities:

1,392,613 30,749 260,192

Capital assets, not being depreciated:

Land $

Works of Art and Historical Collections

1,683,554

Construction in Progress

Total capital assets, not being depreciated

2,545,699 1,381,545 8,151,833

Capital assets, being depreciated:

Buildings and Other Improvements

Machinery and Equipment

12,079,077

Infrastructure

Total capital assets, being depreciated

877,695 1.155,690 3,735,664 5,769,049

6,310L028

Less accumulated depreciation for:
Buildings and Other Improvements
Machinery and Equipment
Infrastructure
Total accumulated depreciation
$ 7,993,582 $ 578,600 $ (291,008) $ 8,281,174

Total capital assets, being depreciated, net

Total governmental activities

Business-type activities:
1,016,635 1,207,828
Capital assets, not being depreciated:
Land $
2,224,463
Construction in Progress
Total capital assets, not being depreciated
15,138,127 682,588 15,820,715

Capital assets, being depreciated:
Buildings and Other Improvements
Machinery and Equipment
Total capital assets, being depreciated
4,486,528 346.314 4,832,842

10,987,873

Less accumulated depreciation for:
Buildings and Other Improvements
Machinery and Equipment
Total accumulated depreciation

$ 13,212,336 $ 1.187,851 $ (577,701) $ 13.822,486 $ 21,205,918 $ 1,766,451 $ (868,709) $ 22,103,660

Total capital assets, being depreciated, net

Total business-type activities

Total Capital Assets

b) Depreciation expense was charged to functions/programs of the City as follows (dollars in thousands):

Governmental activities:	
General Government	$ 44,735
Public Safety	27,464
Streets and Sanitation	14,936
Transportation	251,702
Health	955
Cultural and Recreational	28,053

Total Depreciation Expense - Governmental Activities	$ 367,845	
Business-type Activities:		
Water		$ 54,802
Sewer		34,061
Chicago Midway International Airport		46,044
Chicago-O'Hare International Airport		215,918
Chicago Skyway		10,202
Total Depreciation Expense - Business-type Activities	$ 361,027	

8) Leases

a) Operating Leases

The City leases building and office facilities under noncancelable operating leases. Total costs for such leases were approximately $13.6 million for the year ended December 31, 2014.

The future minimum lease payments for these leases are as follows (dollars in thousands):

2015	$	8,986
2016	4,096	
2017	2,813	
2018	2,457	
2019	2,183	
2020- 2024		7,196
2025 - 2029	336	
2030 - 2034	254	
2035- 2039	216	
2040 - 2042		66
Total Future Rental Expense	S	28,603

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 provided 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 was required to make future minimum lease payments.

In June 2014, the City terminated the two lease/leaseback transactions relating to its 911 and 311 systems (QTE-1 and QTE-2). Under the termination agreements, the leases were terminated and the City regained unrestricted title to its 911 and 311 systems. Under the termination agreement relating to QTE-1, the City paid a gross amount of $1.0 million to Bank of America N.A. To terminate the QTE-2 transaction, the City made a net payment of $1.3 million to SMBC Leasing Investment LLC.

During 2005, the City entered into a sale and leaseback agreement 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 lease. Under the lease, the City is required to make future minimum lease payments.

The future minimum payments for this lease are as follows (dollars in thousands):

Year Ending	**Total**

December 31,		
2015	$	
2016	9,000	
2017	9,000	
2018	18,977	
2019	3,003	
2020-2024	15,016	
2025 - 2029	2,000	
2030 - 2032		165,164
Total Minimum Future Lease Payments	222,160	
Less Interest		105,302
Present Value of Minimum		
Future Lease Payments	$ 116,858	

c) Lease Receivables

Most of the O'Hare land, buildings and terminal space are leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2014 (dollars in thousands):

2015	$ 93,228	
2016	93,222	
2017	94,218	
2018	93,283	
2019	91,967	
2020 - 2024	8,144	
2025 - 2029		9,432
Total Minimum Future Rental Income	$	483,494

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 S418.5 million, including contingent rentals of $89.0 million.

Most of the Midway land and terminal space is leased under operating lease agreements to airlines and other tenants. The following is a schedule of the minimum future rental income on noncancelable operating leases as of December 31, 2014 (dollars in thousands):

2015	$ 48,634	
2016	48,171	
2017	26,763	
2018	26,609	
2019	26,609	
2020-2024	133,045	
2025 - 2029		133,045
Total Minimum Future Rental Income	$ 442,876	

Contingent rentals that may be received under certain leases based on tenants' revenues are not included in minimum future rental income. Rental income for Midway, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $92.9 million, including contingent rentals of $39.6 million.

9) Short-term Debt

a) Matured bonds represent principal due on coupon bonds in which the coupons have not been presented for payment. As of December 31, 2014, the outstanding balance was at $0.7 million.

b) Line of Credit and Commercial Paper Notes The City issues commercial paper notes and maintains revolving lines of credit for working capital in anticipation of receipt of other revenue and to fund capital projects, debt refinancing or restructuring; the latter are typically repaid from proceeds of later issuances of general obligation bonds. Historically, the commercial paper notes have been supported by underlying letters of credit that extend beyond one year from the date of the financial statements and the lines of credit have also extended beyond one year from the date of the financial statements. Thus, the outstanding amounts at December 31 have been historically recorded as long-term debt.

Due to the Moody's downgrade of the City's general obligation credit in May 2015, see Note 17, an event of default was triggered under each of the revolving credit agreements and the letter of credit reimbursement agreements for the commercial paper notes. Subsequent to December 31, 2014 the City terminated the letter of credit from Wells Fargo Bank; no commercial paper notes secured by that letter of credit were then outstanding. For the remaining banks, the City entered into forbearance agreements pursuant to which the affected banks agreed to forbear from exercising their respective rights resulting from the event of default. The forbearance period under each of the forbearance agreements extends to September 30, 2015, but can terminate earlier if: (i) there are any other events of default by the City under the related credit agreements, (ii) there are further downgrades of the rating on the City's general obligation bonds, or (iii) the forbearance period in one of the other forbearance agreements terminates prior to its scheduled end date. As the forbearance period with respect to the credit agreements and the underlying letter of credit associated with the outstanding commercial paper notes is less than one year from the date of the financial statements, the outstanding general obligation commercial paper notes and lines of credit at December 31, 2014 have been recorded as fund liabilities in the fund financials, as follows (dollars in thousands):

Type	Fund	Outstanding at 12/31/14
Line of Credit	Community Development and Improvement Projects	$75,000
Commercial Paper	Community Development and Improvement Projects	2,800
Commercial Paper	Bond, Note Redemption and Interest	198,086
Commercial Paper	Other Governmental Funds	21,423
Total		$297,309

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

10) Long-term Obligations

a) Long-term Debt activity for the year ended December 31, 2014 was as follows (in thousands):

	Balance January 1, 2014*	Additions	Reductions	Balance December 31, 2014	Amounts Due within One Year
Governmental activities: Bonds and notes payable:					
General obligation debt	$ 7,730,178	S 883,420	$ 278,092	$ 8,335,506	$ 100,094
Taxincrement	88,397	33,410	47,412	74,395	9,035
Revenue	753,162	123,063	132,430	743,795	18,400
	8,571,737	1,039,893	457,934	9,153.696	127,529
Add unamortized premium	160,014	17,465	22,712	154,767	
Add accretion of capital appreciation bonds	293,789	32,595	28,372	298.012	22.213
Total bonds, notes and certificates payable	9,025.540	1,089,953	509,018	9,606,475	149,742
Other liabilities:					
Pension and other postemployment benefits obligations	7,589,929	1,340,753	46,378	8,884,304	
Lease obligations	171,674	20,805	75,621	116,858	
Pollution Remediation	8,598	-66		8,532	

Claims and judgments	879,768	170,356	149,508	900.616	164,940
Total other liabilities	8,649,969	1,531,914	271.573	9,910,310	164,940
Total governmental activities	$ 17,675,509	$ 2,621,867	$ 780,591	$ 19,516,785	$ 314,682
Business-type activities:					
Revenue bonds and notes payable:					
Water	$ 1,996,858	$ 428,889	$ 43,976	$ 2,381,771	$ 51,535
Sewer	1,369,459	307,405	37,929	1.638,935	39,837
Chicago-O'Hare International Airport	7,665,205	31,026	168,895	7,527,336	189,605
Chicago Midway International Airport	1,495,008	896,520	867,938	1,523.590	17,265
	12,526,530	1,663.840	1,118,738	13,071,632	298,242
Add unamortized premium	330,022	149,885	37,648	442,259	
Add accretion of capital appreciation bonds	89,158	8,720	9,170	88,708	9,571
Total business-type activities	5 12.945.710	$ 1.822,445	$ 1,165,556	$ 13,602,599	$ 307,813
Total long-term obligations	5 30,621,219	$ 4,444,312	$ 1,946,147	$ 33,119,384	$ 622,495

* Commercial Paper and Line of Credit are no longer included due to reclassification as short term debt.

The Pension obligation liability will be liquidated through a Special Revenue Fund (Pension Fund) as provided by tax levy and State Personal Property Replacement Tax revenues.

b) Issuance of New Debt

i) General Obligation Bonds

General Obligation Bonds, Project and Refunding Series 2014A ($432.6 million), and Taxable Project and Refunding Series 2014B ($450.8 million) were sold at a premium in March 2014. The bonds have interest rates ranging from 4.0 percent to 6.314 percent and maturity dates from January 1, 2018 to January 1, 2044. Net proceeds of $881.6 million will be used to finance infrastructure improvements; transportation improvements; grants or loans to assist not-for-profit organizations or educational or cultural institutions; or to assist other municipal corporations or units of local government, or school districts; cash flow needs of the City; acquisition of personal property; acquisition, demolition, remediation or improvement of real property for industrial, commercial or residential purposes; constructing, equipping, altering and repairing various municipal facilities including fire stations, police stations, libraries, senior and health centers and other municipal facilities; enhancement of economic development within the City by making grants or deposits to secure obligations of not-for-profit or for-profit organizations doing or seeking to do business in the City; litigation judgments or settlements agreements involving the City, including escrow accounts or other reserves needed for such purposes; payments of certain pension contributions; repayment of Commercial Paper Notes and Lines of Credit; providing for facilities, services and equipment to protect and enhance public safety, and other uses permitted by the Ordinance ($628.0 million), to refund certain maturities of bonds outstanding ($185.2 million), and to fund capitalized interest ($68.3 million). The current refunding of the bonds increased the City's total debt service payments by $217.8 million, resulted in a net economic loss of approximately $13.5 million and a book loss of approximately $7.9 million.

ii) Motor Fuel Tax Revenue Bonds

Motor Fuel Tax Revenue Refunding Bonds, Series 2013 ($105.9 million) were sold at a premium in June 2014. The bonds have interest rates ranging from 2.0 percent to 5.0 percent and maturity dates from January 1, 2015 to January 1, 2033. Net proceeds of $114.7 million and prior bonds reserves of $2.9 million were used to advance refund all maturities of the outstanding Motor Fuel Tax Revenue Bonds, Series 2003 ($114.7 million) and fund the debt service reserve account ($2.9 million). The advance refunding of the bonds decreased the City's total debt service payments by $13.6 million and resulted in an economic gam of $9.9 million and a book loss of approximately $2.4 million.

iii) **Tax Increment Allocation Bonds**

Tax Increment Allocation Revenue Refunding Bonds (Pilsen Redevelopment Project), Series 2014A ($17.3 million) and 2014B Taxable ($16.1 million) were sold at a premium in November 2014. The bonds have interest rates ranging from 0.95 percent to 5.0 percent and maturity dates from June 1, 2015 to June 1, 2022. Net proceeds of $35.0 million and prior bonds reserves of $5.1 million were used to refund all maturities of principal and interest outstanding on the Series 2004B Pilsen Bonds ($25.9 million), the Series 2004G Bonds for the Pilsen Redevelopment Project ($10.7 million) and fund the debt service reserve account ($3.5 million). The current refunding of the bonds decreased the City's total debt service payments by $7.9 million, resulted in a net economic gain of approximately $5.4 million and a book loss of approximately $1.1 million.

iv) **Revenue Loans**

In June 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program lo complete the Wacker Drive Reconstruction Project. The loan amount of $98.66 million will fund the Chicago Riverwalk along the main branch of the Chicago River. The interest rate is 3.33 percent and the final maturity of the loan is January 1, 2048. There have been loan disbursements made to the City in the total of $17.2 million as of December 31, 2014.

v) Enterprise Fund Revenue Bonds and Notes

In August 2013, the City entered into a loan agreement with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to fund a portion of Consolidated Rental Car Facility at O'Hare, additions, extensions and improvements to the airport transit system (ATS) including the purchase of new ATS vehicles and certain public parking facilities. The loan amount of $288.1 million is subordinate to the O'Hare Customer Facility Charge Senior Lien Revenue Bonds, Series 2013. The interest rate is 3.86 percent and the final maturity of the loans is January 1, 2052. There were no loan disbursements made to the City as of December 31, 2014.

Chicago Midway International Airport Second Lien Revenue Bonds, Series 2014 A&B ($771.8 million) were sold at premium in June 2014. The bonds have interest rates ranging from 4.0 percent to 5.0 percent and maturity dates from January 1, 2019 to January 1, 2041. Net proceeds of $842.2 and other monies ($20.6 million) were used to finance the costs of certain Airport projects ($114.9 million), to refund certain maturities of bonds outstanding ($673.7 million), fund capitalized and debt service reserve ($16.5 million) and to repay the Commercial Paper notes ($57.7 million). The current refunding decreased the City's total debt service payments by $135.7 million, resulted in a net economic gain of approximately $69.2 million and a book loss of approximately $15.9 million.

Chicago Midway International Airport Second Lien Refunding Revenue Bonds, Series 2014C ($124.7) were sold in June 2014. The bonds were issued at a daily rate of 0.08 percent. The bonds have maturities of January 1, 2041 to January 1, 2044. Net proceeds of $124.4 million were used to refund certain maturities of bonds outstanding ($124.1 million). The current refunding resulted in a book loss of approximately of $0.6 million.

Second Lien Water Revenue Bonds, Series 2014 ($367.9 million) were sold at a premium in September 2014. The bonds have interest rates ranging from 3.0 percent to 5.0 percent and maturity dates from November 1, 2015 to November 1, 2044. Net proceeds of $400.0 million will be used to finance certain costs of improvements and extensions to the water system.

On May 27, 2014, a loan agreement was signed with the Illinois Environment Protection Agency to install water meters at residences throughout the City that are currently unmetered. In 2014 the Water Fund drew $6.5 million from this loan agreement. The loan has an interest rate of 2.295% with maturity dates from September 21, 2014 to March 21, 2034.

On August 5, 2013, a loan agreement was signed with the Illinois Environment Protection Agency to replace approximately 10 miles of damaged, undersized and leaking watermains located throughout the City with new 8-inch diameters watermain. In 2014 the Water Fund drew $39.4 million from this loan agreement. The loan has an interest rate of 1.93% with maturity dates from January 16, 2015 to July 16, 2034.

On September 19, 2013, a loan agreement was signed with the Illinois Environment Protection Agency to install water meters at residents throughout the City that are currently unmetered. Installations will be performed by a private contractor. Meters will be equipped with an AMR (Automatic Meter Reading) capabilities. In 2014 the Water Fund drew $15.0 million from this loan agreement. The loan has an interest rate of 1.93% with maturity dates from April 16, 2015 to October 16, 2034.

Second Lien Wastewater Transmission Revenue Bonds, Series 2014 ($292.4 million) were sold at a premium in September 2014. The bonds have interest rates ranging from 3.0 percent to 5.0 percent and maturity dates from January 1, 2016 to January 1, 2044. Net proceeds of $320.0 million will be used to finance certain costs of improvements and extensions to the wastewater system.

In 2014, the Sewer Fund drew $15.0 million from the Illinois Environment Protection Agency loan agreement line to replace existing sewer pipes throughout the city. The loan has an interest rate of 2.295 percent with maturity dates from March 4, 2015 to September 4, 2034.

In 2014, $31.0 million of Chicago O'Hare International Airport Commercial Paper Notes Series 2013 were issued. Outstanding O'Hare Commercial Paper Notes at December 31, 2014 were $51.0 million. The proceeds were used to finance portions of the cost of authorized airport projects.

In 2014, $30.0 million of Chicago Midway International Airport Commercial Notes Series 2013 were issued. The proceeds were used to finance portions of the costs of authorized airport projects.

c) Annual requirements listed below for each year include amounts payable January 1 of the following year. Bonds maturing and interest payable January 1, 2015 have been excluded because funds for their payment have been provided for. Annual requirements to amortize debt outstanding as of December 31, 2014 are as follows (dollars in thousands):

	General Obligation		Tax Increment	
Year Ending December 31,	Principal	Interest	Principal	Interest
2015	$ 235,676	$ 438,328	$ 9,335	$ 3,272
2016	251,072	428,190	10,640	2,795
2017	274,537	417,278	11,795	2,306
2018	287.152	405,157	16,010	1,757
2019	296,244	392,075	6,020	960
2020-2024	1,554,715	1,780,488	16,195	1,392
2025-2029	1,532,769	1,452,485		
2030-2034	1,790,238	1,025,642		
2035-2039	1,277,419	554,626		
2040-2043	772,425	94,623	--	
	$8,272,247	$6,988,892	$ 69,995	$ 12,482

	Revenue		Business-type Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest
2015	$ 18,170	$ 34,316	$ 314,322	$ 640,650
2016	17,880	33,397	392,640	624,517
2017	18,250	32,487	445,178	606,773
2018	19,150	31,590	457,732	586,321
2019	20,335	30,649	441,142	567,407
2020-2024	119,187	137,871	2,194,324	2,519,632
2025-2029	141,116	120,681	2,614,614	1,963,663
2030-2034	132,133	126,900	3,083,740	1,208,250
2035-2039	200,730	39,362	2,134,220	517,087
2040-2043	38,445	1.922	699,065	62,832
	$ 725,396	$ 589,175	$12,776,977	$ 9,297,132

For the debt requirements calculated above, interest rates for fixed rate bonds debt range from 1.92 percent to 7.78 percent and 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, 2014. Standby bond purchase agreements or letters of credit were issued by third party financial institutions that are expected to be financially capable of honoring their agreements.

The City's variable rate bonds may bear interest from time to time at a flexible rate, a daily rate, a weekly rate, an adjustable long rate, or the fixed rate as determined by the remarketing agent, in consultation with the City. An irrevocable letter of credit provides for the timely payment of principal and interest. In the event the bonds are put

back to the bank and not successfully remarketed, or if the letter of credit agreements expire without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on the potential term loans within the next fiscal year.

d) Derivatives

i) Interest Rate Swaps

(1) Objective of the swaps. In order to protect against the potential of rising interest rates and/or changes in cash flows, the City has entered into various separate interest rate swaps at a cost less than what the City would have paid to issue fixed-rate debt. The notional amounts related to bonds maturing on January 1, 2015 have been excluded in the following table because funds for their payment have been provided for.

	Changes in Fair Value Classification	Amount	Fair Value at December 31, 2014 Classification	Amount	Notional Amount
Governmental Activities					
Hedges:					
Interest Rate Swaps	Deferred Outflow of Resources	$ (15,850)	Deferred Outflow of Resources	$(158,328)	$1,192,175
Investment Derivative Instruments:					
Interest Rate Swaps	Investment Income	(4,821)	Investment Revenue	(32,467)	363.700
Business-type Activities					
Hedges:					
Interest Rate Swaps	Deferred Outflow of Resources	(50,998)	Deferred Outflow of Resources	(200,095)	924,280
Total				$ (390,890)	

(2) Terms, fair values, and credit risk. The objective and terms, including the fair values and credit ratings, of the City's hedging derivative instruments outstanding as of December 31, 2014, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category. The notional amounts related to bonds maturing on January 1, 2015 have been excluded below because funds for their payment have been provided for. Under the swaps on a net basis for each related series of bonds, the City pays the counterparty a fixed payment and receives a variable payment computed according to the London Interbank Offered Rate (LIBOR) and/or The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The terms as of December 31, 2014. are as follows (dollars in thousands):

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Associated Bond Issue

Hedging Instruments Governmental Activities:

Notional Effective Amounts Date
Counter-Termi- party Fair nation Credit Values Date Rating

150.000 11/8/2007 Pay 3.9982% receive SIFMA 50.000 11/8/2007 Pay 3.9982% receive SIFMA 200,000 1/1/2014 Pay SIFMA, receive 72.5% of 1 Mo. LIBOR'

(43.370) 1/1/2042 A3/A (5,443) 8/1/2018 Baa2/A-(17,373) 1/1/2042 Aa3/AA-

155,953 8/17/2005 Pay 4.104% receive SIFMA 66,837 8/17/2005 Pay 4.104% receive SFMA
Pay SIFMA +.045% 100,000 1/1/2014 receive 72.5%ol 1 Mo. LIBOR' 61,395 1/1/2014 Pay SIFMA; receive 72 5% of 1 Mo LIBOR * 61,395
1/1/2014 Pay SIFMA; receive 72 5% of 1 Mo LIBOR *
Pay SIFMA+ .05% 207,880 1/1/2031 receive 72 5%of 1 Mo. LIBOR'

7/1/2020 Baal/A 1/1/2040 Aa3/A+

(6,096) 1/1/2031 Aa2/AA-
(3,343) 1/1/2031 A3/A
(3.343) 1/1/2031 A3/A

(6,028) 1/1/2040 A2/A

111,715 6/27/2002 Pay 4 23% receive 75.25%of 3 Mo. LIBOR

27,000 9/1/1999 Pay 5.084% receive 67% of 1 Mo. LIBOR

Business-type Activities: Chicago Midway International Airport Revenue Bonds (Series 2004C&D)....

84.405 12/14/2004 Pay 4.174% receive SIFMA Plus 05% 56,270 4/21/2011 Pay 4.247% receive SIFMA Plus 05%

(17,678) 1/1/2035 Baa1/A (12,450) 1/1/2035 Aa3/AA-

Wastewater Transmission Vanable Rale Revenue Bonds (Series 2008C).

Pay 3.886% receive95%of3 Mo LIBOR
(ifLIBORis<3%)or 232.560 1/3/2011 67% of 3 Mo LIBOR (if LIBOR is > 3%)
Pay 3 886% receive SIFMA 49,835 7/29/2004 (if LIBOR is < 3%) 49,835 7/29/2004 or 67% ol 1 Mo. LIBOR (if LIBOR is > 3%)
(11,472) (11,362)

(49,027) 1/1/2039 A3/A

1/1/2039 A2/A 1/1/2039 Aa3/A+

Water Variable Rate Revenue Refunding Bonds (Series 2004)..
Second Lien Water Revenue Relinding Bonds (Series 2000)..

173,345 8/5/2004 Pay 3.8694% receive 67%of1 Mo Libor (30,996) 11/1/2031 A2/A
(29,460) 11/1/2030 A2/A

182.230 8/5/2004 Pay3.8669% receive 67%of1 Mo Libor (37,650) 11/1/2031 Aa3/AA-

100,000 4/16/2008 Pay3.8694% receive67%of 1 Mo Libor

Investment Instruments Governmental Activities:

Pay 4.052%

136,385 8/7/2003 receive 66 91 % of 10 Yr USD ISDA Swap Rate (20,434) 1/1/2034 Aa3/AA-Pay 4 052%

45.465 8/7/2003 receive 66 91%of 10 Yr USD ISDA Swap Rate (6,755) 1/1/2034 Aa3/A+

Pay 66 91% of 10 Yr USD ISDA Swap Rate +

45.465 3/1/2014 .05% receive 75%of1 Mo LIBOR ' (1,361) 1/1/2019 A2/A

Pay 66 31 % of 10 Yr USD ISDA Swap Rale

136,385 11/1/2014 receive 75% of 1 Mo. LIBOR * (3,917) 1/1/2019 Aa2/AA-

See Table 31 in Statistical Section (or Coui See Footnote 18- Subsequent Events for Type and objective for all the Swaps is the * Reflects Swap Overlay agreement VRDB means vanable rate demand bonds

Total $(390,890)

nterparty Enhlies and additional details (or credit ratings swap terminations and amendments to agreements effective in 2015 same, as mentioned earlier.

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3) Fair Value. As of December 31, 2014, the swaps had a negative fair value of $390.9 million. As per industry convention, the fair values of the City's outstanding swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the forward rates implied by the yield curve correctly anticipate future spot rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. Because interest rates are below the Fixed Rate Paid, the City's swaps had negative values. Note that the combination of the negative fair value of $390.9 million less the unamortized interest rate swap premium balance of $6.9 million related to investment derivative instruments and $34.9 million related to governmental cash flow hedges represent the total fair value of the derivative liability in the statement of net position. During 2014, the City terminated the swap associated with Series 2002B General Obligation Variable Rate Demand Bond (Neighborhoods Alive 21 Program); the termination payment amounted to $36.3 million.

4) Credit Risk. The City is exposed to credit risk (counterparty risk) through the counterparties with which it enters into agreements. If minimum credit rating requirements are not maintained, the counterparty is required to post collateral to a third party. This protects the City by mitigating the credit risk, and therefore the ability to pay a termination payment, inherent in a swap. Collateral on all swaps is to be in the form of cash or Eligible Collateral held by a third-party custodian. Upon credit events, the swaps also allow transfers, credit support, and termination if the counterparty is unable to meet the said credit requirements.

5) Basis Risk. Basis risk refers to the mismatch between the variable rate payments received on a swap contract and the interest payment actually owed on the bonds. The two significant components driving this risk are credit and SIFMA/LIBOR ratios. Credit may create basis risk because the City's bonds may trade differently than the swap index as a result of a credit change in the City. SIFMA/LIBOR ratios (or spreads) may create basis risk. With percentage of LIBOR swaps, if the City's bonds trade at a higher percentage of LIBOR over the index received on the swap, basis risk is created. This can occur due to many factors including, without limitation, changes in marginal tax rates, lax-exempt status of bonds, and supply and demand for variable rate bonds. The City is exposed to basis risk on all swaps except those that are based on Cost of Funds, which provide cash flows that mirror those of the underlying bonds. For all other swaps, if the rate paid on the bonds is higher than the rate received, the City is liable for the difference. The difference would need to be available on the debt service payment date and it would add additional underlying cost to the transaction.

6) Tax Risk. The swap exposes the City to tax risk or a permanent mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds due to tax law changes such that the federal or state tax exemption of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of the City's swap transactions.

7) Termination Risk. The risk that the swap could be terminated as a result of certain events including a ratings downgrade for the issuer or swap counterparty, covenant violation, bankruptcy, payment default or other defined events of default. Termination of a swap may result in a payment made by the issuer or to the issuer depending upon the market at the time of termination.

8) Rollover Risk. The risk that the City may be exposed to rising variable interest rates if (i) the swap expires or terminates prior to the maturity of the bonds and (ii) the City is unable to renew or replace the swap.

9) Swap payments and associated debt. Bonds maturing and interest payable January 1, 2015 have been excluded because funds for their payment have been provided for. As of December 31, 2014, debt service requirements of the City's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (dollars in thousands):

Year Ending December 31,	Variable-Rate Bonds Principal		Interest Rate Swaps, Net	Total
2015	$ 31,965		$ 62,676	98,842
2016	51,365		61,330	116,910
2017	53,750		59,429	117,196
2018	59,865		57,437	121,112
2019	58,410		55,167	117,170
2020 - 2024	413,660		236,467	665,021
2025 - 2029	300,625		168,159	478,202
2030 - 2034	418,560		100,499	524,803
2035 - 2039	235,900		35,232	272,636
2040 - 2042	43,535		2,608	46,163
	$ 1,667,635	$ 51,416	$ 839,004	$ 2,558,055

e) Debt Covenants

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, 2014. The Water Rate Stabilization account had a balance in restricted assets of $88.4 million at December 31, 2014.

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, 2014.

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, 2014. The Sewer Rate Stabilization account had a balance in restricted assets of $32.6 million at December 31, 2014.

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, 2014.

iii) Chicago Midway International Airport Fund - The Master Indenture of Trust securing Chicago Midway Airport Revenue Bonds requires in each year the City set rates and charges for the use and operation of Midway and for services rendered by the City in the 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 fiscal year not then 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 fiscal year and (b) to provide for the greater of (i) the

amounts needed to be deposited into the First and Junior Lien Debt Service Funds, 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, 2014.

The Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations requires that the City set rentals, rates and other charges for the use and operation of Midway and for certain services rendered by the City in the operation of Midway in order that in each Fiscal Year, Revenues, together with Other Available Moneys deposited with the First Lien Trustee or the Second Lien Trustee with respect to such Fiscal Year and any cash balance held in the First Lien Revenue Fund or the Second Lien Revenue Fund on the first day of such Fiscal Year not then required to be deposited in any Fund or Account under the First Lien Indenture for the Second Lien Indenture, will be at least sufficient (1) to provide for the payment of Operation and Maintenance Expenses for the Fiscal Year and (2) to provide for the greater of (A) or (B) as follows: (A) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above; or (B) the greater of the amounts needed to make the deposits required under the First Lien Indenture described in the immediately preceding paragraph above or an amount not less than 110 percent of the Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by (X) any amount held in any Capitalized Interest Account for disbursement during such Bond Year to pay interest on First Lien Bonds, and (Y) any amount held in any capitalized interest account established pursuant to a Supplemental Indenture under the Second Lien Indenture for disbursement during such Bond Year to pay interest on Second Lien Obligations. These requirements were met at December 31, 2014.

iv) Chicago-O'Hare International Airport Fund - The Master Indenture of Trust securing Chicago O'Hare International Airport General Airport Senior 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 Senior Lien Bonds Obligations or other outstanding Airport Obligations are issued and secured, and (b) one and ten-hundreths times Aggregate 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 Senior Lien Obligations. This requirement was met at December 31, 2014.

The Master Trust Indenture securing Chicago O'Hare International Airport Passenger Facility Charge (PFC) Obligations requires PFC Revenues, as defined, to be deposited into the PFC Revenue Fund. The City covenants to pay from the PFC Revenue Fund not later than the twentieth day of each calendar month the following amounts in the following order of priority: (1) to the Trustee for deposit in the Bond Fund, the sum required to make all of the Sub-Fund Deposits and Other Required Deposits to be disbursed from the Bond Fund [to meet debt service and debt service reserve requirements] in the calendar month pursuant to the Master Indenture; (2) to make any payments required for the calendar month with respect to Subordinated PFC Obligations; and (3) all moneys and securities remaining in the PFC Revenue Fund shall be transferred by the City (or the Trustee if it then holds the PFC Revenue Fund pursuant to the Master Indenture) to the PFC Capital Fund.

The Indenture of Trust Securing Chicago O'Hare International Airport Customer Facility Charge Senior Lien Revenue Bonds requires that, as long as any Bonds remain Outstanding, in each Fiscal Year, the City shall set the amount of the CFC (when multiplied by the total number of projected Contract Days) plus projected Facility Rent at an annual level sufficient to provide sufficient funds (1) to pay principal of and interest on the Bonds due in such Fiscal Year, (2) to reimburse the Rolling Coverage Fund, the

Supplemental Reserve Fund, the Debt Service Reserve Fund and any Subordinate Reserve Fund for any drawings upon such Funds over a period not to exceed twelve months, as determined by the City, (3) to provide funds necessary to pay any "yield reduction payments" or rebate amounts due to the United States under the Indenture for which funds in the Rebate Fund or the CFC Stabilization Fund are not otherwise available. (4) to maintain the balance of the CFC Stabilization Fund in an amount of no less than the CFC Stabilization Fund Minimum Requirement and to reimburse any drawings below the CFC Stabilization Fund Minimum Requirement over a period not to exceed twelve months, as determined by the City, and (5) to maintain the balance of the Operation and Maintenance Fund in an amount of no less than the Operation and Maintenance Fund Requirement and to reimburse any drawings below the Operation and Maintenance Fund Minimum Requirement over a period of not to exceed twelve months, as determined by the City.

f) No-Commitment Debt and Public Interest Loans include various special assessment, private activity bonds and loans. These types of financings are used to provide private entities with low-cost capital financing for construction and rehabilitation of facilities deemed to be in the public interest. Bonds payable on no-commitment debt are not included in the accompanying financial statements because the City has no obligation to provide for their repayment, which is the responsibility of the borrowing entities. In addition, federal programs/grants, including Community Development Block Grants and Community Service Block Grants, provide original funding for public interest loans. Loans receivable are not included as assets because payments received on loans are used to fund new loans or other program activities in the current year and are not available for general City operating purposes. Loans provided to third parties are recorded as current and prior year programs/grants expenditures. Funding for future loans will be from a combination of the repayment of existing loans and additional funds committed from future programs/grants expenditures.

g) Defeased Bonds have been removed from the Statement of Net Position because related assets have been placed in irrevocable trusts that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest. Defeased bonds at December 31, 2014, not including principal payments due January 1, 2015, are as follows (dollars in thousands)'

	Amount Defeased	Outstanding
General Obligation Emergency Telephone System - Series 1993	$ 213,730	$ 103,570
General Obligation Bonds - Series 2001A	406,571	64,805
General Obligation Project Bonds - Series 2004A	323,040	3,405
General Obligation Project and Refunding Bonds - Series 2005B	11,435	1,750
General Obligation Direct Access Bonds - Series 2005E	22,186	5,555
General Obligation Project and Refunding Bonds - Series 2006A	28,695	7,440
General Obligation Project and Refunding Bonds - Series 2007A	10,505	4,350
Lakefront Millennium Project Parking Facilities Bonds - Series 1998	149,880	43,880
Special Transportation Revenue Bonds - Series 2001	118,715	90,395
Total	$ 1.284.757	$ 325,150

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11) Pension 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 of trustees comprised of City officials or their designees and of trustees elected by plan members. Certain employees of the Chicago Board of Education participate in the Municipal Employees' Fund or the Laborers' and Retirement Board Employees' Annuity and Benefit Fund. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information.

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 154 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 39 days. The Plans cannot pledge to sell collateral securities received unless the borrower defaults. Loans outstanding as of December 31, 2014 are as follows: market value of securities loaned $883.6 million, market value of cash collateral from borrowers $906.2 million and market value of non-cash collateral from borrowers $1.5 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 2.5 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.

Historically, State law required City contributions at statutorily, not actuarially, determined rates. The City's contribution was calculated based on the total amount of contributions by employees to the Plan made in the calendar year two years prior, multiplied by (in recent years) 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.

Beginning in 2016, current State law requires significantly increased contributions by the City to the Policemen's and Firemen's Plans. This is projected to require an increase in the City's contributions to the Policemen's and Firemen's Plans by more than $548 6 million starting in 2016 and increasing by

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NOTES TO BASIC FINANCIAL STATEMENTS
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approximately three percent each year thereafter. A bill was recently passed by the Illinois General Assembly which would, among other things, institute an extension to 2055 of the period by which the unfunded liabilities of the Policemen's and Firemen's Plans are amortized to a 90 percent Funded Ratio. This would also phase-in over the next five years the increases in the City's contributions to the Policemen's and

Firemen's Plans. A motion to reconsider this vote has been filed in the Illinois Senate and is under consideration.

Also beginning in 2016, State law requires significantly increased contributions by the City to the Municipal Employees' and Laborers' Plans. The multiplier determining the City contribution, based on the total amount of contributions by employees to the respective Plans made in the calendar year two years prior, will increase as follows: for the City contribution to be made in 2016, 1.60 (Laborers') and 1.85 (Municipal Employees'); for the contribution made in 2017, 1.90 (Laborers') and 2.15 (Municipal Employees'); for the contribution made in 2018, 2.20 (Laborers') and 2.45 (Municipal Employees'); for the contribution made in 2019, 2.50 (Laborers') and 2.75 (Municipal Employees'); and for the contribution made in 2020, 2.80 (Laborers') and 3.05 (Municipal Employees'). Beginning in 2021, the City's payment contributions for Laborers' and Municipal Employees' will equal the Normal Cost (based on actuarial calculations) for such year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90 percent in Laborers' and Municipal Employees' by the end of contribution year 2055. This will require an increase in the City's contributions to the Municipal Employees' and Laborers' Plans of more than $89.1 million starting in 2016 and increasing by approximately three percent each year thereafter.

The City's annual pension cost for the current year and related information for each Plan is as follows (dollars in thousands):

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Contribution rates:					
City (a)	(a)	(a)	(a)	(a) rVa	
Plan members	8.5%	8.5%	9.0%	9 125% rVa	
Annual required contribution	S 839,038	$ 106,018	$ 491.651	$ 304.2G5	$ 1.740,972
Interest on nel pension obligation	200.461	2,336	209.449	150,726	562,972
Adjustment to annual required contribution	(210,521)	(2,453)	(147,857)	(154.961)	(515,792)
Annual pension cost	828.978	105.901	553,243	300,030	1,788.152
Contributions made	149,747	12,160	178,158	107,334	447,399
Increase in net pension obligation	679,231	93,741	375,085	192.696	1,340,753
Net pension obligation. beginning of year	2,672,812	31,148	2,702,573	1,884,074	7,290,607
Net pension obligation, end of year	$ 3,352,043	$ 124.889	$ 3,077,658	S 2.076,770	$ 8.631,360

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

	Municipal Employees'	Laborers'	Policemen's	Firemen's
Actuarial valuation date	12/31/2014	12/31/2014	12/31/2014	12/31/2014
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open	Level percent, open	Level dollar, open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	5-yr. Smoothed	5-yr. Smoothed	5-yr. Smoothed	5-yr. Smoothed

MarketMarketMarketMarket

Actuarial assumptions:			
Investment rate of return (a)	7.5%	7.5%7.5%	8.0%
Projected salary increases (a):			
Inflation		3.03.0	3.03.0
Seniority/Merit		(b) (c)(d)(e)	
Postretiremen! benefit increases	(f)	(f)(g)	(g)

a) Proceeds from a tax levy not more than the amount equal to the total amount of contributions by the employees to the Fund made in the calendar year, two years prior to the year for which the annual applicable tax is levied multiplied by 1 25 for Municipal. 1 00 for Laborers', 2 00 Policemen's and 2.26 for Firemen's.
b) Service-based increases equivalent lo a level annual rate increase of 1.4 percent over a full career
c) Servtce-based increases equivalent lo a level annual rale increase of 1 9 percent over a full career.
d) Service-based increases equivalent to a level annual rate increase of 1 8 percent over a full career.
e) Service-based increases equivalent to a level annual rate increase of 1 8 percent over a full career.
(0 The lessor of 3.0 percent or 1/2 of CPI (simple) per year, applied lo Ihe annuity in effect as of December 31, 2014, with a minimum of 1.0 percent per year for total annuities less than $22,000.00 . Beginning at the earlier of.
1) the later of Ihe first of January of the year after retirement and age 61:
2) the later of the first of January of the year allerthe fourth anniversary of retirement and age 54
(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 ovor, born in 1955 or lalor.
For particpants thai first became members on or after January 1, 2011, increases arc equal to the lesser of 3.0 percent and 50 percent of CPI-U of the original benefit, commencing at age 60.

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 Pension Year	% of Annual Pension Cost CostContributed	Net Pension (Asset) / Obligation
Municipal Employees':		
2012	$ 687,519	21.65% $ 2,008,546
2013	812,46318.242,672,812	
2014	828,97818.063,352,043	
Laborers':		
2012	77,857 15 22	(63,707)
2013	106,43910.8831,148	
2014	105,90111.48124,889	
Policemen's:		
2012	483,35940 942,350,739	
2013	531,35533.792,702,573	
2014	553,24332.203,077,658	
Firemen's:		
2012	268,11230.411,696,679	
2013	291,06435.621,884,074	
2014	300,03035.772,076,770	

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

SCHEDULE OF FUNDING PROGRESS

(dollars in thousands)

Actuarial

Accrued

Actuarial Liability

Actuarial Valuation Year	Value of Assets Date	(AAL) Entry Age (a)	Unfunded AAL (Jb)	(b-a)			
Municipal Employees':							
2012		12/31/12 $ 5,073,320	$ 13,475,377$ 8,402,057				
2013				12/31/13	5,114,208	13,828,920	8,714,712
2014				12/31/14	5,039,297	12,307,094	7,267,797
Laborers':							
2012				12/31/12	1,315,914	2,336,189	1,020,275
2013				12/31/13	1,354,261	2,383,499	1,029,238
2014				12/31/14	1,357,451	2,107,110	749,659
Policemen's:							
2012				12/31/12	3,148,930	10,051,827	6,902,897
2013				12/31/13	3,053,882	10,282,339	7,228,457
2014				12/31/14	2,954,319	11,334,799	8,380,480
Firemen's:							
2012				12/31/12	993,284	4,020,138	3,026,854
2013				12/31/13	991,213	4,128.735	3,137,522
2014				12/31/14	988,141	4,338,593	3,350,452

Funded Ratio

38% S
37
41

56 57 64

31 30 26

25 24 23

Covered Payroll

1,590,794 1,580,289 1,602,978

198,790 200,352 202,673

1,015,171 1,015,426 1,074,333

418,965 416,492 460,190

Unfunded (Surplus) AAL as a Percentage of Covered Payroll <(b-a)/c)

528 %

551
453

513 514 370

680 712 780

722 753 728

The unfunded liability to the Plans poses significant financial challenges. The unfunded liability has consistently increased in recent years, but is expected to decrease in the future. Such a decrease is expected to result from significantly increased City contributions to the Plans, beginning in 2016, as required by State law (see Note 1). These increased contributions to the Plans are expected to pose a substantial burden on the City's financial condition.

b) Other Post Employment Benefits (OPEB) - The Pension Funds also contribute a portion of the City's contribution as subsidy toward the cost for each of their annuitants to participate in the City's health benefits plans, which include basic benefits for eligible annuitants and their dependents and supplemental benefits for Medicare eligible annuitants and their dependents. The amounts below represent the accrued liability of the City's pension plans related to their own annuitants and the 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 Ended December 31, 2014

Municipal
Employees' Laborers' Policemen's Firemen's Total

A portion of the City's employer contribution to the Pension Funds is used to finance the health insurance supplement benefit payments.

Annual Required Contribution Interest on Net OPEB Obligation Adjustment to Annual -Required Contribution

Annual OPEB Cost (Gain) Contributions Made
(4,079)
(4,143) (36,795)

S 9,826 $ 2,520 $ 9,723 $ 2,739 $ 24,808
3,404 290 547 536 4,777

567 2,360
(7,210) 23,539
6,191 9,657
(868) 2,471

(26,330) (2,243)

(13,100) 9,051

Decrease in

Net OPEB,Obligation

Net OPEB Obligation, Beginning of Year

53,486 $ 4,649 $ 8.6B4 $ 8,563 $ 75,382

Actuarial Method and Assumptions - For the Pension Funds' subsidies, the actuarial valuation for the fiscal year ended December 31, 2014 was determined using the Entry Age Normal actuarial cost method. 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 thai 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.

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

Municipal Employees'

12/31/2014

Entry Age Normal

Level Dollar, Open

2 years Closed

No Assets (Pay-as-you-go)

4.5% 3.0%

Laborers'

12/31/2014

Entry Age Normal

Level Dollar, Open

2 years Closed

No Assets (Pay-as-you-go)

4.5% 3.0%

(c) 0.0%

rate of increase of rate of increase of rate of increase of
Policemen's

12/31/2014

Entry Age Normal

Level Percent, Open

2 years Closed

No Assets (Pay-as-you-go)

4.5% 3.0%

(d) 0.0%

1.4 percent over a full career 1.9 percent over a full career 1.8 percent over a full career

OPEB COST SUMMARY

(dollars in thousands)

Annual OPEB Cost

of Annual OPEB Obligation

Net OPEB Obligation

Municipal Employees' 2012 $ 2013
2014
Laborers'

2012 2013 2014

Policemen's

2012 2013 2014

Firemen's

2012 2013 2014

13,703 13,389 (13,100)

2,994 3,009 567

10,573 10,536 6,191

4,154 4,071 (868)

69.49 % 71.01

85.56 83.67 416.04

92.37 93.46 155 99

63.13 62.66

71,756 75,637 53,486

5,951 6,442 4,649

11,461 12,150 8,684

10.382 11.902 8.563

* The negative cost is primarily due to the insurance subsidy ending in 2016

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	Value of Assets (jij	Actuarial Accrued Liability (AAL) Entry Age (bj	Unfunded (Surplus) UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll j^cj	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a) / c)
Municipal Employees'	12/31/2014	$ -	$ 17,495	S 17,495	-	$ 1,602,978	1.09
Laborers'	12/31/2014	-	4,593	4,593	-	202,673	2.27
Policemen's	12731/2014	-	18,762	18,762	-	1,074,333	1.75
Firemen's	12731/2014	-	4,995	4.995	-	460,190	1.09

12) Other Post Employment Benefits - City Obligation

Up to June 30, 2013, 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, known as the "Settlement Plan." The pension funds contributed their subsidies of $65 per month for each Medicare eligible annuitant and $95 per month for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $84.8 million in 2014 to the gross cost of their retiree health care pursuant to premium amounts set forth in the below-referenced settlement agreement.

The City of Chicago subsidized a portion of the cost (based upon service) for hospital and medical coverage for eligible retired employees and their dependents based upon a settlement agreement entered in 2003 and which expired on June 30, 2013.

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to former employees who retired before August 23, 1989 with a contribution from the City of up to 55% of the cost of that plan; and (ii) beginning July 1, 2013, provide employees who retired on or after August 23, 1989 with healthcare benefits in a new Retiree Health Plan (Health Plan), but with significant changes to the terms including increases in premiums and deductibles, reduced benefits and the phase-out of the Health Plan for such employees by December 31, 2016.

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 2014, the net expense to the City for providing these benefits to approximately 24,381 annuitants plus their dependents was approximately $79.3 million.

Plan Description Summary - The City of Chicago was party to a written legal settlement agreement outlining the provisions of the Settlement Plans, which ended June 30, 2013. The Health Plan provides for annual modifications to the City's level of subsidy. It is set to phase out over three years, at which the Health Plan, along with any further City subsidy, will expire by December 31, 2016, for all but the group of former employees (the Korshak class of members) who retired before August 23, 1989, who shall have lifetime benefits. Duly Disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan until age 65.

The provisions of the Health Plan 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 the specified period, ending December 31, 2016. The percentage subsidies were revised to reduce by approximately 25 percent of 2013 subsidy levels in 2014 and 50 percent of 2013 subsidy levels in 2015. Additional step downs in subsidy levels for 2016 have not yet been finalized.

In addition, State law authorizes the four respective Pension Funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under any City health plan through December 31, 2016. After that date, no Pension Fund subsidies are authorized. The liabilities for the monthly dollar Pension Fund subsidies contributed on behalf of annuitants enrolled in the medical plan by their respective Pension Funds are included in the NPO actuarial valuation reports of the respective four Pension Funds under GASB 43 (see Note 11).

Special Benefits under the Collective Bargaining Agreements (CBA) - Under the terms of the collective bargaining agreements for the Fraternal Order of Police (FOP) and the International Association of Fire Fighters (IAFF), certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. These retirees do not contribute towards the cost of coverage, but the Policemen's Fund contributes S95 per month towards coverage for police officers; the Firemen's Fund does not contribute.

Both of these agreements which provide pre-65 coverage originally expired at June 30, 2012. These benefits have been renegotiated to continue through 2016 or June 30, 2017, depending on bargaining unit agreements. This valuation assumes that the CBA special benefits, except for those who will have already retired as of December 31, 2016, will cease on December 31, 2016 or June 30, 2017, depending on bargaining unit agreements. The renegotiated agreements also provided that retirees will contribute 2% of their pension toward the cost of their health care coverage.

Funding Policy - 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 post-employment 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 ten years.

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan and CBA Special Benefits, the amount actually contributed to the plan and changes in the City's net OPEB obligation. The Net OPEB Obligation is the amount entered upon the City's Statement of Net Position as of year end as the net liability for the other post-employment benefits - the Health Plan. The amount of the annual cost that is recorded in the Statement of Changes in Net Position for 2014 is the Annual OPEB Cost (expense).

CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Annual OPEB Cost and Contributions Made
(dollars in thousands)

Retiree CBA

Settlement Special

Health Plan Benefits Total

Contribution Rates:	
City	Pay As You Go
Plan Members	N/A
Annual Required Contribution	$ 67,713
Interest on Net OPEB Obligation	1,806
Adjustment to Annual Required Contribution	(6.853)
Annual OPEB Cost	62,666
Contributions Made	93.962
Decrease in Net OPEB Obligation	(31,296)
$ 28,914	
Net OPEB Obligation, Beginning of Year	60,210
Net OPEB Obligation, End of Year	

Pay As You Go Pay As You Go

N/A N/A

S 60.912 $ 128,625 3,989 5,795 (15,135) (21,988)

49,766 112,432

34,099 128,061

15,667 (15.629)

132,981 193,191

$ 148,648 $ 177.562

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 are as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Annual Percentage of Annual Net OPEB
Ended OPEB Cost OPEB Cost Contributed Obligation

Settlement Plan

12/31/2014 12/31/2013 12/31/2012

CBA Special Benefits

12/31/2014 12/31/2013 12/31/2012

Total

12/31/2014 12/31/2013 12/31/2012

62,666 75,444 37,444

49,766 41,722 39,533

112,432 117,166 76,977

149 9%
148.4
260.5

68.5%
65.5
46.6

113.9%
118.9
150.6

28,914 60,210 96,760

148,648 132.981 118,601

177,562 193,191 215.361

Funded Status and Funding Progress - As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $964.6 million all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,425.0 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.8 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).

Unfunded UAAL

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ralio	Covered Payroll	as a Percentage of Covered Payroll
Settlement Plan							
12/31/2013		$ -	$ 498,205	$ 498,205	0%	$2,425,000	20.5 %
CBA Special Benefits							
12/31/2013		$ -	$ 466,421	$ 466,421	0%	$ 1,400,269	33.3 %
Total							
12/31/2013		$ -	$ 964,626	$ 964,626	0%	$2,425,000	39.8 %

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 Health Plan benefits (not provided by the Pension Funds), the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2026. The range of rates included a 3.0% inflation assumption. Rates included a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years. The benefits include the provisions under the new Health Plan, which will be completely phased-out by December 31, 2016, except for the Korshak category, which is entitled to lifetime benefits. Also included in the Non-CBA benefits are the duty disability benefits under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the renewed contracts' expiration dates of June 30, 2016 (for Police Captains, Sergeants and Lieutenants) and June 30, 2017 for all other Police and Fire are reflected, such that liabilities are included only for payments beyond the end of the calendar year of contract expiration on behalf of early retirees already retired and in pay status as of December 31 of the expiration year of the contract. The entry age normal method was selected. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% in 2014. reduced by decrements to an ultimate rate of 5.0% in 2026. Rates included a 2.5% inflation assumption. The plan has not accumulated assets and does not hold assets in a segregated trust. The funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 3.0%. The remaining Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over ten years.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Summary of Assumptions and Methods

Actuarial Valuation Date

Actuarial Cost Method

Amortization Method

Remaining Amortization Period

Asset Valuation Method

Actuarial Assumptions: Investment Rate of Return Projected Salary Increases Healthcare Inflation Rate
Settlement Health Plan

December31,2013 Entry Age Normal Level Dollar, open

10 years Market Value

3.0% 2.5%
8.0% initial to 5.0% in 2026
CDA Special Benefits

UDA Special Benefits

December 31, 2013 Entry Age Normal Level Dollar, open

10 years Market Value

3.0% 2.5%
8.0% initial to 5.0% in 2026

13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; certain benefits for and injuries to employees and natural disasters. The City provides worker's compensation benefits and employee health benefits under self-insurance programs except for insurance policies maintained for certain Enterprise Fund activities. The City uses various risk management techniques to finance these risks by retaining, transferring and controlling risks depending on the risk exposure.

Risks for O'Hare, Midway, and certain other major properties, along with various special events, losses from certain criminal acts committed by employees and public official bonds are transferred to commercial insurers. Claims have not exceeded the purchased insurance coverage in the past three years, accordingly, no liability is reported for these claims. All other risks are retained by the City and are self-insured. The City pays claim settlements and judgments from the self-insured programs. Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The General Fund is primarily used to record all non-Enterprise Fund claims. The estimated portion of non-Enterprise Fund claims not yet settled has been recorded in the Governmental Activities in the Statement of Net Position as claims payable along with amounts related to deferred compensatory time and estimated liabilities for questioned costs. As of December 31, 2014, the total amount of non-Enterprise Fund claims was $483.2 million and Enterprise Fund was $57.1 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):

	2014	2013
Balance, January 1	$ 547,674	$608,485
Claims incurred and change in estimates	627,488	699,582
Claims paid on current and prior year events	(634,890)	(760,393)
Balance, December 31	$ 540,272	$547,674

14) Expenditure of Funds and Appropriation of Fund Balances

The City expends funds by classification as they become available, and "Restricted" funds are expended first. If/when City Council formally sets aside or designates funds for a specific purpose, they are considered "Committed." The Mayor (or his/her designee) may in this capacity, also set aside or designate funds for specific purposes and all of these funds will be considered "Assigned." Any remaining funds, which are not specifically allocated in one or more of the previous three categories, are considered "Unassigned' until such allocation is completed.

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

In addition to the categories above, any amounts which will be used to balance a subsequent year's budget will be considered "Assigned" as Budgetary Stabilization funds. The amounts may vary from fiscal year to fiscal year or depending on the City's budgetary condition, or may not be designated at all. The funds may be assigned by the Mayor or his designee, up to the amount of available "Unassigned" fund balance at the end of the previous fiscal year.

a) Fund Balance Classifications

On the fund financial statements, the Fund Balance consists of the following (dollars in thousands):

	General
Nonspendable Purpose'	
Inventory	$ 24,498
Restricted Purpose'	
TIF and Special Service Area Programs and Redevelopment	

Redevelopment
Capital Projects
Grants
Debt Service
General Government
Committed Purpose:
Debt Service
Budget and Credit Rating Stabilization
Repair, Maintenance and City Services.... Assigned Purpose'
Future obligations
Special Projects 65,223
Unassigned 51,557
Total Government Fund Balance $ 141,278
Federal, State and Local Grants
Community
347,652
139,491
Service Bond, Note Development Other
Special Concession Redemption Improvement Governmental
Taxing Areas and Reserve and Interest Projects Funds
15,230
1.327,058

75,176
(240,275)
620,891

(1,576.293) (26,872)
$ (225,045) $ 1,327,058 S (955.402) $ (26,872) $ 347,652 S 214,667

At the end of the fiscal year, total encumbrances for the General Operating Fund amounted to $29.2 million, $47.3 million for the Special Taxing Areas Fund, $75.5 million for the Capital Projects Fund and $7.3 million for the Non Major Special Revenue Fund.

15) Commitments and Contingencies

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

The City participates in a number of federal-and state-assisted grant programs. These grants are subject to audits by or on behalf of the grantors to assure compliance with grant provisions. Based upon past experience and management's judgment, the City has made provisions in the General Fund for questioned costs and other amounts estimated to be disallowed. City management expects such provision to be adequate to cover actual amounts disallowed, if any.

As of December 31, 2014, the Enterprise Funds have entered into contracts for approximately $518.1 million for construction projects.

The City's pollution remediation obligation of $8.5 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.

subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

16) Concession Agreements

The major fund entitled Service Concession and Reserve Fund is used for the purpose of accounting for the deferred inflows associated with governmental fund long-term lease and concession transactions. Deferred inflows are amortized over the life of the related lease and concession agreements. Proceeds from these transactions may be transferred from this fund in accordance with ordinances approved by the City Council that define the use of proceeds.

In February 2009, the City completed a $1.15 billion concession agreement to allow a private operator to manage and collect revenues from the City's metered parking system for 75 years. The City received an upfront payment of $1.15 billion which was recognized as a deferred inflow that will be amortized and recognized as revenue over the term of the agreement. The City recognizes $15.3 million of revenue for each year through 2083.

In December 2006, the City completed a long-term concession and lease of the City's downtown underground public parking system. The concession granted Chicago Loop Parking, LLC (CLP) the right to operate the garages and collect parking and related revenues for the 99-year term of the agreement. The City received an upfront payment of $563.0 million of which $347.8 million was simultaneously used to purchase three of the underground garages from the Chicago Park District. The City recognized a deferred inflow that will be amortized and recognized as revenue over the term of the lease. The City recognizes $5.7 million of revenue for each year through 2105. In January 2014, CLP assigned all of its interests in the concession and lease agreement to LMG2, LLC, the designee of its lenders, in lieu of foreclosure by the lenders on their leasehold mortgage on the underground garages.

In January 2005, the City completed a long-term concession and lease of the Skyway. The concession granted a private company the right to operate the Skyway and to collect toll revenue from the Skyway for the 99-year term of the agreement. The City received an upfront payment of $1.83 billion; a portion of the payment ($446.3 million) advance refunded all of the outstanding Skyway bonds. The City recognized a deferred inflow of $1.83 billion that will be amortized and recognized as revenue over the 99-year term of the agreement. The City recognizes $18.5 million of revenue related to this transaction for each year through 2103. Skyway land, bridges, other facilities and equipment continue to be reported on the Statement of Net Position and will be depreciated, as applicable, over their useful lives. The deferred inflow of the Skyway is reported in the Proprietary Funds Statement of Net Position.

17) **Subsequent Events Ratings**

In February 2015, Moody's Investors Service (Moody's) downgraded the ratings of the City's General Obligation bonds, Sales Tax revenue bonds and Motor Fuel Tax revenue bonds from Baal to Baa2, the City's Wastewater senior lien revenue bonds from A2 to A3, and the Wastewater second lien revenue bonds from A3 to Baal, each with a negative outlook.

In March 2015, Kroll Bond Rating Agency (Kroll) rated the City's General Obligation bonds A- with a stable outlook.

In May 2015 Moody's downgraded the City's General Obligation bonds, Sales Tax revenue bonds and Motor Fuel Tax revenue bonds from Baa2 to Ba1, with a negative outlook. At the same time, Moody's downgraded the City's Water senior lien revenue bonds from A2 to Baal, the Water second lien revenue bonds from A3 to Baa2 and the City's Wastewater senior lien bonds from A3 to Baa2 and the Wastewater second lien revenue bonds from Baal to Baa3, each with a negative outlook. The Moody's May 20.15 downgrades triggered (with respect to the City's General Obligation debt, Sales Tax revenue bonds. Water second lien revenue bonds and Wastewater second lien revenue bonds) defaults under certain credit and/or liquidity facilities, certain general obligation revolving credit agreements and, for the Series 2008C Wastewater second lien revenue bonds, certain continuing covenant agreements with those bondholders. The Moody's May 2015 downgrades also triggered termination events under interest rate swap

agreements to which the City is a party. The City does not have any such facilities or agreements relating to its Motor Fuel Tax revenue bonds. In response to the triggering of these defaults and termination events, the City took several actions: (i) it terminated the Wells Fargo letter of credit securing two series of its General Obligation commercial paper notes (no such notes were outstanding at the time of termination) and terminated the associated reimbursement agreement; (ii) it entered into forbearance agreements with (A) the providers of credit and/or liquidity facilities for its General Obligation bonds, General Obligation commercial paper notes and Sales Tax revenue bonds, (B) the lenders on its General Obligation revolving credit agreements, (C) the counterparties on its General Obligation and Sales Tax Revenue interest rate swap agreements, and (D) the holders of its Series 2008C Wastewater second lien revenue bonds; (iii) it amended and/or transferred the interest rate swap agreements for its Water second lien revenue bonds and its Wastewater second lien revenue bonds to remove such termination event from the swap agreements prior to any demand being made for a termination payment by the counterparties; and (iv) it obtained a waiver of the event of default from the provider of a letter of credit relating to its Water second lien revenue bonds.

In May 2015, subsequent to the Moody's downgrades, Standard and Poor's (S&P) downgraded the City's General Obligation bonds from A+ to A- with a negative watch. S&P also downgraded the City's Water senior lien revenue bonds from AA to A, the Water second lien revenue bonds from AA- to Aa negative watch. S&P also downgraded the City's Water senior lien revenue bonds from AA to A, the Water second lien revenue bonds from AA- to A- the City's Wastewater senior lien bonds from AA to A and the Wastewater second lien revenue bonds from AA- to A-, each with a negative watch.

In May 2015, subsequent to the Moody's downgrades, Fitch Ratings (Fitch) downgraded the City's General Obligation bonds and Sales Tax revenue bonds from A- to BBB+, with a negative watch.

In June 2015, Kroll rated the Sales Tax revenue bonds AA+ with a stable outlook.

Bonds

In May 2015, the City converted its General Obligation Bonds (Neighborhoods Alive 21 Program), Series 2002B ($176.2 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 5.0 percent to 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2016 to January 1, 2037. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $24.8 million was redeemed by the City.

In May 2015, the City converted its General Obligation Bonds, Project and Refunding Series 2003B ($170.1 million) from variable rate to fixed rate. The bonds were converted at interest rates ranging from 5.0 percent to 5.5 percent and maturity dates from January 1, 2016 to January 1, 2034. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $11.8 million was redeemed by the City.

In June 2015, the City converted its General Obligation Bonds, Project and Refunding Series 2005D ($174.0 million) from variable rate to fixed rate. The bonds were converted at an interest rate of 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2033 to January 1, 2040. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $48.8 million was redeemed by the City.

In June 2015, the City converted its General Obligation Bonds, Refunding Series 2007E, F and G ($153.7 million) from variable rate to fixed rate. The bonds were converted at an interest rate of 5.5 percent and mandatory sinking fund or maturity dates from January 1, 2034 to January 1, 2042. Proceeds were used to pay a portion of the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion. The remaining portion of $46.3 million was redeemed by the City.

In June 2015, the City converted its Sales Tax Revenue Refunding Bonds, Series 2002 ($111.7 million) from variable rate to fixed rale The bonds were converted at interest rates ranging from 2.0 percent to 5.0 percent. Proceeds were used to pay the purchase price of the bonds mandatorily tendered on the conversion date and the costs of conversion.

Swaps

In May and June 2015, the City terminated all of its General Obligation and Sales Tax revenue swaps and transferred and modified certain thresholds with respect lo Additional Termination Events for its Water second lien revenue swaps and Wastewater second lien revenue swaps.

The City terminated the swaps relating to its (1) General Obligation Bonds, Project and Refunding Series 2003B for total termination payments of $31.0 million, (2) General Obligation Bonds, Project and Refunding Series 2005D for total termination payments of $62.8 million, (3) General Obligation Bonds, Refunding Series 2007 E, F and G for total termination payments of $62.0 million and 4) Sales Tax Revenue Refunding Bonds, Series 2002 for a termination payment of $29.0 million.

The City transferred the swaps with UBS related to its Water Second Lien Revenue Bonds, Series 2000 ($100.0 million notional amount) and Series 2004 ($173.3 million notional amount) to Barclays. At the same time, the ATE rating threshold was reduced from below Baal by Moody's or BBB+ by S&P to below Baa3 or BBB- by Moody's and S&P respectively. In addition, the swap with Royal Bank of Canada relating to the City's Water Second Lien Revenue Bonds, Series 2004 ($182.2 million notional amount) was modified to reduce the ATE rating threshold from below Baal by Moody's or BBB+ by S&P to below BBB+ by S&P or Fitch.

The City modified the ATE rating thresholds related to its Second Lien Wastewater Transmission Revenue Bonds, Series 2008C swaps with JPMorgan ($49.8 million notional amount) and Bank of America ($49.8 million notional amount) from below Baal by Moody's or BBB+ by S&P to below Baa3 or BBB- by Moody's or S&P, respectively.

Commercial Paper, Letters of Credit, Lines of Credit and Continuing Covenant Agreements

As of December 31, 2014, the outstanding balance for the City's General Obligation Commercial Paper Notes and General Obligation Lines of Credit (G.O. CP) was $297.4 million. Since January 2015, the City has paid down $54.2 million of G.O. CP and has issued $591.8 million to refund certain

(G.O. CP) was $297.4 million. Since January 2015, the City has paid down $54.2 million of G.O. CP and has issued $591.8 million to refund certain outstanding bonds, facilitate the conversion of variable rate bonds to fixed rate, fund swap termination payments and pay certain settlements and judgments. The current G.O. CP outstanding is approximately $835.0 million.

In February 2015, the City's Midway Commercial Paper program was reduced from $150 million to $85 million. As such, the PNC letter of credit was not extended.

In April 2015, the City issued $30.5 million aggregate principal amount of its Chicago O'Hare International Airport Commercial Paper Notes (O'Hare CP Notes). The proceeds of these O'Hare CP Notes were used to finance a portion of the cost of authorized airport projects.

In May and June 2015, the City converted its General Obligation bonds and Sales Tax revenue bonds from variable rate to fixed rate, as discussed above. The related letters of credit and liquidity facilities were terminated at the time of the conversion.

Due to the May 2015 downgrades by Moody's, the City entered into forbearance agreements with its General Obligation commercial paper credit providers (except Wells Fargo), the lenders on its General Obligation revolving credit agreements and the Orange Line letter of credit provider. The forbearance agreements extend to September 30, 2015, unless another event of default is triggered, including another rating downgrade by Moody's or a downgrade below investment grade by S&P or Fitch. The Wells Fargo letter of credit was terminated; there were no such General Obligation commercial paper notes outstanding secured by that letter of credit. The City also entered into forbearance agreements with the holders of its Series 2008C Wastewater second lien revenue bonds. Each of those holders has a continuing covenant agreement with the City with respect to its bonds. An event of default was triggered under each continuing covenant agreement due to the May 2015 downgrades by Moody's. The forbearance agreements extend to June 30, 2016 (provided that the City has taken certain steps prior to June 30, 2016 to convert the Series 2008C Wastewater second lien revenue bonds to fixed rates of interest), unless another event of default is triggered, including another rating downgrade by Moody's or a downgrade below investment grade by S&P or Fitch.

In May 2015, the City entered into a Line of Credit Agreement with DNT Asset Trust, which allows the City to draw on the line of credit in an aggregate amount not to exceed S200 0 million to facilitate the conversions of the City's

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CITY OF CHICAGO, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

General Obligation variable rate bonds to fixed rate, by funding a portion of the purchase price of tendered bonds as well as paying for the redemption of bonds which were not converted to fixed rate. The line of credit was subsequently reduced to $151.6 million, to reflect the amount of the draws related to the conversions. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit expires September 30, 2015. In June 2015, the City amended its Revolving Credit Agreement with Bank of America, which increases the line of credit amount to $348.4 million. The City's repayment obligation under the line of credit is a general obligation of the City. The line of credit remains in effect through the forbearance period ending on September 30, 2015, although any draws on the line of credit during and after the forbearance period are subject to approval by the bank in its sole discretion.

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REQUIRED SUPPLEMENTARY INFORMATION CITY OF CHICAGO, ILLINOIS
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS Last Three Years (dollars arc in thousands)

Actuarial Valuation Date

Actuarial

Value of Assets (a)

Actuarial Accrued Liability (AAL) Entry Age (b)

Unfunded Actuarial Accrued
Liability (UAAL)

(b-a)

Funded Ratio (a/b)

Covered Payroll (c)

Unfunded (Surplus) AAL as a Percentage of Covered

Unfunded (Surplus) AAL as a Percentage of Covered

Payroll ((b-a)/c)

Municipal Employees'
2012 12/31/2012 $
2013 12/31/2013
2014 12/31/2014

162,083 27,573 17,495

162,083 27,573 17,495

$ 1,590,794 1,580,289 1,602,978

10.19 1.74 1.09

Laborers'
2012 12/31/2012
2013 12/31/2013
2014 12/31/2014

Policemen's
2012 12/31/2012
2013 12/31/2013
2014 12/31/2014

Firemen's
2012 12/31/2012
2013 12/31/2013
2014 12/31/2014

City of Chicago
2012 12/31/2011
2013 12/31/2012
2014 12/31/2013

38,654 7,074 4,593

168,811 28,376 18,762

46,206 7,692 4,995

470,952 997,281 964,626

38,654 7,074 4,593

168,811 28,376 18,762

46,206 7,692 4,995

470,952 997,281 964,626

198,790 200,352 202,673

198,790 200,332 202,675

1,015,171 1,015,426 1,074,333

418,965 416,492 460,190

2,518,735 2,385,198 2,425,000

19.44 3.53 2.27
%

16.63 2.79 1.75

11.03 1.85 1.09

18.70 41.81 39.78

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APPENDIX D PROPERTY TAXES

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PROPERTY TAXES

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 cither retroactively or prospectively. The Illinois laws relating to real property taxation are contained in the Illinois Property Tax Code (the "Property Tax Code").

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

Assessment

The Cook County Assessor (the "Assessor") is responsible for the assessment of all taxable real properly wilhin the County, except for certain railroad property and pollution control equipment assessed directly by the State. One-third ofthe real property in the County is reassessed each year on a repeating triennial schedule established by the Assessor. The suburbs in the northern and northwestern portions of the County were reassessed in 2013. The suburbs in the western and southern portions ofthe County were reassessed in 2014 The City is being reassessed in 2015.

Real property in the County is separated into various classifications for assessment purposes After the Assessor establishes the fair cash value of a parcel of land, that value is multiplied by one ofthe 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 (eg, 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 lo 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 lo appeal decisions ofthe 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 PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence Based on the amount of the proposed change in assessed valuation, taxpayers may appeal decisions of the PTAB to either the Circuit Court or the Illinois Appellate Court under the Illinois Administrative Review Law

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

The Appellate Court decisions do nol 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 Cily would be minimal, as the Cily's ability to levy or collect real property taxes would be unaffected.

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

Equalization

Equalization

After the Assessed Valuation for each parcel of real estate in a county has been determined for a given year including any revisions made by the Board of Review, the Illinois Department of Revenue reviews the assessments and determines an equalization factor (the "Equalization Factor"), commonly called the "multiplier," for each county The purpose of equalization is to bring the aggregate assessed value of all real property, except farmland, wind turbines with a nameplate capacity of at least 0.5 megawatts and undeveloped coal, in each counly 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 lo determine Ihe 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, fhe 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 Slate, constitutes the total real estate tax base for the taxing body and is the figure used lo 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 fhe Equalization Factors for each of the last 11 tax levy years, from 2003 through 2013 (the most recent years available), are listed in this Official Statement under "FINANCIAL DISCUSSION AND ANALYSIS-Property Taxes" (see the table captioned "Assessed, Equalized Assessed and Estimated Value of All Taxable Property 2003-2014").

In 1991. legislation was enacted by the State which provided that for 1992 and for subsequent years' tax levies, the Equalized Assessed Valuation used to determine any applicable tax limits is the one for the immediately preceding year and not the current year This legislation impacts taxing districts with

rate limits only and currently does not apply to the City See "-Property Tax Limit Considerations" below.

Exemptions

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

The annual general homestead exemption provides for the reduction ofthe Equalized Assessed Valuation ("EAV") of certain property owned and used exclusively for residential purposes by the amount ofthe increase over the 1977 EAV, currently up to a maximum reduction of $7,000 in Cook County and $6,000 in all other counties. There is an additional homestead exemption for senior citizens (individuals at least 65 years of age), for whom the Assessor is authorized to reduce the EAV by $5,000. There is also an exemption available for homes owned and exclusively used for residential purposes by disabled veterans or their spouses, for whom the Assessor is authorized to annually exempt up to $70,000 of the Assessed Valuation. An additional exemption is available for disabled persons, for whom the Assessor is authorized to reduce the EAV by $2,000. An exemption is available for homestead improvements by an owner of a single family residence of up to $75,000 ofthe increase in the fair cash value of a home due to certain home improvements to an existing structure for at least four years from the date the improvement is completed and occupied. Senior citizens whose household income is $55,000 or less, and who are either the owner of record or have a legal or equitable interest in the property, qualify to have the EAV of their property frozen in the year in which they first qualify for the so-called "freeze" and each year thereafter in which the qualifying criteria are maintained Each year applicants for the Senior Citizens Assessment Freeze Homestead Exemption musl file the appropriate application and affidavit with the chief county assessment office

Aside from homestead exemptions, upon application, review and approval by the Board of Review, or upon an appeal to the Illinois Department of Revenue, there are exemptions generally-available for properties of religious, charitable (including qualifying not-for-profit hospitals), and educational organizations, as well as units of federal, state and local governments.

Additionally, counties have been authorized to create special property tax exemptions in long-established residential areas or in areas of deteriorated, vacant or abandoned homes and properties. Under such an exemption, long-time, residential owner-occupants in eligible areas would be entitled to a deferral or exemption from that portion of property taxes resulting from an increase in market value because of refurbishment or renovation of other residences or construction of new residences in the area On .lune 5, 2001, the County enacted the Longtime Homeowner Exemption Ordinance, which provides properly lax relief from dramatic rises in property

County enacted the Longtime Homeowner Exemption Ordinance, which provides property tax relief from dramatic rises in property taxes directly or indirectly attributable to gentnfication 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 ofthe properly as part of a government or nonprofit housing program), (ii) whose annual household income foi the year ofthe 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 Mousing and Urban Development, (iii) whose property has increased in assessed value to a level exceeding 150 percent ofthe current average assessed value for properties in the assessment district where the property is located, (iv) whose properly has a market value for assessment purposes of $300,000 or less in the current reassessment year, and (v) who, for any triennial assessment cycle, did not cause a substantial improvement which resulted in an increase in the property's fair cash value in excess of Ihe $45,000 allowance set forth in the Pioperty l ax Code

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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 arc 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, lo 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 ofthe respective Unit. If any tax rate thus calculated or any component of such a lax 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 lax rates of all Ihe 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 Ihe collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

The Illinois Truth in Taxation Law (the "Truth in Taxation Law") contained within the Property Tax Code imposes procedural limitations on a Unit's real estate taxing powers and requires that a notice in a prescribed form must be published if the aggregate annual levy is estimated to exceed 105 percent of the levy ofthe 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 ofthe Unit on the adoption ofthe annual levy No amount in excess of 105 percent ofthe preceding year's levy may be used as the basis for issuing tax bills to property owneis unless the levy is accompanied by certification of compliance vvith the foregoing procedures, fhe Truth in Taxation Law does not impose any limitations on the rate or amount ofthe levy to pay principal of and interest on the general obligations bonds and notes ofthe City

Collection

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

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The following table sets forth the second installment penalty date for the lax years 2005 to 2014, the first installment penally date has been March 2 or March 3 for all years.

Second Installment

Tax Year
2014 2013 2012 2011 2010 2009 2008 2007 2006 2005
Penalty Dale
August 3, 2015 August 1, 2014 August I, 2013
November 1, 2012 November 1,2011 December 13,2010 December 1,2009 November 3, 2008 December 3, 2007 September 1,2006

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

At the end of each collection year, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court order resulting from the application for judgment provides for an annual sale of all unpaid taxes shown on the year's Warrant Books (the "Annual Tax Sale"). The Annual Tax Sale is a public sale, at which time successful tax buyers pay the unpaid taxes plus penalties Unpaid taxes accrue interest at the rate of 1 5 percent per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus an additional penally fee calculated from the penally bid at sale times a certain multiplier based on each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and one-half years depending on the type and occupancy of the property) and the tax buyer files a petition in Circuit Court, notifying the necessary parties in accordance with applicable law, the tax buyer receives a deed to the properly. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale ofthe tax lien on a parcel of property at Ihe Annual Tax Sale, the taxes are forfeited and eligible to be purchased at any time thereafter at an amount equal to all dclinqucnl taxes, interest and certain other costs to the dale of purchase Redemption periods and procedures are the same as applicable to the Annual Tax Sale, except that a different penally rate may apply depending on the length ofthe 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 properly in which laxes are delinquent for two or more years The sale price ofthe unpaid taxes is the amount bid at ihe Scavenger Sale, which may be less lhan the amount ofthe delinquent taxes Redemption periods vary from six months to two and one-half years depending upon Ihe type and occupancy ofthe properly.

The annual appropriation ordinance ofthe City has a provision for an allowance for uncollectible taxes The City reviews this provision annually to determine whether adjustments arc appropriate For tax year 2014, collectible in 2015, the allowance for uncollectible taxes is about four percent ofthe estimated gross tax levy For financial reporting purposes, uncollected taxes are written off by the City after four years, but are fully reserved alter one year

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Property Tax Limit Considerations

Suite of Illinois. The Property Tax Code limits (a) the amount of properly taxes that can be extended for non-home rule units of local government located in the County and five adjacent counties and (b) the ability of those entities to issue general obligation bonds without voter approval (collectively, the "State 'fax Cap") Generally, the extension of property taxes for a unit of local 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 ofthe Local Government Debt Reform Act.

As a home rule unit of government, the City is not subject to the Stale Tax Cap. Under the Illinois Constitution of 1970, the enactment of legislation applying the State Tax Cap to the City and other home rule municipalities would require a law approved by the vote of three-fifths ofthe members of each house ofthe Illinois General Assembly and the concurrence ofthe 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 lo 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

As a home rule unit of government, the City is not limited as to the amount of debt it may issue payable from ad valorem property taxes. The General Assembly may limit by law the amount and require referendum approval of such debt, but only to the extent such debt, in the aggregate, exceeds three percent ofthe assessed value of all taxable properly in the City

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

The City In 1993, the City Council of the City adopted an ordinance (the "Chicago Property Tax Limitation Ordinance") limiting, beginning in 1994, the Cily's aggregate property tax levy to an amount equal to the prior year's aggregate property tax levy (subject to certain adjustments) plus the lesser of (a) five percent or (b) the percentage increase in the annualized Consumer Price Index for all urban consumers for all items, as published by the United States Department of Labor, during the 12-month period most recently announced prior to the filing ofthe preliminary budget estimate report The Chicago Property Tax Limitation Ordinance also provides that such limitation shall not reduce that portion of each levy attributable lo the greater of (i) for any levy year, interest and principal on general obligation notes and bonds ofthe Cily outstanding on January 1, 1994, to be paid from collections ofthe levy made for such levy year, or (ii) the amount ofthe aggregate interest and principal payments on ihe City's general obligation bonds and notes during the 12-month period ended January 1, 1994, subject to annual increase in Ihe 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 ofthe refunding of general obligation bonds or notes or of such installment contracts or leases

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

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APPENDIX E RETIREMENT FUNDS

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RETIREMENT FUNDS

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RETIREMENT FUNDS

General

Pursuant to the Illinois Pension Code, as revised from time to time (the 'Pension Code"), the Cily contributes to four retirement funds, which provide benefits upon retirement, death or disability to members of these retirement funds. Such retirement funds arc, in order from largest to smallest membership: (i) the Municipal Employees' Annuity and Benefit Fund of Chicago ("MEABF"); (u) the Policemen's Annuity and Benefit Fund of Chicago ("PABF"), (in) the Firemen's Annuity and Benefit Fund of Chicago ("FABF"); and (iv) the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF" and, together with MEABF, PABF and FABF, the "Retirement Funds").

The Retirement Funds are established, administered and financed under the Pension Code, as separate bodies politic and corporate and for the benefit ofthe members of the Retirement Funds. The City's contributions to the Retirement Funds, and benefits for members of the Retirement Funds, arc governed by the provisions ofthe Pension Code. See "- Determination of City's Contributions" below. This Appendix describes, among other things, the current provisions ofthe Pension Code applicable lo the City's funding ofthe Retirement Funds. No assurance can be made that the Pension Code will not be amended in the future.

The Retirement Funds' funding sources are the City's contributions, the employees' contributions and investment income on the Retirement Funds' assets. The City's and employees' contribution levels are determined pursuant to the Pension Code.

The Retirement Funds have been actuarially determined to be significantly underfunded. See "- Funded Status ofthe Retirement Funds" and "- Projection of Funded Status" below. The funded status ofthe Retirement Funds has adversely impacted, and threatens to further negatively impact, the City and its taxpayers in several ways, certain of which are described in this paragraph and throughout this Appendix First, the City's bond ratings have declined based, according to the reports of the rating agencies issued with respect to such downgrades, in part on the size ofthe Retirement Funds' unfunded liabilities and the projected impact of future City contributions to the Retirement Funds on the City Sec "Impact of Retirement Funds' Unfunded Liabilities on the City's Bond Ratings" below In addition, as described m the following paragraphs, the magnitude of the Retirement Funds' underfunding has prompted the Illinois General Assembly to pass legislation which would, as currently constituted, significantly increase the Cily's contributions to the Retirement Funds Such additional contributions are expected to substantially burden the City's financial condition Further, the governmental units with which the tax base ofthe City overlaps, which include, but are not limited to, the Chicago Board of Education of the City of Chicago (the "Board of Education"), the Chicago Park District ("CPD"), the County of Cook (the "County") and the State of Illinois (the "State") (collectively, all such other units are referred to herein as the "Governmental Units"), as defined and described herein, have overlapping tax bases with the City and are also experiencing significant pension plan underfunding which, in combination with the current financial position of the Retirement Funds, places a substantial potential burden on the City's taxpayers who bear the burden of funding a portion ofthe contributions ofthe City and the Governmental Units. See "-Background Information Regarding the Retirement Funds- Overlapping fax Bodies" below

As noted above, in an effort to improve the funded status ofthe Retirement Funds, the Illinois General Assembly passed two statutes designed to improve the funding levels ofthe Retirement Funds PA 98-641 (winch is defined and described herein), which modifies provisions of the Pension Code

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related to MEABF and LABI-", and P.A. 96-1495 (which is defined and described herein), which modifies provisions ofthe Pension Code with respect to PABF and FABF.

PA 98-641 significantly increases the City's contributions to MEABF and LABF and makes other adjustments that caused the unfunded liabilities of MEABF and LABF to decrease on its effective date and will cause such unfunded liabilities to decrease further over time See "-Determination of City's Contributions"-City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641" below. Information regarding projected future City contributions to LABF and MEABF pursuant to P.A 98-641 is set forth in TABLE 13-"Projection of Future Funding Status-MEABF," TABLE 14- "Projection of Future Funding Status-LABF" and TABLE 18 -"Projected Contributions MEABF and LABF" below. P.A 98-641 is currently being challenged as to its constitutionality in two separate lawsuits. See"-Legislative Changes-P.A. 98-64P' below.

P.A. 96-1495 is expected to reduce the unfunded liabilities of PABF and FABF because it significantly increased future City contributions to be made by the City to PABF and FABF. See "- Determination of City's Contributions-City's Required Contributions to PABF and FABF Beginning in 2016" below P.A. 96-1495 has been projected to require an increase in the City's contributions to PABF and FABF from approximately $297 million in 2015 to approximately $839 million in 2016, with increase of approximately three percent each year thereafter. See TABLE 15-"PROJECTION OF FUTURE FUNDING STATUS"-FABF" and TABLE 16 -"PROJECTION OF FUTURE FUNDING STATUS-PABF" below In addition, as a result of certain changes to PABF's actuarial assumptions beginning with the 2014 Actuarial Valuation (as defined and described herein), the City's contributions to PABF are expected to increase by approximately $62 million for the 2017 Contribution. The City expects that the increases in the City's contributions to PABF and FABF mandated by P A 96-1495 will substantially burden the Cily's financial condition. Taken together with the increase in City contributions under P.A. 98-641, the burden on the Cily's financial condition would be even greater.

Certain statements made in this Appendix are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information This information is not fact and should not be relied upon as being necessarily indicative of future results Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achicvability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

Source Information

The information contained in this Appendix relies in part on information produced by the Retirement Funds, their independent accountants and their independent actuaries (the "Source Information") Neither the City nor the City's independent auditors have independently verified the Source Information and make no representations nor express any opinion as to the accuracy ofthe Source Information

Furthermore, where the tables in this Appendix present aggregate information regarding the Retirement Funds, such combined information results solely from the arithmetic calculation of numbers information results solely from the arithmetic calculation of numbers

presented in the Source Information and may not conform to the requirements for the presentation of such information by the Governmental Accounting Standards Board ("GASB"') or the Pension Code.

Certain of the comprehensive annual financial reports of the Retirement funds (each a "CAFR"' and together the "CAFRs"), and certain of the actuarial valuations of the Retirement Funds (each, an "Actuarial Valuation" and together, the "Actuarial Valuations"), may be obtained by contacting the Retirement Funds Certain of these reports may also be available on the Retirement Funds' websites (www.meabf.org <http://www.meabf.org>; www.chipabf <http://www.chipabf> org, wwwlabfchicago.org <http://wwwlabfchicago.org>, and wwwfabf.org <http://wwwfabf.org>), provided, however, that the contents of these reports and ofthe Retirement Funds' websites are not incorporated herein by such reference.

The Retirement Funds typically release their Actuarial Valuations in the April or May following the close of their fiscal year on December 31. All ofthe Retirement Systems have released their 2014 Actuarial Valuations.

Background Information Regarding the Retirement Funds

General

Each of the Retirement Funds is a single-employer, defined-benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the City. "Defined-benefit" refers to the fact that the Retirement Funds pay a periodic benefit lo employees upon retirement and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined on the basis of service credits and salary Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by a defined-benefit pension plan, bolh employees and employers make contributions to the plan. Generally in a dcfincd-bcncfil pension plan, employees contribute a fixed percentage of their annual salary and employers contribute the additional amounts required (which amounts may be determined pursuant to statute, as in the case of the City), when combined with the investment earnings on plan assets, to pay the benefits under the pension plan Sec "Table 1 -Membership," "-Determination of Employee Contributions" and "-Determination of City's Contributions" below

The benefits available under the Retirement Funds accrue throughout the time an employee is employed by the City. Although the benefits accrue during employment, certain age and service requirements must be achieved by an employee lo generate a retirement or survivor's periodic defined benefit payment upon retirement or termination from the City 'fhe Retirement Funds also provide cerlain disability benefits and, until the later ofthe date on which the City no longer provides a health care plan for the annuitants or December 31, 2016, retiree healthcare benefits to eligible members

Section 5 of Article XIII ofthe Illinois Constitution (the "Pension Clause") provides as follows

"Membership in any pension retirement system ofthe State, any unit of local government or school district, or any agency or instiumentality thereof, shall be an enforceable contractual relationship, the benefits ol" which shall not be diminished or impaired "

For a discussion ofthe Pension Clause in the context of possible pension reform related to the Retirement Funds, sec "-Pension Reform" below

References in this Appendix lo "member" are references to ihe active, inactive and retired employees ofthe City and their

References in this Appendix to "member" are references to the active, inactive and retired employees ofthe City and their beneficiaries, the active, inactive and retired employees ofthe Retirement Funds participating in the Retirement Funds and their beneficiaries, and with regard to MEABF, certain employees of the Board of Education who are members of MEABF as described below, and their beneficiaries.

The Retirement Funds

Municipal Employees' Annuity and Benefit Fund of Chicago MEABF is established by and administered under Article 8 ofthe Pension Code MEABF provides age and service retirement benefits, survivor benefits and disability benefits to all eligible members. MEABF is administered under the direction of a five-member board of trustees (the "MEABF Board"), whose members are responsible for managing and administering MEABF for the benefit of its members In addition to City and Retirement Fund employees, former employees and survivors, MEABF's membership includes non-instructional employees of the Board of Education ("CBOE Employees"). With respect to MEABF, the terms "employee" and "member" include the CBOE Employees. The CBOE Employees account for almost half of MEABF's membership. The Mayor ofthe City, the City Clerk, the City Treasurer, and members ofthe Cily Council may participate in MEABF if such persons file, while in office, written application lo the MEABF Board.

Policemen's Annuity and Benefit Fund of Chicago PABF is established by and administered under Article 5 of the Pension Code. PABF provides retirement and disability benefits to the police officers of the City, their surviving spouses and their children PABF is administered by an eight-member board of trustees (the "PABF Board"). Members ofthe PABF Board are charged with administering the PABF under the Pension Code for the benefit of its members.

Firemen's Annuity and Benefit Fund of Chicago. FABF is established by and administered under Article 6 of the Pension Code. FABF provides retirement and disability benefits to fire service employees and iheir survivors. FABF is governed by an eight-member board of trustees (the "FABF Board") Members ofthe FABF Board are statutorily mandated to discharge their duties solely in the interest of FABF's members.

Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago. LABF is established by and administered under Article 11 of Ihe Pension Code. LABF provides retirement and disability benefits for employees of the City and the Board of Education who arc employed in a title recognized by the City as labor service and for the survivors of such employees. LABF is governed by an eight-member board of trustees (the "LABF Board" and, together with the MEABF Board, the PABF Board and the FABF Board, the "Retirement Fund Boards"). Members ofthe LABF Board arc statutorily mandated to discharge their duties solely in the interest of LABF's members.

The membership ofthe Retirement Funds as of December 31, 2014, was as follows'

TABLE 1 - MEMBERSHIP

Retirement Fund	**Active Members**	**Inactive/ Entitled to Benefits**	**Retirees and Beneficiaries**
MEABF	30,160	15.495	24,855
PABF	12,020	630	13,230
FABF	4,809	65	4,703
LABF	2,837	1,449	3,902
Total	49,826	17,639	46,690

Totals

Totals

70,510 25,880 9,577 8.188

114,155

Source Actuarial Valuations ofthe Retirement Systems as of December 31, 2014.

Overlapping Taxing Bodies

The City's tax base overlaps with the Governmental Units, which includes, but is not limited to, the Board of Education, the CPD, the County and the State. Certain ofthe Governmental Units maintain their own defined benefit pension plans (collectively, all such other plans are referred to herein as the "Other Retirement Funds"), many of which are also significantly underfunded. The underfunding of these Other Retirement Funds places a substantial additional potential burden on the City's taxpayers, who bear the burden of funding a portion ofthe contributions of the Governmental Units.

State Pension Reform Act and Litigation On May 8, 2015, the Illinois Supreme Court affirmed the decision of Ihe Sangamon County Circuit Court that Public Act 98-0599 (the "State Pension Reform Act") is unconstitutional. The State Pension Reform Act would have provided for certain cost-saving and other reforms to the State's four largest pension plans, including, but not limited to, changes to the employee and employer contribution formula, cost of living adjustments, retirement ages and employee contributions The State Pension Reform Act was challenged on behalf of various classes of annuitants, current and former workers, and labor organizations, alleging, among other things, that the legislation violates the Pension Clause.

Chicago Park District Pension Reform On January 7, 2014, then Governor Pat Quinn signed Public Act 98-0622 into law (the "CPD Pension Reform Act") The CPD Pension Reform Act provides for certain cost-saving and other reforms to CPD's pension plan, including, but nol limited to, changes to the employee and employer contribution formula, cost of living adjustments, retirement ages and employee contributions Such changes became effective on June 1, 2014. The City is not aware of any lawsuit that has been filed challenging the CPD Pension Reform Act 'fhe City makes no prediction as to whether any lawsuit will be filed challenging the CPD Pension Reform Act, or whether the filing of any such lawsuit or its outcome would impact the City's pension reform efforts, nor does the City make any prediction as to whether the Illinois Supreme Court decision with respect to the State Pension Reform Act will impact the CPD Pension Reform Act

For more information on these Other Retirement Funds, please refer lo the State's Commission on Government Forecasting and Accountability ("COGFA") website at hltpV/cgfa ilga gov/homc aspx, provided, however, that the contents of the COGFA website are nol incorporated herein by such reference 'fhe City believes the information on COGFA"s website to be reliable, however, the City takes no responsibility for the continued accuracy ofthe Internet address or for the accuracy or timeliness of information posted on that website

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Certain Duties

Each Retirement Fund Board is a fiduciary of its respective Retirement Fund and is authorized to perform all functions necessary for operation ofthe Retirement Funds. The Pension Code authorizes each Retirement Fund Board to make certain decisions, including decisions regarding the investment of funds, the management of assets, the disbursement of benefits, and the hiring of staff, financial advisors and asset managers.

Each Retirement Fund Board is authorized to promulgate rules and procedures regarding their administration of benefits and other matters in accordance with the Illinois Administrative Procedure Act, and their decisions in awarding, limiting, or denying benefits are subject to the Illinois Administrative Procedure Act. Certain aspects of the Retirement Funds, however, including the defined benefits and the employer and employee contribution levels, are established in the Pension Code and may be amended only by an amendment to the Pension Code.

The Pension Code provides that the expenses incurred in connection with the administration of the Retirement Funds are not construed to be debt imposed upon the City. Such expenses are the obligation ofthe Retirement Funds exclusively, as separate bodies politic and corporate

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the

The Illinois Attorney General and annuitants may bring a civil action to obtain relief for violations of a fiduciary duty to the Retirement Funds or any act or practice which violates any provision of the Pension Code.

Investments

Each Retirement Fund Board manages the investments of its respective Retirement Fund. State law regulates the types of investments in which the Retirement Funds' assets may be invested. Furthermore, the Retirement Fund Boards invest the Retirement Funds' assets in accordance with the prudent person rule, which requires members ofthe Retirement Fund Boards, who are fiduciaries ofthe Retirement Funds, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation.

In carrying out their investment duty, the Retirement Fund Boards may appoint and review investment managers as fiduciaries to manage the investment assets of the Retirement Funds Such investment managers are granted discretionary authority to manage the Retirement Funds' assets. Additional information regarding the Retirement Funds' investments and investment management may be found on the Retirement Funds' websites; provided, however, that the contents of such websites are not incorporated into this Appendix by such reference.

Table 2 provides information on the investment returns experienced by each of the Retirement Funds

TABLE 2 - INVESTMENT RATES OF RETURN, 2005-2014

MEABF

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

Assumed Rate"

6 6% 12.7

73 (28 7) 19.6 14 2

0.1 12.8 16.1

4.7

7 5

9.5% 140 11 0 (33 8) 23.7 17.7 (2.0) 162 19.5

2 9

8.0

7.8% 11 2

8.0 (29.2) 21 5 15 5 (0.3) 14.6 15.8

3.8

7.5

7 3% 12.1

8.8 (27.8) 21 5 12 7

0.8 124 137

5 9

7.5

Source For FABF, ihe audited financial statements of FABF for fiscal years 2003-2012 and the Actuarial Valuations of FABF for fiscal years 2013 and 2014 For MliABT. the CAFRs of MEABF for fiscal years 2003 and 2004 and the Actuarial Valuation of MEABF as of December 31, 2014 For LABF and PABF, the respective CAFRs of such Retirement Funds for Ihe fiscal years 2003-2012 and the respective Actuarial Valuations of such Retirement Funds for fiscal years 2013 and 2014.

(1) Reflects the assumed rate of return of ihe Retirement Funds as of December 31, 2014, as discussed in further detail under "Actuarial Assumptions-Assumed Investment Rate of Return" below

Determination of Employee Contributions

Employees are required to contribute to their respective Retirement Fund as set forth in the Pension Code.

Prior to the implementation of PA. 98-641 on January I, 2015, MEABF employees contributed 8.5 percent of their salary lo MEABF (consisting of a 6.5 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits, and a 05

MEABF (consisting of a 6.5 percent contribution for employee benefits, a 1.5 percent contribution for spouse benefits, and a 05 percent contribution for an annuity increase benefit). For a summary ofthe increases in employee contributions that take effect under P.A. 98-641, sec "-Legislative Changes -P.A 98-64J."

PABF employees contribute 9.0 percent of their salary to PABF (consisting of a 7 0 percent contribution for employee benefits, a I 5 percent contribution for spouse benefits and a 0 5 percent contribution for an annuity increase benefit)

FABF employees contribute 9 125 percent of their salary lo FABF (consisting of a 7.125 percent contribution for employee benefits, a 1 5 percent contribution for spouse benefits, a 0 375 percent contribution for an annuity increase benefit and a 0 125% contribution for disability benefits).

Prior to the implementation of PA 98-641 on January 1, 2015, LABF employees contributed 8.5 percent of their salary to LABF (consisting of a 6 5 percent contribution for employee benefits, a I 5 percent contribution for spouse benefits, and a 0 5 percenl contribution for an annuity increase benefit) For a summary ofthe increases in employee contributions that look effect under PA 98-641, see "- Legislative Changes -P.A. 95-67/."

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For each Retirement Fund, if an employee leaves without qualifying for an annuity, accumulated employee contributions are refunded.

Determination of City's Contributions

Under the Pension Code, the City's contributions to the Retirement Funds are determined pursuant to a statutory formula on an annual basis. Currently, the Cily's contributions equal the Multiplier Funding (as defined below) and certain other amounts as required by the Pension Code. "Multiplier Funding" is equal to the product of a multiplier established by the Pension Code for each Retirement Fund (each, a "Multiplier") and the amount contributed by the Cily's employees two years prior to the year in which the tax is levied. With respect to the City's 2015 contribution, the Multiplier for each Retirement Fund is as follows 1.25 for MEABF; 2.00 for PABF; 2 26 for FABF; and 1.00 for LABF. The City's contributions are made as governed by the Pension Code and are not based on the Actuarially Required Contribution (as hereinafter defined). See "-The Actuarial Valuation-City's Contributions Nol Related to GASB Standards" below. However, pursuant to P.A. 96-1495, beginning in 2016, the City's contributions to PABF and FABF will be determined pursuant to the P.A 96-1495 Funding Plan (as hereinafter defined) rather than the Multiplier Funding system. See "-City's Contributions to PABF and FABF Beginning in 2016" below. Furthermore, beginning in 2021, P.A. 98-641 requires that the City's contributions to MEABF and LABF be determined pursuant to the PA. 98-641 Funding Plan (as hereinafter defined) rather than the Multiplier Funding system. See "-City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641" below.

The Pension Code provides that the Retirement Fund Boards must each annually certify to the City Council a determination of the required Cily contribution to the Retirement Funds. In making its request for the City's annual contribution, each Retirement Fund, acting through its Retirement Fund Board, annually approves and then submits a resolution to the City Council requesting that the City Council levy for a particular contribution amount. The City has generally paid the amounts so requested. Sec "-City's Contributions to FABF" below.

The City's contributions to the Retirement Funds have historically been made primarily from the proceeds of an annual levy of properly taxes for each ofthe Retirement Funds (collectively, the "Pension Levy") by the City solely for such purpose, as provided by the Pension Code However, the Pension Code allows the City to use any other legally available funds (collectively, the "Other Available Funds," as described below) in lieu ofthe Pension Levy to make its contributions to the Retirement Funds. The amount ofthe Pension Levy, like any City property lax levy, must be approved by the City Council The Pension Levy is exclusive of and in addition to the amount of property taxes which the City levies for other purposes

If Other Available Funds are being utilized to pay a portion ofthe City's contributions, such funds are to be deposited with the City Treasurer lo be used for the same purpose as the Pension Levy fhe City's practice has been to use a portion of the City's Personal Property Replacement Tax revenue ("PPRT") to pay a portion ofthe City's contributions PPRT revenue is paid by the State of Illinois (the "State") to the City from the Personal Property Replacement Tax Fund ofthe State pursuant to Section 12 ofthe Revenue Sharing Act ofthe Slate Fhe City's distributive share of PPRT is nol required to be used for this purpose but it can be used by the City for

Act ofthe State The City's distributive share of PPRT is not required to be used for this purpose but it can be used by the City for corporate purposes. Since 2003, the amount of PPRT contributed by the City to the Retirement Funds in the aggregate has averaged approximately $78,387,000 annually In 2012, 2013 and 2014, the amounts of PPRT contributed to the Retirement Funds m the aggregate were approximately $101,875,000, $126,639,000 and $127,239,000 respectively For those same "years, the City's total distributive share of PPRT was $139,461,000, $159,559,000 and $158,547,000, respectively

The contnbulions to the Retirement Funds in accordance with the Pension Code, which have been generally lower than the Actuarially Required Contribution, have contributed to the significant underfunding of the Retirement Funds. Moreover, the contributions to the Retirement Funds in accordance with the Pension Code have had the effect of deferring the funding of the Retirement Funds' liabilities, which increases the costs of such liabilities and the associated financial risks, including the risk that each Retirement Fund will not be able to pay its obligations as they become due. Any significant increases in the City's contributions (such as those scheduled to occur under P.A 96-1495 and P A. 98-641 if determined to be constitutional) to the Retirement Funds can be expected to place significant strain on the City's finances. As shown in TABLE 15-"Projection of Future Funding Status-FABF" and TABLE Id)-"Projection of Future Funding Status-PABF" herein, the City's contributions to FABF and PABF are projected to increase in fiscal year 2016, when compared to fiscal year 2015, by approximately $136.3 million and $405.0 million, respectively, pursuant to the provisions of P.A. 96-1495. In addition, as shown in TABLE 13-"Projection of Future Funding Status-MEABF," TABLE 14-"Projection of Future Funding Status-LABF" and TABLE 18-"Projected Contributions-MEABF and LABF" herein, the City's contributions to MEABF and LABF are projected to increase in fiscal year 2016, when compared to the Cily's contributions in fiscal year 2015, by approximately $85.3 million and $9 6 million, respectively pursuant to the provisions of P.A 98-641, if such act is determined to be constitutional.

Cily's Contributions to FABF

With respect to the contribution lo be made in 2015, Ihe FABF has requested certain amounts which the City has determined are not required by the Pension Code. The amount requested by the FABF Board in excess of the amount the City has determined to be the statutory requirement for 2014 was $18,147,000. The FABF Board has made similar requests for amounts in excess ofthe amount the Cily has determined to be the statutory requirement in each of the last several years In each such year, including the current year, the City has indicated that it will not contribute amounts in excess of the amount the City has determined to be the statutory contribution requirement for the City to FABF.

City's Required Contributions to PA BFand FABF Beginning in 2016

Public Act 096-1495 ("P A 96-1495") was signed into law on December 30, 2010. Among other things, P.A. 96-1495 created a new method of determining the contributions to be made by the City to PABF and FABF P.A. 96-1495 requires that, beginning in 2016, the City's contributions each year for PABF and FABF (the "P A. 96-1495 Contribution") will be equal to the amount necessary to achieve a Funded Ratio (as hereafter defined) of 90 percent in PABF and FABF by the end of fiscal year 2040 (the "P.A. 96-1495 Funding Plan").

Pursuant to the P.A 96-1495 Funding Plan, the P A 96-1495 Contribution for PABF and FABF will be calculated as the level percentage of payroll necessary to reach the 90 percent Funded Ratio target by 2040 In Cook and DuPage Counties (in which the City is located), property taxes levied in one year become payable during the following year in two installments As such, any property tax to be levied by the City for the purpose of raising the P A 96-1495 Contribution to be made by the City m 2016 would be levied in calendar year 2015 and collected in calendar year 2016

Unless amended by the Illinois General Assembly, the PA 96-1495 Funding Plan will significantly increase the City's required contributions to PABF and FABF beginning in 2016 and will impose a significant financial burden on the City Based on the amounts budgeted by the City for the 2015 contribution to PABF and FABI- and the 2013 Actuarial Valuation for PABF and FABF, the City's required contribution to PABF and FABF is expected to increase by appioximately $549 million in 2016 when compared lo the budgeted contribution for 2015. This contribution is expected lo increase by an the budgeted contribution for 2015 This contribution is expected to increase by an

additional $62 million for fiscal year 2017 as a result of new assumptions lo be used by Ihe actuary for PABF beginning with the 2014 Actuarial Valuation Sec "-Funded Status of the Retirement Funds"' herein

Senate Bill 777 ("SB 777") passed both houses oflhc Illinois General Assembly as of May 31. 2015. SB 777 would extend the period by which the unfunded liabilities of PABF and FABF are amortized to a 90 percent Funded Ratio from 2040 to 2055 (the "Revised Amortization Period") and institute a phase-in period during 2016-2020 to reduce the City's required payment in the initial years to allow for a more gradual phase-in of the requirements of P.A. 96-1495 (the "Phase-in Period"). The Revised Amortization Period would reduce the annual funding obligation required to reach a 90 percent Funded Ratio, but extend the number of years over which such payments would need to be made. A motion to reconsider the vote on SB 777 was filed in the Illinois Senate on May 31, 2015, and, as such, SB 777 has not been sent to the Governor for consideration In addition to, or in lieu of, a Revised Amortization Period or a Phase-in Period, the Illinois General Assembly may consider other legislation that could affect the City payment obligations for PABF and FABF and/or funding sources for those obligations, including a City-owned casino. The City makes no representation as to whether or when SB 777 or any such other legislation would be enacted into law.

Any change to the P.A. 96-1495 Funding Plan which would reduce the contributions required of the City, such as a Revised Amortization Period or a Phase-in Period, would have the effect of increasing (he unfunded liabilities and decreasing the Funded Ratios of PABF and FABF when compared to the projected unfunded liabilities and Funded Ratios of such Retirement Funds set forth in Tables 13 and 14 below. The City expects that the City Council will consider options for addressing its pension funding requirement for PABF and FABF, including improvements in operating efficiencies and incremental revenues, after the Illinois General Assembly concludes its spring session. If an increase in property taxes were the sole source of incremental City contributions to PABF and FABF, and those contributions were not reduced by a Revised Amortization Period or Phase-in Period, the projected increase in the City's contribution to such Retirement Funds in 2016 would be $549 million, as described above, on a total estimated 2015 aggregate lax levy of $4 2 billion, including the City and overlapping taxing jurisdictions.

City s Required Contributions to LABF and MEABF Pursuant to P.A. 08-641

PA 98-641, which became law on June 9, 2014, modifies the manner in which the City's contributions lo LABF and MEABF arc calculated. For payment years 2016 through 2020, P A 98-641 retains the Multiplier Funding system as the method of calculating the City's contributions lo LABF and MEABF (unless the amount determined pursuant to the Multiplier Funding system for any year is more than the Normal Cost (as hereinafter defined) for such year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90 percent by the end of contribution year 2055), but increases the Multiplier as follows: for the contribution made in 2016, 1.60 (LABF) and 1 85 (MEABF); for the contribution made in 2017, 1 90 (LABF) and 2 15 (MEABF); for the contribution made in 2018, 2.20 (LABF) and 2 45 (MEABF), for the contribution made in 2019, 2.50 (LABI") and 2.75 (MEABF): and for the contribution made in 2020, 2.80 (LABF) and 3 05 (MEABF) Beginning in 2021, the City's contributions for LABF and MEABF will equal the Normal Cost for such year plus the amount, determined on a level percentage of payroll basis, that is sufficient to achieve a Funded Ratio of 90 percent in LABF and MEABF by the end of contribution year 2055 (the "P.A 98-641 Funding Plan").

PA. 98-641 is currently the subject of multiple legal challenges as to its constitutionality. Sec "Legislative Changes-PA 98-641" below If PA. 98-641 is overturned by a court, the concomitant reversion to the Pension Code provisions effective prior to its enactment would have the effect of increasing the UAAL and decreasing the Funded Ratio of MEABF and LABI-' Sec "-Effect on MEABF

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and LABF if P A 98-641 Found Unconstitutional" below for additional information regarding the effect of P.A 98-641 being overturned on the funded status of MEABF and LABF.

The Actuarial Valuation

The Actuarial Valuation

General

The Pension Code requires that the Retirement Funds annually submit to the City Council a report containing a detailed statement ofthe affairs of such Retirement Fund, its income and expenditures, and assets and liabilities, which consists of the Actuarial Valuation. With respect to the Retirement Funds, the Actuarial Valuation measures the financial position of a Retirement Fund, determines the amount to be contributed by the City lo such Retirement Fund pursuant to the statutory requirements described above, and produces certain information mandated by the financial reporting standards issued by the Governmental Accounting Standards Board, as described below.

In producing the Actuarial Valuations, the Retirement Funds' actuaries use demographic data (including employee age, salary and service credits), economic assumptions (including estimated future salary and interest rates), and decrement assumptions (including employee turnover, mortality and retirement rales) to produce the information required by the Prior GASB Standards or the New GASB Standards, each as hereinafter defined, 'ihe Retirement Funds' Actuarial Valuations are publicly available and may be obtained from the Retirement Funds. See "-Source Information" above A description of the statistics generated by the Retirement Funds' actuaries in Ihe Actuarial Valuations follows in the next few paragraphs. This information was derived from the Source Information.

GASB, which is part of a private non-profit corporation known as the Financial Accounting Foundation, promulgates standards regarding accounting and financial reporting for governmental entities. These principles have no legal effect and do not impose any legal liability on the City The references to GASB principles in this Appendix do not suggest and should not be construed to suggest otherwise

Prior GASB Standards

For the fiscal years discussed in this Appendix prior to and including December 31. 2013, the applicable GASB financial reporting standards were GASB Statement No 25 ("GASB 25") and GASB Statement No. 27 ("GASB 27" and, together with GASB 25, the Prior GASB Standards"). The Prior GASB Standards required the determination of the Actuarially Required Contribution and the calculation of pension funding statistics such as the UAAL and the Funded Ratio in the Actuarial Valuation. In addition, the Prior GASB Standards allowed pension plans to prepare financial reports pursuant to a variety of approved actuarial methods, certain of which arc described in "'-Actuarial Methods" below

GASB 25 required disclosure of an "Actuarially Required Contribution," which was such pronouncement's method for calculating the annual amounts needed to fully fund the Retirement Funds, though the Actuarially Required Contribution was a financial reporting requirement and not a funding requirement. The Prior GASB Standards referred lo the Actuarially Required Contribution as Ihe "Annual Required Contribution", however, this Appendix refers to the concept as the Actuarially Required Contribution lo denote the fact that the Actuarially Required Contribution is the amount an actuary would calculate pursuant to the Prior GASB Standards to be contributed in a given year, to differentiate it from the amount the City will be required to contribute under Ihe Pension Code

The Actuarially Required Contribution as defined in GASB 25, consisted oflwo components (I) that portion ofthe present value of pension plan benefits which is allocated to the valuation year by ihe

actuarial cost method (as described in "-Actuarial Methods-Actuarial Accrued Liability" below), termed the "Normal Cost", and (2) an amortized portion of any UAAL (defined below)

The Actuarial Accrued Liability was an estimate of the present value of the benefits each Retirement Fund must pay lo members as a result of past employment with the City and participation in such Retirement Fund The Actuarial Accrued Liability was calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, retirement date and age and mortality and disability rates). The Actuarial Value of Assets reflected the value ofthe investments and other assets held by each Retirement Fund. Various methods existed under the Prior GASB Standards for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and

Liability. For a discussion of the methods and assumptions used to calculate the Retirement Funds' Actuarial Accrued Liability and Actuarial Value of Assets under GASB 25, see "-Actuarial Methods" and "-Actuarial Assumptions" below

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability was referred to as the "Unfunded Actuarial Accrued Liability" or "UAAL." The UAAL represented the present value of benefits attributed to past service that are in excess of plan assets In addition, the actuary computed the "Funded Ratio," which was the Actuarial Value of Assets divided by the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL provide one way of measuring the financial health of a pension plan.

New GASB Standards

Beginning with the fiscal year ended December 31, 2014, GASB 25 was replaced with GASB Statement No. 67 ("GASB 67"), and GASB 27 will be replaced with GASB Statement No 68 beginning with the fiscal year ending December 31, 2015 ("GASB 68" and, together with GASB 67, the "New GASB Standards"). Unlike the Prior GASB Standards, the New GASB Standards do not establish approaches to funding pension plans. Instead, (he New GASB Standards provide standards solely for financial reporting and accounting related to pension plans The New GASB Standards require calculation and disclosure of a "Net Pension Liability," which is the difference between the actuarial present value of projected benefit payments that is attributed to past periods of employee service calculated pursuant to the methods and assumptions set forth in the New GASB Standards (referred to in such statements as the "Total Pension Liability") and the fair market value ofthe pension plan's assets (referred to as the "Fiduciary Net Position"). This concept is similar to the UAAL, which was calculated under the Prior GASB Standards, but most likely will differ from the UAAL on any calculation date because the Fiduciary Net Position is calculated at fair market value and because ofthe differences in the manner of calculating the Total Pension Liability as compared to the Actuarial Accrued Liability under the Prior GASB Standards

Furthermore, the New GASB Standards employ a rate, referred to m such statements as the "Discount Rate," which is used to discount projected benefit payments to their actuarial present values The Discount Rate may be a blended rate comprised of (I) a long-term expected rate of return on a Retirement Fund's investments (lo the extent that such assets arc projected to be sufficient lo pay benefits), and (2) a tax-exempt municipal bond rale meeting certain specifications set forth in the New GASB Standards Therefore, in certain cases in which Ihe assets of a Retirement Fund arc not expected lo be sufficient to pay the projected benefits of such Retirement Fund, the Discount Rate calculated pursuant to the New GASB Standards may differ from the assumed investment rale of return used in reporting pursuant to the Prior GASB Standards.

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Finally, the New GASB Standards require that the Net Pension Liability be disclosed in the notes to the financial statements of the pension system and that a proportionate share of the Net Pension Liability be recognized on the balance sheets ofthe employer In addition, the New GASB Standards require an expense (the "Pension Expense") to be recognized on the income statement ofthe City. The recognition ofthe Net Pension Liability and the Pension Expense do not measure the manner in which a Retirement Fund is funded and therefore do not conflict with the various manners of funding the Retirement Funds described in this Appendix.

As stated above, GASB 67 was first applied with respect to the Actuarial Valuation for the fiscal year ended December 31, 2014 The City expects that the New GASB Standards may significantly alter the financial statements produced by the City. For example, the Retirement Funds disclosed a combined Net Pension Liability of $22 1 billion as of December 31, 2014, which will impact the City's balance sheet in future years. However, because the City contributes to the Retirement Funds pursuant to the methods established in the Pension Code, the New GASB Statements will not materially impact the contributions made by the City without legislative action.

City's Contributions Not Related to GASB Standards

The City's contributions to the Retirement Funds are not based on the contribution calculations promulgated by GASB for reporting purposes. Instead, the City's contributions are calculated pursuant to the formulas established m the Pension Code. Sec "-Determination of City's Contributions" above.

'fhe methods for contributing to the Retirement Funds set forth in the Pension Code do not conform to the manner of funding

The methods for contributing to the Retirement Funds set forth in the Pension Code do not conform to the manner of funding established by the Prior GASB Standards which funding was based on the Actuarially Required Contribution. The difference between the City's actual contributions and the Actuarially Required Contribution (as calculated by the Retirement Funds' actuaries) for fiscal years 2005-2014 is shown in TABLE 4-"Information Regarding City's Contributions-Aggregated" below Each Retirement Fund's Actuarially Required Contribution is equal to its Normal Cost plus an amortization of the Retirement Funds' UAAL over a 30-year period MEABF, LABF and FABF amortize the UAAL on a level dollar basis, whereas PABF amortizes the UAAL on a level percent of payroll basis. P.A. 98-641 requires amortization for LABF and MEABF on a level percent of payroll basis. Both methods of calculating the Actuarially Required Contribution were acceptable under the Prior GASB Standards

Furthermore, beginning in 2016 with respect to PABF and FABF under the P.A 96-1495 Funding Plan and not later than 2021 with respect lo MEABF and LABF under the P A 98-641 Funding Plan, the City will contribute an actuarially determined amount, as opposed to the current, non-actuarial, multiplier-based approach, as set forth in the Pension Code. The P.A. 96-1495 Funding Plan and the P A. 98-641 Funding Plan differ from the manner of calculation required by the Prior GASB Standards for financial reporting purposes, primarily because the goal of such funding plans is to reach a Funded Ratio in the respective Retirement Funds of 90 percent whereas the Prior GASB Standards required the Retirement Funds to amortize the UAAL towards attainment of a 100 percent Funded Ratio.

The New GASB Standards do not require calculation of an Actuarially Required Contribution

Actuarial Methods

fhe Retirement Funds' actuaries employ a variety of actuarial methods to arrive al the pension statistics required by the Prior GASB Standards and the New GASB Standards Certain of these methods are discussed in the following sections

Actuarial Value of Assets

Under the Prior GASB Standards, the Retirement Funds calculate their respective Actuarial Value of Assets by smoothing investment gains and losses over a period of five years, a method of valuation referred to as the "Asset Smoothing Method." Under the Asset Smoothing Method, the Retirement Funds recognize in the current year 20 percent ofthe investment gam or loss realized in that year and each ofthe previous four years. The Asset Smoothing Method was an allowable method of calculating the Actuarial Value of Assets under the Prior GASB Standards.

The Asset Smoothing Method lessens the immediate impact of market fluctuations on the Actuarial Value of Assets, which is used to calculate the UAAL and the Funded Ratio, that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that differs from the market value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually.

As described above, under the New GASB Standards, the Fiduciary' Net Position is equal to the fair market value of a pension plan's assets as ofthe date of determination. As such, the Asset Smoothing Method docs not apply to the determination of the Fiduciary Net Position under the New GASB Standards

fable 3 provides a comparison ofthe assets ofthe Retirement Funds (as aggregated) on a fair value basis and after application ofthe Asset Smoothing Method.

TABLE 3 - ACTUARIAL VALUE OF ASSETS VS. FAIR VALUE OF NET ASSETS - AGGREGATED'"

Fiscal Year	Actuarial Value of Assets[12']	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2005	$13,086,060$13,245,44598 80%		
2006	13,435,69214,164,34794.86		

2006	15,455,69214,104,54794 86
2007	14,254,81614,595,514 97.67
2008	13,797,3449,844,339140.16
2009	13,051,34910,876,846119 99
2010	12,449,86311,408,555109.13
2011	11,521,13810,536,135109.35
2012	10,531,44710,799,603 97.52
2013	10,513,56411,261,254 93.36
2014	10,339,20810,665,59796 94

Source 2005 through 2010 data is from ihe Actuarial Valuations ofthe Retirement funds as of December 31, 2010, and from the fund CAFRs for Ihe fiscal year ended December 31, 2010 Data from 201 I through 2014 is from the Actuarial Valuations ofthe Retirement funds for the fiscal yeais 201 1 through 2014
1) In thousands of dollars Dala is presented in the aggregate for the Retirement Funds
2) The Actuarial Value of Assets is calculated thiough use of Ihe Assel Smoothing Method

Actuarial Accrued Liability

As the final step in the calculation of actuarial liabilities, the actuary applies a cost method lo allocate the total value of benefits to past, present and future periods ol employee service This allocation

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is accomplished by the development ofthe Actuarial Accrued Liability and the Normal Cost under the Prior GASB Standards and the Pension Code and the Total Pension Liability under the New GASB Standards Currently, all of the Retirement Funds use the entry age normal actuarial cost method (the "EAN Method") with costs allocated on the basis of earnings fhe EAN Method was an approved actuarial cost method under the Prior GASB Standards and is the only allowable actuarial cost method under the New GASB Standards

Under the EAN Method, the present value of each employee's projected pension is assumed to be funded by annual installments equal to a level percentage of the employee's earnings for each year between entry age and assumed exit age. Each employee's Normal Cost, as calculated pursuant lo the Prior GASB Standards, for the current year is equal to Ihe portion of the value so determined, assigned to the current year Therefore, the Normal Cost for the plan for the year is the sum of the Normal Costs of all employees.

P.A. 96-1495 requires that, beginning in 2016, PABF and FABF calculate the Actuarial Accrued Liability pursuant to the projected unit credit actuarial cost method (the "PUC Method"). Under the PUC Method, Normal Cost represents the actuarial present value of that portion of an employee's projected bcncfil that is attributable to service in Ihe current year, based on future compensation projected to retirement. Under this method, the Actuarial Accrued Liability equals the actuarial present value of that portion of a member's projected benefit that is attributable to service to date, again, on the basis of future compensation projected to retirement.

Under either cost method, the Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date, i.e., for past service This value changes as the employee's salary changes and years of service increase, and as some employees leave and new employees are hired. Future Normal Cost is the portion ofthe present value of benefits assigned to future years of service and is assumed to be funded annually.

As compared to the EAN Method, the PUC Method will produce a more back-loaded growth in liabilities because the PUC Method allocates a higher portion of retirement costs closer to the time of retirement. Therefore, the PUC Method results in a slower accumulation of assets, which in turn requires smaller initial, and larger future, contributions (assuming funding is actuarially based, as under the PA. 96-1495 Funding Plan and under P.A 98-641). Deferring contributions in this manner increases the cost ofthe liabilities and the associated financial risks for PABF and FABF

Actuarial Assumptions

The Actuarial Valuations of the Retirement Funds use a variety of assumptions in order to calculate the statistics required by the Prior GASB Standards and the New GASB Standards Although several of the assumptions are the same across all of the

the Prior GASB Standards and the New GASB Standards Although several of the assumptions are the same across all of the Retirement Funds, each Retirement Fund determines, within actuarial standards, the assumptions to be used in its Actuarial Valuation unless a specific assumption is fixed by the Pension Code No assurance can be given that any ofthe assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Funds Variances between the assumptions and actual results may cause increases or decreases in the statistics calculated pursuant to the Prior GASB Standards or the New GASB Standards Additional information on each Retirement Fund's actuarial assumptions is available in the respective 2014 Actuarial Valuations ofthe Retirement Funds See "-Source Information" above

The actuarial assumptions used by the Retirement Funds are determined by the individual Retirement Fund Boards upon the advice ofthe actuary for each Retirement Fund Board The Retirement Funds periodically perform experience studies to evaluate the actuarial assumptions in use The purpose

of an experience study is to validate that the actuarial assumptions used in the Actuarial Valuation continue to reasonably estimate the actual experience of the pension plan or, if necessary, to develop recommendations for modifications to the actuarial assumptions to ensure their continuing appropriateness.

Assumed Investment Rale of Return

The Actuarial Valuations assume an investment rate of return on the assets in each Retirement Fund. The average long-term investment rates of return currently assumed by the Retirement Funds are described in Table 2 above. Due to the volatility ofthe marketplace, however, the actual rate of return earned by the Retirement Funds on their assets in any year may be higher or lower than the assumed rate. Changes in the Retirement Funds' assets as a result of market performance will lead to an increase or decrease in the UAAL and the Funded Ratio As a result of the Retirement Funds' use of the Asset Smoothing Method, however, only a portion of these increases or decreases will be recognized in the current year, with the remaining gam or loss spread over the remaining four years See "-Actuarial Methods-Actuarial Value of Assets" above.

The assumed investment rate of return is used by each Retirement Fund's actuary as the discount rate to determine the present value of future payments to such Retirement Fund's members. Such a determination is part of the actuary's process to develop the Actuarial Accrued Liability under the Prior GASB Standards. Reducing the assumed investment rate of return will, taken independently of other changes, produce a larger Actuarial Accrued Liability for each Retirement Fund. Furthermore, as discussed above, an increase in the Actuarial Accrued Liability will, taken independently, increase the UAAL, decrease the Funded Ratio and increase the Actuarially Required Contribution.

Under the New GASB Standards, each Retirement Fund's actuary will calculate the Discount Rate, as described under "-Actuarial Valuation" above, a reduction in which will, taken independently of other factors, produce a larger Total Pension Liability for each Retirement Fund. Information regarding the Discount Rate and the sensitivity of the Total Pension Liability to changes in the Discount Rate is provided below in Table 12

Beginning with calendar year 2012, the Retirement Fund Boards of MEABF, LABF and PABF reduced the assumed investment rate of return lo be used by their respective actuaries in preparing future actuarial valuations. For MEABF and LABF, the assumed investment rate of return has been decreased to 7 50 percent beginning with calendar year 2012 For PABF, the assumed investment rate of return was decreased to 7.75 percent for calendar year 2012 and to 7 50 percent for calendar year 2014. FABF continues to assume an investment rate of return of 8.0 percent. For a discussion ofthe rate to be used by Moody's in analyzing public pension plans, see "-Impact of Retirement Funds' Unfunded Liability on the City's Bond Ratings" below.

These changes to the assumed investment rate of return will not impact contributions by the City to Retirement Funds when such contributions are determined pursuant to the Multiplier Funding System. However, beginning in 2016 with respect to PABF and no later than 2021 with respect lo MEABF and LABF, when P.A 96-1495 and PA 98-641, respectively, become effective and the City contributes to the Retirement Funds on an actuarial basis, such changes in the assumed investment rate of return will, taken independently of other facts, increase the City's contributions lo such Retirement Funds because the respective UAALs of PABF, LABF and MEABF will increase as described above and the P A 96-1495 Funding Plan and the PA. 98-641 Funding Plan require an amortization ofthe UAAL to reach a 90 percent funding target by 2040 and 2054, respectively amortization ofthe UAAL to reach a 90 percent funding target by 2040 and 2054, respectively

Funded Status ofthe Retirement Funds

In recent years, the Cily has contributed to the Retirement Funds the full amount of Multiplier Funding and certain other amounts determined by the City to be required by the Pension Code through a

combination of property tax revenues (through the Pension Levy) and PPRT funds. However, these amounts have not been sufficient to fully fund the Retirement Funds' Actuarially Required Contributions Moreover, expenses related to the Health Plan (as defined below) are paid from the Cily's contributions, which has the effect of reducing the Actuarial Value of Assets and decreasing the Funded Ratio.

Furthermore, the income from all sources (including employee contributions, City contributions and investment earnings) to the Retirement Funds has been lower than the cash outlays ofthe Retirement Funds in some recent years. As a result, the Retirement Funds have liquidated investments and used assets ofthe Retirement Funds to satisfy these cash outlays, fhe use of investment earnings or assets of the Retirement Funds for these purposes reduces the amount of assets on hand to pay benefits in the future and prevents the Retirement Funds from recognizing the full benefits of compounding investment returns

Table 4 provides information on the Actuarially Required Contribution, the City's actual contributions in accordance with the Pension Code and the percentage of the Actuarially Required Contribution made in each year.

As discussed under"- Determination ol'City's Comribuiions" above, the Citv and I'Alil- have disagreed ovei whether certain amounts are rctjinrcd unJer ihe Pension Code In addition, puisiianl In the IViimou Code the City did not make any connilmiious to LABT in fiscal years 2001 through 2006 because LABI[7] had funds on hand in excess of us liabilities The Pension Code piovides lhal Ihe Cily will cease to make connibulions to LAI.il <http://LAI.il>" in such a situation fhe City continued lo make conliihuliuns lo the uihcr Retirement funds dm ing lliose veais

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TABLE 4- INFORMATION REGARDING CITY'S CONTRIBUTIONS' 1'-AGGREGATED

Fiscal Year	Actuarially Required Contribution	Required Actual Employer Contribution' 21	Contribution Contributed'"	Percentage of Actuarially
2005	$ 698,185$423,515"60.7%			
2006	785,111394,89950 3			
2006	2007'4) 865,776	395,483		45 7
2006	2008(4> 886,215	416,130		47.0
2006	2009,4) 990,381	423,929		42 8
2006	2010(4> 1,112,626	425,552		38 2
2006	2011<4> 1,321,823	416,693		315
2006	2012(4) 1,470,905	440,120		29 9
2006	2013(4) 1,695,278	442,970		26.1
2006	2014,4) 1,740,973	447,400		25 7

Sources Actuarial Valuations ofthe Retirement Funds as of December 31, 2010, Dcccniher 31, 2011, December 31, 2012, December 31, 2013. and December 31, 2014. the Fund CAFRs for the fiscal year ended December 31, 2010. and the City CAFRs for the fiscal years ended December 31, 2011, December 31, 2012 and December 31. 2013

1) In thousands of dollars Data is presented in the aggregate for the Retirement Funds and uses assumptions and methods employed by each ofthe Retirement Funds For the data presented as of December 31. 2005 and December 31, 2006, contribution information includes amounts related to other post-employment benefits Beginning in 2007, as a result of a change in GASB standards, contribution information is presented exclusive of amounts related to other post-employment benefits.

2) Includes the portion of the PPRT contributed lo the Retirement Funds in each year

3) The estimated multipliers that would have been necessary for FABF, LABI-' and PABF to make the full Actuarially Required Contribution in 2014 were as follows 7 98 for FABF. 4 K7 for LABF. and 7 94 for PABF The estimated multiplier that would have been necessary for MEABF to make the full Actuarially Required Contribution in 2014 has not been publicly disclosed, however the necessary contribution multiple for 2013 was 4 52 Beginning in 2016, the City's contributions to PABF and FABF will nol be calculated in accordance with the Multiplier Funding system Pursuant to PA 98-641, ihe City's contributions lo LABF and MEABF will nol be calculated in accordance with the Multiplier Funding system beginning in 2021 See "-Determination ofCilys Contributions" above

4) Beginning in 2006, as a result of a change in GASB standards, the information in this Table 4 does nol include olher post-employment benefits, which the Cily's Compiehensive Annual Financial Repoil presents separately

PABF changed cerlain actuarial assumptions beginning with the fiscal year ended December 31, 2014 Specifically, PABF reduced its assumed investment rate of return from 7.75 percent to 7.50 percent and changed the mortality table used by its actuary to RP-2014, which projects longer lives for PABF members Considered independently of other factors, these changes increased Ihe GASB 25 Actuarial Accrued Liability, and, as a result, increased PABF's UAAL and Actuarially Required Contribution With respect to the City's 2017 contribution to PABF, these changes arc expected to result in an additional contribution of $62 million.

The continued decline in the percentage ofthe Actuarially Required Contribution contributed by the City, as shown in Table 4 above, results, in part, from the fact that the actuarial liability continues to grow due to the delayed recognition of gains and losses resulting from the Retirement Funds' use ofthe Asset Smoothing Method for financial reporting purposes under the Prior GASB Standards Sec "- Actuarial Methods-Value of Assets" above.

The following tables summarize the financial condition and the funding trends ofthe Retiiement Funds

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A variety of factors impact the Retirement Funds* UAAL and Funded Ratio A lower return on investment lhan that assumed by the Retirement Funds, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, higher returns on investment than assumed, and contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the Funded Ratio. In addition, legislative amendments, changes in actuarial assumptions and certain other factors (including, but not limited to, higher or lower incidences of retirement, disability, in-service mortality, retiree mortality or terminations than assumed) will have an impact on the UAAL and the Funded Ratio

Net Pension Liability and Discount Kate

As described in "-Actuarial Valuation-New GASB Standards" above, the New GASB Standards require the calculation ofthe Net Pension Liability, which is the difference between the Total Pension Liability and the Fiduciary Net Position. Furthermore, the Discount Rate is the blended rate at which the actuaries ofthe Retirement Funds discount projected benefit payments to their actuarial present values. The following tables present information on the Net Pension Liability and the components thereof and the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate As described in this Appendix, the fiscal year ended December 31, 2014 is the first fiscal year for which GASB 67 is effective and, as such, comparative historical information is not yet available with respect to the information provided in these tables.

MEABF LABF PABF FABF Total

Plan Net Position

TABLE 11-NET PENSION LIABILITY (S IN THOUSANDS)

$5,179,486 1.388,093 3,062.014 1.036.008

$7,127,608 774,813 8,711.417 3,476.752

Total Pension Liability

$10,665,601

$20,090,590

$12,307,094 2,162,906 11,773,431 4,512,760

$30,756,191

Plan Net Position as a Percentage of Total Pension Liability

42 09% 64 18 26 01 22 96

42.09% 64.18 26.01 22.96
34.68%

Source The Acuuruil Valuations of the Retirement Funds lor the fisenl year ended June December 31, 2014

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TABLE 12- SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE(I)

MEABF Discount Rate Net Pension Liability
LABF Discount Rate Net Pension Liability
PABF Discount Rate Net Pension Liability
FABF Discount Rate Net Pension Liability

1% Decrease

6.50% $8,511,386

6.24% $1,013,951

6.15% $10,123,094

6.60% $3,963,803

Current

7.50% $7,127,608

7.24% $774,813

7.15% $8,711,416

7.60% $3,476,752

1% Increase

1 % Increase

8.50% $5,955,121

8.24% $572,792

8.15% $7,524,224

8.60% $3,060,757

Source Hie Actuarial Valuations ofthe Retirement Funds for the fiscal year ended Occcmhcr 31, 2014 (1)In thousands

Projection of Funded Status

The Retirement Funds' funding level has decreased in recent years due to a combination of factors, including, adverse market conditions and investment returns as a result of the financial downturns experienced in 2001 and in 2008 and beyond, and contributions that are lower than the Actuarially Required Contribution. With respect to MEABF and LABF, the funding level increased for fiscal year 2014 as a result of the implementation of P.A 98-641.

The following projections (collectively, the "Projections") arc based upon numerous variables that are subject to change. The Projections are forward-looking statements regarding future events based on the Retirement Funds' actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure and that all projected contributions to the Retirement Funds are made as required. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented in this subsection

The Projections are based on data as of December 31, 2014, and are provided to indicate expected trends in the funded status ofthe Retirement Funds under the applicable law. The Projections provided in this section with respect to MEABF combine pension and OPEB liabilities together in a single projection, whereas the Projections included with respect lo the other Retirement Funds exclude OPEB liabilities. The Projections reflect PA. 96-1495 and P.A. 98-641. As described herein, P.A. 98-641 is presently subject to legal challenge as to its constitutionality. For projections regarding MEABF and LABF under Ihe law in effect prior to the enactment of P A. 98-641, see "-Effect on MEABF and LABI- if P.A 98-641 Found Unconstitutional" herein.

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TABLE 13- PROJECTION OF FUTURE FUNDING STATUS - MEABF*

Fiscal Year

Market

Actuarial Unfunded Accrued Market

Accrued Market Actuarial Liabilities Funded

Liability Assets (UAAL) Ratio

(S) (S) ($) (%)

(a) (b) 0<-b) (b/a)

Employer Contribution'"' (S)

2015	512,623,220	$5,099,126
2016	12,944.6285,040,865	
2017	13,288,0885,093,774	
2018	13,634,5585,222,804	
2019	13,991.2375,435,586	
2020	14,346,3585,649,839	
2021	14,697.0995,862,858	
2022	15,040,8726,071,971	
2023	15.377,5686,277,293	
2024	15,704,9636,476,772	
2025	16,032,2896,679.887	
2026	16,345.5276.872,954	
2027	16,643,2317,055,253	
2028	16,926,1737,228,381	
2029	17,194,1667,393,218	
2030	17,446,4257,550,013	
2031	17,682,3757.699,294	
2032	17,903,4317,843.902	
2033	18,111.6497,987,600	
2034	18,309.4478,134,674	
2035	18,510,6928,300,829	
2036	18,708,6378,481,310	
2037	18,906,8458,681,906	
2038	19,109,5258,908,258	
2039	19.320,6029.170.030	
2040	19,529,5629,456,586	
$7,524,094	40.4%	$156,091
7,903,763	38.9	242,700
8,194,314	38.3	275,248
8,411,754	38.3	381,424
8,555,651	38.8	464,616
8,696,519	39.4	542,585
8.834,241	39.9	554,376
8,968,901	40.4	565,732
9,100,275	40.8	576,324
9,228,191	41.2	586,751
9.352,402	41.7	596,887
9.472.573	42.0	606.555
9,587,978	42.4	615,840
9,697,792	42.7	625,322
9,800,948	43.0	635,022
9,896,412	43.3	645,219
9.983,081	43.5	655.655
10.059,529	43.8	666.177
10.124,049	44.1	677,231
10,174,773	44.4	689,120
10,209,863	44.8	701,813
10.227.327	45.3	715,21 S
10,224,939	45.9	729,451
10,201.267	46.6	744,700
10,150.572	47.5	760,983
10,072,976	48.4	778,333

Source Actuarial Valuation of MEABF as of December 31. 2014

1) In thousands of dollars Projections calculated on a cash basis
2) Represents contributions expected to be made by the City during the fiscal year

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TABLE 14 - PROJECTION OF FUTURE FUNDING STATUS - LABF* 11

Market Unfunded Accrued
Actuarial **Actuarial** **Market**
Employer Contribution'2' (S)
Accrued **Market** **Liabilities** **Funded**
Fiscal Year
Liability **Assets** **(UAAL) Ratio**
(S) (S) (S) (%)
(a) (b) (a-b) (b/a)

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

$2,145,052 2,175,622 2,208,991 2,231,152 2,273,671 2,304,497 2,333,490 2,360,554 2,385,406 2,407,534 2,429.710 2,449,606 2,466,633 2.480,723 2,491,848 2,500,071 2,505,962 2,510,086 2,513,040 2,515,720 2,518,676 2,522,349 2.527.430 2,534,183 2,542,950 2,554,422

$1,363,097 1,342,036 1,325,498 1,314,693 1,311,023 1,313,146 1,324,203 1,333,970 1,342,241 1,348,670 1,356,183 1,362,569 1,367,354 1,370,612 1,372,411 1,372,908 1,372,824 1,372,877 1,373,840 1,376,709 1,381,940 1,390,066 1,401,875 1,417,752 1,438,244 1,464,246

$781,955 833,586 883,493 916,459 962.648 991,351 1,009,287 1,026,584 1,043,165 1,058,864 1,073.527 1,087,037 1,099,279 1,110,111 1,119,437 1,127,163 1,133,138 1,137,209 1,139,200 1,139,011 1,136,736 1,132,283 1,125,555 1,116,431 1,104,706 1,090.176

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54 7 54.9 55.1
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$ 14,472 24,019 28,536 37,768 46.280 56.096 68,520 70,398 72,308 74,296 76,371 78/162 80,560 82,695 84,830 86,915 89,060 91,245 93,475 95,647 97,562 99,442 101.274 103,084 104.922 106,793

Source Actuarial Valuation of LABF as of December 3 I, 2014

1) In thousands of dollars Projections calculated on a cash basis.
2) Represents contributions expected to be made by the City during ihe fiscal year.

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TABLE 15- PROJECTION OF FUTURE FUNDING STATUS - FABF

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets (S) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (S) (a-b)	Market Funded Ratio (%) (h/a)	Employer Contribution'2' (S)

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

$4,434,859 4,577,294 4,722,294 4,866.705 5,009.665 5,150,374 5,288,603 5,423,461 5,555,176 5,682,352 5,804,282 5,920.962 6,033,745 6,144,159 6,253,408 6,362.319 6,469.132 6,573,937 6,676,785 6,777,422 6,877,220 6.976,596 7.077,715 7,181.432 7,288,756 7.401,532

$1,109,401 1,217,224 1,331,697 1,451,676 1.577,203 1.708,420 1,845,600 1,989,064 2,141,193 2,301,929 2,471,585 2,650,813 2,840,666 3,043,394 3.259,857 3,491,000 3,734,518 3,990,843 4.261,086 4,545,008 4,844,498 5,160,943 5,497,989 5.858.397 6,244,911 6.661,361

$3,325,458 3,360,070 3,390.597 3,415.029 3,432.462 3,441,954 3,443,003 3.434,397 3,413,983 3,380,423 3,332.697 3,270.149 3,193,079 3,100,765 2,993,551 2,871,319 2,734,614 2,583,094 2,415,699 2,232,414 2,032,722 1,815,653 1,579,726 1,323.035 1,043,845 740.171

25.0%
26.6
28.2
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$109,813(3) 246.132 184,086 292.439 301.752 311.205 320,955 330.536 340.547 351,861 363.224 374.623 385,647 395,621 405,505 414.140 421,833 427,568 432.905 438,176 442,417 446,354 450,005 454,185 458.737 463,527

Source: The Actuarial Valuation of FABF as of December 31. 2014.

1) In thousands of dollars Projections are calculated by GRS on an accrual basis However, with respect to ihe Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather lhan the preceding budget year
2) Represents contributions expected to be made by the City during the fiscal year
3) The City's budgeted contribution for 2015 is $96,300 (rounded to thousands of dollars)

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TABLE 16 - PROJECTION OF FUTURE FUNDING STATUS - PABF 1"

Fiscal Year	Actuarial Accrued Liability (S) (a)	Market Assets (S) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (S) (a-b)	Market Funded Ratio (%) (b/a)	Employer Contribution 12' ($)

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

.$11.411,836 11,781,145 12,163,551 12,548,773 12.933,725 13,316.644 13,696.272 14,071,381 14,439,986 14,799,878 15,148.088 15,481,802 15,799,359 16,100,434 16,385,906 16,656.508 16,913.448 17,157,541 17,389,628 17,611,490 17,826,154 18,036,195 18,244,281 18,452.509 18.662,552 18,875,443

$3,278,525 3,572,979 3.889,364 4,219,011 4.560,317 4.914,566 5,281.951 5,663,586 6,059,763 6,470,260 6,895,984 7,337,188 7.795,756 8,273.986 8,777,064 9,311,291 9,882,460 10,492,841 11,140.748 11,825,203 12.551,460 13,323,888 14.148.326 15.030.205 15.974,830 16,987,488

$8,133,311 8,208,166 8,274,187 8,329,762 8,373.408 8,402,078 8,414,321 8,407,795 8,380,223 8,329,618 8,252,104 8,144,614 8,003,603 7,826,448 7,608,842 7,345,217 7.030.988 6.664,700 6,248,880 5,786,287 5,274,694 4,712,307 4,095,955 3,422,304 2,687,722 1,887,955

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$187,815(3) 592,863 675,826 695,124 713,810 732,200 752,090 772,004 792,595 813,531 834.435 856,465 878,925 902,286 925,836 951,072 978.674 1,007.732 1.034.971 1,056,933 1,073,628 1,089,551 1.104,206 1,118,732 1.132,916 1,146,889

Source The Actuarial Valuation ofPABF as ofDecembcr 31, 2014.

1) In thousands of dollars Projections are calculated by GRS on an accrual basis However, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year
2) Represents contributions expected to be made by the City during ihe fiscal year
3) The City's budgeted contribution for 2015 is $194,122 (rounded to thousands of dollars)

TABLE 17-PROJECTION OF FUTURE FUNDING STATUS-AGGREGATE [1]

Fiscal Year	Actuarial Accrued Liability ($) (a)	Market Assets ($) (b)	Market Unfunded Accrued Actuarial Liabilities (UAAL) (S) (a-b)	Market Funded Ratio (%) (h/a)	Employer Contribution [1] (S)

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

$30,614,967 31,478,689 32,382.924 33,281,188 34,208.298 35,117,873 36,015,464 36,896,268 37,758,136 38,594,727 39.414,369 40,197,897 40,942,968 41,651,489 42,325,328 42,965,323 43,570.917 44,144,995 44,691,102 45,214,079 45,732,742 46,243,777 46.756.271 47,277,649 47,814,860 48,360.959

$10,850,149 11,173,104 11,640,333 12,208,184 12,884,129 13,585.971 14,314,612 15,058,591 15,820,490 16,597,631 17,403,639 18,223,524 19,059,029 19,916,373 20,802,550 21.725,212 22,689,096 23,700,463 24,763,274 25,881,594 27,078,727 28,356,207 29,730,096 31,214,612 32,828.015 34,569,681

$19,764,818 20.305,585 20,742.591 21.073.004 21,324,169 21,531,902 21,700,852 21,837,677 21,937,646 21,997,096 22,010,730 21,974,373 21,883,939 21,735.116 21,522,778 21,240.111 20,881.821 20,444,532 19,927,828 19,332,485 18.654.015 17,887.570 17.026,175 16,063,037 14,986,845 13.791,278

35.4%
35.5
35.9
36.7
37.7
38.7
39.7
40.8
41.9

41.9
43.0
44.2
45.3
46.6
47.8
49.1
50.6
52.1
53.7
55.4
57.2
59.2
61.3
63.6
66.0
68.7
71.5
$468,191 1.105,714 1,163,696 1,406,755 1.526,458 1,642,086 1,695,941 1,738,670 1,781,774 1,826.439 1,870.917 1.916.105 1,960,972 2,005,924 2,051,193 2,097,346 2,145,222 2,192,722 2,238.582 2,279,876 2,315,420 2,350,565 2,384,936 2,420.701 2,457,558 2,495,542

Source The aggregated information presented in this tabic is derived from the proicclions presented in Tables 13-16 Please refer to fables 13-16 for source information

1) In thousands of dollars Projections for MEABF and LABF are calculated on a cash basis Projections for PABF' and FABF are calculated on an accrual basis, however, with respect to the Employer Contribution column, the City has presented the data based on the year the employer contribution is actually made, rather than the preceding budget year
2) Aggregate data presented in this table includes data for all four Retirement Funds
3) Represents contributions expected lo be made by the Cily during the fiscal year

The projections in Tables 15 and 16 show that the assets of both FARF and PABF will, under current law, begin to increase in 2016 This increase assumes the implementation ofthe PA 96-1495 Funding Plan. This projection does not consider ihe impact of any bill delaying the impact of P A 96-1495, such as SB 777 See "-Determination of City's Contributions-City's Required Contributions to PABF and FABF Beginning in 2016" herein The Cily projects that, should such a delay bill be enacted, the purpose of such bill would be lo alleviate the strain ofthe contributions currently projected lo occur pursuant to PA 96-1495. which would most likely have the effect of delaying the increases in the

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Funded Ratio with respect to such Retirement Funds during the period in which the contributions established pursuant to such delay bill are lower than those under P A. 96-1495 See "-Determination of City's Contributions-City's Required Contributions to PABF and FABF Beginning in 2016" herein

The statements made in this subsection are based on projections, are forward-looking in nature and are developed using assumptions and information currently available. Such statements are subject to certain risks and uncertainties. The projections set forth in (his Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither the City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information

Legislative Changes

P A 96-0889

P.A. 96-0889

On April 14, 2010, then Governor Quinn signed Public Act 96-0889 (the "Pension Reform Act") into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of MEABF and LABF on or after January I, 2011 ("Tier II Members") as compared to those provided to employees prior to such date ("Tier I Members") The Pension Reform Act does not impact persons who first became employees prior to its effective date of January I , 2011

Among other changes, the Pension Reform Act (i) increases the minimum age at which an employee may retire with unreduced benefits lo age 67 from age 60 or younger based on a formula combining the age ofthe employee and the number of years of service; (ii) increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50; (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the annual cost of living adjustment lo the lower of 3 percent or 50 percent of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates compounding for employees hired alter January 1, 2011, compared with a cost of living adjustment of 3 percent, compounded, under prior law, and (v) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation)

The Pension Reform Act as described in this subsection, taken independently of any other legislative or market effects, is expected to reduce benefits afforded new hires and therefore reduce over time the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution for MEABF and LABF In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels As the value of future benefits decreases over time, and as a greater percentage ofthe City's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease compared to what it would have been under previous law Consequently, the UAAL is expected to grow more slowly and the Funded Ralio to increase As the growth in Ihe UAAL slows, the Actual tally Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases However, no assurance can be given that these expectations will be the actual experience going forward

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P.A. 96-im

P A 96-1495 has a significant impact on PABF and FABF. Certain provisions of P A. 96-1495 are discussed above in "-Determination of City's Contributions-City's Required Contributions to PABF and FABF Beginning in 2016" The PA. 96-1495 Funding Plan will have the effect of significantly increasing the City's contributions to PABF and FABF because, among other things, such contributions will no longer be determined pursuant to the Multiplier Funding system and because the PA. 96-1495 Funding Plan is designed to require larger contributions by the City, 'fhe greater contributions projected to be required under the P.A 96-1495 Funding Plan are expected to pose a substantial burden for the City's financial condition beginning in 2016 See "-Projection of Funded Status'" above

In addition, P.A. 96-1495 makes changes to benefits for police officers and firefighters first participating in PABF and FABF on or after January 1, 2011. Among other changes, P A 96-1495. (i) increases the minimum eligibility age for unreduced retirement benefits from 50 (with ten years of service) to 55 (with ten years of service); (ii) provides for retirement at age 50 (with ten years of service) with the annuity reduced by 0 5 percent per month, (iii) provides that final average salary is based on 96 consecutive months within the last 120 months of employment (instead of 48 months of the last 120 months); (iv) reduces the cost of living adjustment to the lower of 3 percent or 50 percent ofthe change in the consumer price index for all urban consumers ("CPI-u"), whichever is lower, commencing at age 60;

v) provides that widow benefits arc 66 2/3 percent ofthe employee's annuity at the date of death; and
vi) caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation)

While the reforms discussed in this sub-section are expected to contribute to a reduction in the respective UAALs of PABF and FABF over time, such reforms are not expected to materially reduce such UAALs in the near future

P.A. 98-641

P.A. 98-641

P A 98-641 makes significant changes to LABF and MEABF Certain provisions relating to the City's contributions to LABF and MEABF under PA 98-641 are discussed above in "-Determination of City's Contributions-City's Required Contributions to LABF and MEABF Pursuant to P.A. 98-641 " The P A. 98-641 Funding Plan will have the effect of significantly increasing the City's contributions to LABF and MEABF

In addition, with respect to LABF and MEABF, P A 98-641.

- Skips automatic annual increases ("A Al") in 2017, 2019 and 2025 for retired members that would otherwise be entitled to receive them and who have an annuity greater lhan $22,000,
- Provides that members who retire after the effective date of P A. 98-641 are not eligible lo receive an AAI until one full year aller (hey otherwise would have,
- Reduces the AAI rate for Tier 1 Members to the lesser of 3 0 percent or 50 percent ofthe CPI-u, except that retirees with an annual annuity of less than $22,000 will receive al least a I percent AAI in each year, including in the AAI skip years described above;

- Reduces for Tier II Members the minimum eligibility age for unreduced retirement bene Ills to 65 with 10 years of service and. for reduced retirement benefits, to age 60 with 10 years of service;
- Increases employee contribution rales for both Tier I Members and Tier II Members to 9.0 percent m calendar year 2015, 9.5 percent in calendar year 2016, 10 0 percent in calendar year 2017, 10 5 percent in calendar year 2018 and 11 0 percent for calendar year 2019 and after until the respective Retirement Fund reaches a 90 percent Funded Ratio, at which point the employee contribution rate is reduced to 9 75 percent and
- Institutes the Recapture Provisions with respect to MEABF and LABF.

Gabriel Roeder Smith & Company ("GRS") has prepared projections of City contributions and funded status of LABF and MEABF based on the enactment of P.A. 98-641 Such projections arc based on the data, assumptions and methods used in the actuarial valuations for LABF and MEABF as of December 1, 2013. Tables 18 and 19 provide such projections as compared to projected results under current Pension Code provisions.

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Contribution Year

Conl ri but ions to LABF Before P.A. 98-641

Contributions to LABF Under P.A. 98-641
Increase in Contributions to LABF Under P.A. 98-641

Contributions to MEABF Before P.A. 98-641

Contributions to MEABF Under P.A. 98-641

Increase in Contributions to MEABF Under P.A. 98-641

2015 2016 2017 2018 2019 2020 2021 2022 2030 2040 2050 2055
; 14 5 14.4 15.4 157 16.2 16.7 17.2 17.8 232.6 244 8
2171
2181
14 5 24.0 30.5 38.2 47 I 57.3 67.7 69.6 86.2 105.5 124.3 135 3
$ 00 96 15 1 22.5 30 9 40 6 50.5 51.8 (146.4) (139.3) (92.8) (82.8)
$ 156.1 1574 161 9 167.1 172.6 178 2 184 0 189 9 1,325.3 1,598.9 1,530 1 1.519 9
$ 156 1 242 7 290.1 361 2 442 1 533 0 585 6 6003 724.7 9174 1,184.5 1,332 2
00 85 3 1282 194 I 26c> 5 354 8 401 6 4104 (600.6) (681 5) (345.6) (187 7)

Source GKS Projection derived from actuarial data as of December 31, 2013 (I) In millions of dollars. Projections are calculated on a cash basis

TABLE 19 - PROJECTED FUNDED RATIOS: MEABF AND LABF

TABLE 19 - PROJECTED FUNDED RATIOS: MEABF AND LABF

LABF **MEABF**
Funded Ratio Funded Funded Funded
Contribution Before P.A. Ratio Under Ratio Before Ratio Under
Year 98-641 P.A. 98-641 P.A. 98-641 P.A. 98-641

2015 2016 2017 2018 2019 2020 2021 2022 2030 2040 2050 2055
53.9% 52 8 50 9 48 0 44 9 41 6 38.1 34 3
0 0
00
0.0
00
62.5% 62 3 61 7 60 5
59 5 59.0 58.7 58 5 57 2
60 2 76 5 90 0
33 1% 31 3 29 I 26 3 23.3 20 I 166 12 9
0 0
00
00
0 0
38.5%
37 6
36 8
35 8
35 4
35 6
35 9
36 2
38 8
45 0
68.7
90 0

Source GKS Protection derived from actuarial data as of December 31, 2013 (I) In millions of dollars Projections are calculated on a cash basis

P A 98-641 also provides that, beginning on January I, 2015, the Retirement Board of LABI[7] or MI7ABF may bring a mandamus action lo compel the City to make the contributions required by the Pension Code, in addition to other remedies that may be available by law P A 98-641 further provides that the court may order a reasonable payment schedule to enable the City lo make payments without imperiling the Cily's public health, safely, or welfare

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Under PA 98-641, such payments arc expressly subordinated to the payment ofthe principal, mterest, premium, if any, and other payments on or related to any bonded debt obligation ofthe City, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from any funds collected or received by the City or collected or received on behalf of Ihe City. Per P A. 98-641, such payments on bonded debt obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law. City ordinance, or bond indentures, into debt service funds or accounts of the City related to such bonded debt obligations, consistent with the payment schedules associated with such obligations

In December 2014, shortly before P.A. 98-641 was to take effect, two lawsuits were filed in the Circuit Court of Cook County, Illinois (the "Circuit Court") challenging the constitutionality of P.A 98-641. Plaintiffs argue that P.A. 98-641 violates the Pension Clause and seek a preliminary and permanent injunction prohibiting its enforcement. The City was allowed to intervene in both lawsuits to defend the constitutionality of P A. 98-641. On February 19, 2015, the Circuit Court entered an order staying the preliminary injunction proceedings pending further court order and pending the outcome of the Illinois Supreme Court's review ofthe State Pension Reform Act. On July 9, 2015, a hearing was held in the Circuit Court on the parties' cross motions for summary

State Pension Reform Act. On July 9, 2015, a hearing was held in the Circuit Court on the parties' cross motions for summary judgment. At the conclusion ofthe hearing, the Circuit Court slated that its judgment on the motions would be delivered on July 24, 2015. The City expects that whatever decision is entered by the Circuit Court in this lawsuit, the decision will be appealed and the constitutionality of P.A. 98-641 will ultimately be decided on appeal. The City has been defending and will continue to defend this matter vigorously. The City can give no assurance as to the ultimate outcome ofthe lawsuit.

Should P.A. 98-641 be determined by a court to be unconstitutional and the provisions of ihe Pension Code in effect prior lo P.A 98-641 become effective again, MEABF and LABF have been projected to become insolvent beginning in 2026 and 2029, respectively. See "-Effect on MEABF and LABF if P A 98-641 Found Unconstitutional" herein below for additional information Should P A. 98-641 be found unconstitutional, it is not clear whether or how the unfunded status or insolvency of MEABF and LABF might be resolved or what, if any, impact such a resolution may have on the City.

Diversion of Grant Money to the Retirement Funds Under P.A. 96-1495 and P.A. 98-641

P A 96-1495 and P.A. 98-641 allow the State Comptroller to divert State grant money intended for the Cily to the Retirement Funds to satisfy contribution shortfalls by the City (the "Recapture Provisions"). If the City fails to contribute to the Retirement Funds as required by the Pension Code, the City will be subject to a reallocation of grants of State funds to the City if (i) the City fails to make the required payment for 90 days past the due date, (ii) the subject Retirement Fund gives notice ofthe failure to the Cily, and (iii) such Retirement Fund certifies to the State Comptroller that such payment has nol been made Upon the occurrence of these events, the State Comptroller will withhold grants of State funds from the City in an amount not in excess of the delinquent payment amount in the following proportions (i) in fiscal year 2016, one-third of the City's State grant money, 00 in fiscal year 2017, two-ihirds ofthe City's State grant money, and (iii) in fiscal year 2018 and in each fiscal year thereafter, 100 percent ofthe City's State grant money. Should the Recapture Provisions in either of P A 96-1495 or P A 98-641 be invoked as a result of the City's failure to contribute all or a portion of its required contribution, a reduction in State grant money may have a significant adverse impact on the City's finances

Effect on MEABF and LABF If P.A. 98-641 Found Unconstitutional

As described in "-Legislative Changes-P.A. 98-641" above, P A 98-641 is currently subject lo legal challenge as to its constitutionality If PA. 98-641 is not upheld upon a legal challenge to its

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validity and the law in effect prior to the enactment of P.A 98-641 is again effective, the City's consulting actuaries project that MEABF and LABF will not have assets on hand to make payments to beneficiaries beginning in 2026 and 2029, respectively The following tables provide current projections of the Actuarial Accrued Liability, Market Value of Assets, UAAL, Funded Ratio and Employer Contribution with respect to MEABF and LABF in the absence of P.A. 98-641.

Certain statcmenls made in this Appendix are based on projections, are forward-looking in nature and arc developed using assumptions and information currently available. Such statements arc subject to certain risks and uncertainties. The projections set forth in this Appendix rely on information produced by the Retirement Funds' independent actuaries (except where specifically noted otherwise) and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information. This information is not fact and should not be relied upon as being necessarily indicative of future results Readers of this Appendix are cautioned not to place undue reliance on the prospective financial information. Neither Ihe City, the City's independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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TABLE 20 - PROJECTION OF FUTURE FUNDING STATUS - MEABF*[11]

Fiscal Year

Market

Actuarial Unfunded Accrued Market

Accrued Market Actuarial Liabilities Funded

Liability Assets (UAAL) Ratio Employer

($) (S) (S) (%) Contribution [12']

(a) (b) (a-b) (b/a) (S)

2014 2015 2016 2017 20 IS 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2039 2040

$ 14,322,312 14,788,983 15,257,262 15,736,491 16,213,945 16,686,091 17,149,388 17,600,400 18,038,164 18,459,401 18,874,417 19,269,819 19,644,224 19,996,084 20,324,749 20,628,151 20,904,445 21,153,680 21,376,674 21,574,935 21,750,671 21,906,148 22,043,770 22,166,160 22,275,941 22,376,201 22,470,299

$ 5,277,156 5,088,720 4,855,643 4,585,770 4,264,599 3,885,513 3,441,412 2,925,154 2,331,452 1,652,472 893,662 36,495

$ 9,045,156 9,700,263 10,401,619 11,150,721 11,949,346 12,800,578 13,707,976 14,675,246 15,706,712 16,806,929 17,980,755 19,233,324 19,644,224 19,996,084 20,324,749 20,628,151 20,904,445 21,153,680 21,376,674 21,574,935 21,750,671 21,906,148 22,043,770 22,166,160 22,275,941 22,376,201 22,470,299

35.3% 33 1 31.3 29 1 26 3 23 3 20.1 16.6 12.9

9 0

9.0
4.7
0.2
0.0
00
0.0
00
00
00
00
00
00
00
00
0.0
0 0
00
0 0

i 156,234 156,091 157,427 161,916 167,069 172,600 178,248 184,018 189,873 195,848 201,863 208,088 214,489 220,984 227,654 234,442 241,387 248,481 255,727 263,007 270,436 278,088 285,948 293.986 302.297 310,857 319,656

Source GRS Projections derived fiom actuarial data as of December 31. 2013. Such projections assume that the City will continue to contribute lo MEABF pursuant lo ihe Multiplier Funding system upon Ihe insolvency of MEABF

1) In ihousands of dollars Projections calculated on a cash basis
2) Represents contributions expected lo be made by the City during the fiscal year

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TABLE 21 - PROJECTION OF FUTURE FUNDING STATUS - LABI

Market
Actuarial Unfunded Accrued Market
Employer Contribution[1-1] (S)

5 14,032 14,472 14,411 15,387 15,722 16,168 16,675 17,228 17,813 18,431 19,075 19,752 20,462 21,185 21,941 22,725 23,521 24,337 25,179 26,018 26,845 27,688 28,540 29,395 30,184 30,909 31,610

Fiscal Year	Accrued Liability (S) (a)	Market Assets ($) (b)	Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (S)	(%) (b/a)
2014	$2,448,874	5 1,436,908	$1,011,966	55.7%	
2015	2,504,477	1,408,178	1,096,299	53 9	
2016	2.558.009	1.371.220	1.186.789	52.8	

2017	2,612,6271,329,444	1,283,18350.9
2018	2,665,6431,279,237	1,386,40648 0
2019	2,716,7501,219,905	1,496,84544.9
2020	2,765,2741,150,320	1,614,954416
2021	2,811,0411,069,824	1,741,21738 1
2022	2,853,770977,541	1,876,22934 3
2023	2,892,919872,303	2,020,61630 2
2024	2,929,006753,999	2,175,00725.7
2025	2,961,105620,990	2,340,11521.0
2026	2,988,935472,234	2,516,70115 8
2027	3,012,165306,567	2,705,59810 2
2028	3,030,629122,928	2,907,7014 1
2029	3,044,169-3,044,1690.0	
2030	3,052,779-3,052,7790 0	
2031	3,056,992-3,056,9920.0	
2032	3,057,367-3,057,3670.0	
2033	3,054,510-3,054,5100 0	
2034	3,049,319-3,049,3190 0	
2035	3,042,417-3,042,4170.0	
2036	3.034,418-3,034,4180.0	
2037	3.026,025-3,026,0250 0	
2038	3,017,590-3,017,5900.0	
2039	3,009,528-3,009,5280 0	
2040	3,002,648-3,002,6480 0	

Source GRS Projections derived from actuarial data as of December 31. 2013 Such protections assume that the City will continue lo contribute to LABI- pursuant to the Multiplier Funding system upon ihe insolvency of LABF

1) In thousands of dollars Projections calculated on a cash basis
2) Represents contributions expected lo be made by the City during the fiscal year

The City cannot predict the impact that the insolvency of MEABF or LABF would have on its contributions to these Retirement Funds. Under the current provisions of the Pension Code, the City would revert to contributing the Multiplier Funding amount to MEABF and LABF The contributions calculated pursuant to Multiplier Funding most likely would be insufficient to make all necessary payments to beneficiaries One possibility upon insolvency of MEABF or LABF would be changes in the Pension Code to provide for pay-as-you-go funding Under pay-as-you-go funding, the employer contribution equals the amount necessary, when added to other income, specifically employee contributions, to fund the current year benefits to be paid by the retirement fund GRS projects that, should the City be required to adopt pay-as-you-go funding to ensure that payments to beneficiaries are made lo MEABF and LABI' beneficiaries following the insolvency of such Retirement Funds, the City's contributions to such Retirement Funds would increase substantially. With respect to MEABF. GRS

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projects that pay-as-you-go funding would increase the City's contribution from approximately $208 million in 2025 to $1,107 billion in 2026, $1 607 billion in 2042 and $1 581 billion in 2060 With respect to LABF. GRS projects that pay-as-you-go funding would increase the City's contribution from approximately $21.9 million in 2028 to $99.6 million in 2029, $248 million in 2036 and $231 million in 2060 Such large increases in the City's contributions would likely have a material adverse impact on the City's financial condition.

Additionally, the City cannot predict if or when changes to the Pension Code or judicial decisions relevant to its contributions will be enacted or decided, respectively, and the impact any such legislation or judicial decisions would have on the manner in which it contributes lo the Retirement Funds. Contributing pursuant to Multiplier Funding or pay-as-you-go funding, as discussed in this subsection, represent two possible outcomes; however, the City can make no representation that some other method of determining contributions, including payments that are possibly even larger than pay-as-you-go funding, would not be required

Pension Reform

The City continues to believe that significant legislative changes, such as those applicable to MEABF and LABF under P.A. 98-641, are required to properly fund the Retirement Funds and continues to consider the options available to address the unfunded

641, are required to properly fund the Retirement Funds and continues to consider the options available to address the unfunded liabilities of FABF and PABF. See "- Determination of City's Contributions-City's Required Contributions to PABF and FABF Beginning in 2016" herein Based on its work in developing pension reform proposals and other analysis, the City believes that the unfunded liabilities of FABF and PABF and, if P.A. 98-641 is found unconstitutional, MEABF and LABF, cannol be adequately and practically addressed through increases in Ihe City's contributions alone. If the City attempted to fund such increased contributions through an increase in taxes, Ihe increase would be larger than any increase in recent history, politically difficult to enact, and harmful to the City's financial condition and, likely, its economy. If the City attempted lo fund such increased contributions through expenditure cuts, essential City services, including, but not limited to, public health and safety, would be jeopardized. Furthermore, the amount that could be derived from the sale of City assets would be inconsequential when compared to the Retirement Funds' unfunded liabilities. Finally, a combination of revenue increases and expenditure cuts likely would nol be practical to address the unfunded liabilities, given their magnitude. This is true both when considering the Retirement Funds on their own, and when viewed collectively with the unfunded liabilities of Ihe Other Retirement Funds, whose sponsoring Governmental Units have tax bases that overlap with the City's tax base See "-Overlapping Tax Bodies."

No assurance can be given that further legislation addressing the needs of FABF and PABF, and if P A. 98-641 is found unconstitutional, MEABF and LABF, will be enacted and no assurance can be given that such legislation, if adopted, will be upheld upon a legal challenge

Report and Recommendations ofthe Commission to Strengthen Chicago's Pension Funds

I he infonnation contained in this subsection describing the CSCP and the Final Report (each as defined herein) relies on information produced by the CSCP, including the Final Report The Final Report is available at http //www chipabf org/ChicagoPolicePension/PDF/Financials/pension_commissio n/CSCP_Final_Report_Vol. 1_4 30 2010 pdf, however, the content of the Final Report and such website are nol incorporated herein by such reference The City makes no representation nor expresses any opinion as to the accuracy ofthe Final Report, the statements made or the information therein, some of which may be conflicting Furthermore, information about the Final Report is being provided for historical purposes only

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On January 11, 2008, then Mayor Richard M Daley announced the formation ofthe Commission to Strengthen Chicago's Pension Funds (the "CSCP"), which was composed of a broad cross-section of City officials, union leaders, pension fund executives, and business and civic professionals. The CSCP was charged with examining the Retirement Funds and recommending ways to improve the Funded Ratio of each Retirement Fund. The CSCP met several times in 2008 through 2010, and at the CSCP's final meeting on March 24, 2010, the CSCP endorsed its final report, with three commissioners dissenting The CSCP's final report, which included letters from the dissenting commissioners, was submitted to Mayor Daley on April 30, 2010 (the "Final Report").

The CSCP's approval of the Final Report occurred before the enactment of the Pension Reform Act, P.A 96-0889, PA. 96-1495 and P.A. 98-641; the Final Report, accordingly, docs not consider the impact of these acts on the Retirement Funds. See "-Determination of City's Contributions" above and "-Legislative Changes" above for additional information on these acts. As described below, certain of the CSCP's findings and recommendations as contained in the Final Report are addressed by these acts

The CSCP found that the financial health of the Retirement Funds had deteriorated due to a combination of factors, including the following: increasing liabilities due to enhanced benefits (e.g., nonrecurring early retirement programs that were not properly funded); inadequate contributions, which were based upon a fixed percentage of payroll and not actuarial need (i.e., the Multiplier Funding); and adverse market conditions leading to fluctuating returns on investments (in 2000-2002 and 2007-2009) which could not keep pace with growth in liabilities. P.A. 96-1495 and P.A. 98-641 address the CSCP's finding of inadequate contributions lo the Retirement Funds. See "-Determination of City's Contributions" above for information on the significant increases to the City's contributions to PABF and FABF pursuant to P.A 96-1495 and to MEABF and LABF pursuant to P.A. 98-641.

The CSCP found that due to the inadequate contributions, the Retirement Funds have had to use assets to pay current benefits, which in turn put pressure on the asset bases and Funded Ratios of the Retirement Funds

fhe CSCP modeled a set of scenarios for the Retirement Funds and found that, based on the actuarial assumptions in use by the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of the Retirement Funds and the condition of the Retirement Funds at the end of 2009, the Retirement Funds would, in the absence of substantial changes to the Retirement Funds' funding policy and/or benefit structure, deplete all assets in each of the Retirement Funds at different dales but all within twenty years ofthe date ofthe Final Report. Flowever, the CSCP's approval ofthe Final Report occurred before the enactment ofthe Pension Reform Act, P.A 96-1495 and P.A. 98-641, and the depletion dates as estimated in the Final Report would not have taken into account the impact of such legislation See "-Projection of Funded Status" above for the projections based upon the current legislative structure applicable to the Retirement Funds.

The CSCP suggested that the issues related to the Retirement Funds need to be addressed as soon as possible and offered the following specific recommendations (i) the defined benefit structure used by the Retirement Funds should remain (as opposed to a defined contribution structure); (n) new employees should continue to become members of the Retirement Funds, (iii) the Retirement Funds should be funded on an actuarial basis, (iv) changes in the Retirement Funds for new employees, while recognized by the CSCP as undesirable, will probably be necessary, (v) contributions to the Retirement Funds should be increased and revenue sources identified; (vi) employee contributions should not exceed the value of benefits on a caieer basis, (vn) any provisions in current law for refunds or for alternative benefit calculations should be reviewed to ensure that the anticipated financial results of a reform program arc actualb obtained, (vni) in general, no changes in the Retirement Funds should be made unless financially neutral or advantageous to the Retirement Funds, now or in the future, (ix) a variety of other reforms should be considered, including reforming potential abuses, establishing sound reciprocity with other

Illinois public pensions, implementing new structures to manage investments of the Retirement Funds, and improving administration of disability claims and benefits; and (x) any reform legislation must comprehensively and simultaneously address all aspects ofthe pension funding program.

CSCP's recommendations were made prior to the enactment ofthe Pension Reform Act, P.A. 96-0889, PA 96-1495 and P.A 98-641. Certain of the CSCP's recommendations, including changes in the Retirement Funds for new members, were part ofthe Pension Reform Act and P.A 98-641 (with regard to MEABF and LABF) and P.A 96-1495 (with regard to PABF and FABF).

Special Revenue and Enterprise Fund Allocation of Retirement Fund Costs

The City allocates to its special revenue and enterprise funds their share of the City's annual contribution lo the Retirement Funds based upon the amount of services provided by City employees to the functions or enterprises related to or paid out of those funds. The special revenue and enterprise funds account for their allocable share of the City's contributions to the Retirement Funds as operating and maintenance expenses. For budgcl year 2015, the City has budgeted for the special revenue and enterprise funds to reimburse the City approximately $74 million for their allocable share ofthe City's pension contribution.

The allocations described in this subsection arc not required by statute but represent the City's current method of allocating its pension costs. The City may alter the manner in which it allocates its pension costs to these funds at any time.

Impact of Retirement Funds' Unfunded Liability on the City's Bond Ratings

The financial health ofthe Retirement Funds and the projected impact ofthe Retirement Funds' underfunding on future contributions to be made by the City have impacted the rating agencies' determination of the City's creditworthiness. On April 17, 2013, Moody's Investors Service ("Moody's") issued a release (the "Release") announcing a new approach to analyzing state and local government pensions The method of evaluating public pension plans established in the Release is intended to be a method of standardizing information among public pension plans and docs not impact the City's required contributions, the value ofthe Retirement Funds' assets, or the liabilities owed by the Retirement Funds. The City does not endorse the method of analysis adopted by Moody's in the Release.

Moody's new pension analysis appears to include, among other things, adjusting pension plan Actuarial Accrued Liabilities by using certain common assumptions, such as the discount rate and amortization period. Certain other actuarial assumptions, such as mortality and salary growth rates, were not slandardized across governmental plans. To accomplish its review, Moody's staled that it will use a discount rate based on Citibank's Pension Liability Index discount rate as of a pension plan's valuation date Such a discount rate will be lower than the discount rate currently used by the Retirement Funds and is closer lo the discount rate for a typical pension plan in the private sector The City estimates that Moody's new method of analysis would result in the following Funded Ratios ofthe Retirement Funds (based on projected December 31, 2014 assets and liabilities provided in the actuarial valuations ofthe Retirement

Retirement Funds (based on projected December 31, 2014 assets and liabilities provided in the actuarial valuations ofthe Retirement Funds as of December 31, 2013): 27.4 percent for MEABF, 43 5 percent for LABF, 18.8 percent for PABF. and 15 5 percent for FABF. See Tables 5 through 8 above for information on the Retirement Funds" historical Funded Ratios For information regarding the Retirement Funds' discount rate, see "-Actuarial Assumptions-Assumed Investment Rate of Return" above. The Release can be obtained from Moody's: provided, however, that the Release is nol incorporated herein by such reference

On Ma\ 12, 2015, Moody's issued a ratings action report (the "'Rating Report") downgrading the latings ofthe City "s general obligation bonds and sales tax revenue bonds from "Baa2" to "Bal," the

City's water senior lien revenue bonds from "A2" to "Baal," the City's wastewater senior lien revenue bonds from "A3" to "Baa2," the City's water second lien revenue bonds from "A3" to "Baa2," the City's wastewater second lien revenue bonds from "Baal" to "Baa3," and placed all such ratings on negative outlook. This follows previous downgrades of the City's ratings by Moody's on February 27, 2015, March 4, 2014, and July 17, 2013. Moody's indicated in the Rating Report that the May 12, 2015 downgrades reflected the expected continued growth in the unfunded liabilities ofthe Retirement Funds and the narrowing of the City's options for curbing such growth as a result of the Illinois Supreme Court's decision finding the State Pension Reform Act unconstitutional Moody's indicated that further downgrades could follow if, among other things, (i) P.A. 98-641 was found to be unconstitutional, or (n) the Retirement Funds' UAAL continues to grow. The City makes no prediction as to whether the Moody's rating action described above will result in additional downgrades, or the impact that the financial condition of the Retirement Funds will have on Moody's or any other rating agency's judgment ofthe City's creditworthiness or on the City's future financing costs. The Rating Report can be obtained from Moody's; provided, however, that the report is not incorporated herein by such reference.

On May 15, 2015, Fitch Ratings, Inc ("Fitch") downgraded the City's general obligation bond and sales tax bond ratings from "A-" to "BBB+" and placed each rating on negative watch. In announcing these ratings downgrades, Fitch cited, among other things, increased fiscal pressures as a result of the Illinois Supreme Court decision finding the State Pension Reform Act unconstitutional. Fitch further indicated that a determination that P.A. 98-641 is unconstitutional would likely lead to additional downgrades On July 3, 2015, Fitch removed the negative watch from the City's general obligation bond and sales tax bond ratings and placed such ratings on negative outlook

On July 8, 2015, Standard & Poor's Ratings Group ("S&P") downgraded the City's general obligation bond rating from "A-" lo "BBB+" with a negative outlook and removed the rating from negative watch. In downgrading the City's general obligation bond rating, S&P cited, among other things, the City's pension liabilities, (he impact on the City's budget of scheduled future increases in pension contributions, and "the City's lack of progress in unveiling a sustainable funding mechanism" for PABF and FABF.

On July 7, 2015, Kroll Bond Rating Agency ("Kroll") affirmed its long term rating of "A-" with a stable outlook on the Cily's general obligation bonds. In its report affirming the City's rating, Kroll indicated that the budgetary pressure exerted by ihe funding of the Retirement Funds and the future increase in contributions to PABF and FABF under P.A. 96-1495 constitute key concerns with respect to its rating ofthe Cily's general obligation bonds.

In addition, other rating agencies may have established, or may establish in the future, methods for evaluating the financial health ofthe Retirement Funds and their impact on the City's creditworthiness that are different from the information provided in this Appendix. Further downgrades ofthe City's bond ratings may have a material adverse impact on ihe City's finances. See "INVESTMENT CONSIDERATIONS-Credit Rating Downgrades" for additional information.

PAYMENT FOR OTHER POST-EMPLOYMENT BENEFITS

General

The City and the Retirement Funds share the cost of post-employment healthcare benefits available to Cily employees participating in ihe Retirement Funds through a single-employer, defined benefit healthcare plan (the ""Health Plan"), which is administered by the City Prior lo .kmc 30, 2013, the costs of'lhc Health Plan were shared pursuant to a settlement agrcemcnl (as amended, the "Settlement") entered into between the City and the Retirement Funds regarding the responsibility for payment of these health benefits as described below under "-The Settlement."

MEABF and LABF participants older than 55 with at least 20 years of service and PABF and FABF participants older than 50 with at least 10 years of service may become eligible for the Health Plan if they eventually become an annuitant.[2] The Health Plan provides basic health benefits to non-Medicare eligible annuitants and provides supplemental health benefits to Medicare-eligible annuitants.

The City contributes a percentage toward the cost of the Health Plan for each eligible annuitant. The annuitants are responsible for contributing the difference between the cost of their health benefits and the sum ofthe subsidies provided by the City and the related Retirement Fund. Until June 30, 2013, annuitants who retired prior to July 1, 2005 received a 55 percent subsidy from the City, whereas annuitants retiring on or after such date received a subsidy equal to 50 percent, 45 percent, 40 percent or zero percent based on the annuitant's length of actual employment with the City pursuant to the Settlement The Retirement Funds contributed a fixed dollar amount monthly ($65 for each Medicare-eligible annuitant and $95 for each non-Medicare eligible annuitant) for each of their annuitants For a description of benefits after the expiration ofthe Settlement, sec "-Status of Healthcare Benefits After the Settlement Period" herein.

The Retirement Funds' subsidies arc paid from the City contribution, as provided in the Pension Code and described in "Retirement Funds-Determination of City's Contributions" above. These payments therefore reduce the amounts available in the Retirement Funds to make payments on pension liabilities See Tables 5-9 in "Retirement Funds-Funded Status of Retirement Funds" above for Retirement Funds' statement of net assets, which incorporates the expense related to the Health Plan as part ofthe "Administration" line item.

The Settlement

In 1987, the City sued the Retirement Funds asserting, among other things, that the City was not obligated to provide healthcare benefits to certain retired City employees Certain retired employees intervened as a class in the litigation, and the Retirement Funds countersued the City. To avoid the risk and expense of protracted litigation, the City and the other parties entered into the Settlement, the terms of which have been renegotiated over time The City contributed to the Health Plan as a result of the obligation established by the Settlement during the term of the Settlement (the "Settlement Period") The Settlement expired on June 30, 2013 For the status ofthe Health Plan after the Settlement Period, see "-Status of Healthcare Benefits After the Settlement Period" below.

Cily Financing of the Health Plan

The City funds its share of the Health Plan's costs on a pay-as-you-go basis. Pay-as-you-go funding refers to the fact that assets arc not accumulated or dedicated to funding the I lealth Plan. Instead, the Cily contributes the amount necessary to fund its share ofthe current year costs ofthe Health Plan. See Table 23 below for a schedule of historical contributions made by the City to the Health Plan

I.'ikIci I he i j respective collective baigaining agreements, which wcic renegotiated in 2012. certain reined PA HI- and I ABI-parlicipnnis are eligible lo enroll iheni.selves and ihcir dependents in Ihe City's healthcare plan for aclive niembeis until I hey ic.ich ihe age of Medicare eliuibihl> ("Special CBA Benelii") These members do nol contribute towards llie cost of covcugc for this plan PABF contributes Y)S per month for these members, FABF does nol conlnbute foi these members Ihe Special CBA Benefit expucs in 2016. al which lime ihe Cily expects it will he phased out permanently

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Actuarial Considerations

City Obligation

The City has an Actuarial Valuation completed lor its contributions to the Health Plan annually. The purpose and process behind an Actuarial Valuation is described above in "Retirement Funds- Actuarial Valuation -Actuaries and the Actuarial Process." In addition, the Retirement Funds produce an Actuarial Valuation for the liability of such Retirement Fund to its retirees for the benefits provided under the Health Plan

Although these Actuarial Valuations all refer to the liability owed for the same benefits, the results of the Retirement Funds' Actuarial Valuations differ significantly from the City's Actuarial Valuation for two reasons. First, the City's Actuarial Valuation only reflects the portion of liabilities the City owes under the Settlement. Second, the Actuarial Valuations ofthe City and the Retirement Funds differ because the actuarial methods and assumptions used for each purpose vary.

This Appendix addresses the funded status of the City's obligation to make payments for the Health Plan For additional information on the amounts owed to members of the Retirement Funds for retiree healthcare benefits, see the Actuarial Valuations of the Retirement Funds, which are available as described in "Retirement Funds - Source Information" above, and Note 12 to the Cily's Basic Audited Financial Statements, which are available on the City's website at httpVAvww cityofchicago org/city/en/depts/fin/supp_info/comprehensive_annualfinancialstatements html, provided, however, that the contents ofthe City's website arc not incorporated herein by such reference.

Actuarial Methods and Assumptions

The Actuarial Valuation for the City's obligation to the Health Plan utilizes various actuarial methods and assumptions similar to those described in "Retirement Funds" above with respect to the Retirement Funds The City docs not use an Actuarial Method to calculate the Actuarial Value of Assets ofthe Health Plan because no assets are accumulated therein for payment of future benefits. As such, the Actuarial Value of Assets for the Health Plan is always zero.

The City's 2012 Actuarial Valuation ("2012 Actuarial Valuation") amortizes the City's retiree healthcare UAAL over a closed 1-year period, in order to reflect the remainder ofthe Settlement Period and ihe Special CBA Benefit that was set to expire in 2012 under collective bargaining agreements that were in place at that time The use of a closed, 1-year period has the effect of increasing the Actuarially Required Contribution as compared to the typical 30-year open amortization period because (i) the period of time over which the UAAL will be amortized is shorter, and (ii) the amortization period is one year as opposed lo repeating 30-ycar periods The 2012 Acluarial Valuation employed the PUC Method to allocate the City's retiree healthcare obligations For more information on the PUC Method, see "Retirement Funds-Actuarial Methods" above.

The City's 2013 Actuarial Valuation ("2013 Actuarial Valuation") and 2014 Actuarial Valuation (the "2014 Actuarial Valuation"') amortizes ihe City's retiree healthcare UAAL over a closed 10-year period, in order lo relied (i) Ihe City's extension of healthcare coverage for members thai had participated in the Settlement (with such coverage varying based on retirement date), and (ii) the provision ofthe Special CBA Benei'ii For details on the Health Plan after the Settlement Period, see '"- Stains of Healthcare Benefits Alter the Settlement Period" below Fhe use of a closed. 10-year period rather Ihan a closed, l-yeai period has the effect of decreasing the Actuarially Required Contribution because the period of time over which the UAAL will be amortized is longer In addition, the 2013 Actuarial Valuation and ihe 2014 Actuarial Valuation employed the EAN Method, rather than the PUC Method, to

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allocate the Cily's rclirce healthcare obligations Tor more information on the HAN Method and the PUC Method, see "Retirement Funds-Actuarial Methods" above.

Funded Status

The following tables provide information on the financial health ofthe Health Plan. The Health Plan is funded on a pay-as-

The following tables provide information on the financial health ofthe Health Plan. The Health Plan is funded on a pay as-you-go basis, which means no assets arc accumulated lo pay for the liabilities ofthe Health Plan As such, the Funded Ratio with respect to the Health Plan is perpetually zero.

Table 22 summarizes the current financial condition and the funding progress ofthe Health Plan. TABLE 22 - SCHEDULE OF

FUNDING PROGRESS*l,(2)

Actuarial Valuation Date (Dec. 31)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
2007	$0$1,062,864$1,062,8640%52,562,007				41.5%	
2008	0787,395787,39502,475,10731.8					
2009	0533,387533,38702,546,96120.9					
2010	0390,611390,61102,475.00015 8					
2011	0470,952470,95202,518,73518 7					
2012	0997,281997,28102,385,19841.8					
2013	0964,626964,62602,425,00039 8					

Sources Comprehensive Annual Financial Report ofthe City for ihe fiscal years ending December 31, 2010-2014. 'J' In thousands of dollars
"" t he Cily, as required, adopted GASB Statement No 45 in fiscal year 2007 I he information provided in this table was produced in 2007 or later

Table 23 shows the net expense to the City for providing benefits under the Health Plan. TABLE 23 - HISTORY OF CITY'S

CONTRIBUTIONS0'

	Actual City Contribution
2008	$ 98,065
2009	98,000
2010	107,431
2011	99,091
2012	97,531
2013	97,500
2014	79,300

Sources Comprehensive Annual Financial Report ofthe City for the fiscal years ending 2008-2014 "' In thousands of dollars 2013 ami 21) 14 contribution amounts are approximate

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Retiree Health Benefits Commission

The Settlement provided for the creation of the Retiree Health Benefits Commission (the "'RJ-IBC"). which was task'ed with, among other things, making recommendations concerning retiree health benefits after June 30, 2013 The RHBC's members were appointed by the Mayor for terms that do not expire. The Settlement required that the RHBC be composed of experts who will be objective and fair-minded as to the interest of both relirees and taxpayers, and include a representative ofthe City and a representative ofthe Retirement Funds.

On January II, 2013, the RHBC released its "Report to the Mayor's Office on the State of Retiree Healthcare" (the "RHBC Report"). The RFIBC Report can be found on the City's website at <http://www> cityofchicago

RFIBC Report can be found on the City's website at <http://www> cityofchicago org/city/en/depts/fin/provdrs/ben/alerts/2013/jan/retiree_healthcarebenefits commissionreporttothemayor html; provided, however, that the contents ofthe RFIBC Report and of the Cily's website are not incorporated herein by such reference.

The RHBC Report concluded that maintaining the funding arrangement then in place for the Health Plan was untenable, would prevent the City from continuing to provide the current level of benefits to retirees in the future, and could result in other financial consequences, such as changes to the City's bond rating and its creditworthiness. The RHBC Report presented several options for the Mayor to consider which would reduce the level of spending with respect to the Health Plan from approximately $108 million annually to between $90 million and $12.5 million annually depending on the option.

Status of Healthcare Benefits After the Settlement Period

On May 15, 2013, the City announced plans to, among other things: (i) provide a lifetime healthcare plan to employees who retired before August 23, 1989 with a contribution from the City of up to 55 percent ofthe cost of that plan; and (ii) beginning January 1, 2014, provide employees who retired on or after August 23, 1989 with healthcare benefits but with significant changes to the terms provided by the Health Plan, including increases in premiums and deductibles, reduced benefits and the phase-out of the entire Health Plan for such employees by the beginning of 2017. If the City prevails in the Lawsuit (defined below), it expects a reduction in expenses of approximately $90 to $95 million annually beginning in 2017 as a result ofthe phase-out ofthe Health Plan.

On May 30, 2013, the General Assembly passed Senate Bill 1584, which was signed into law by the Governor on June 28, 2013. Senate Bill 1584 extends Ihe Retirement Funds'" subsidies for retiree healthcare costs until such time as the City no longer provides a health care plan for annuitants or December 31, 2016, whichever comes first.

After the June 30, 2013 expiration of the Settlement, on July 5, 2013, certain participants in the Health Plan filed a motion to "re-activate" the 1987 litigation covered by Ihe Settlement. On July 17, 2013, the Circuit Court denied that motion. On July 23, 2013, certain ofthe participants filed a new lawsuit. Underwood v. Chicago (the "Lawsuit"), in the Circuit Court against the City and the Trustees of each ofthe four Retirement Fund Boards, seeking to bring a class action on behalf of former and current City employees who previously contributed or now contribute lo one ofthe four Retirement Funds

fhe complaint advanced stale law claims, including alleged violation ofthe Pension Clause, and federal law claims fhe City removed Ihe case to federal court based on the federal law claims fhe federal district court dismissed the case in its entirety As to plaintiffs' claim that ihe planned changes violate the Pension Clause, Ihe district courl predicted that the Illinois Supreme Court would rule in a separate case, Kanerva v. Weems ("Kanerva"), then pending before the Illinois Supreme Court that healthcare benefits are not protected by the Pension Clause However, on July 3, 2014, the Supreme

Court of Illinois issued an opinion in Kancrva determining that retiree healthcare benefits provided to State retirees are protected under the Pension Clause The City argued on appeal to the federal appellate court that it should affirm the district court dismissal, including the state law claims, on an alternative ground. On February 25, 2015, the federal appellate court affirmed the dismissal ofthe federal law claims and declined to rule on the state law claims on the ground that the slate law claims involved a question of State law, which it ordered returned to the Illinois state court for decision. On June 22, 2015, the City and certain ofthe defendants each filed a motion to dismiss the remaining state law claims in the Circuit Court of Cook County. Oral arguments on such motions are scheduled lo be heard on October 1, 2015. fhe Cily has been defending and will continue to defend this matter vigorously The City can give no assurance as to the ultimate outcome ofthe Lawsuit.

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APPENDIX F OPINIONS OF CO-BOND COUNSEL

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Proposed Forms of Opinions oi- Co-Bond Counsel

[series 2015a bonds| | Le i iernead of Co-Bond Counsel! |to be

dated closing date]

City of Chicago
Chicago, Illinois

Morgan Stanley & Co. LLC,
as representative of the underwriters
named in the Bond Purchase Agreement dated July 16,2015

Zions First National Bank, as trustee Chicago, Illinois

Re City of Chicago

General Obligation Bonds, Series 2015A

General Obligation Bonds, Series 2015A

We hereby certify that we have examined a certified copy ofthe record ofthe proceedings (the "Proceedings") ofthe City Council ofthe City of Chicago (the "Cily"), passed preliminary to the issue by the City of its fully registered General Obligation Bonds, Series 20I5A, in the aggregate principal amount of $345,530,000 (the "Series 2015A Bonds"), dated the date hereof, due on January 1 ofthe years and in the amounts and bearing interest as follows:

Year (January 1)	Principal Amount	Interest Rate	Year (January 1)	Principal Amount	Interest Rate
2019	$4,965,000	5 00%	2027$24,925,0005 250%		
2020	7,380,000	5.00	202833,585,0005.250		
2021	7,870,000	5 00	202935,275,0005.375		
2022	8,320,000	5 00	203388,100,0005.500		
2023	S,845,000	5.00	203436,430,0005.500		
2024	5,415,0005.00	2035	16,420,0005.500		
2024	202619,390,000	5.00	203948,610,0005.500		

The Series 20I5A Bonds are authorized and issued pursuant to the provisions of Seclion 6 of Article VII ofthe Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council ofthe City on the 17th day of June, 2015 (the "Bond Ordinance"), as supplemented by a Notification of Sale dated July 16, 2015 (the "Notification of Sale"), and a Trust Indenture dated as of July 1. 2015 (the "Series 20ISA Indenture") between the City and Zions First National Bank, as trustee (the "Trustee ") Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Series 2015A Indenture.

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The Series 2015A Bonds maturing on or after January 1, 2026, are subject to redemption prior to maturity at the option ofthe City as a whole or in part, on January I, 2025, or on any date thereafter, at a redemption price equal lo the principal amount ofthe Series 2015 A Bonds being redeemed plus accrued interest, if any, to the date of redemption, in accordance with the Series 2015A Indenture.

The Series 20I5A Bonds due on January I, 2033, are subject to mandatory redemption, al a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, selected as provided in the Series 20I5A Indenture, on January 1 ofthe years and in the principal amounts as follows

Year	Principal Amount
2031	$ 6,205,000
2032	8,275,000
2033	73,620,000 (maturity)

The Scries 2015A Bonds due on January 1, 2039, are subject to mandatory redemption, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, selected as provided in the Series 2015A Indenture, on January 1 of the years and in the principal amounts as follows.

Year	Principal Amount
2036	$16,135,000
2037	12,620,000
2038	15,875,000

2039	3,980,000 (maturity)

In our capacity as bond counsel, we have examined, among other things, the following:

a) certified copies of the proceedings of Ihe City Council adopting the Bond Ordinance and authorizing, among other things, the execution and delivery ofthe Series 2015A Indenture and the issuance ofthe Series 20I5A Bonds;

b) certified copy of the Bond Ordinance and an executed copy of the Notification of Sale,

c) an executed counterpart ofthe Series 2015A Indenture; and

d) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we are of the opinion that:

I The Cily has full power and authority and has taken all necessary corporate action to authorize the issuance ofthe Series 2015A Bonds and the execution and delivery ofthe Series 2015A Indenture

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2 The Series 2015A Indenture has been duly and lawfully executed and delivered by the City and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Series 20I5A Indenture is a legal, valid and binding obligation ofthe City, enforceable against the Cily in accordance with its terms, except as enforceability may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion

3. The Series 2015A Indenture creates the valid pledge which it purports to create ofthe Trust Estate held or set aside or pledged under the Series 2015 A Indenture, subject to the application thereof lo the purposes and on ihe conditions permitted by the Series 2015A Indenture

4 The Series 2015A Bonds have been duly and validly authorized and issued in accordance with law and the Scries 2015A Bonds, to the amount named, are valid and legally binding upon the City, enforceable in accordance with their terms and the terms of the Series 2015A Indenture, except that the rights ofthe owners of the Series 2015A Bonds and the enforceability ofthe Series 20I5A Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of ludicial discretion.

5 The Scries 2015A Bonds arc payable from any funds ofthe City legally available for such purpose, and all taxable property in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount. The Series 2015A Bonds are further secured by the other moneys, securities and funds pledged under the Series 2015A Indenture.

6. The form of Series 2015A Bond prescribed for said issue is in due form of law.

7. Subject lo the City's compliance with certain covenants, under present law, interest on the Series 20I5A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1086, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for cerlain corporations Failure lo comply with certain of such Cily covenants could cause interest on the Scries 2015A Bonds lo be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Scries 20 ISA Bonds. Ownership ofthe Series 20I5A Bonds

may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2015 A Bonds

8 Interest on the Series 2015A Bonds is not exempt from present State of Illinois income taxes Ownership of the Series 2015A Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2015A Bonds

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale ofthe Series 20I5A Bonds

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

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|Taxaule Series 2015B Bonds|

[Letterhead of Co-Bond Counsel] |to he dated closing datej

City of Chicago
Chicago. Illinois

Morgan Stanley & Co LLC,
as representative ofthe underwriters
named in the Bond Purchase Agreement dated July 15,2015

Zions First National Bank, as trustee Chicago, Illinois

Re: City of Chicago

General Obligation Bonds, Taxable Series 2015B

We hereby certify that we have examined a certified copy ofthe record of the proceedings (the "Proceedings") ofthe City Council ofthe City of Chicago (the "City"), passed preliminary to the issue by the City of its fully registered General Obligation Bonds, Taxable Series 2015B, in the aggregate principal amount of $742,860,000 (the "Taxable Series 2015B Bonds"), dated the date hereof, due on January I ofthe years and in the amounts and bearing interest as follows.

Year (January 1)	Principal Amount	Interest Rate
2019	$ 5,020.000	5.383%
2020	5,290,000	5 633
2021	5,585,000	5 962
2022	5,920,000	6.212
2023	6,290.0006 361	
2023	2033321,695,000	7 375
2023	2042393.060,000	7.750

The Taxable Series 2015B Bonds arc authorized and issued pursuant lo ihe provisions of Section 6 of Article VII ofthe Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council ofthe City on the 17th day of June, 2015 (the "Bond Ordinance"), as supplemented by a Notification of Sale dated July 16. 2015 (the "Notification of Sale "), and a Trust Indenture dated as of July 1, 2015 (the "Taxable Series 20I5B Indenture") between the City and Zions First National Bank, as trustee (the "Trustee") Capitalized terms used herein without definition shall have Ihe meanings assigned to such terms in the Taxable Series 2015B Indenture

fhe Taxable Series 2015B Bonds maturing on or before January 1, 2033 are subject to optional redemption in whole or in part, on any Business Day, in such principal amounts and from such maturities as the City shall determine, at a redemption price equal to the Make-Whole Redemption Price applicable thereto, in accordance with the Taxable Series 20I5B Indenture

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The Series 2015B Bonds maturing on January I, 2042 are subject to optional redemption in whole or in part, on any date on or after January I, 2025, in such principal amounts as the City shall determine, al a redemption price equal to the principal amount thereof and accrued interest to the date of redemption, in accordance with the Taxable Series 2015B Indenture.

The Taxable Scries 2015B Bonds maturing on January 1, 2033, are subject to mandatory redemption at a redemption price of par plus accrued interest to the redemption date, selected as provided in the Taxable Series 20I5B Indenture, on January I ofthe years and in the principal amounts as follows:

Principal Amount

2024 2025 2026 2027 2028 2029 2030 2031 2032 2033
10,665,000
9,990,000
3,050,000
3,300,000
3,620,000
3,950,000 45,105,000 55,175,000 154,145,000 32,695,000 (maturity)

The Taxable Scries 2015B Bonds maturing on January 1, 2042, are subject lo mandatory redemption at a redemption price of par plus accrued interest to the redemption date, selected as provided in the Taxable Scries 2015B Indenture, on January 1 ofthe years and in the principal amounts as follows.

Principal Amount

2034 2035 2036 2037 2038 2039 2040 2041 2042
$ 73,925,000 173,680,000 18,845,000 15,495,000 16,800,000 25,525,000 32,385,000 17,505,000 18,900,000

In our capacity as bond counsel, we have examined, among other things, the following

(a) certified copies of the proceedings of the Cily Council adopting the Bond Ordinance and authorizing, among other things, the execution and delivery ofthe Taxable Series 2015B Indenture and the issuance ofthe Taxable Scries 2015B Bonds:

(b) certified copy ofthe Bond Ordinance and an executed copy ofthe Notification of

(c) an executed counterpart ofthe Taxable Series 2015B Indenture; and

(d) such other certifications, documents, showings and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing we arc of the opinion that:

l The City has full power and authority and has taken all necessary corporate action lo authorize ihe issuance ofthe Taxable Scries 2015B Bonds and the execution and deliverv of the Taxable Series 2015B Indenture

Series 2015B Bonds and the execution and delivery of the Taxable Series 2015B Indenture

2. The Taxable Series 2015B Indenture has been duly and lawfully executed and delivered by the City and, assuming the due authorization, execution and delivery by, and the binding effect on, the Trustee, the Taxable Series 20I5B Indenture is a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, except as enforceability may be limited by laws relating lo bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion

3 The Taxable Series 2015B Indenture creates the valid pledge which it purports to create of the Trust Estate held or set aside or pledged under the Taxable Series 2015B Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Taxable Series 2015B Indenture.

4. fhe Taxable Series 2015B Bonds have been duly and validly authorized and issued in accordance with law and the Taxable Series 20I5B Bonds, to the amount named, are valid and legally binding upon the City, enforceable in accordance with their terms and the terms of the Taxable Series 2015B Indenture, except that the rights ofthe owners of the Taxable Series 2015B Bonds and the enforceability ofthe Taxable Scries 20I5B Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

5 The Taxable Series 20I5B Bonds are payable from any funds ofthe City legally available for such purpose, and all taxable properly in the City is subject to the levy of taxes to pay the same without limitation as to rate or amount The Taxable Scries 2015B Bonds are further secured by the other moneys, securities and funds pledged under Ihe Taxable Scries 20I5B Indenture.

6 fhe form of Taxable Series 2015B Bond prescribed for said issue is in due form of law.

7 Under present law, interest on the Taxable Series 2015B Bonds is includible in gross income of Ihe owners thereof for federal income lax purposes Ownership of ihe Taxable Series 2015B Bonds may result in other federal lax consequences to cerlain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Taxable Series 20I5B Bonds.

8 Interest on the Taxable Series 2015B Bonds is not exempt from present State of Illinois income laxes Ownership of the Taxable Series 20I5B Bonds may result in other slate and local lax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect lo the Taxable Series 20I5B Bonds

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We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale ofthe Taxable Series 2015B Bonds.

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

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Exhibit 4

Indenture with respect to Series 2015A Bonds

381 I 196.0S.02.H.iloc\ 2230746

City of Chicago

to

Zions First National Bank, as Trustee

Trust Indenture Securing

. $345,530,000 City of Chicago General Obligation Bonds, Series 2015A

Dated as of July 1,2015

Table of Contents

(This Table of Contents is not a part of the Indenture and is only for convenience of reference)

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Trust Indenture

This Trust INDENTURE, made and entered into as of July 1, 2015 (this "Indenture"), from the City of Chicago (the "City"), a municipal corporation and home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois, to Zions First National Bank (the "Trustee"), a national banking association with trust powers, having a corporate trust office located in the City of Chicago, Illinois, duly organized, validly existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America,

WITNESSETH:

Whereas, pursuant to an ordinance duly adopted by the City Council of the City (the "City Council") on June 17, 2015 (the "Bond Ordinance") the City duly authorized the issuance and sale of its General Obligation Bonds, Series 2015A (the "Bonds") in order to provide funds for the purpose of paying (i) costs of the Series 2015A Debt Management Project, (ii) certain interest to become due on the Series 2015A Bonds and (iii) expenses of issuance of the Series 2015A Bonds; and

Whereas, by virtue of Article VII ofthe Illinois Constitution of 1970 and pursuant to the Bond Ordinance, the City is authorized to issue the Series 2015A Bonds, enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done; and

Whereas, the execution and delivery of the Series 2015A Bonds and of this Indenture have in all respects been duly authorized and all things necessary to make such Bonds, when executed by the City and authenticated by the Trustee, the legal, valid and binding obligations of the City and to make this Indenture a legal, valid and binding agreement, have been done; and

Whereas, the Series 2015A Bonds, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, shall be substantially in the form attached hereto as Exhibit A, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture and the Bond Ordinance;

Now,Therefore,This Indenture Witnesseth: Granting Clauses

That the City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Series 20I5A Bonds by the Registered Owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure the payment of the principal of, premium, if any, and interest on the Series 2015A Bonds according to their tenor and effect, and to secure the performance and observance by the City of all the covenants expressed or implied herein and in the Series 20I5A

Bonds, does hereby assign and grant a security interest in and to the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City hereinafter set forth (the "Trust Estate"):

Granting Clause First

Any moneys, revenues, receipts, income, assets or funds of the City legally available for such purposes, including, but not limited to, the proceeds allocable to the Series 2015A Bonds of a direct annual tax levied by the City in the Bond Ordinance upon all taxable property in the City, all to the extent provided in this Indenture;

Granting Clause Second

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

Granting Clause Third

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

To Have and To Hold all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

In TRUST, Nevertheless, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Registered Owners of the Series 20ISA Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing, except to the extent herein otherwise specifically provided;

Provided, However, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Series 20I5A Bonds, at the times and in the manner set forth therein according to the true intent and meaning thereof, and shall cause the payments to be made on the Series 2015A Bonds as required herein, or shall provide, as permitted hereby, for the payment thereof, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to them in accordance with the terms and provisions hereof, then upon the final payment

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thereof this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect.

This Indenture Further WITNESSETH, and it is expressly declared, that all Bonds reissued and secured hereunder are to be reissued, authenticated and delivered, and all said property, rights and interests and any other amounts hereby assigned and pledged are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and the respective owners of the Series 2015A Bonds as follows:

Article I. Definitions

Section 1.01. Definitions. All capitalized terms used herein unless otherwise defined shall have the meanings given in the recitals above and the following meanings for purposes of this Indenture:

"Authorized Denomination" means $5,000 and any integral multiple thereof.

"Authorized Officer" means (a) the Mayor, the Chief Financial Officer, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor or Chief Financial Officer and filed with the Trustee for so long as such designation shall be in effect, (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office and (c) the City Treasurer with respect to the investment of any moneys held pursuant to this Indenture.

"Beneficial Owner" means the owner of a beneficial interest in the Series 2015A Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

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

"Bond Fund" means the fund of that name established and described in Section 4.03 hereof.

"Bondholder," "holder," or "owner of the Series 20I5A Bonds" means the Registered Owner or Beneficial Owner of any Series 2015A Bond, as the case may be.

"Bond Ordinance" has the meaning given to such term in the recitals hereto.

"Bond Register" means the registration books of the City kept by the Trustee to evidence the registration and transfer of Series 20I5A Bonds.

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"Bond Year" means a 12-month period commencing on January 2 of each calendar year and ending on January 1 of the next succeeding calendar year.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banks located in the city where the Designated Corporate Trust Office is located are authorized or required by law to close, and (iii) a day on which The New York Stock Exchange, Inc., is closed.

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

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy'exists in the office of the Chief Financial Officer.

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

"City Clerk" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person that may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Bond Ordinance.

"City Comptroller" means the City Comptroller of the City.

"City Deposit" means lawfully available funds of the City in the amount of $714,541.13 deposited into the Series 2015A Bond Fund on the date of issuance ofthe Series 2015A Bonds for the payment of interest to become due on the Series 20I5A Bonds on January 1,2016.

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

"Date of Issuance" means July 21, 2015, the date of issuance and delivery of the Series 20I5A Bonds to the initial purchasers thereof.

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"Debt Management Purposes" shall have the meaning assigned to such term in the Bond Ordinance.

"Defeasance Obligations" means: (I) money; or (2)(A) direct obligations of the United States of America, (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America, (C) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the U.S. 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 defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C); or (3) a combination ofthe investments described in clauses (1) and (2) above.

"Designated Corporate Trust Office" means the corporate trust office of the Trustee located at the address of the Trustee set forth for notices to the Trustee in Section 10.03 hereof, as such address may be changed from time to time by the Trustee.

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

"Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

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

"Indenture" means this Indenture, as amended from time to time in accordance with Article IX hereof.

"Interest Payment Date" means each January 1 and July 1. commencing January 1,2016.

"Kroll" means Kroll Bond Rating Agency, its successors and assigns, and, if Kroll shall be dissolved or liquidated or shall no longer perform the functions of a security rating agency, "Kroll" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

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"Maturity Date" means, for the Series 2015A Bonds of each specified maturity, the applicable maturity date set forth in Section 2.02.

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

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"Outstanding" means, when used with reference to any Series 2015A Bonds, all of such obligations issued under this Indenture that are unpaid,provided that such term does not include:

a) Series 2015A Bonds canceled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

b) matured or redeemed Series 2015A Bonds which have not been presented for payment in accordance with the provisions of this Indenture and for the payment of which the City has deposited funds with the Trustee or Paying Agent;

c) Series 20I5A Bonds for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Series 2015A Bonds;

d) Series 2015A Bonds in lieu of or in exchange or substitution for which other Series 2015A Bonds shall have been authenticated and delivered pursuant to this Indenture; and

e) Series 2015A Bonds owned by the City and tendered to the Trustee for cancellation.

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

"Paying Agent" means the Trustee and any additional Paying Agent designated by the Trustee pursuant to Section 8.04 hereof, and any successor thereto.

"Permitted Investments" means any of the following obligations or securities permitted under the laws ofthe State and the Municipal Code:

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

b) United States treasury bills and other non-interest bearing general obligations of the United States of America when offered for sale in the open market at a

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price below the face value of same, so as to afford the City a return on such investment in lieu of interest;

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

d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

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

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

g) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid; and

h) any other suitable investment instrument permitted by State laws and the Municipal Code governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

"Principal and Interest Account" means the Account of that name established within the Bond Fund, as described in Section 4.03 hereof.

"Principal and Interest Account Requirement" means an amount, equal to the total principal installment and interest due on the Series 20I5A Bonds as of each January I and July 1 (including any mandatory redemption ofthe Series 2015A Bonds as required by Section 3.01(c) hereof), which amount shall be deposited in the Principal and Interest Account not later than the Business Day prior to such January 1 and July I.

"Qualified Collateral" means:

a) Federal Obligations;

b) direct and general obligations of any state of the United States of America or any political subdivision of the State which are rated not less than "AA" or "Aa2" or their equivalents by any Rating Agency; and

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(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"Rating Agency" means any of Fitch, S&P and Kroll, or another rating agency that has a credit rating assigned to the Series 2015A Bonds at the request of the City.

"Record Date" means each June 15 and December 15 (whether or not a Business Day).

"Redemption Price" means with respect to the Series 2015A Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series 2015A Bonds.

"Registered Owner" or "Owner" means the person or persons in whose name or names a Series 2015A Bond shall be registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Series 2015A Bonds.

"Series 20I5A Bond Fund" has the meaning assigned to such term in Section 4.03 hereof.

"Series 2015A Bonds" means the General Obligation Bonds, Series 2015A, issued pursuant to Section 2.01 hereof.

"Series 2015A Capitalized Interest Account" means the account of that name established and described in Section 4.04 hereof.

"Series 2015A Debt Management Project" means (i) the payment of costs of the Debt Management Purposes described in Exhibit B attached hereto and (ii) any other expenditure of proceeds of the Series 2015A Bonds authorized by the City Council after the date of execution and delivery of this Indenture, which expenditure is in accordance with the provisions of the Tax Agreement.

"Series 2015A Project Account" means the account of that name established and described in Section 4.05 hereof.

"S&P" means Standard & Poor's Financial Services LLC, a division of McGraw Hill Financial, Inc., its successors and assigns, and. if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency. "S&P" shall be deemed to refer to any

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other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"State" means the State of Illinois.

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

"Tax Agreement" means the Tax Exemption Certificate and Agreement of the City, dated the date of issuance of the Series 2015A Bonds.

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

"Trustee" means Zions First National Bank, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee hereunder.

Article II

The Series 2015A Bonds

Section 2.0J. Authority for and Issuance of Series 2015A Bonds, (a) No Series 20I5A Bonds may be issued under the provisions of this Indenture except in accordance with this Article. Except as provided in Section 2.07 hereof, the total principal amount of Series 2015A Bonds that may be issued hereunder is expressly limited to $345,530,000.

The Series 2015A Bonds shall be designated "City of Chicago General Obligation Bonds, Series 2015A" and shall be issued as fully registered bonds, without coupons, in Authorized Denominations'substantially in the form attached as Exhibit A thereto. Unless the City shall otherwise direct, the Series 2015A Bonds shall be lettered and numbered from R-l and upwards. Each Series 20I5A Bond shall be dated the Date of Issuance and shall mature, subject to prior redemption as provided in Article III hereof, on its Maturity Date.

(b) Each Series 2015A Bond shall bear interest from the later of its date or the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount of such Series 20I5A Bond is paid, such interest being payable on each Interest Payment Date. Interest on each Series 20I5A Bond shall be paid to the person in whose name such Series 20I5A Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Date, by check or draft of the Trustee, or, at the option of any registered owner of $1.000,000 or more in aggregate principal amount of Series 2015A Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as the registered owner of such Series 2015A Bonds shall request in writing to the Trustee.

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(c) The principal of the Series 2015A Bonds and any redemption premium shall be payable in lawful money of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, upon presentation and surrender thereof at the Designated Corporate Trust Office of the Trustee.

Year Principal Interest.
(January 1) Amount Rate

Section 2.02. General Terms of Series 2015A Bonds. The Series 2015A Bonds shall mature on January I in each year shown in the following table in the respective principal amount set forth opposite each such year. The Series 2015A Bonds shall bear interest from and including the Date of Issuance as shown in the table below until payment of the principal or Redemption Price thereof shall have been made or provided for in accordance with the provisions hereof, whether at the applicable Maturity Date, upon redemption or acceleration, or otherwise. Interest accrued on the Series 2015A Bonds shall be paid in arrears on each Interest Payment Date. Interest on the Series 20I5A Bonds shall be computed upon the basis of a 360 day year consisting of twelve 30 day months.

Year Principal Interest (January 1) Amount Rate

2019	$4,965,000	5.00%
2020	7,380,000	5.00
2021	7,870,000	5.00
2022	8,320,000	5.00
2023	8,845,000	5.00
2024	5,415,0005.00	
2024	202619,390,0005.00	
2027	$24,925,000	5.250%
2028	33,585,000	5.250
2029	35,275,000	5.375
2033	88,100,000	5.500
2034	36,430,000	5.500
2035	16,420,0005.500	
2035	203948,610,000	5.500

Section 2.03. Execution. The seal of the City or a facsimile thereof shall be affixed to or printed on each ofthe Series 2015A Bonds, and the Series 2015A Bonds shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and in case any officer whose signature shall appear on any Series 20J5A Bond shall cease to be such officer before the delivery of such Series 2015A Bond, such signature shall nevertheless be valid and sufficient for all proposes, the same as if such officer had remained in office until delivery.

Section 2.04. Authentication. All Series 2015A Bonds shall have thereon a certificate of authentication substantially in the form attached hereto as part of Exhibit A duly executed by the Trustee as authenticating agent of the City and showing the date of authentication. No Series 2015A Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture.unless and until such certificate of authentication shall have been duly executed by the Trustee by manual signature, and such certificate of authentication upon any such Series 2015A Bond shall be conclusive evidence that such Series 20I5A Bond has been authenticated and delivered under the Bond Ordinance and this Indenture. The certificate of authentication on any Series 2015A Bond shall be deemed to have been executed by the Trustee if signed by an authorized officer of such Trustee, but it shall not be necessary that the same officer sisn the certificate of authentication on all of the Series 2015A Bonds issued hereunder.

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Section 2.05. Form of Series 2015A Bonds. The Series 2015A Bonds issued under this Indenture shall be substantially in the form attached hereto as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by the Bond Ordinance and this Indenture.

Section 2.06. Delivery of Series 2015A Bonds. Upon the execution and delivery of this Indenture, the City shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Series 2015A Bonds and deliver them to the purchasers as may be directed by the City as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Series 2015A Bonds there shall be filed with the Trustee:

1) copies, duly certified by the City Clerk of the City, of the Bond Ordinance;

2) original executed counterparts of this Indenture;

3) an Opinion of Bond Counsel to the effect that this Indenture (i) has been duly and lawfully authorized by the City Council of the City and executed by the City in accordance with the provisions of the Bond Ordinance and (ii) will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms; and

4) a Certificate executed by an Authorized Officer stating that all conditions precedent with respect to the execution of all documents by the City relating to the Series 20I5A Bonds have been satisfied.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Series 2015A Bonds. If any Series 2015A Bond, whether in temporary or definitive form, is lost (whether by reason of theft or otherwise), destroyed (whether by mutilation, damage, in whole or in part, or otherwise) or improperly cancelled, the Trustee may authenticate a new Series 2015A Bond of like date, maturity date, interest rate, denomination and principal amount and bearing a number not contemporaneously outstanding; provided that (i) in the case of any mutilated Series 2015A Bond, such mutilated Series 2015A Bond shall first be surrendered to the Trustee, and (ii) in the case of any lost Series 20I5A Bond or Series 2015A Bond destroyed in whole, there shall be first furnished to the Trustee evidence of such loss, theft, or destruction satisfactory to the City and the Trustee, together with indemnification ofthe City and the Trustee, satisfactory to the Trustee. If any lost, destroyed or improperly cancelled Series 2015A Bond shall have matured or is about to mature, or has been called for redemption, instead of issuing a duplicate Series 2015A Bond, the Trustee shall pay the same without surrender thereof if there shall be first furnished to the Trustee evidence of such loss, destruction or cancellation, together with indemnity, satisfactory to it. Upon the issuance of any substitute Series 2015A Bond, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

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All Series 20I5A Bonds shall be owned upon the express condition that the foregoing provisions, to the extent permitted by law, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost, stolen or purchased Series 2015A Bonds, and shall preclude any and all other rights or remedies.

Section 2.08. Transfer and Exchange of Series 2015A Bonds; Persons Treated as Owners, (a) Subject to the limitations contained in subsection (c) of this Section, upon surrender for registration of transfer of any Series 2015A Bond at the Designated Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as shall be satisfactory to the Trustee, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more fully registered Series 2015A Bonds of the same interest rate and Maturity Date of Authorized Denominations, for a like principal amount bearing numbers not contemporaneously outstanding. Subject to the limitations contained in subsection (c) of this Section, Series 2015A Bonds may be exchanged at the Designated Corporate Trust Office of the Trustee for a like aggregate principal amount of Series 2015A Bonds of the same interest rate and Maturity Date of other Authorized Denominations bearing numbers not contemporaneously outstanding.

b) No service charge shall be made for any transfer or exchange of Series 2015A Bonds, but the City or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 20J5A Bonds, except that no such payment may be required in the case of the issuance of a Series 20I5A Bond or Bonds for the unredeemed portion of a Series 20I5A Bond surrendered for redemption.

c) The Trustee shall not be required to transfer or exchange any Series 2015A Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Series 2015A Bond and ending on such Interest Payment Date, or to transfer or exchange such Series 2015A Bond after the mailing of notice calling such Series 2015A Bond for redemption has been made as herein provided or during the period of 15 days next preceding the giving of notice of redemption of Series 2015A Bonds of the same Maturity Date.

d) Series 20I5A Bonds delivered upon any registration of transfer or exchange as provided herein or as provided in Section 2.07 hereof shall be valid general obligations of the City, evidencing the same debt as the Series 2015A Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof and of the Bond Ordinance to the same extent as the Series 2015A Bond surrendered. The City, the Trustee and any Paying Agent may treat the Registered Owner of any Series 2015A Bond as the absolute owner thereof for all purposes, whether or not such Series 2015A Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of. premium, if any. and interest on any such Series 20I5A Bond as herein provided shall be made only to or upon the written order of the Registered Owner thereof or such Registered Owner's legal representative, but such registration may be changed as herein provided. All such

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payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2015A Bond to the extent of the sum or sums so paid.

the sum or sums so paid.

Section 2.09. Required Information in Series 2015A Bond Form. On each date on which the Trustee authenticates and delivers a Series 2015A Bond, it shall complete the information required to be inserted by the Series 2015A Bond form and shall keep a record of such information.

Section 2.10. Cancellation. Any Series 2015A Bond surrendered for the purpose of payment or retirement, or for exchange, transfer or replacement, shall be canceled upon surrender thereof to the Trustee or any Paying Agent. If the City shall acquire any of the Series 20I5A Bonds, the City shall deliver such Series 2015A Bonds to the Trustee for cancellation and the Trustee shall cancel the same. Any such Series 2015A Bonds canceled by any Paying Agent other than the Trustee shall be promptly transmitted by such Paying Agent to the Trustee. Certification of Series 2015A Bonds canceled by the Trustee and Series 20I5A Bonds canceled by a Paying Agent other than the Trustee which are transmitted to the Trustee shall be made to the City. Canceled Series 2015A Bonds may be destroyed by the Trustee unless instructions to the contrary are received from the City.

Section 2.11. Book Entry Provisions. The provisions of this Section shall apply as long as the Series 2015A Bonds are maintained in book entry form with DTC or another Securities Depository, any provisions of this Indenture to the contrary notwithstanding. Notwithstanding anything else to the contrary herein, so long as DTC is the Securities Depository, the Series 20I5A Bonds shall be subject to the operational arrangements of DTC in effect from time to time.

a) The Series 2015A Bonds shall be payable to the Securities Depository, or its nominee, as the Registered Owner of the Series 2015A Bonds, in same day funds on each date on which the principal of, premium, if any, and interest on the Series 2015A Bonds is due as set forth in this Indenture and the Series 2015A Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the Beneficial Owners of the Series 20I5A Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee notice thereof, and the Trustee shall make payments with respect to the Series 20I5A Bonds in the manner specified in such notice. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the Series 20I5A Bonds to Participants or the Beneficial Owners ofthe Series 2015A Bonds or their nominees.

b) If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Series 2015A Bonds, that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the Beneficial Owners that they obtain certificated Series

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2015A Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Series 2015A Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

c) If, following a determination or event specified in paragraph (b) above, the City discontinues the maintenance of the Series 2015A Bonds in book entry form with the then current Securities Depository, the City will issue replacement Series 2015A Bonds to the replacement Securities Depository, if any, or, if no replacement Securities Depository is selected for the Series 2015A Bonds, directly to the Participants as shown on the records of the former Securities Depository or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2015A Bonds shown on the records of such Participant. Any such Series 20I5A Bonds so issued in replacement shall be in fully shown on the records of such Participant. Any such Series 2015A Bonds so issued in replacement shall be in fully registered form and in Authorized Denominations, be payable as to interest on the Interest Payment Dates of the Series 2015A Bonds by check mailed to each Registered Owner at the address of such Registered Owner as it appears on the Bond Register or, at the option of any Registered Owner of not less than $1,000,000 principal amount of Series 2015A Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Registered Owner as of such Record Date, if such Registered Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Series 2015A Bonds are payable only upon presentation and surrender of such replacement Series 2015A Bond or Bonds at the Designated Corporate Trust Office of the Trustee.

d) The Securities Depository and its Participants, and the Beneficial Owners of the Series 2015A Bonds, by their acceptance ofthe Series 2015A Bonds, agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the Beneficial Owners of the Series 2015A Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the Beneficial Owners to perform any obligation of the Participant to a Beneficial Owner of the Series 20I5A Bonds.

e) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner of the Series 2015A Bonds, as nominee of DTC, references herein to the Registered Owners of the Series 2015A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2015A Bonds.

f) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner of the Series 2015A Bonds:

(i) if less than all of the Series 2015A Bonds of a maturity are to be redeemed prior to maturity, the particular Series 2015A Bonds or portions of such Bonds will be selected by lot by DTC or such successor securities depository in such manner as DTC or such successor securities depository may determine.

ii) selection of Series 2015A Bonds to be redeemed upon partial redemption or presentation of Series 2015A Bonds to the Trustee upon partial redemption, shall be deemed made when the right to exercise ownership rights in such Series 2015A Bonds through DTC or DTC's Participants is transferred by DTC on its books;

iii) any notices of the interest rate on the Series 2015A Bonds to be provided by the Trustee shall be provided to anyone identifying itself to the Trustee as a person entitled to exercise ownership rights with respect to such Series 2015A Bonds through DTC or its Participants; and

iv) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Registered Owners under this Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Series 2015A Bonds through DTC or its Participants.

Article III

Redemption of Series 2015A Bonds

Section 3.01. Redemption Terms, Dates and Prices. The Series 2015A Bonds shall be subject to redemption prior to their respective Maturity Dates in the amounts, at the times, at the Redemption Prices and in the manner provided in this Section.

a) Optional Redemption. The Series 2015A Bonds maturing on or after January 1, 2026 are subject to optional redemption in whole or in part, on any date occurring on or after January J, 2025, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, at a Redemption Price equal to the principal amount of the Series 2015A Bonds being redeemed plus accrued interest, if any, to the date of redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 2015A Bonds for optional redemption, in whole or in part; provided, that such sale or waiver will not adversely affect the excludability of interest on the Series 20I5A Bonds from gross income for federal income tax purposes.

b) *General Provisions Regarding Redemptions.*

(i) No redemption of less than all of the Scries 2015A Bonds Outstanding shall be made pursuant to Section 3.01(a) hereof unless the aggregate principal amount of Series 2015A Bonds to be redeemed is equal to $5,000 multiples. Any redemption of less than all of Ihe Series 2015A Bonds Outstanding shall be made in such a manner that

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all Series 20I5A Bonds Outstanding after such redemption are in Authorized Denominations. If fewer than all Series 20I5A Bonds Outstanding are to be optionally redeemed, the Series 2015A Bonds to be called shall be called from such maturities as may be determined by an Authorized Officer.

(ii) Series 2015A Bonds may be called for redemption by the Trustee pursuant to Section 3.01(a) hereof upon receipt by the Trustee at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Trustee) of a written request of the City requesting such redemption. In the case of a redemption pursuant to Section 3.01(c), Series 2015A Bonds shall be called for redemption by the Trustee in accordance with the applicable mandatory schedule provided in Section 3.01(c) hereof, without further action by the City.

(iii) In lieu of redeeming Series 20I5A Bonds pursuant to Section 3.01(a) hereof, the Trustee may, at the request of the City, use such funds available hereunder for redemption of Series 2015A Bonds to purchase Series 2015A Bonds in the open market at a price not exceeding the Redemption Price then applicable hereunder. Any Series 2015A Bond so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and shall be canceled, all as provided in Section 2.10 hereof.

(c) Mandatory Redemption of Series 2015A Bonds.

The Series 2015A Bonds maturing on January 1, 2033 are subject to mandatory redemption prior to maturity on January I of the years and in the amounts set forth below, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

Year	Principal Amount
2031	$ 6.205,000
2032	8^75,000
2033*	73,620,000

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The Series 2015A Bonds maturing on January 1, 2039 are subject to mandatory redemption prior to maturity at a Redemption Price on January 1 of the years and in the amounts set forth below, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption:

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	Principal Amount
2036	$16,135,000
2037	12,620,000
2038	15,875,000
2039*	3,980,000

Final Maturity

The principal amount of the Series 2015A Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 2015A Bonds credited against future mandatory redemption requirements in such order of the mandatory redemption dates as the City may determine. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee may, and if directed by the City shall, purchase Series 20I5A Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2015A Bond so purchased shall be canceled and the principal amount thereof shall be credited against the payment required on such next mandatory redemption date.

Section 3.02. Notice of Redemption, (a) Unless waived by any owner of Series 2015A Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2015A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Series 2015A Bond shall not affect the validity of the proceedings for the redemption of any other Series 2015A Bond. Any notice of redemption mailed as provided in this Section 3.02 hereof shall be conclusively presumed to have been given whether or not actually received by the addressee.

All notices of redemption shall state:

1) the redemption date.

1) the redemption date,

2) the Redemption Price,

3) if less than all outstanding Series 2015A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Series 20I5A Bonds to be redeemed.

4) that on the redemption date the Redemption Price will become due and payable upon each such Series 20I5A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date.

5) the place where such Series 2015A Bonds are to be surrendered for payment of the Redemption Price, and

6) such other information as shall be deemed necessary by the Trustee at the time such notice is given to comply with law, regulation or industry standard.

b) With respect to an optional redemption of Series 2015A Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the Redemption Price of the Series 2015A Bonds. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Series 2015A Bonds and such failure to deposit such funds shall not constitute an Event of Default under this Indenture. The Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2015A Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Series 20I5A Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price of all the Series 2015A Bonds or portions thereof which are to be redeemed on that date.

c) Notice of redemption having been given as aforesaid, the Series 2015A Bonds, or portions thereof, so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Series 2015A Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Series 2015A Bonds for redemption in accordance with said notice, such Series 20I5A Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of. any Series 2015A Bond, there shall be prepared for the Registered Owner a new Series 2015A Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal.

d) If any Series 20I5A Bond, or portion thereof, called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Series 20I5A Bond, or portion thereof, so called for redemption. All Series 20I5A Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued.

e) Failure to give notice in the manner prescribed hereunder with respect to any Series 2015A Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2015A Bond with defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2015A Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Series 20I5A Bonds to be redeemed and to pay interest due thereon and premium, if any, the Series 20I5A Bonds thus called shall not, after the applicable redemption date, bear interest, be protected by this Indenture or the Bond Ordinance or be deemed to be Outstanding under the provisions of this Indenture.

(0 If any Series 2015A Bond is transferred or exchanged on the Bond Register after notice has been given calling such Series 20I5A Bond for redemption, the Trustee will attach a copy of such notice to the Series 20I5A Bond issued in connection with such transfer or exchange.

(g) If any Series 20I5A 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 Series 2015A Bond are held by the Trustee for the benefit of the Registered Owner of such Series 20I5A Bond, the Trustee shall hold such moneys for the benefit of the Registered Owner of such Series 2015A Bond without liability to the Registered Owner for interest. The Registered Owner of such Series 2015A Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Series 2015A Bond.

Section 3.03. Selection of Series 20I5A Bonds for Redemption. If less than all the Series 2015A Bonds shall be called for redemption under any provision of this Indenture permitting such partial redemption, (i) such redemption shall be by lot in such manner as the Trustee may determine among such Series 2015A Bonds, and (ii) subject to other applicable provisions of this Indenture, the portion of any Series 2015A Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. In selecting Series 2015A Bonds for redemption, the Trustee shall assign to each Series 2015A Bond of like Maturity Date, a distinctive number for each minimum Authorized Denomination of such Series 2015A Bond and shall select by lot from the numbers so assigned as many numbers as, at such minimum Authorized Denomination for each number, shall equal the principal amount of such Series 2015A Bonds to be redeemed. In such case, the Series 2015A 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 2015A Bond shall be redeemed as shall equal such minimum authorized denomination for each number assigned to it and so selected. If it is determined that one or more, but not all, of the integral multiples ofthe Authorized Denomination of principal amount represented by any Series 2015A Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Series 2015A Bond shall forthwith surrender such Series 2015A Bond to the Trustee for (a) payment to such Registered Owner of the Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Series 2015A Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Series 2015A Bond. New Series 2015A Bonds representing the unredeemed balance ofthe principal amount of such Series 2015A Bond shall be issued to the Registered Owner thereof without charge therefor.

The Trustee shall promptly notify the City in writing of the Series 20I5A Bonds, or portions thereof, selected for redemption and, in the case of any Series 2015A Bond selected for partial redemption, the principal amount thereof, and the interest rate thereof to be redeemed.

Section 3.04. Deposit of Funds. For the redemption of any of the Series 20I5A Bonds, the City shall cause to be deposited in the Principal and Interest Account moneys sufficient to

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pay when due the principal of, and premium, if any, and interest on, the Series 2015A Bonds to be redeemed on the redemption date to be applied in accordance with the provisions hereof.

Article IV

Application of Series 2015A Bond Proceeds; Creation of Funds and Security for Series 2015A Bonds

Section 4.01. Source of Payment of Series 2015A Bonds. Pursuant to the Bond Ordinance, the Series 2015A Bonds constitute direct and general obligations of the City for the payment of which the City pledges its full faith and credit.

Section 4.02. Application of Bond Proceeds. The proceeds of the sale of the Series 2015A Bonds, consisting of the principal amount of the Series 20I5A Bonds less net original issue discount of $4,570,044.25 used in the marketing of the Series 2015A Bonds and less an Underwriters' discount of $2,176,525.60, shall be applied simultaneously with their delivery as follows:

i) There shall be deposited to the credit of the Series 20I5A Capitalized Interest Account the sum of $41,299,227.98 to be applied to the payment of certain interest to accrue on the Series 2015A Bonds as provided in Section 4.04 hereof.

ii) There shall be deposited to the credit of the Series 2015A Project Account the sum of $297,484,202.17 to be applied to the payment of costs of the Series 2015A Debt Management Project and costs of issuance of the Series 2015A Bonds as provided in Section 4.05 hereof.

Section 4.03. Creation of 2015A Bond Fund and Account Therein. (a) There is established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Series 20I5A Bond Fund" (the "Series 2015A Bond Fund").

(i) At each such time as is required under this Indenture, the City shall deposit into the Series 2015A Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement. On the date of issuance of the Series 20I5A Bonds, the City has delivered to the Trustee for deposit to the Series 2015A Bond Fund the City Deposit which shall be applied to the payment of interest to become due on the Series 20I5A Bonds on January 1, 2016.

ii) Money on deposit in the Series 2015A Bond Fund shall be applied by the Trustee to pay the principal of (whether due at maturity or by mandatory redemption) and interest on the Series 2015A Bonds as the same become due.

iii) Pending the use of moneys held in the Series 2015A Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be credited to the Series 20I5A Bond Fund.

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(b) Creation of Principal and Interest Account. There is established with the Trustee an account within the Series 20I5A Bond Fund, designated as the "Series 2015A Principal and Interest Account" (the "Principal and Interest Account ")

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Section 4.04. Series 2015A Capitalized Interest Account. There is established with the Trustee as part of the Series 2015A Bond Fund a trust account designated "City of Chicago General Obligation Bonds, Series 2015A Capitalized Interest Account" (the "Series 2015A Capitalized Interest Account") to hold certain proceeds of sale of the Series 2015A Bonds described in subparagraph (i) of Section 4.02 hereof for application as authorized herein. Moneys on deposit in the Series 20I5A Capitalized Interest Account shall be withdrawn by the Trustee on the Business Day prior to each of the following Interest Payment Dates and deposited into the Series 20I5A Bond Fund for application to the payment of the interest due on the Series 2015A Bonds on each of such Interest Payment Dates in the amounts as follows:

Amoun t of Interest to be Paid

January 1,2016 July 1,2016
January 1,2017 July 1,2017
January 1,2018
$7,508,950.54 8,447,569.36 8,447,569.36 8,447,569.36 8,447,569.36

Pending the use of moneys held in the Series 2015A Capitalized Interest Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be transferred to the Series 2015A Project Account. Any amount remaining in the Series 2015A Capitalized Interest Account on January 2,2018 shall be withdrawn therefrom and deposited into the Series 20I5A Bond Fund and applied to the payment of the next interest to become due on the Series 2015A Bonds.

Section 4.05. Series 2015A Project Account. There is established with the Trustee a trust account designated "City of Chicago General Obligation Bonds, Series 2015A Project Account" (the "Series 2015A Project Account") to hold certain proceeds of sale of the Series 20I5A Bonds described in subparagraph (ii) of Section 4.02 hereof for application as authorized herein. Proceeds of the sale of the Series 2015A Bonds deposited in the Series 20I5A Project Account shall be used (i) to pay costs of the Series 20I5A Debt Management Project, and (ii) to pay costs of issuance of the Series 2015A Bonds. Moneys on deposit in the Series 20I5A Project Account shall be disbursed by the Trustee upon receipt of a written request therefor executed by an Authorized Officer, specifying the purpose for which such disbursement is being made. Pending the use of moneys held in the Series 20I5A Project Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be retained in the Series 20I5A Project Account. Completion of the Series 2015A Debt Management Project shall be evidenced by a written notification to the Trustee executed by an Authorized Officer directing the Trustee to apply transfer any remaining balance in the Series 2015A Project Account to the

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Series 2015 A Bond Fund for application to the payment ofthe next interest to become due on the Series 2015A Bonds.

Section 4.06. Deposits into Series 2015A Bond Fund. Not later than the Business Day prior to each Interest Payment Date (each such date referred to herein as the "Deposit Date") there shall be on deposit in the Series 2015A Bond Fund (which deposit may include amounts from the Series 2015A Capitalized Interest Account as described in Section 4.04 hereof) an amount equal to the Principal and Interest Account Requirement (such amount with respect to any Deposit Date being referred to herein as the "Series 20I5A Deposit Requirement").

In addition to the Series 2015A Deposit Requirement, there shall be deposited into the Series 2015A Bond Fund any other moneys received by the Trustee under and pursuant to this Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 20I5A Bond Fund person depositing such moneys that such moneys are to be paid into the Series 2015A Bond Fund.

Upon calculation by the Trustee of each Series 2015A Deposit Requirement under this Section, the Trustee shall notify the City of the Series 20I5A Deposit Requirement and the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Section4.07. Tax Covenants, (a) The City covenants that it will take no action in the investment of the proceeds of the Series 2015A Bonds which would result in making the interest payable on any of such Series 2015A Bonds subject to federal income taxes by reason of such Series 2015A Bonds being classified as "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) The City further covenants that it will act with respect to the proceeds of the Series 2015A Bonds, the earnings on the proceeds of such Series 2015A Bonds and any other moneys on deposit in any fund or account maintained in respect of such Series 2015A Bonds, including, if necessary, a rebate of such earnings to the United States of America, in a manner which would cause the interest on such Series 20I5A Bonds to continue to be exempt from federal income taxation under Section 103(a) of the Code.

Section 4.08. Non-presentment of Series 2015A Bonds. In the event any Series 20I5A Bond shall not be presented for payment when the principal thereof becomes due, whether at maturity, at the date fixed for redemption or otherwise, if moneys sufficient to pay such Series 2015A Bond shall have been made available to the Trustee for the benefit of the Registered Owner thereof, subject to the provisions of the immediately following paragraph, all liability of the City to the Registered Owner thereof for the payment of such Series 20I5A Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Registered Owner of such Series 2015A Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on. or with respect to. such Series 20I5A Bond.

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Any moneys so deposited with and held by the Trustee not so applied to the payment of Series 2015A Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the City, and thereafter the Registered Owners of such Series 2015A Bonds shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. The obligation of the Trustee under this Section to pay any such funds to the City shall be subject, however, to any provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Section 4.09. Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any fund or account referred to in any provision of this Indenture shall be held by the Trustee in trust as provided in Section 8.07 of this Indenture, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created hereby.

Article V

Investmen t of Moneys

Section 5.01. investment of Moneys. Moneys held in the funds, accounts and subaccounts established hereunder

Section 5.01. Investment of Moneys. Moneys held in the funds, accounts and subaccounts established hereunder shall be invested and reinvested in accordance with the provisions governing investments contained in this Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund, account or subaccount for which they were made.

Section 5.02. Investment Income. The interest earned on any investment of moneys held hereunder, any profit realized from such investment and any loss resulting from such investment shall be credited or charged to the fund, account or subaccount for which such investment was made.

Article VI Discharge of Lien

Section 6.01. Defeasance, (a) If the City shall pay to the Registered Owners of the Series 2015A Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on the Series 2015A Bonds, then this Indenture and the Bond Ordinance shall be fully discharged and satisfied with respect to the Series 2015A Bonds. Upon the satisfaction and discharge of this Indenture, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries shall pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to this Indenture which are not required for the payment or redemption of the Series 20I5A Bonds. If payment or provision for payment is made, to or for the Registered Owners of all or a portion of the Series 20I5A Bonds, of the principal of and

interest due and to become due on any Series 20I5A Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions of this Indenture, then these presents and the estate and rights hereby and by the Bond Ordinance granted shall cease, terminate and be void as to those Series 2015A Bonds or portions thereof except for purposes of registration, transfer and exchange of Series 2015A Bonds and any such payment from such moneys or obligations. Any Series 2015A Bond shall be deemed to be paid within the meaning of this Section when payment of the principal of any such Series 20I5A Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Indenture or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment or (2) Defeasance Obligations, or (3) a combination of the investments described in clauses (I) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). If the City shall pay and discharge a portion of the Series 2015A Bonds as aforesaid, such portion shall cease to be entitled to any lien, benefit or security under this Indenture and the Bond Ordinance. The liability of the City with respect to such Series 2015A Bonds shall continue, but the Registered Owners thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the Defeasance Obligations deposited with the Trustee under this Article VI.

b) No such deposit under this Section shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause any of such Series 2015A Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

c) Nothing in this Indenture shall prohibit a defeasance deposit of escrow securities as provided in this section from being subject to a subsequent sale of such escrow securities and reinvestment of all or a portion of the proceeds of that sale in escrow securities which, together with money to remain so held in trust, shall be sufficient to provide for that sale in escrow securities which, together with money to remain so held in trust, shall be sufficient to provide for payment of principal, redemption premium, if any, and interest on any of the defeased Series 2015A Bonds. Amounts held by the Trustee in excess of the amounts needed so to provide for payment of the defeased Series 2015A Bonds may be subject to withdrawal by the City.

Article VII

Default Provisions; Remedies

Section 7.01. Defaults. Each of the following events is hereby declared to be an "Event of Default":

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a) payment of the principal or Redemption Price, if any, of any Series 2015A Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

b) payment of any installment of interest on any Series 2015A Bonds shall not be made when and as the same shall become due; or

c) the City shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in the Series 2015A Bonds, which materially affects the rights of the owners of the Series 2015A Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Series 20I5A Bonds; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all diligence.

Section 7.02. Remedies, (a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 7.01 hereof, the Trustee shall proceed, or upon the happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) of Section 7.01 hereof, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Series 2015A Bonds, shall proceed, in its own name, subject to the provisions of this Section, to protect and enforce its rights and the rights of the owners of the Series 2015A Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Series 2015A Bonds including the right to require the City to receive and collect taxes adequate to carry out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Series 2015A Bonds and to perform its duties under this Indenture;

ii) by bringing suit upon the Series 2015A Bonds;

iii) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Series 2015A Bonds; and/or for the owners of the Series 2015A Bonds, and/or

iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Series 2015A Bonds.

(b) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Series 2015A Bonds for principal. Redemption Price, interest or otherwise.

under any provision of this Indenture or of the Series 2015A Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Series 20I5A Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Series 2015A Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Series 2015A Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under this Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) Under no circumstance may the Trustee declare the principal of or interest on any Series 20I5A Bond to be due and payable prior to its Maturity Date following the occurrence of an Event of Default under this Indenture.

Article VIII

Trustee and Paying Agent

Section 8.01. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth herein. Except as otherwise expressly set forth in this Indenture, the Trustee assumes no duties, responsibilities or liabilities by reason of its execution of this Indenture other than as set forth in this Indenture, and this Indenture is executed and accepted by the Trustee subject to all the terms and conditions of its acceptance of the trust under this Indenture. The Trustee shall make payments to Bondholders and effect optional and mandatory redemptions when required, whether or not its fees and expenses have been fully paid.

Section 8.02. Dealing in Series 20I5A Bonds. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in any of the Series 2015A Bonds, and may join in any action which the Registered Owner of any Series 2015A Bond may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other function with the City, and may act as depositary, trustee or agent for any committee or body of the Registered Owners of Series 2015A Bonds secured hereby or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 8.03. Compensation of Trustee. The City shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees incurred in and about the performance of their powers and duties under this Indenture and, except as provided in Section 8.01 hereof the Trustee shall have a lien therefor on any and all moneys at any time held by it under this Indenture. The City further agrees to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, which are not due to its negligence or default.

hereunder, which are not due to its negligence or default.

Section 8.04. Paying Agent. The Trustee may appoint a Paying Agent with power to act on its behalf and subject to its direction (i) in the authentication, registration and delivery of Series 2015A Bonds in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Paying Agent had been expressly authorized by this Indenture to authenticate, register and deliver Series 2015A Bonds, and (ii) for effecting purchases and sales of Series 2015A Bonds pursuant hereto and accepting deliveries of Series 2015A Bonds, making deliveries of Series 2015A Bonds and holding Series 2015A Bonds pursuant hereto. The foregoing notwithstanding, the Trustee need not appoint a Paying Agent hereunder as long as the Series 2015A Bonds are held in book-entry form pursuant to Section 2.1 J hereof; at any time the Series 20I5A Bonds are not held in book-entry form pursuant to Section 2.1 I hereof, the Trustee shall either maintain an office in New York, New York capable of handling the duties of Paying Agent hereunder, or shall appoint a Paying Agent with an office in New York, New York hereunder. Any Paying Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this Indenture, the authentication, registration and delivery of Series 2015A Bonds by or to any Paying Agent pursuant to this Section 8.04 shall be deemed to be the authentication, registration and delivery of Series 2015A Bonds "by or to the Trustee." Such Paying Agent shall at all times be a commercial bank or trust company having an office in New York, New York, and shall at all times be a corporation organized and doing business under the laws of the United States of America or of any state with combined capital and surplus of at least $50,000,000 and in each case authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which such Paying Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which such Paying Agent shall be a party, or any corporation succeeding to the corporate trust business of such Paying Agent, shall be a successor of such Paying Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing or any further act on the part of the parties hereto or such Paying Agent or such successor corporation.

Any Paying Agent may at any time resign by giving written notice of resignation to the Trustee and the City, and such resignation shall take effect at the appointment by the Trustee of a successor Paying Agent pursuant to the succeeding provisions of this Section and the acceptance by the successor Paying Agent of such appointment. The Trustee may at any time terminate the agency of any Paying Agent by giving written notice of termination to such Paying Agent and the City, which termination shall not take effect until the acceptance by the successor Paying Agent of such appointment. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Paying Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent, shall give written notice of such appointment to the City and shall mail notice of such appointment to all Registered Owners of Series 2015A Bonds.

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Notwithstanding anything herein to the contrary, any Paying Agent shall be entitled to rely on information furnished to it orally or in writing by the Trustee and shall be protected hereunder in relying thereon. The Trustee agrees furnished to it orally or in writing by the Trustee and shall be protected hereunder in relying thereon. The Trustee agrees to pay to any Paying Agent from time to time its fees and expenses for its services, and the Trustee shall be entitled to be reimbursed for such payments pursuant to Section 8.03 hereof.

Section 8.05. Qualification of Trustee. The Trustee hereunder shall be a bank, trust company or national banking association having the powers of a trust company doing business and having a corporate trust office in the City of Chicago, Illinois.

Section 8.06. Responsibilities of Trustee, (a) The recitals of fact herein and in the Series 2015A Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or any Supplemental Indenture or of any Series 20I5A Bonds issued hereunder or thereunder or in respect of the security afforded by this Indenture or any Supplemental Indenture and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Series 2015A Bonds. The Trustee shall not be under any responsibility or duty with respect to the issuance of the Series 2015A Bonds for value or the application of the proceeds thereof except to the extent such proceeds are paid to the Trustee in its capacity as Trustee, or the application of any moneys paid to the City or others in accordance with this Indenture or any Supplemental Indenture. The Trustee shall not be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any action or suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of paragraph (b) of this Section, the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct or that of its agents.

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

Section 8.07. Funds Held in Trust and Security Therefor. Any moneys held by the Trustee, as such, at any time pursuant to the terms of this Indenture or any Supplemental Indenture shall be and hereby are assigned, transferred and set over unto the Trustee in trust for the purposes and upon the terms and conditions of this Indenture or any Supplemental Indenture. Subject to the terms of this Indenture concerning Permitted Investments, all moneys (not including securities) held by the Trustee, as such, may be deposited by the Trustee in its banking department, or with such other banks, trust companies, or national banking associations, each having a place of business in the City of Chicago, Illinois, as may be designated by the City and

approved by the Trustee. No such funds shall be deposited with any bank, trust company or national banking association, other than the Trustee, in an amount exceeding 25 percent of the amount which an officer of such bank, trust company or national banking association shall certify to the Trustee and the City as the combined capital, surplus and undivided profits of such bank, trust company or national banking association. No such funds shall be deposited or remain on deposit with any bank, trust company or national banking association in excess of the amount insured by the Federal Deposit Insurance Corporation, unless (a) such bank, trust company or national banking association shall have deposited in trust with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Trustee and the City, pledged to some other bank, trust company or national banking association, for the benefit of the

the Trustee and the City, pledged to some other bank, trust company or national banking association, for the benefit of the City and the appropriate fund or account, as collateral security for the moneys deposited, Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to 110 percent of the amount of such moneys, or (b) in lieu of such collateral security as to all or any part of such moneys, there shall have been deposited in trust with the trust department of the Trustee, for the benefit of the City and the appropriate fund, account, subfund or subaccount, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States of America and qualified to transact business in the State in a sum at least equal to the amount of such moneys or part thereof. The Trustee shall allow and credit interest on any such moneys held by it at such rate as it customarily allows upon similar moneys of similar size and under similar conditions or as required by law. Interest in respect of moneys or on securities in any fund, account, subfund or subaccount shall be credited in each-case to the fund, account, subfund or subaccount in which such moneys or securities are held.

Section 8.08. Evidence on which Trustee May Act. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any fund or account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein or therein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof or thereof by the City to the Trustee shall be sufficiently executed if executed in the name of the City by an Authorized Officer.

Section 8.09. Permitted Acts and Functions. The Trustee may become the Owner of any Series 20I5A Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect

the rights of the Owners of Series 2015A Bonds or to effect or aid in any reorganization growing out of the enforcement of the Series 2015A Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Series 2015A Bonds then Outstanding.

Section 8.10. Resignation. The Trustee may at any time resign and be discharged of its duties and obligations created by this Indenture by giving not fewer than 60 days' written notice to the City and mailing notice thereof, to the owners of Series 2015A Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of Series 2015A Bonds as herein provided.

Section 8.11. Removal. The Trustee may be removed at any time by the Owners of a majority in principal amount of the Series 2015A Bonds then Outstanding, excluding any Series 2015A Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Series 2015A Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be

Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Owners of Series 20I5A Bonds at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

Section 8.12. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Series 20I5A Bonds then Outstanding, excluding any Series 20I5A Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of Series 2015A Bonds as herein authorized. The City shall mail notice to Owners of Series 2015A Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Series 2015A Bonds. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice of resignation as provided in Section 8.10 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any Owner of Series 2015A Bonds may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed under the provisions of this Section shall be a bank,

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trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City.

Seclion 8.13. Transfer of Rights and Property' to Successor. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

Section 8.14. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank, trust company or national banking association which is qualified to be a successor to the Trustee under Section 8.12 hereof and shall be authorized by law to perform all the duties imposed upon successor to the Trustee under Section 8.12 hereof and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 8.15. Adoption of Authentication. In case any of the Series 20I5A Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Series 2015A Bonds and deliver such Series 2015A Bonds so authenticated, and in case any of the said Series 2015A Bonds shall not have been authenticated, any successor Trustee may authenticate such Series 2015A Bonds in the name ofthe predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in the Series 2015A Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 8.16. Evidence of Signatures of Owners and Ownership of Series 2015A Bonds. (a) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Series 2015A Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the ownership by any person of the Series 20I5A Bonds,

shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

2) The authority of the person or persons executing any such instrument on behalf of a corporate Owner of Series 2015A Bonds may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(b) The ownership of Series 2015A Bonds and the amount, numbers and other identification, and date of ownership of the same shall be proved by the Bond Register. Any request, consent or vote of the Owner of any Series 2015A Bond shall bind all future Owners of such Series 2015A Bond in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 8.17. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City and any Owner of Series 20I5A Bonds and their agents and their representatives, any of whom may make copies thereof.

Article IX

Supplemental Indenture

Supplemental Indenture

Section 9.01. Supplemental Indenture Effective Upon Execution by the Trustee. For any one or more of the following purposes and the purposes enumerated in Section 9.04 hereof, and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, which, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk and the execution and delivery of such Supplemental Indenture by the City and the Trustee, shall be fully effective in accordance with its terms and not subject to consent by the Registered Owners of the Series 2015A Bonds:

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

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

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

d) to confirm, as further assurance, the pledge herein, and the subjection of, additional properties, taxes or other collateral to any lien, claim or pledge created or to be created by, this Indenture;

e) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

f) to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or

g) to provide additional duties of the Trustee under this Indenture.

Section 9.02. Supplemental Indentures Effective With Consent of Owners of Series 20J5A Bonds. At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, subject to consent by the Owners of Series 2015A Bonds in accordance with and subject to the provisions of this Article, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of this Article, and upon execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Section 9.03. General Provisions, (a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article. Nothing in this Article shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the provisions of this Article or the right or obligation of the City to execute and deliver to the Trustee any instrument which elsewhere in this Indenture it is provided shall be delivered to the Trustee.

(b) Any ordinance authorizing a Supplemental Indenture referred to and permitted or authorized by Section 9.01 or 9.04 hereof may be adopted by the City Council of the City without the consent of any of the Owners of Series 2015A of 9.04 hereof may be adopted by the City Council of the City without the consent of any of the Owners of Series 2015A Bonds, but such Supplemental Indenture shall be executed and delivered by the City and the Trustee and shall become effective only on the conditions, to the extent and at the time provided in this Article. Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City

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

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

d) No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

e) No Supplemental Indenture shall take effect unless and until there has been delivered to the Trustee an Opinion of Bond Counsel to the effect that such Supplemental Indenture does not adversely affect the exclusion from gross income for federal income tax purposes to which interest on the Series 2015A Bonds would otherwise be entitled.

Section 9.04. Additional Matters. Additionally, this Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

a) to provide for certificated Series 2015A Bonds; and

b) to secure or maintain ratings from any Rating Agency in the highest long term debt rating category, of such Rating Agency which are available for the Series 2015A Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on the Series 2015A Bonds as provided in this Indenture or otherwise adversely affect the Registered Owners of the Series 2015A Bonds under this Indenture.

Section 9.05. Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to owners of Series 20I5A Bonds shall be fully complied vyith if it is mailed postage prepaid only (i) to each Registered Owner of then Outstanding Series 2015A Bonds at his address, if any, appearing upon the registration books maintained by the City at the Designated Corporate Trust Office of the Trustee, and (ii) to the Trustee.

Section 9.06. Powers of Amendment. Any modification or amendment of this Indenture or of the rights and obligations of the City and of the Owners of the Series 20I5A Bonds, in particular, which requires the consent of the Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in Section 9.07, (a) of the Owners of a majority in principal amount ofthe Series 2015A Bonds Outstanding at the time such consent is given, or (b) in case less than all of the then Outstanding Series 20I5A Bonds are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Series 2015A Bonds so affected. No such modification or amendment shall permit

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a change in the terms of redemption or maturity of the principal of any Outstanding Series 2015A Bonds or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, or in terms of purchase or the purchase price thereof, without the consent of the owner of such Series 2015A Bonds, or shall reduce the percentages or otherwise affect the classes of Series 2015A Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Series 2015A Bond shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the owners of such Series 2015A Bond.

Section 9.07. Consent of Owners of Series 2015A Bonds, (a) The City may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 9.06, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to the Owners of the Series 2015A Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to the Owners of the Series 2015A Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this Section provided). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, (i) there shall have been filed with the Trustee (1) the written consents of Owners of the percentages of Outstanding Series 2015A Bonds specified in Section 9.06 and (2) an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the City and enforceable in accordance with its terms upon its becoming effective as in this Section provided, and (ii) a notice shall have been mailed as hereinafter in this Section provided.

b) The consent of an Owner of Series 2015A Bonds to any modification or amendment shall be effective only if accompanied by proof of the Ownership, at the date of such consent, of the Series 2015A Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 8.16. A certificate or certificates signed by the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 8.16 shall be conclusive that the consents have been given by the Owners of the Series 20I5A Bonds described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Series 2015A Bonds giving such consent and upon any subsequent Owner of such Series 20I5A Bonds and of any Series 2015A Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Series 20I5A Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee.

c) At any time after the Owners of the required percentages of Series 2015A Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file

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with the City a written statement that the Owners of such required percentages of Series 2015A Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) has been entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Series 2015A Bonds and will be effective as provided in this Section, shall be given to Owners by the Trustee by mailing such notice to the Owners of the Series 2015A Bonds (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this Section). The Trustee shall file with the City proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Trustee and the Owners of all Series 20I5A Bonds at the expiration of 40 days after the filing with the Trustee of proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 40-day period; except that the Trustee and the City, during such 40-day period and any such further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 9.08. Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the City and of the Owners of the Series 2015A Bonds hereunder may be modified or amended in any respect upon the consent of the Owners of all the then Outstanding Series 20I5A Bonds to the execution and delivery of such Supplemental Indenture, such consent to be given as provided in Section 9.07 except that no notice to the Owners of the Series 2015A Bonds shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 9.09. Exclusion of Series 2015A Bonds. Series 2015A Bonds owned by or for the account ofthe City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Series 2015A Bonds provided for in this Article, and the City shall not be entitled with respect to such Series 2015A Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee with a Certificate upon which the Trustee may rely, describing all Series 20I5A Bonds so to be excluded.

Section 9.10. Notation on Series 2015A Bonds. Series 2015A Bonds authenticated and delivered after the effective date of any action taken as in this Article provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Owner of any Series 2015A Bond Outstanding at such effective date and presentation of his Series 20I5A Bond for that purpose at the Designated Corporate Trust Office of the Trustee or upon any exchange or registration of transfer of any Series 2015A Bond Outstanding at such effective date, suitable notation shall be made on such Series 2015A Bond or upon any Series 20I5A

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Bond issued upon any such exchange or registration of transfer by the Trustee as to any such action. If the City or the Trustee shall so determine, new Series 2015A Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Series 2015A Bond then Outstanding shall be exchanged, without cost to such Owner, for Series 20I5A Bonds of the same maturity upon surrender of such Series 2015A Bond.

Article X Miscellaneous

Section 10.01. Severability. If any provision of this Indenture shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

same invalid, inoperative or unenforceable to any extent whatever.

Section 10.02. Payments Due on Saturdays, Sundays and Holidays. If the date for making any payment, or the last date for the performance of any act or the exercise of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made, act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

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Section 10.03. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to, delivered to or filed with the City or the Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of the Indenture if and when sent by registered mail, postage prepaid, return-receipt requested:

City of Chicago
Office of the Chief Financial Officer

or at such other address as may be designated in writing by the City to the Trustee; and To the Trustee, if

addressed to: Zions First National Bank

or at such other address as may be designated in writing by the Trustee to the City.

Section 10.04. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which

Section 10.04. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof, "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which any such word is used. In the event of any conflict between the provisions of this Indenture and the Bond Ordinance (including in the form of Series 2015A Bond attached hereto as Exhibit A), the terms of this Indenture shall be deemed to control.

Section 10.06. Captions. The captions and headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Indenture.

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In Witness Whereof, the City has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officers, on the date first above written.

City.

Chief Financial Officer

[Seal| Attest:

Susana A. Mendoza v City Clerk

Zions First National Bank, as Trustee

By:_ Name:

Authorized Signatory

|Signature Page - Trust Indenture!

In Witness Whereof, the City has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance ofthe trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officers, on the date first above written.

City of Chicago

By:
Carole L. Brown Chief Financial Officer

[Seal] Attest:

By:
Susana A. Mendoza City Clerk

[Signature Page - Trust Indenture]

Zions First National Bank,

I

i

[Attestation of Trustee - Trust Indenture]

Exhibit A Form of Bond

Registered

No.

United States of America

United States of America

State of Illinois

City of Chicago

General Obligation Bond Series 2015A

See Reverse Side for Additional Provisions

Interest Rate:
Maturity Date: January 1,20_

Registered Owner: Principal Amount:

The City of Chicago (the "City") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the date of this Series 2015A Bond or the most recent interest payment date to which interest has been paid at the Interest Rate per annum set'forth above on January 1 and July 1 of each year commencing January I, 2016. until said Principal Amount is paid. Principal of this Series 2015A Bond and redemption premium, if any, shall be payable in lawful money of the United States of America upon presentation and surrender at the designated corporate trust office of Zions First National Bank, Chicago, Illinois, as trustee, bond registrar and paying agent (the "Trustee"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on fhe registration books of the City maintained by the Trustee at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Trustee mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Trustee or, at the option of any Registered Owner of $1,000,000 or more in aggregate principal amount of the Series 2015A Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as the Registered Owner hereof shall request in writing to the Trustee.

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Reference is hereby made to the further provisions of this Series 2015A Bond set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified and recited that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this Series 20I5A Bond did exist, have happened, been done and performed in regular and due form and time as required by law; that the indebtedness of the City, including the issue of Series 2015A Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of a direct annual tax sufficient to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity.

this Series 2015A Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

In Witness Whereof, the City of Chicago by the City Council has caused its corporate seal to be imprinted by facsimile hereon and this Series 20I5A Bond to be signed by the duly authorized facsimile signature of the Mayor and attested by the facsimile signature of the City Clerk, all as of the Dated Date identified above.

attested by the facsimile signature of the City Clerk, all as of the Dated Date identified above.

(Facsimile Signature)
Mayor City of Chicago

Attest:

(Facsimile Signature)
City Clerk City of Chicago

I Seal |

Date of Authentication:

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Certificate of Authentication

This Series 20I5A Bond is one of the Series 2015A Bonds described in the within-mentioned Bond Ordinance and Indenture and is one of the General Obligation Bonds, Series 2015A,of the City of Chicago.

Zions First National Bank, as Trustee

By: (Manual Signature)
Authorized Officer

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[Form of Series 20I5A Bond - Reverse Side]

City of Chicago General Obligation Bond Series
2015A

For the prompt payment of this Series 2015A Bond, both principal and interest, as aforesaid, as the same become due, and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the City are hereby irrevocably pledged.

This Series 2015A Bond is one of a series of Series 2015A Bonds aggregating the principal amount of $345,530,000 issued pursuant to issued pursuant to, under authority of and in full compliance with the Constitution and laws ofthe State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and an Ordinance adopted by the City Council of the City on June 17, 2015 (the "Bond Ordinance"), and executed under a Trust Indenture securing the City of Chicago General Obligation Bonds, Series 20I5A, dated July 1, 2015 (the "Indenture") from the City to the Trustee, for the purposes of paying (i) costs of the Series 2015A Debt Management Project described in the Indenture, (ii) certain interest to become due on the Series 2015A Bonds and (iii) expenses incidental to the issuance of the Series 2015A Bonds.

The Series 2015A Bonds maturing on or after January 1, 2026, are redeemable prior to maturity at the option of the City, in whole or in part on any date on or after January 1, 2025, and if less than all of the outstanding Series 2015A Bonds are to be redeemed, the Series 2015A Bonds to be called shall be called from such maturities as shall be determined by the City and in the manner provided in the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption.

thereof plus accrued interest to the date of redemption.

The Series 2015A Bonds maturing on January 1, 2033 are subject to mandatory redemption prior to maturity on January 1 of the years 2031 and 2032 and the Series 2015A Bonds maturing on January 1, 2039 are subject to mandatory redemption prior to maturity on January 1 of the years 2036 to 2038, inclusive, in each case at a Redemption Price equal to the principal amount thereof plus accrued interest to the date of redemption.

In the event of the redemption of less than all the Scries 2015A Bonds of like maturity and interest rate, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof, and the Trustee shall assign to each Series 20I5A Bond of such maturity and interest rate a distinctive number for each $5,000 principal amount of such Series 2015A 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 20I5A Bonds to be redeemed. The Series 2015A Bonds to be redeemed shall be the Series 2015A Bonds to which were assigned numbers so selected; provided that only so much of the principal amount of each Series 2015A Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected.

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Notice of any such redemption shall be sent by first class mail not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Series 2015A Bond to be redeemed at the address shown on the registration books of the City maintained by the Trustee or at such other address as is furnished in writing by such Registered Owner to the Trustee; provided that the failure to mail any such notice or any defect therein as to any Series 20I5A Bond shall not affect the validity of the proceedings for the redemption of any other Series 2015A Bond. When so called for redemption, this Series 2015A Bond shall cease to bear interest on the specified redemption dale, provided that funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Series 2015A Bond is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series 2015A Bond. Upon such transfer a new Series 2015A Bond or Bonds of authorized denominations, of the same interest rate, series and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to transfer or exchange this Series 2015A Bond during the period commencing on the Record Date next preceding any Interest Payment Date for this Series 2015A Bond and ending on such Interest Payment Date, or to transfer or exchange such Series 2015A Bond (A) after notice calling this Series 2015A Bond for redemption has been mailed, or (B) during a period of 15 days next preceding mailing of a notice of redemption of this Series 20I5A Bond.

The Series 2015A Bonds are issued in fully registered form in the denomination of $5,000 each or authorized integral multiples thereof. This Series 2015A Bond may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Series 2015A Bonds of the same interest rate, series and maturity of other authorized denominations, upon the terms set forth in the Indenture.

The City and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and redemption premium, if any. and for all other purposes and neither the City nor the Trustee shall be affected by any notice to the contrary.

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(Assignment)

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

the within Series 2015A Bond and does hereby irrevocably constitute and appoint

attorney to transfer the said Series 2015A Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature guaranteed:

Notice: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Series 2015A Bond in every particular, without alteration or enlargement or any change whatever.

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Exhibit B

Series 2015A Debt Management Project

For the payment or the refunding of all or a portion of the Outstanding Line and CP Indebtedness as follows:

Outstanding Line ("Line") and CP Indebtedness

Expiration or Termination Daie

Amount To Be Paid

2013 2014 2014 2014

2015

Line	Bank of America, N.A.	II /30/2015
Line	Morgan Stanley Bank, N.A.	6/30/2016
Line	Barclays Bank PLC	9/30/2015
Line	JPMorgan Chase Bank, National Association	4/25/16
Line	DNT Asset Trust	9/30/2015

$ 86,170,855.22 31264,234.58 62,360,000.00 43,740.45

117,405,638.28

Exhibit 5

Indenture with respect to Taxable Series 2015B Bonds

18I2587.09.02.R iIikw 2230746

City of Chicago

to

Zions First National Bank, as Trustee

Trust Indenture

Securing

$742,860,000 Ci ty of Chicago General Obliga tion Bonds. Taxable Series 20I5B

Dated as of July 1,2015

Table of Contents

(This Table of Contents is not a part of the Indenture and is only for convenience of reference)

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Trust Indenture

This Trust Indenture, made and entered into as of July 1, 2015 (this "Indenture"), from the City OF Chicago (the "City"), a municipal corporation and home rule unit of local government duly organized and existing under the Constitution and laws of the State of Illinois, to Zions First National Bank (the "Trustee"), a national banking association with trust powers, having a corporate trust office located in the City of Chicago, Illinois, duly organized, validly existing and authorized to accept and execute trusts of the character herein set out under and by virtue ofthe laws ofthe United States of America,

WITNESSETH:

Whereas, pursuant to an ordinance duly adopted by the City Council of the City (the "City Council") on June 17, 2015 (the "Bond Ordinance") the City duly authorized the issuance and sale of its General Obligation Bonds, Taxable Series 2015B (the "Bonds") in order to provide the funds, together with other available funds, including proceeds of other general obligation bonds, for the purpose of paying (i) costs of the Series 2015B Debt Management Project, (ii) certain interest to become due on the Series 2015B Bonds and (iii) expenses of issuance of the Series 2015B Bonds; and

Whereas, by virtue of Article VII of the Illinois Constitution of 1970 and pursuant to the Bond Ordinance, the City is authorized to issue the Series 2015B Bonds, enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done; and

Whereas, the execution and delivery of the Series 2015B Bonds and of this Indenture have in all respects been duly authorized and all things necessary to make such Bonds, when executed by the City and authenticated by the Trustee, the legal, valid and binding obligations of the City and to make this Indenture a legal, valid and binding agreement, have been done; and

Whereas, the Series 2015B Bonds, and the Trustee's Certificate of Authentication to be endorsed on such Bonds, shall be substantially in the form attached hereto as Exhibit A, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture and the Bond Ordinance;

Now,Therefore,This Indenture Witnesseth: Granting Clauses

That the City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Series 20I5B Bonds by the Registered Owners thereof, and of the sum of one dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, to secure the payment of the principal of, premium, if any, and interest on the Series 20I5B Bonds according to their tenor and effect, and to secure the performance and

observance by the City of all the covenants expressed or implied herein and in the Series 2015B Bonds, does hereby assign and grant a security interest in and to the following to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City hereinafter set forth (the "Trust Estate"):

Granting Clause First

Any moneys, revenues, receipts, income, assets or funds of the City legally available for such purposes, including, but not limited to, the proceeds allocable to the Series 2015B Bonds of a direct annual tax levied by the City in the Bond Ordinance upon all taxable property in the City, all to the extent provided in this Indenture;

Granting Clause Second

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

Granting Clause Third

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

To Have and To Hold all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in said trust and assigns forever;

IN Trust, Nevertheless, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Registered Owners of the Series 2015B Bonds, without privilege, priority or distinction as to the lien or otherwise of any of the foregoing over any other of the foregoing, except to the extent herein otherwise specifically provided;

Provided, However, that if the City, its successors or assigns shall well and truly pay. or cause to be paid, the principal of, premium, if any, and interest on the Series 2015B Bonds, at the times and in the manner set forth therein according to the true intent and meaning thereof, and shall cause the payments to be made on the Series 20I5B Bonds as required herein, or shall provide, as permitted hereby, for the payment thereof, and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to them in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect.

This Indenture Further Witnesseth, and it is expressly declared, that all Bonds reissued and secured hereunder are to be reissued, authenticated and delivered, and all said property, rights and interests and any other amounts hereby assigned and pledged are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and the respective owners of the Series 2015B Bonds as follows: \

Article I. Definitions

Section J.01. Definitions. All capitalized terms used herein unless otherwise defined shall have the meanings given in the recitals above and the following meanings for purposes of this Indenture:

"Authorized Denomination" means $1,000 and any integral multiple thereof.

"Authorized Officer" means (a) the Mayor, the Chief Financial Officer, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor or Chief Financial Officer and filed with the Trustee for so long as such designation shall be in effect, (b) the City Clerk with respect to the certification of any ordinance or resolution of the City Council or any other document filed in his or her office and (c) the City Treasurer with respect to the investment of any moneys held pursuant to this Indenture.

"Beneficial Owner" means the owner of a beneficial interest in the Series 2015B Bonds registered in the name of Cede & Co., as nominee of DTC (or a successor securities depository or nominee for either of them).

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

"Bond Fund" means the fund of that name established and described in Section 4.03
hereof.

"Bondholder," "holder." or "owner of the Series 2015B Bonds" means the Registered Owner or Beneficial Owner of any Series 2015B Bond, as the case may be.

"Bond Ordinance" has the meaning given to such term in the recitals hereto.

"Bond Register" means the registration books of the City kept by the Trustee to evideiice the registration and transfer of Series 2015B Bonds.

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"Bond Year" means a 12-month period commencing on January 2 of each calendar year and ending on January 1 of the next succeeding calendar year.

"Bonds" means the General Obligation Bonds, Taxable Series 2015B, issued pursuant to Section 2.01 hereof.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banks located in the city where the Designated Corporate Trust Office is located are authorized or required by law to close, and (iii) a day on which The New York Stock Exchange, Inc., is closed.

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

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office of the Chief Financial Officer.

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

"City Clerk" means the duly qualified and acting City Clerk of the City or any Deputy City Clerk or other person that may lawfully take a specific action or perform a specific duty prescribed for the City Clerk pursuant to the Bond Ordinance.

"City Comptroller" means the City Comptroller of the City.

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

"Date of Issuance" means July 21, 2015, the date of issuance and delivery of the Scries 2015B Bonds to the initial purchasers thereof.

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"Debt Management Purposes" shall have the meaning assigned to such term in the Bond Ordinance.

"Defeasance Obligations" means: (1) money; or (2)(A) direct obligations of the United States of America, (B) obligations of agencies of the United States of America, the timely payment of principal of and interest on which are guaranteed by the United States of America, (C) obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the U.S. 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 defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, or (E) instruments evidencing an ownership interest in obligations described in the preceding clauses (A), (B) and (C); or (3) a combination of the investments described in clauses (1) and (2) above.

"Designated Corporate Trust Office" means the corporate trust office of the Trustee located at the address of the Trustee set forth for notices to the Trustee in Section 10.03 hereof, as such address may be changed from time to time by the Trustee.

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

_f'Federal Obligation" means any direct obligation of, or any obligation the full and timely payment of principal of and interest on which is guaranteed by, the United States of America.

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

"Indenture" means this Indenture, as amended from time to time in accordance with Article IX hereof.

"Interest Payment Date" means each January I and July 1, commencing January 1,2016.

"Kroll" means Kroll Bond Rating Agency, its successors and assigns, and, if Kroll shall be dissolved or liquidated or shall no longer perform the functions of a security rating agency, "Kroll" shall be deemed lo refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

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"Make-Whole Redemption Price" means the greater of (A) 100% of the principal amount of the Series 2015B Bonds to be redeemed or (B) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2015B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 20I5B Bonds are to be redeemed, discounted to the date of redemption of such Series 2015B Bonds are to be redeemed on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 50 basis points, plus, in each case, accrued interest on the Series 20I5B Bonds to be redeemed to the date fixed for redemption. The Make-Whole Redemption Price of the Series 2015B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Trustee and the City may rely on the Calculation Agent's determination of the Make-Whole Redemption Price and will not be liable for such reliance. An Authorized Officer shall confirm and transmit the redemption price as so calculated on such dates to the Trustee and to such other parties as shall be necessary to effectuate such redemption.

"Maturity Dale" means, for the Series 2015B Bonds of each specified maturity, the applicable maturity date set forth in Section 2.02.

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

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the City.

"Outstanding" means, when used with reference to any Series 2015B Bonds, all of such obligations issued under this Indenture that are unpaid,provided that such term does not include:

a) Series 2015B Bonds canceled at or prior to such date or delivered to or acquired by the Trustee or Paying Agent at or prior to such date for cancellation;

b) matured or redeemed Series 2015B Bonds which have not been presented for payment in accordance with the provisions of this Indenture and for the payment of which the City has deposited funds with the Trustee or Paying Agent;

c) Series 2015B Bonds for which the City has provided for payment by depositing in an irrevocable trust or escrow, cash or Defeasance Obligations, in each case, the maturing principal of and interest on which will be sufficient to pay at maturity, or if called for redemption on the applicable redemption date, the principal of, redemption premium, if any, and interest on such Series 2015B Bonds;

d) Series 2015B Bonds in lieu of or in exchange or substitution for which other Series 20I5B Bonds shall have been authenticated and delivered pursuant to this Indenture; and

e) Series 2015B Bonds owned by the City and tendered to the Trustee for cancellation.

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

"Paying Agent" means the Trustee and any additional Paying Agent designated by the Trustee pursuant to Section 8.04 hereof, and any successor thereto.

"Permitted Investments" means any of the following obligations or securities permitted under the laws of the State and the Municipal Code:

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

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

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

d) certificates of deposit of national banks or banks located within the City which are either (i) fully collateralized at least 110 percent by marketable United States Government securities marked to market at least monthly or (ii) secured by a corporate surety bond issued by an insurance company licensed to do business in the State and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment;

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

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

g) domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission, including any such fund for which the Trustee or any of its affiliates provides any service including any service for which a fee may be paid; and

h) any other suitable investment instrument permitted by State laws and the Municipal Code governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

"Principal and Interest Account" means the Account of that name established within the Bond Fund, as described in Section 4.03 hereof.

"Principal and Interest Account Requirement" means an amount, equal to the total principal installment and interest due on the Series 20I5B Bonds as of each January I and July I (including any mandatory redemption of the Series 2015B Bonds as required by Section 3.01(c) hereof), which amount shall be deposited in the Principal and Interest Account not later than the Business Day prior to such January 1 and July 1.

"Qualified Collateral" means:

a) Federal Obligations;

b) direct and general obligations of any state of the United States of America or any political subdivision of the State which are rated not less than "AA" or "Aa2" or their equivalents by any Rating Agency; and

c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"Rating Agency" means any of Fitch, S&P and Kroll. or another rating agency that has a credit rating assigned to the Series 2015B Bonds at the request of the City.

"Record Date" means each June 15 and December 15 (whether or not a Business Day).

"Record Date" means each June 15 and December 15 (whether or not a Business Day).

"Redemption Price" means for purposes of this Indenture, (i) in the case of an optional redemption of Series 2015B Bonds under Section 3.01(a)(i) hereof, the Make-Whole Redemption Price and (ii) in the case of an optional redemption of Series 2015B Bonds under Section 3.01(a)(ii) hereof or a mandatory redemption of Series 20I5B Bonds under Section 3.01(c) hereof, the principal amount thereof plus accrued interest on the Series 2015B Bonds to be redeemed to the date fixed for redemption.

"Registered Owner" or "Owner" means the person or persons in whose name or names a Series 2015B Bond shall be registered in the Bond Register.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934, as amended, and appointed as the securities depository for the Series 2015B Bonds.

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

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"Series 2015B Capitalized Interest Account" means the account of that name established and described in Section 4.04 hereof.

"Series 2015B Debt Management Project" means (i) the payment of costs of the Debt Management Purposes described in Exhibit B attached hereto and (ii) any other expenditure of proceeds of the Series 2015B Bonds authorized by the City Council after the date of execution and delivery of this Indenture.

"Series 2015B Project Account" means the account of that name established and described in Section 4.05 hereof.

"State" means the State of Illinois.

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

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

"Trustee" means Zions First National Bank, a national banking association with trust powers, and its successors and any entity resulting from or surviving any consolidation or merger to which it or its successors may be a party, and any successor Trustee at the time serving as successor trustee hereunder.

"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.I5 (519) that has become publicly available at least four Business Days 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 (i) in the case of Series 2015B Bonds maturing on January 1 of the years 2019 to 2023, inclusive, the period from the redemption date to the maturity date of such Series 2015B Bonds to be redeemed and (ii) in the case of the Series 2015B Bonds maturing on January 1, 2033, the then-remaining average life of such maturity ofthe Series 2015B 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. The Treasury Rate shall be determined by an independent accounting firm, investment banking firm or municipal advisor retained by the City at the City's expense.

Article II

The Series 2015B Bonds

Section 2.01. Authority for and Issuance of Series 2015B Bonds, (a) No Series 2015B Bonds may be issued under the provisions of this Indenmre except in accordance with this

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Article. Except as provided in Section 2.07 hereof, the total principal amount of Series 2015B Bonds that may be issued hereunder is expressly limited to $742,860,000.

The Series 2015B Bonds shall be designated "City of Chicago General Obligation Bonds, Taxable Series 2015B" and shall be issued as fully registered bonds, without coupons, in Authorized Denominations substantially in the form attached as Exhibit A thereto. Unless the City shall otherwise direct, the Series 2015B Bonds shall be lettered and numbered from R-l and upwards. Each Series 2015B Bond shall be dated the Date of Issuance and shall mature, subject to prior redemption as provided in Article III hereof, on its Maturity Date.

b) Each Series 2015B Bond shall bear interest from the later of its date or the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount of such Series 2015B Bond is paid, such interest being payable on each Interest Payment Date. Interest on each Series 2015B Bond shall be paid to the person in whose name such Series 2015B Bond is registered at the close of business on the Record Date next preceding the applicable Interest Payment Date, by check or draft of the Trustee, or, at the option of any registered owner of $1,000,000 or more in aggregate principal amount of Series 2015B Bonds, by wire transfer of immediately available funds to such bank in the continental United States of America as the registered owner of such Series 2015B Bonds shall request in writing to the Trustee.

c) The principal of the Series 2015B Bonds and any redemption premium shall be payable in lawful money of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, upon presentation and surrender thereof at the Designated Corporate Trust Office of the Trustee.

Section 2.02. General Terms of Series 2015B Bonds. The Series 2015B Bonds shall mature on January I in each year shown in the following table in the respective principal amount set forth opposite each such year. The Series 2015B Bonds shall bear interest from and including the Date of Issuance as shown in the table below until payment of the principal or applicable Redemption Price thereof shall have been made or provided for in accordance with the provisions hereof, whether at the applicable Maturity Date, upon redemption or acceleration, or otherwise. Interest accrued on the Series 2015B Bonds shall be paid in arrears on each Interest Payment Date. Interest on the Series 2015B Bonds shall be computed upon the basis of a 360 day year consisting of twelve 30 day months.

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Year (January 1)	Principal Amount	Interest Rate
2019	$ 5,020,000	5.383%
2020	5,290,000	5.633
2021	5,585,000	5.962
2022	5,920,000	6.212
2023	6,290,000	6.361
2033	321,695,000	7.375
2042	393,060,000	7.750

Section 2.03. Execution. The seal of the City or a facsimile thereof shall be affixed to or printed on each of the Series 2015B Bonds, and the Series 2015B Bonds shall be executed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and in case any officer whose signature shall appear on any Series 2015B Bond shall cease to be such officer before the delivery of such Series 2015B Bond, such signature shall nevertheless be valid and sufficient for all proposes, the same as if such officer had remained in office until delivery.

Section 2.04. Authentication. All Series 20I5B Bonds shall have thereon a certificate of authentication substantially in the form attached hereto as part of Exhibit A duly executed by the Trustee as authenticating agent of the City and showing the date of authentication. No Series 20I5B Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until such certificate of authentication shall have been duly executed by the Trustee by manual signature, and such certificate of authentication upon any such Series 2015B Bond shall be conclusive evidence that such Series 2015B Bond has been authenticated and delivered under the Bond Ordinance and this Indenture. The certificate of authentication on any Series 20I5B Bond shall be deemed to have been executed by the Trustee if signed by an authorized officer of such Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all ofthe Series 2015B Bonds issued hereunder.

Section 2.05. Form of Series 2015B Bonds. The Series 2015B Bonds issued under this Indenture shall be substantially in the form attached hereto as Exhibit A. with such appropriate variations, omissions and insertions as are permitted or required by the Bond Ordinance and this Indenture.

Section 2.06. Delivery of Series 2015B Bonds. Upon the execution and delivery of this Indenture, the City shall execute and deliver to the Trustee, and the Trustee shall authenticate, the Series 2015B Bonds and deliver them to the purchasers as may be directed by the City as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Series 2015B Bonds there shall be filed with the Trustee:

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1) copies, duly certified by the City Clerk of the City, of the Bond Ordinance;

2) original executed counterparts of this Indenture;

3) an Opinion of Bond Counsel to the effect that this Indenture (i) has been duly and lawfully authorized by the City Council of the City and executed by the City in accordance with the provisions of the Bond Ordinance and (ii) will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms; and

4) a Certificate executed by an Authorized Officer stating that all conditions precedent with respect to the execution of all documents by the City relating to the Series 20I5B Bonds have been satisfied.

Section 2.07. Mutilated, Lost, Stolen or Destroyed Series 2015B Bonds. If any Series 20I5B Bond, whether in temporary or definitive form, is lost (whether by reason of theft or otherwise), destroyed (whether by mutilation, damage, in whole or in part, or otherwise) or improperly cancelled, the Trustee may authenticate a new Series 2015B Bond of like date, maturity date, interest rate, denomination and principal amount and bearing a number not contemporaneously outstanding; provided that (i) in the case of any mutilated Series 20I5B Bond, such mutilated Series 2015B Bond shall first be surrendered to the Trustee, and (ii) in the case of any lost Series 2015B Bond or Series 2015B Bond destroyed in whole, there shall be first furnished to the Trustee evidence of such loss, theft, or destruction satisfactory to the City and the Trustee, together with indemnification of the City and the Trustee, satisfactory to the Trustee. If any lost, destroyed or improperly cancelled Series 2015B Bond shall have matured or is about to mature, or has been called for redemption, instead of issuing a duplicate Series 20I5B Bond, the Trustee shall pay the same without surrender thereof if there shall be first furnished to the Trustee evidence of such loss, destruction or cancellation, together with indemnity, satisfactory to it. Upon the issuance of any substitute Series 2015B Bond, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

All Series 2015B Bonds shall be owned upon the express condition that the foregoing provisions, to the extent permitted by law, are exclusive with respect to the replacement or payment of mutilated, destroyed, lost, stolen or purchased Series 2015B Bonds, and shall preclude any and all other rights or remedies.

Section 2.08. Transfer and Exchange of Series 2015B Bonds; Persons Treated as Owners, (a) Subject to the limitations contained in subsection (c) of this Section, upon surrender for registration of transfer of any Series 2015B Bond at the Designated Corporate Trust Office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the Bondholder or such Bondholder's attorney duly authorized in writing in such form and with guarantee of signature as shall be satisfactory to the Trustee, the City shall execute, and the Trustee shall authenticate and deliver, in the name of the transferee or transferees, one or more.fully registered Series 2015B Bonds of

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the same interest rate and Maturity Date of Authorized Denominations, for a like principal amount bearing numbers not contemporaneously outstanding. Subject to the limitations contained in subsection (c) of this Section, Series 20I5B contemporaneously outstanding. Subject to the limitations contained in subsection (c) of this Section, Series 2015B Bonds may be exchanged at the Designated Corporate Trust Office of the Trustee for a like aggregate principal amount of Series 2015B Bonds of the same interest rate and Maturity Date of other Authorized Denominations bearing numbers not contemporaneously outstanding.

b) No service charge shall be made for any transfer or exchange of Series 2015B Bonds, but the City or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2015B Bonds, except that no such payment may be required in the case of the issuance of a Series 2015B Bond or Bonds for the unredeemed portion of a Series 2015B Bond surrendered for redemption.

c) The Trustee shall not be required to transfer or exchange any Series 2015B Bond during the period commencing on the Record Date next preceding any Interest Payment Date of such Series 2015B Bond and ending on such Interest Payment Date, or to transfer or exchange such Series 2015B Bond after the mailing of notice calling such Series 2015B Bond for redemption has been made as herein provided or during the period of 15 days next preceding the giving of notice of redemption of Series 2015B Bonds of the same Maturity Date.

d) Series 20I5B Bonds delivered upon any registration of transfer or exchange as provided herein or as provided in Section 2.07 hereof shall be valid general obligations of the City, evidencing the same debt as the Series 20I5B Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof and of the Bond Ordinance to the same extent as the Series 2015B Bond surrendered. The City, the Trustee and any Paying Agent may treat the Registered Owner of any Series 2015B Bond as the absolute owner thereof for all purposes, whether or not such Series 2015B Bond shall be overdue, and shall not be bound by any notice to the contrary. All payments of or on account of the principal of, premium, if any, and interest on any such Series 2015B Bond as herein provided shall be made only to or upon the written order of the Registered Owner thereof or such Registered Owner's legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2015B Bond to the extent ofthe sum or sums so paid.

Section 2.09. Required Information in Series 20J5B Bond Form. On each date on which the Trustee authenticates and delivers a Series 2015B Bond, it shall complete the information required to be inserted by the Series 20I5B Bond form and shall keep a record of such information.

Section 2.10. Cancellation. Any Series 2015B Bond surrendered for the purpose of payment or retirement, or for exchange, transfer or replacement, shall be canceled upon surrender thereof to the Trustee or any Paying Agent. If the City shall acquire any of the Series 2015B Bonds, the City shall deliver such Series 2015B Bonds to the Trustee for cancellation and the Trustee shall cancel the same. Any such Series 2015B Bonds canceled by any Paying Agent other than the Trustee shall be promptly transmitted by such Paying Agent to

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the Trustee. Certification of Series 2015B Bonds canceled by the Trustee and Series 2015B Bonds canceled by a Paying Agent other than the Trustee which are transmitted to the Trustee shall be made to the City. Canceled Series 2015B Bonds may be destroyed by the Trustee unless instructions to the contrary are received from the City.

Section 2.11. Book Entry Provisions. The provisions of this Section shall apply as long as the Series 2015B Bonds are maintained in book entry form with DTC or another Securities Depository, any provisions of this Indenture to the contrary notwithstanding. Notwithstanding anything else to the contrary herein, so long as DTC is the Securities Depository, the Series 20I5B Bonds shall be subject to the operational arrangements of DTC in effect from time to time.

Depository, the Series 2015B Bonds shall be subject to the operational arrangements of DTC in effect from time to time.

a) The Series 2015B Bonds shall be payable to the Securities Depository, or its nominee, as the Registered Owner of the Series 2015B Bonds, in same day funds on each date on which the principal of, premium, if any, and interest on the Series 2015B Bonds is due as set forth in this Indenture and the Series 2015B Bonds. Such payments shall be made to the offices of the Securities Depository specified by the Securities Depository to the City and the Trustee in writing. Without notice to or the consent of the Beneficial Owners of the Series 2015B Bonds, the City and the Securities Depository may agree in writing to make payments of principal and interest in a manner different from that set forth herein. If such different manner of payment is agreed upon, the City shall give the Trustee notice thereof, and the Trustee shall make payments with respect to the Series 20I5B Bonds in the manner specified in such notice. Neither the City nor the Trustee shall have any obligation with respect to the transfer or crediting of the principal of, premium, if any, and interest on the Series 2015B Bonds to Participants or the Beneficial Owners ofthe Series 2015B Bonds or their nominees.

b) If (i) the City determines, or (ii) the City receives notice that the Securities Depository has received notice from its Participants having interests in at least 50 percent in principal amount of the Series 2015B Bonds, that the Securities Depository or its successor is incapable of discharging its responsibilities as a securities depository, or that it is in the best interests of the Beneficial Owners that they obtain certificated Series 2015B Bonds, the City may (or, in the case of clause (ii) above, the City shall) cause the Trustee to authenticate and deliver Series 2015B Bond certificates. The City shall have no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in this paragraph.

c) If, following a determination or event specified in paragraph (b) above, the City discontinues the maintenance of the Series 20I5B Bonds in book entry form with the then current Securities Depository, the City will issue replacement Series 2015B Bonds to the replacement Securities Depository, if any, or. if no replacement Securities Depository is selected for the Series 2015B Bonds, directly to the Participants as shown on the records of the former Securities Depository or. to the extent requested by any Participant, to the Beneficial Owners of the Series 20I5B Bonds shown on the records of such Participant. Any such Series 20I5B Bonds so issued in replacement shall be in fully registered form and in Authorized Denominations, be payable as to interest on the

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Interest Payment Dates of the Series 2015B Bonds by check mailed to each Registered Owner at the address of such Registered Owner as it appears on the Bond Register or, at the option of any Registered Owner of not less than $1,000,000 principal amount of Series 2015B Bonds, by wire transfer to any address in the United States of America on such Interest Payment Date to such Registered Owner as of such Record Date, if such Registered Owner provides the Trustee with written notice of such wire transfer address not later than the Record Date (which notice may provide that it will remain in effect with respect to subsequent Interest Payment Dates unless and until changed or revoked by subsequent notice). Principal and premium, if any, on the replacement Series 2015B Bonds are payable only upon presentation and surrender of such replacement Series 2015B Bond or Bonds at the Designated Corporate Trust Office of the Trustee.

d) The Securities Depository and its Participants, and the Beneficial Owners of the Series 2015B Bonds, by their acceptance of the Series 2015B Bonds, agree that the City and the Trustee shall not have liability for the failure of such Securities Depository to perform its obligations to the Participants and the Beneficial Owners of the Series 20I5B Bonds, nor shall the City or the Trustee be liable for the failure of any Participant or other nominee of the Beneficial Owners to perform any obligation of the Participant to a Beneficial Owner of the Series 2015B Bonds.

e) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of

e) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner of the Series 20I5B Bonds, as nominee of DTC, references herein to the Registered Owners of the Series 2015B Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2015B Bonds.

f) As long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Registered Owner ofthe Series 20I5B Bonds:

(i) if less than all of the Series 2015B Bonds of a maturity arc to be redeemed prior to maturity, the particular Series 20I5B Bonds or portions of such Bonds will be selected by DTC or such successor securities depository as described in Section 3.03 hereof;

(ii) selection of Series 2015B Bonds to be redeemed upon partial redemption or presentation of Series 20I5B Bonds to the Trustee upon partial redemption, shall be deemed made when the right to exercise ownership rights in such Series 20I5B Bonds through DTC or DTC's Participants is transferred by DTC on its books;

(iii) any notices of the interest rate on the Series 20I5B Bonds to be provided by the Trustee shall be provided to anyone identifying itself to the Trustee as. a person entitled to exercise ownership rights with respect to such Series 2015B Bonds through DTC or its Participants; and

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(iv) DTC may present notices, approvals, waivers or other communications required or permitted to be made by Registered Owners under this Indenture on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Series 2015B Bonds through DTC or its Participants.

Article III

Redemption of Series 2015B Bonds

Section 3.01. Redemption Terms, Dates and Prices. The Series 2015B Bonds shall be subject to redemption prior to their respective Maturity Dates in the amounts, at the times, at the Redemption Prices and in the manner provided in this Section.

a) *Optional Redemption.*

i) The Series 2015B Bonds maturing on or before January I, 2033 are subject to optional redemption in whole or in part, on any Business Day, in such principal amounts and from such maturities as the City shall determine, at a Redemption Price equal to the Make-Whole Redemption Price applicable thereto.

ii) The Series 2015B Bonds maturing on January 1, 2042 are subject to optional redemption in whole or in part, on any date on or after January 1, 2025, in such principal amounts as the City shall determine, at a Redemption Price equal to the principal amount thereof and accrued interest to the date of redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 20I5B Bonds for optional redemption, in whole or in part.

optional redemption, in whole or in part.

b) *General Provisions Regarding Redemptions.*

(i) No redemption of less than all of the Series 20I5B Bonds Outstanding shall be made pursuant to Section 3.01(a) hereof unless the,aggregate principal amount of Series 2015B Bonds to be redeemed is equal to $1,000 multiples. Any redemption of less than all of the Series 2015B Bonds Outstanding shall be made in such a manner that all Series 2015B Bonds Outstanding after such redemption are in Authorized Denominations. If fewer than all Series 2015B Bonds Outstanding are to be optionally redeemed, the Series 2015B Bonds to be called shall be called from such maturities as may be determined by an Authorized Officer.

(ii) Series 20I5B Bonds may be called for redemption by the Trustee pursuant to Section 3.01(a) hereof upon receipt by the Trustee at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Trustee) of a written request of the City requesting such redemption. In the case of a redemption pursuant to Section 3.01(c), Series 20I5B Bonds shall be called for redemption by the

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Trustee in accordance with the mandatory schedule provided herein, without further action by the City.

(iii) In lieu of redeeming Series 2015B Bonds pursuant to Section 3.01(a) hereof, the Trustee may, at the request of the City, use such funds available hereunder for redemption of Series 20I5B Bonds to purchase Series 2015B Bonds in the open market at a price not exceeding the Redemption Price then applicable hereunder. Any Series 2015B Bond so purchased in lieu of redemption shall be delivered to the Trustee for cancellation and shall be canceled, all as provided in Section 2.10 hereof.

(c) Mandatory Redemption of Series 2015B Bonds.

The Series 20J5B Bonds maturing on January 1, 2033 are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a Redemption Price equal to the principal amount thereof and accrued interest to the date of redemption:

Year	Principal Amount
2024	$ 10,665,000
2025	9,990,000
2026	'3,050,000
2027	3,300,000
2028	3,620,000
2029	3,950,000
2030	45,105,000
2031	55,175,000
2032	.154,145,000
2032	2033*32,695,000

*Final Maturity

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The Series 2015B Bonds maturing on January 1, 2042 are subject to mandatory redemption prior to maturity January 1 of the years and in the amounts set forth below, at a Redemption Price equal to the principal amount thereof and accrued interest to the date of redemption:

YearPrincipal Amount	
2034	$ 73,925,000
2035	173,680,000
2036	18,845,000
2037	15,495,000
2038	16,800,000
2039	25,525,000
2040	32,385,000
2041	17,505,000
2041	2042*18,900,000

*hnal Miilurity

The principal amount of the Series 20I5B Bonds to be mandatorily redeemed in each year may be reduced through the earlier optional redemption thereof, with any partial optional redemption of such Series 20I5B Bonds of a maturity credited against future mandatory redemption requirements for Series 2015B Bonds of that maturity on a pro-rata basis. In addition, on or prior to the sixtieth (60th) day preceding any mandatory redemption date, the Trustee may, and if directed by the City shall, purchase Series 2015B Bonds required to be retired on such mandatory redemption date at such prices as the City shall determine. Any such Series 2015B Bond so purchased shall be canceled and the principal amount thereof shall be credited against future mandatory redemption requirements for the Series 2015B Bonds of that maturity on a pro-rata basis.

Section 3.02. Notice of Redemption, (a) Unless waived by any owner of Series 2015B Bonds to be redeemed, notice of the call for any such redemption shall be given by the Trustee on behalf of the City by mailing the redemption notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2015B Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any address as is furnished in writing by such Registered Owner to the Trustee, but the failure to mail any such notice or any defect therein as to any Series 20I5B Bond shall not affect the validity of the proceedings for the redemption of any other Series 2015B Bond. Any notice of redemption mailed as provided in this Section 3.02 hereof shall be conclusively presumed to have been given whether or not actually received by the addressee.

All notices of redemption shall state:

1) the redemption date,

2) the applicable Redemption Price,

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3) if less than all outstanding Series 2015B Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts and interest rates) of the Series 2015B Bonds to be redeemed,

4) that on the redemption date the applicable Redemption Price will become due and payable upon each such Series 2015B Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue or compound from and after said date,

5) the place where such Series 2015B Bonds are to be surrendered for payment of the applicable Redemption Price, and

6) such other information as shall be deemed necessary by the Trustee at the time such notice is given to comply with law, regulation or industry standard.

b) With respect to an optional redemption of Series 20J5B Bonds, such notice may state that said redemption is conditioned upon the receipt by the Trustee on or prior to the date fixed for redemption of moneys sufficient to pay the applicable Redemption Price of the Series 2015B Bonds. If such moneys are not so received, such redemption notice shall be of no force and effect, the City shall not redeem such Series 2015B Bonds and such failure to deposit such funds shall not constitute an Event of Default under this Indenture. The Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2015B Bonds will not be redeemed. Unless the notice of redemption shall be made conditional as provided above, on or prior to any redemption date for the Series 2015B Bonds, the City shall deposit with the Trustee an amount of money sufficient to pay the applicable Redemption Price of all the Series 2015B Bonds or portions thereof which are to be redeemed on that date.

c) Notice of redemption having been given as aforesaid, the Series 2015B Bonds, or portions thereof, so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment ofthe applicable Redemption Price or unless, in the event of a conditional notice as described above, the necessary moneys were not deposited) such Series 2015B Bonds, or portions thereof, shall cease to bear interest. Upon surrender of such Series 2015B Bonds for redemption in accordance with said notice, such Series 2015B Bonds shall be paid by the Trustee at the applicable Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Series 20I5B Bond, there shall be prepared for the Registered Owner a new Series 20I5B Bond or Bonds of the same interest rate and maturity in the amount of the unpaid principal.

d) If any Series 20I5B Bond, or portion thereof, called for redemption shall not be so paid upon surrender

d) If any Series 2015B Bond, or portion thereof, called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by such Series 20I5B Bond, or portion thereof, so called for redemption. All Series 20I5B Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued.

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e) Failure to give notice in the manner prescribed hereunder with respect to- any Series 2015B Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2015B Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Trustee on the applicable redemption date to redeem the Series 2015B Bonds to be redeemed and to pay interest due thereon and premium, if any, the Series 20I5B Bonds thus called shall not, after the applicable redemption date, bear interest, be protected by this Indenture or the Bond Ordinance or be deemed to be Outstanding under the provisions of this Indenture.

f) If any Series 20I5B Bond is transferred or exchanged on the Bond Register after notice has been given calling such Series 2015B Bond for redemption, the Trustee will attach a copy of such notice to the Series 2015B Bond issued in connection with such transfer or exchange.

g) If any Series 2015B 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 Series 2015B Bond are held by the Trustee for the benefit of the Registered Owner of such Series 2015B Bond, the Trustee shall hold such moneys for the benefit of the Registered Owner of such Series 2015B Bond without liability to the Registered Owner for interest. The Registered Owner of such Series 2015B Bond thereafter shall be restricted exclusively to such funds for satisfaction of any claims relating to such Series 20I5B Bond.

Section 3.03. Selection of Series 2015B Bonds for Redemption. If less than all Taxable Series 2015B Bonds shall be called for redemption, the Trustee shall instruct DTC to provide for pro-rata redemption following its procedures as a pro-rata pass-through distribution of principal, or, if (i) DTC procedures do not allow for pro-rata pass-through distribution of principal or (ii)the Series 2015B Bonds are no longer maintained in book entry form with DTC, the Series 20I5B Bonds to be redeemed shall be selected pro-rata within each interest rate and maturity to be redeemed on the redemption date. Subject to other applicable provisions of this Indenture, the portion of any Series 20J5B Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination. If it is determined that one or more, but not all, of the integral multiples of the Authorized Denomination of principal amount represented by any Series 2015B Bond is to be called for redemption, then, upon notice of intention to redeem such integral multiple of an Authorized Denomination, the Registered Owner of such Series 2015B Bond shall forthwith surrender such Series 2015B Bond to the Trustee for (a) payment to such Registered Owner of the applicable Redemption Price of the integral multiple of the Authorized Denomination of principal amount called for redemption, and (b) delivery to such Registered Owner of a new Series 20I5B Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Series 20I5B Bond. New Series 20I5B Bonds representing the unredeemed balance ofthe principal amount of such Series 2015B Bond shall be issued to the Registered Owner thereof without charge therefor.

The Trustee shall promptly notify the City in writing of the Series 2015B Bonds, or portions thereof, selected for redemption and. in the case of any Series 2015B Bond selected for partial redemption, the principal amount thereof, and the interest rate thereof to be redeemed.

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Section 3.04. Deposit of Funds. For the redemption of any of the Series 2015B Bonds, the City shall cause to be deposited in the Principal and Interest Account moneys sufficient to pay when due the principal of, and premium, if any, and interest on, the Series 2015B Bonds to be redeemed on the redemption date to be applied in accordance with the provisions hereof.

Article IV

Application of Series 2015B Bond Proceeds; Creation of Funds and Security for Series 2015B Bonds

Section 4.01. Source of Payment of Series 2015B Bonds. Pursuant to the Bond Ordinance, the Series 2015B Bonds constitute direct and general obligations of the City for the payment of which the City pledges its full faith and credit.

Section 4.02. Application of Bond Proceeds. The proceeds of the sale of the Series 2015B Bonds, consisting of the principal amount of the Series 2015B Bonds minus original issue discount of $11,396,932.85 used in the marketing of the Series 2015B Bonds and less an Underwriters' discount of $4,678,862.02, shall be applied simultaneously with their delivery as follows:

i) There shall be deposited to the credit of the Series 2015B Capitalized Interest Account the sum of $136,537,386.48 to be applied to the payment of certain interest to accrue on the Series 2015B Bonds as provided in Section 4.04 hereof.

ii) There shall be deposited to the credit ofthe Series 2015B Project Account the sum of $590,246,818.65 to be applied to the payment of costs of the Series 2015B Debt Management Project and costs of issuance of the Series 2015B Bonds, as provided in Section 4.05 hereof.

Section 4.03. Creation of 2015B Bond Fund and Account Therein. (a) There is established with the Trustee a trust fund designated "City of Chicago General Obligation Bonds, Taxable Series 20I5B Bond Fund" (the "Series 2015B Bond Fund").

i) At each such time as is required under this Indenture, the City shall deposit into the Series 2015B Bond Fund, from funds of the City legally available therefor, an amount sufficient to satisfy the Principal and Interest Account Requirement.

ii) Money on deposit in the Series 2015B Bond Fund shall be applied by the Trustee to pay the principal of (whether due at maturity or by mandatory redemption) and interest on the Series 20I5B Bonds as the same become due.

(iii) Pending the use of moneys held in the Series 20I5B Bond Fund, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be credited to the Series 2015B Bond Fund.

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(b) Creation of Principal and Interest Account. There is established with the Trustee an account within the Series 2015B Bond Fund, designated as the "Series 2015B Principal and Interest Account" (the "Principal and Interest Account")

Account").

Section 4.04. Series 2015B Capitalized Interest Account. There is established with the Trustee as part of the Series 2015B Bond Fund a trust account designated "City of Chicago General Obligation Bonds, Taxable Series 2015B Capitalized Interest Account" (the "Series 2015B Capitalized Interest Account"), to hold certain proceeds of sale of the Series 2015B Bonds described in subparagraph (i) of Section 4.02 hereof for application as authorized herein. Moneys on deposit in the Series 2015B Capitalized Interest Account shall be withdrawn by the Trustee on the Business Day prior to each of the following Interest Payment Dates and deposited into the Series 2015B Bond Fund for application to the payment of the interest due on the Series 2015B Bonds on each of such Interest Payment Dates in the amounts as follows:

Amount of Interest to be Paid

January 1,2016 July 1,2016
January 1,2017 July 1,2017
January 1,2018
$24,824,979.36 27,928,101.78 27,928,101.78 27,928,101.78 27,928,101.78

Pending the use of moneys held in the Series 2015B Capitalized Interest Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be transferred to the Series 2015B Project Account. Any amount remaining in the Series 2015B Capitalized Interest Account on January 2,^2018, shall be withdrawn therefrom and deposited into the Series 2015B Bond Fund and applied to the payment of the next interest to become due on the Series 2015B Bonds.

Section 4.05. Series 20/5B Project Account. There is established with the Trustee a trust account designated "City of Chicago General Obligation Bonds, Taxable Series 2015B Project Account" (the "Series 2015B Project Account") to hold certain proceeds of sale of the Series 2015B Bonds described in subparagraph (ii) of Section 4.02 hereof for application as authorized herein. Proceeds ofthe sale of the Series 20I5B Bonds deposited in the Series 2015B Project Account shall be used (i) to pay costs of the Series 2015B Debt Management Project, and (ii) to pay costs of issuance of the Series 20I5B Bonds. Moneys on deposit in the Series 2015B Project Account shall be disbursed by the Trustee upon receipt of a written request therefor executed by an Authorized Officer, specifying the purpose for which such disbursement is being made. Pending the use of moneys held in the Series 2015B Project Account, the Trustee shall invest such moneys in Permitted Investments upon the direction of an Authorized Officer or any person designated by an Authorized Officer. Income from such investments shall be retained in the Series 20I5B Project Account. Completion of the Series 20I5B Debt Management Project shall be evidenced by a written notification to the Trustee executed by an Authorized Officer

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directing the Trustee to transfer any remaining balance in the Series 2015B Project Account to the Series 20I5B Bond Fund for application to the payment of the next interest to become due on the Series 2015B Bonds.

Section 4.06. Deposits into Series 2015B Bond Fund. Not later than the Business Day prior to each Interest Payment Date, commencing January 1, 2016 (each such date referred to herein as the "Deposit Date") there shall be on deposit in the Series 20I5B Bond Fund (which deposit may include amounts from the Series 20I5B Capitalized Interest Account as described in Section 4.04 hereof) an amount equal to the Principal and Interest Account Requirement (such amount with respect to any Deposit Date being referred to herein as the "Series 2015B Deposit Requirement").

In addition to the Series 20I5B Deposit Requirement, there shall be deposited into the Series 2015B Bond Fund any other moneys received by the Trustee under and pursuant to this Indenture, when accompanied by directions from the any other moneys received by the Trustee under and pursuant to this Indenture, when accompanied by directions from the person depositing such moneys that such - moneys are to be paid into the Series 2015B Bond Fund.

Upon calculation by the Trustee of each Series 2015B Deposit Requirement under this Section, the Trustee shall notify the City of the Series 2015B Deposit Requirement and the Deposit Date to which it relates, and shall provide the City with such supporting documentation and calculations as the City may reasonably request.

Section 4.07. Non-presentment of Series 2015B Bonds. In the event any Series 2015B Bond shall not be presented for payment when the principal thereof becomes due, whether at maturity, at the date fixed for redemption or otherwise, if moneys sufficient to pay such Series 2015B Bond shall have been made available to the Trustee for the benefit of the Registered Owner thereof, subject to the provisions of the immediately following paragraph, all liability of the City to the Registered Owner thereof for the payment of such Series 2015B Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Registered Owner of such Series 2015B Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, such Series 2015B Bond.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Series 20I5B Bonds within two years after the date on which the same shall have become due shall be repaid by the Trustee to the City, and thereafter the Registered Owners of such Series 20I5B Bonds shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such moneys shall thereupon cease, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such moneys. The obligation of the Trustee under this Section to pay any such funds to the City shall be subject, however, to any provisions of law applicable to the Trustee or to such funds providing other requirements for disposition of unclaimed property.

Section 4.08. Moneys Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of any fund or account referred to in any provision of this Indenture

shall be held by the Trustee in trust as provided in Section 8.07 of this Indenture, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created hereby.

Article V

Investment of Moneys

Section 5.01. investment of Moneys. Moneys held in the funds, accounts and subaccounts established hereunder shall be invested and reinvested in accordance with the provisions governing investments contained in this Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund, account or subaccount for which they were made.

Section 5.02. Investment Income. The interest earned on any investment of moneys held hereunder, any profit realized from such investment and any loss resulting from such investment shall be credited or charged to the fund, account or subaccount for which such investment was made.

Article VI Discharge of Lien

Article VI Discharge of Lien

Section 6.01. Defeasance, (a) If the City shall pay to the Registered Owners of the Series 2015B Bonds, or provide for the payment of, the principal, premium, if any, and interest to become due on the Series 2015B Bonds, then this Indenture and the Bond Ordinance shall be fully discharged and satisfied with respect to the Series 2015B Bonds. Upon the satisfaction and discharge of this Indenture, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and all fiduciaries shall pay over or deliver to the City all funds, accounts and other moneys or securities held by them pursuant to this Indenture which are not required for the payment or redemption of the Series 20I5B Bonds. If payment or provision for payment is made, to or for the Registered Owners of all or a portion of the Series 20I5B Bonds, of the principal of and interest due and to become due on any Series 2015B Bond at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions of this Indenture, then these presents and the estate and rights hereby and by the Bond Ordinance granted shall cease, terminate and be void as to those Series 2015B Bonds or portions thereof except for purposes of registration, transfer and exchange of Series 2015B Bonds and any such payment from such moneys or obligations. Any Series 2015B Bond shall be deemed to be paid within the meaning of this Section when payment of the principal of any such Series 2015B Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Indenture or otherwise), either (a) shall have been made or caused to have been made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (I) moneys sufficient to make such

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payment or (2) Defeasance Obligations, or (3) a combination of the investments described in clauses (I) and (2) above, such amounts so deposited being available or maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment (all as confirmed by a nationally recognized firm of independent public accountants). If the City shall pay and discharge a portion of the Series 20I5B Bonds as aforesaid, such portion shall cease to be entitled to any lien, benefit or security under this Indenture and the Bond Ordinance. The liability of the City with respect to such Series 2015B Bonds shall continue, but the Registered Owners thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the Defeasance Obligations deposited with the Trustee under this Article VI.

(b) Nothing in this Indenture shall prohibit a defeasance deposit of escrow securities as provided in this section from being subject to a subsequent sale of such escrow securities and reinvestment of all or a portion of the proceeds of that sale in escrow securities which, together with money to remain so held in trust, shall be sufficient to provide for payment of principal, redemption premium, if any, and interest on any of the defeased Series 2015B Bonds. Amounts held by the Trustee in excess of the amounts needed so to provide for payment of the defeased Series 2015B Bonds may be subject to withdrawal by the City.

Article VII

Default Provisions; Remedies

Section 7.01. Defaults. Each of the following events is hereby declared to be an "Event of Default":

Section 7.01. Defaults. Each of the following events is hereby declared to be an "Event of Default":

a) payment of the principal or Redemption Price, if any, of any Series 2015B Bonds shall not be made when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

b) payment of any installment of interest on any Series 2015B Bonds shall not be made when and as the same shall become due; or

c) the City shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in the Series 2015B Bonds, which materially affects the rights of the owners of the Series 2015B Bonds and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding Series 2015B Bonds; provided, however, that in the case of any such default which can be cured by due diligence but which cannot be cured within the 45-day period, the time to cure shall be extended for such period as may be necessary to remedy the default with all diligence.

Section 7.02. Remedies, (a) Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of Section 7.01 hereof, the Trustee shall proceed, or upon the

happening and continuance of any Event of Default (beyond the time periods specified therein) specified in paragraph (c) of Section 7.01 hereof, the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Series 2015B Bonds, shall proceed, in its own name, subject to the provisions of this Section, to protect and enforce its rights and the rights of the owners of the Series 2015B Bonds by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Series 2015B Bonds including the right to require the City to receive and collect taxes adequate to carry out the covenants and agreements as to such taxes and to require the City to carry out any other covenant or agreement with the owners of the Series 2015B Bonds and to perform its duties under this Indenture;

ii) by bringing suit upon the Series 2015B Bonds;

iii) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Series 2015B Bonds; and/or

iv) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights ofthe owners of the Series 2015B Bonds.

b) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the Series 2015B Bonds for principal, Redemption Price, interest or otherwise, under any provision of this Indenture or of the Series 2015B Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Series 2015B Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Series 20I5B Bonds without prejudice to any other right or remedy of the Trustee or of the owners of the Series 2015B Bonds, and to recover and enforce a judgment other right or remedy of the Trustee or of the owners of the Series 2015B Bonds, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under this Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

c) Under no circumstance may the Trustee declare the principal of or interest on any Series 2015B Bond to be due and payable prior to its Maturity Date following the occurrence of an Event of Default under this Indenture.

Article VIII

Trustee and Paying Agent

Section 8.01. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the express terms and conditions set forth herein. Except as otherwise expressly set forth in this Indenture,

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the Trustee assumes no duties, responsibilities or liabilities by reason of its execution of this Indenture other than as set forth in this Indenture, and this Indenture is executed and accepted by the Trustee subject to all the terms and conditions of its acceptance of the trust under this Indenture. The Trustee shall make payments to Bondholders and effect optional and mandatory redemptions when required, whether or not its fees and expenses have been fully paid.

Section 8.02. Dealing in Series 2015B Bonds. The Trustee, in its individual capacity, may buy, sell, own, hold and deal in any of the Series 2015B Bonds, and may join in any action which the Registered Owner of any Series 2015B Bond may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other function with the City, and may act as depositary, trustee or agent for any committee or body of the Registered Owners of Series 2015B Bonds secured hereby or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 8.03. Compensation of Trustee. The City shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees incurred in and about the performance of their powers and duties under this Indenture and, except as provided in Section 8.01 hereof the Trustee shall have a lien therefor on any and all moneys at any time held by it under this Indenture. The City further agrees to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, which are not due to its negligence or default.

Section 8.04. Paying Agent. The Trustee may appoint a Paying Agent with power to act on its behalf and subject to its direction (i) in the authentication, registration and delivery of Series 2015B Bonds in connection with transfers and exchanges hereunder, as fully to all intents and purposes as though such Paying Agent had been expressly authorized by this Indenture to authenticate, register and deliver Series 2015B Bonds, and (ii) for effecting purchases and sales of Series 2015B Bonds pursuant hereto and accepting deliveries of Series 2015B Bonds, making deliveries of Series 2015B Bonds and holding Series 20I5B Bonds pursuant hereto. The foregoing notwithstanding, the Trustee need not appoint a Paying Agent hereunder as long as the Series 2015B Bonds are held in book-entry form pursuant to Section 2.11 hereof; at any time the Series 2015B Bonds are not held in book-entry form pursuant to Section 2.11 hereof, the Trustee shall either maintain an office in New York, New York capable of handling the duties of Paying Agent hereunder, or shall appoint a Paying Agent with an office in New York, New York hereunder. Any Paying Agent appointed pursuant to this Section shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this Indenture, the shall evidence its acceptance by a certificate filed with the Trustee and the City. For all purposes of this Indenture, the authentication, registration and delivery of Series 2015B Bonds by or to any Paying Agent pursuant to this Section 8.04 shall be deemed to be the authentication, registration and delivery of Series 2015B Bonds "by or to the Trustee." Such Paying Agent shall at all times be a commercial bank or trust company having an office in New York, New York, and shall at all times be a corporation organized and doing business under the laws of the United States of America or of any state with combined capital and surplus of at least $50,000,000 and in each case authorized under such laws to exercise corporate trust powers and subject to supervision or

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examination by Federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which such Paying Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which such Paying Agent shall be a party, or any corporation succeeding to the corporate trust business of such Paying Agent, shall be a successor of such Paying Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing or any further act on the part of the parties hereto or such Paying Agent or such successor corporation.

Any Paying Agent may at any time resign by giving written notice of resignation to the Trustee and the City, and such resignation shall take effect at the appointment by the Trustee of a successor Paying Agent pursuant to the succeeding provisions of this Section and the acceptance by the successor Paying Agent of such appointment. The Trustee may at any time terminate the agency of any Paying Agent by giving written notice of termination to such Paying Agent and the City, which termination shall not take effect until the acceptance by the successor Paying Agent of such appointment. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Paying Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Paying Agent, shall give written notice of such appointment to the City and shall mail notice of such appointment to all Registered Owners of Series 2015B Bonds.

Notwithstanding anything herein to the contrary, any Paying Agent shall be entitled to rely on information furnished to it orally or in writing by the Trustee and shall be protected hereunder in relying thereon. The Trustee agrees to pay to any Paying Agent from time to time its fees and expenses for its services, and the Trustee shall be entitled to be reimbursed for such payments pursuant to Section 8.03 hereof.

Section 8.05. Qualification of Trustee. The Trustee hereunder shall be a bank, trust company or national banking association having the powers of a trust company doing business and having a corporate trust office in the City of Chicago, Illinois.

Section 8.06. Responsibilities of Trustee, (a) The recitals of fact herein and in the Series 2015B Bonds shall be taken as the statements of the City and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or any Supplemental Indenture or of any Series 2015B Bonds issued hereunder or thereunder or in respect of the security afforded by this Indenture or any Supplemental Indenture and the Trustee shall not incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Series 20I5B Bonds. The Trustee shall not be under any responsibility or duty with respect to the issuance of the Series 20I5B Bonds for value or the application of the proceeds thereof except to the extent such proceeds are paid to the Trustee in its capacity as Trustee, or the application of any moneys paid to the City or others in accordance with this any moneys paid to the City or others in accordance with this

Indenture or any Supplemental Indenture. The Trustee shall not be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any action or suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of paragraph (b) of this Section, the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct or that of its agents.

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

Section 8.07. Funds Held in Trust and Security Therefor. Any moneys held by the Trustee, as such, at any time pursuant to the terms of this Indenture or any Supplemental Indenture shall be and hereby are assigned, transferred and set over unto the Trustee in trust for the purposes and upon the terms and conditions of this Indenture or any Supplemental Indenture. Subject to the terms of this Indenture concerning Permitted Investments, all moneys (not including securities) held by the Trustee, as such, may be deposited by the Trustee in its banking department, or with such other banks, trust companies, or national banking associations, each having a place of business in the City of Chicago, Illinois, as may be designated by the City and approved by the Trustee. No such funds shall be deposited with any bank, trust company or national banking association, other than the Trustee, in an amount exceeding 25 percent of the amount which an officer of such bank, trust company or national banking association shall certify to the Trustee and the City as the combined capital, surplus and undivided profits of such bank, trust company or national banking association. No such funds shall be deposited or remain on deposit with any bank, trust company or national banking association in excess of the amount insured by the Federal Deposit Insurance Corporation, unless (a) such bank, trust company or national banking association shall have deposited in trust with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the Trustee and the City, pledged to some other bank, trust company or national banking association, for the benefit of the City and the appropriate fund or account, as collateral security for the moneys deposited, Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to 1 10 percent of the amount of such moneys, or (b) in lieu of such collateral security as to all or any part of such moneys, there shall have been deposited in trust with the trust department of the Trustee, for the benefit of the City and the appropriate fund, account, subfund or subaccount, and remain in full force and effect as security for such moneys or part thereof, the indemnifying bond or bonds of a surety company or companies qualified as surety for deposits of funds of the United States of America and qualified to transact business in the State in a sum at least equal to the amount of such moneys or part thereof. The Trustee shall allow and credit interest on any such moneys held by it at such rate as it customarily allows upon similar moneys of similar size

and under similar conditions or as required by law. Interest in respect of moneys or on securities in any fund, account, subfund or subaccount shall be credited in each case to the fund, account, subfund or subaccount in which such moneys or securities are held.

Section 8.08. Evidence on which Trustee May Act. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any fund or account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein or therein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof or thereof by the City to the Trustee shall be sufficiently executed if executed in the name ofthe City by an Authorized Officer.

Section 8.09. Permitted Acts and Functions. The Trustee may become the Owner of any Series 20I5B Bonds, with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of Series 2015B Bonds or to effect or aid in any reorganization growing out of the enforcement of the Series 20I5B Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Series 2015B Bonds then Outstanding.

Section 8.10. Resignation. The Trustee may at any time resign and be discharged of its duties and obligations created by this Indenture by giving not fewer than 60 days' written notice to the City and mailing notice thereof, to the owners of Series 2015B Bonds at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation shall take effect upon the appointment and acceptance of appointment of a successor by the City or the Owners of Series 20I5B Bonds as herein provided.

Section 8.11. Removal. The Trustee may be removed at any time by the Owners of a majority in principal amount of the Series 2015B Bonds then Outstanding, excluding any Series 20I5B Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Owners of Series 20I5B Bonds or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause (or upon 30 days' notice for any reason) as shall be determined in the sole discretion of the City by

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filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to the Owners of Series 2015B Bonds at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee shall take effect upon the appointment and acceptance of appointment of a successor Trustee.

Section 8.12. Appointment of Successor. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Series 2015B Bonds then Outstanding, excluding any Series 2015B Bonds held by or for the account of the City, by an instrument or

Bonds then Outstanding, excluding any Series 2015B Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such Owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee. Pending such appointment, the City shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee (if any) shall be appointed by the Owners of Series 2015B Bonds as herein authorized. The City shall mail notice to Owners of Series 2015B Bonds of any such appointment within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the Owners of Series 2015B Bonds. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 45 days after the Trustee shall have given to the City written notice of resignation as provided in Section 8.10 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any Owner of Series 2015B Bonds may apply to any court of competent jurisdiction to appoint a successor. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint such successor Trustee. Any Trustee appointed under the provisions of this Section shall be a bank, trust company or national banking association, in any such case having corporate trust powers, doing business and having a corporate trust office in the City.

Section 8.13. Transfer of Rights and Property to Successor. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the City, a written instrument of acceptance respecting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the City, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City.

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Section 8.14. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank, trust company or national banking association which is qualified to be a successor to the Trustee under Section 8.12 hereof and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 8.15. Adoption of Authentication. In case any of the Series 2015B Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Series 20I5B Bonds and deliver such Series 2015B Bonds so authenticated, and in case any ofthe said Series 2015B Bonds shall not have been authenticated, any successor Trustee may authenticate such Series 2015B Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in the Series 2015B Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 8.16. Evidence of Signatures of Owners and Ownership of Series 2015B Bonds. (a) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Series 2015B

Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii)the ownership by any person of the Series 2015B Bonds, shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

2) The authority of the person or persons executing any such instrument on behalf of a corporate Owner of Series 2015B Bonds may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(b) The ownership of Series 20I5B Bonds and the amount, numbers and other identification, and date of ownership of the same shall be proved by the Bond Register. Any request, consent or vote of the Owner of any Series 2015B Bond shall bind all future Owners of

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such Series 2015B Bond in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 8.17. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City and any Owner of Series 2015B Bonds and their agents and their representatives, any of whom may make copies thereof.

Article IX

Supplemental Indenture

Section 9.01. Supplemental Indenture Effective Upon Execution by the Trustee. For any one or more of the following purposes and the purposes enumerated in Section 9.04 hereof, and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, which, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk and the execution and delivery of such Supplemental Indenture by the City and the Trustee, shall be fully effective in accordance with its terms and not subject to consent by the Registered Owners ofthe Series 2015B Bonds:

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

b) to add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed bv the Citv which are not contrarv to or inconsistent with this Indenture as theretofore in effect:

observed by the City which are not contrary to or inconsistent with this Indenture as theretofore in effect;

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

d) to confirm, as further assurance, the pledge herein, and the subjection of, additional properties, taxes or other collateral to any lien, claim or pledge created or to be created by, this Indenture;

e) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

- (f) to insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(g) to provide additional duties of the Trustee under this Indenture.

Section 9.02. Supplemental Indentures Effective With Consent of Owners of Series 2015B Bonds. At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council of the City, subject to consent by the Owners of Series 20I5B Bonds in accordance with and subject to the provisions of this Article, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of this Article, and upon execution and delivery of such Supplemental Indenture by the City and the Trustee, shall become fully effective in accordance with its terms.

Section 9.03. General Provisions, (a) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article. Nothing in this Article shall affect or limit the right or obligation of the City to adopt, make, do, execute, acknowledge or deliver any ordinance, resolution, act or other instrument pursuant to the provisions of this Article or the right or obligation of the City to execute and deliver to the Trustee any instrument which elsewhere in this Indenture it is provided shall be delivered to the Trustee.

b) Any ordinance authorizing a Supplemental Indenture referred to and permitted or authorized by Section 9.01 or 9.04 hereof may be adopted by the City Council of the City without the consent of any of the Owners of Series 2015B Bonds, but such Supplemental Indenture shall be executed and delivered by the City and the Trustee and shall become effective only on the conditions, to the extent and at the time provided in this Article. Every Supplemental Indenture delivered to the Trustee for execution shall be accompanied by an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully authorized by the City Council ofthe City and executed by the City in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and will, when executed and delivered by the Trustee, be valid and binding upon the City and enforceable in accordance with its terms.

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

d) No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 9.04. Additional Matters. Additionally, this Indenture may, without the consent of, or notice to, any of the Bondholders, be supplemented and amended, in such manner as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

a) to provide for certificated Series 20I5B Bonds; and

b) to secure or maintain ratings from any Rating Agency in the highest long term debt rating category, of such Rating Agency which are available for the

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Series 2015B Bonds, which changes will not restrict, limit or reduce the obligation of the City to pay the principal of, premium, if any, and interest on the Series 20I5B Bonds as provided in this Indenture or otherwise adversely affect the Registered Owners of the Series 2015B Bonds under this Indenture.

Seclion 9.05. Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to owners of Series 2015B Bonds shall be fully complied with if it is mailed postage prepaid only (i) to each Registered Owner of then Outstanding Series 2015B Bonds at his address, if any, appearing upon the registration books maintained by the City at the Designated Corporate Trust Office of the Trustee, and (ii) to the Trustee.

Section 9.06. Powers of Amendment. Any modification or amendment of this Indenture or of the rights and obligations of the City and of the Owners of the Series 2015B Bonds, in particular, which requires the consent of the Bondholders, may be made by a Supplemental Indenture, with the written consent given as provided in Section 9.07, (a) of the Owners of a majority in principal amount of the Series 2015B Bonds Outstanding at the time such consent is given, or (b) in case less than all of the then Outstanding Series 2015B Bonds are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding Series 20I5B Bonds so affected. No such modification or amendment shall permit a change in the terms of redemption or maturity ofthe principal of any Outstanding Series 2015B Bonds or of any installment of interest thereon or a reduction in the principal amount or the applicable Redemption Price thereof or in the rate of interest thereon, or in terms of purchase or the purchase price thereof, without the consent of the owner of such Series 2015B Bonds, or shall reduce the percentages or otherwise affect the classes of Series 2015B Bonds the consent of the owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this Section, a Series 2015B Bond shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the owners of such Series 2015B Bond.

Section 9.07. Consent of Owners of Series 20I5B Bonds, (a) The City may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 9.06, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to the Owners of the Series 2015B Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to the Owners of the Series 20I5B Bonds (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this Section provided). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when, (i) there shall have been filed with the Trustee (1) the written consents of Owners of the percentages of Outstanding Series 20I5B Bonds specified in Section 9.06 and (2) an opinion of counsel stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the City and enforceable in accordance with its terms upon its becoming effective as in this Section provided, and (ii) a notice shall have been mailed as hereinafter in this Section provided.

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b) The consent of an Owner of Series 2015B Bonds to any modification or amendment shall be effective only if accompanied by proof of the Ownership, at the date of such consent, of the Series 2015B Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 8.16. A certificate or certificates signed by the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 8.16 shall be conclusive that the consents have been given by the Owners of the Series 2015B Bonds described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Series 20I5B Bonds giving such consent and upon any subsequent Owner of such Series 20I5B Bonds and of any Series 2015B Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Series 2015B Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee.

c) At any time after the Owners of the required percentages of Series 2015B Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the City a written statement that the Owners of such required percentages of Series 2015B Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the City and the Trustee as of a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Series 20I5B Bonds and will be effective as provided in this Section, shall be given to Owners by the Trustee by mailing such notice to the Owners of the Series 2015B Bonds (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as provided in this Section). The Trustee shall file with the City proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Trustee and the Owners of all Series 2015B Bonds at the expiration of 40 days after the filing with the Trustee of proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 40-day period; except that the Trustee and the City, during such 40-day period and any such further period during which any such action or proceeding may be pending, shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 9.08. Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the City and of the Owners of the Series 2015B Bonds hereunder may be modified or amended in any respect upon the consent ofthe Owners of all the then Outstanding Series 2015B Bonds to the execution and delivery of such Supplemental Indenture, such consent to be given as provided in Section 9.07 except that no notice to the Owners of the Series 20I5B Bonds shall be required; but no such modification or amendment

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shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Section 9.09. Exclusion of Series 2015B Bonds. Series 2015B Bonds owned by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Series 20I5B Bonds provided for in this Article, and the City shall not be entitled with respect to such Series 20I5B Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the City shall furnish the Trustee with a Certificate upon which the Trustee may rely, describing all Series 20I5B Bonds so to be excluded.

Section 9.10. Notation on Series 2015B Bonds. Series 2015B Bonds authenticated and delivered after the effective date of any action taken as in this Article provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to such action, and in that case upon demand of the Owner of any Series 20I5B Bond Outstanding at such effective date and presentation of his Series 2015B Bond for that purpose at the Designated Corporate Trust Office of the Trustee or upon any exchange or registration of transfer of any Series 2015B Bond Outstanding at such effective date, suitable notation shall be made on such Series 2015B Bond or upon any Series 2015B Bond issued upon any such exchange or registration of transfer by the Trustee as to any such action. If the City or the Trustee shall so determine, new Series 20I5B Bonds so modified as in the opinion of the Trustee and the City to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Series 2015B Bond then Outstanding shall be exchanged, without cost to such Owner, for Series 2015B Bonds of the same maturity upon surrender of such Series 2015B Bond.

Article X Miscellaneous

Section 10.01. Severability. If any provision of this Indenture shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 10.02. Payments Due on Saturdays, Sundays and Holidays. If the date for making any payment, or the last date for the performance of any act or the exercise of any right, as provided in this Indenture, shall not be a Business Day, such payment may be made, act performed or right exercised on the next Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

Section 10.03. Notices. Any notice, demand, direction, request or other instruments authorized or required by this Indenture to be given to. delivered to or filed with the City or the

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Trustee shall be deemed to have been sufficiently given, delivered or filed for all purposes of the Indenture if and when sent by registered mail, postage prepaid, return-receipt requested:

To the City, if addressed to:

City of Chicago
Office of the Chief Financial Office,

or at such other address as may be designated in writing by the City to the Trustee; and

To the Trustee, if addressed to: Zions First National Bank or at such other address as may be designated in writing by the Trustee to the City.

Section 10.04. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.05. Rules of Interpretation. Unless expressly indicated otherwise, references to Sections or Articles are to be construed as references to Sections or Articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof, "hereinbefore," "hereinafter" and other equivalent words refer to this Indenture and not solely to the particular portion in which any such word is used. In the event of any conflict between the provisions of this Indenture and the Bond Ordinance (including in the form of Series 2015B Bond attached hereto as Exhibit A), the terms of this Indenture shall be deemed to control.

Section 10.06. Captions. The captions and headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Indenture.

(Signatures Appear on Following Page|

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In Witness Whereof, the City has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officers, on the date first above written.

Chief Financial Officer

|Seal| Attest:

City Clerk

Zions First National Bank, as Trustee

By:
Name:

Authorized Signatory

[Signature Page - Trust Indenture|

In Witness Whereof, the City has caused these presents to be executed in its name and with its official seal hereunto affixed and attested by its duly authorized officials; and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized officers, on the date first above written.

City of Chicago

By:
Carole L. Brown Chief Financial Officer

[Seal] Attest:

By:
Susana A. Mendoza City Clerk

Zions First National Bank,

[Seal]

[Signature Page - Trust Indenture]

[Attestation of Trustee - Trust Indenture]

Exhibit A Form of Bond

Registered

No. **$.**

United States of America

State of Illinois

City of Chicago

General Obligation Bond Taxable Series 2015B

See Reverse Side for Additional Provisions

Interest Maturity Date: Dated Date:

Rate: % January 1,20 ,20_ CUSIP:

Registered Owner: Principal

Amount:

The City of Chicago (the "dry") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the date of this Series 2015B Bond or the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above on January I and July 1 of each year commencing January 1, 2016, until said Principal Amount is paid. Principal of this Series 2015B Bond and redemption premium, if any, shall be payable in lawful money ofthe United States of America upon presentation and surrender at the designated corporate trust office of Zions First National Bank, Chicago, Illinois, as trustee, bond registrar and paying agent (the "Trustee"). Payment of the installments of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by the Trustee at the close of business on the 15th day of the month next preceding each interest payment date and shall be paid by check or draft of the Trustee mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in I writing by such Registered Owner to the Trustee or. at the option of any Registered Owner of $1,000,000 or more in aggregate principal amount of the Series 2015B Bonds, by wire transfer of

A-l

immediately available funds to such bank in the continental United States of America as the Registered Owner hereof shall request in writing to the Trustee.

Reference is hereby made to the further provisions of this Series 2015B Bond set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified and recited that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this Series 2015B Bond did exist, have happened, been done and performed in regular and due form and time as required by law; that the indebtedness of the City, including the issue of Series 2015B Bonds of which this is one, does not exceed any limitation imposed by law; and that provision has been made for the collection of a direct annual tax sufficient to pay the interest hereon as it falls due and also to pay and discharge the principal hereof at maturity.

This Series 2015B Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

In Witness Whereof, the City of Chicago by the City Council has caused its corporate seal to be imprinted by facsimile hereon and this Series 20I5B Bond to be signed by the duly authorized facsimile signature of the Mayor and attested by the facsimile signature of the City Clerk, all as of the Dated Date identified above.

(Facsimile Signature)
Mayor City of Chicago

Attest:

(Facsimile Signature)
City Clerk City of Chicago

I Seal |

Date of Authentication:

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Certificate of Authentication

This Series 2015B Bond is one of the Series 2015B Bonds described in the within-mentioned Bond Ordinance and Indenture and is one of the General Obligation Bonds, Taxable Series 20l5B,of the City of Chicago.

Zions First National Bank, as Trustee

By: (Manual Signature)
Authorized Officer

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I Form of Series 2015B Bond - Reverse Side |

City oh Chicago General Obligation Bond
Taxable Series 2015B

For the prompt payment of this Series 2015B Bond, both principal and interest, as aforesaid, as the same become due, and for the levy of taxes sufficient for that purpose, the full faith, credit and resources of the City are hereby irrevocably pledged.

This Series 2015B Bond is one of a series of Series 2015B Bonds aggregating the principal amount of

$742,860,000 issued pursuant to issued pursuant to, under authority of and in full compliance with the Constitution and laws of the State of Illinois, particularly Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois and an Ordinance adopted by the City Council of the City on June 17, 2015 (the "Bond Ordinance"), and executed under a Trust Indenture securing the City of Chicago General Obligation Bonds, Taxable Series 2015B, dated July 1, 2015 (the "Indenture") from the City to the Trustee, for the purposes of paying (i) costs ofthe Series 2015B Debt Management Project described in the Indenture, (ii) certain interest to become due on the Series 2015B Bonds and (iii) expenses incidental to the issuance of the Series 20I5B Bonds.

The Series 2015B Bonds maturing on or before January 1, 2033 are subject to optional redemption in whole or in part, on any Business Day, in such principal amounts as the City shall determine, at a Redemption Price equal to the Make-Whole Redemption Price applicable thereto, as provided in the Indenture.

The Series 20I5B Bonds maturing on January 1, 2042 are subject to optional redemption in whole or in part, on any date on or after January 1,2025, in such principal amounts as the City shall determine, at a Redemption Price equal to the principal amount thereof and accrued interest to the date of redemption.

The Series 20I5B Bonds maturing on January 1, 2033, are subject to mandatory redemption prior to maturity on January 1 of the years 2024 to 2032, inclusive, and the Series 2015B Bonds maturing on January 1, 2042, are subject to mandatory redemption prior to maturity on January 1 of the years 2034 to 2041, inclusive, in each case at a Redemption Price equal to the principal amount thereof and accrued interest to the date of redemption.

In the event ofthe redemption of less than all of the Series 20I5B Bonds of like maturity, the Series 20I5B Bonds to be redeemed will be selected pro-rata in the manner determined pursuant to the Indenture.

Notice of any such redemption shall be sent by first class mail not less than 30 days nor more than 60 days prior to the date fixed for redemption to the Registered Owner of each Series 2015B Bond to be redeemed at the address shown on the registration books of the City maintained by the Trustee or at such other address as is furnished in writing by such Registered Owner to the Trustee: provided that the failure to mail any such notice or any defect therein as to

any Series 2015B Bond shall not affect the validity of the proceedings for the redemption of any other Series 20I5B Bond. When so called for redemption, this Series 2015B Bond shall cease to bear interest on the specified redemption date, provided that funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Series 2015B Bond is transferable by the Registered Owner hereof in person or by its attorney duly authorized in writing at the designated corporate trust office of the Trustee in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series 2015B Bond. Upon such transfer a new Series 20I5B Bond or Bonds of authorized denominations, of the same interest rate, series and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor. The Trustee shall not be required to transfer or exchange this Series 2015B Bond during the period commencing on the Record Date next preceding any Interest Payment Date for this Series 2015B Bond and ending on such Interest Payment Date, or to transfer or exchange such Series 2015B Bond (A) after notice calling this Series 2015B Bond for redemption has been mailed, or (B) during a period of 15 days next preceding mailing of a notice of redemption of this Series 2015B Bond.

The Series 2015B Bonds are issued in fully registered form in the denomination of $1,000 each or authorized integral multiples thereof. This Series 2015B Bond may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Series 2015B Bonds of the same interest rate, series and maturity of other authorized denominations, upon the terms set forth in the Indenture.

The City and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and redemption premium, if any, and for all other purposes and neither the City nor the Trustee shall be affected by any notice to the contrary.

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(Assignment)

For Value Received, the undersigned sells, assigns and transfers unto

(Name and Address of Assignee)

the within Series 20I5B Bond and does hereby irrevocably constitute and appoint

attorney to transfer the said Series 2015B Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:

Signature guaranteed:

Notice: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Series20I5B Bond in every particular, without alteration or enlargement or any change whatever.

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Exhibit B

Series 2015B Debt Management Project

I. For the payment or the refunding of all or a portion of the Outstanding Line and CP Indebtedness as follows:

Series or Year	Outstanding Line ("Line") and CP ("CP") Indebtedness		Expiration or Termination Date	Amoun t To Be Paid
2002C/D	CP	Bank of Montreal, acting through its Chicago Branch	9/30/2015	

2013	Line "	Bank of America, N.A.	11/30/2015
2014	,Line	Morgan Stanley Bank, N.A.	6/30/2016
2014	2014 Line	Barclays Bank PLC	9/30/2015
2014	Line	JPMorgan Chase Bank, National Association	4/25/2016
2015	Line	DNT Asset Trust	9/30/2015

$95,105,000.00 86,369,144.78 68,735,765.42 36,505,000.00

63,353,500.00 34,181,361.72

II. For the reimbursement of the Corporate Fund of the City of amounts expended in connection with the Sales Tax Swap Termination in the amount of $24,500,000.00.

III. For the termination of the Financing Transaction (Orange Line), $181,000,000.00.

Schedule I Terms and Authorization

Schedule IA

$345,530,000 General Obligation Bonds,Series 2015A

1. Aggregate Principal Amount: $345,530,000

2. Dated: July 21,2015

3. Maturities, Principal Amounts, Interest Rates, Prices and CUSIP Numbers: Maturity Principal January] Amount ($) Interest Rate (%) Price CUSIP

2019 2020 2021 2022 2023 2024 2026 2027 2028 2029 2033 2034 2035 2039
4,965,000 7,380,000 7.870,000 8,320,000 8,845,000 5,415,000 19,390,000 24,925,000 33,585,000 35,275,000 88,100,000 36,430,000 16,420,000 48,610,000
5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.250 5.250 5.375 5.500 5.500 5.500 5.500
103.511 103.579 102.874 101.537 100.366 99.385 97.692 98.980 98.206 98.539 98.454 98.179 98.008 97.553
167486 WC9 167486 WD7 167486 WE5 167486 WF2 167486 WGO 167486 WH8 167486 WJ4 167486 WK1 167486 WL9 167486 WM7 167486 WN5 167486 WP0 167486 WQ8 167486 WR6

4. Interest Payment Dates: January 1 and July I of each year, commencing January 1. 2016.

5. Redemption: The Series 2015A Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Series 2015A Bonds shall be redeemed only in principal amounts of $5,000 and integral multiples thereof.

Optional Redemption ofthe Series 20I5A Bonds. The Series 2015A Bonds maturing on and after January 1, 2026, 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,

2025. and if less than all of the outstanding Series 2015A Bonds of a single maturity are to be redeemed, the Series 2015A Bonds to be called shall be called by lot in such principal amounts and from such maturities as the City shall determine at a redemption price equal to the principal amount of the Series 2015A Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Series 20I5A Bonds for optional redemption, in whole or in part; provided, that such sale or

waiver will not adversely affect the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes.

Mandatory Redemption ofthe Series 2015 A Bonds. The Series 2015A Bonds maturing on January 1, 2033 are subject to mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on January 1 of the following years and in the following principal amounts:

Year	Principal Amount
2031	$ 6,205,000
2032	8,275,000
2033*	73,620,000

"final Maturity

The Series 2015A Bonds maturing on January I, 2039 are subject to mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on January I of the following years and in the following principal amounts:

Year	Principal Amount
2036	$16,135,000
2037	12.620.000
2038	15,875.000
2039*	3,980,000

Final Maiurity

Selection of Series 2015A Bonds for Redemption. If less than all of the Series 2015A Bonds of a maturity are to be redeemed prior to maturity, the particular 2015A Bonds being redeemed, or portions thereof to be redeemed, will be selected by lot in such manner as The Depository Trust Company {"DTC") or such successor securities depository may determine.

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Schedule IB

$742,860,000 General Obligation Bonds, Taxable Series 2015B

Aggregate Principal Amount: $742,860,000

Dated: July 21,2015

Maturity, Principal Amount, Interest Rate, Price and CUSIP Number:

Maturity January 1
Principal Amount ($)

2019 2020 2021 2022 2023 2033 2042
5,020,000 5,290,000 5,585,000 5,920,000 6,290,000 321,695,000 393,060,000
5.383 5.633 5.962 6.212 6.361 7.375 7.750
100.000 100.000 100.000 100.000 100.000 99.309 97.666
167486 VX4 167486 VY2 167486 VZ9 167486 WA3 167486 WB1 167486 VV8 167486 VW6

4. Interest Payment Dates. January I and July 1 of each year, commencing January 1, 2016.

5. Redemption. The Taxable Series 2015B Bonds are subject to both optional and mandatory redemption prior to maturity, as described below. The Taxable Series 2015B Bonds shall be redeemed only in principal amounts of $1,000 and integral multiples thereof.

Optional Redemption. Optional Redemption of the Taxable Series 2015B Bonds with Make Whole Payment. The Taxable Series 2015B Bonds maturing on or before January 1,2033, are subject to redemption prior to maturity at the option of the City, in whole or in part, on any Business Day (as defined below) at a redemption price (the "Make-Whole Redemption Price") equal to the greater of: (A) the principal amount of the Taxable Series 2015B 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 20I5B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date such Taxable Series 20I5B Bonds are to be redeemed, discounted to the date of redemption of the Taxable Series 2015B Bonds to be redeemed on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 50 basis points, plus accrued interest on the Taxable Series 2015B Bonds being redeemed to the date fixed for redemption.

The Make-Whole Redemption Price ofthe Taxable Series 2015B Bonds to be redeemed will be calculated by an independent accounting firm, investment banking firm or financial advisor (the "Calculation Agent") retained by the City at the City's expense. The Trustee and the City may rely on the Calculation Agent's determination of the Make-Whole Redemption

Price and will not be liable for such reliance. An authorized officer of the City shall confirm and transmit the Make-Whole Redemption Price as so calculated on such dates and to such parties as shall be necessary to effectuate such redemption.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to (i) in the case of the Taxable Series 2015B Bonds maturing on January 1 of the years 2019 through 2023, inclusive, the.period from the redemption date to the maturity date of such Taxable Series 2015B Bonds to be redeemed and (ii) in the case of the Taxable Series 2015B Bonds maturing on January 1, 2033, the then-remaining average life of such maturity of the Taxable Series 2015B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S.Treasury securities adjusted to a constant maturity of one year will be used.

"Business Day" means any day other than (a) a Saturday or Sunday, (ii) a day on which banks located in the city where the Designated Corporate Trust Office of the Trustee is located are authorized or required by law to close, and (iii) a day on which The New York Stock Exchange, Inc.. is closed.

The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense.

The City is authorized to sell or waive any right the City may have to call the Taxable Series 20I5B Bonds for optional redemption.

Optional Redemption of the Taxable Series 2015D Bonds. The Taxable Series 2015B Bonds maturing on January 1, 2042, 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, 2025, and if less than all of the outstanding Taxable Series 2015B Bonds of such maturity are to be redeemed, the Taxable Series 20I5B Bonds to be called shall be called in such principal amounts as the City shall determine, at a redemption price equal to the principal amount of the Taxable Series 2015B Bonds being redeemed plus accrued interest to the date fixed for redemption.

The City is authorized to sell or waive any right the City may have to call any of the Taxable Series 2015B Bonds for optional redemption, in whole or in part.

Mandatory Redemption of the Taxable Series 2015B Bonds. The Taxable Series 2015B Bonds maturing on January I, 2033, are subject to mandatory redemption prior to maturity on January I of the years and in the amounts set forth below, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption:

Principal Amount

1

2024	$ 10,665,000
2025	9,990,000
2026	3,050,000
2027	3,300,000
2028	3.620,000
2029	3,950,000
2030	45,105,000
2031	55,175,000
2032	154,145,000
2032	2033*32,695,000

"Final Maturity i

The Taxable Series 2015B Bonds maturing on January 1, 2042, are subject to mandatory redemption prior to maturity on January 1 of the years and in the amounts set forth below, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption:

YearPrincipal Amount	
2034	$ 73,925,000
2035	173,680.000
2036	18,845,000
2037	15,495,000
2038	16,800,000
2039	25,525,000
2040	32,385,000
2041	17,505,000
2041	2042* 18,900,000

"Final Maiuniy

Selection of Taxable Series 2015B Bonds for Redemption. If less than all of the Taxable Series 20I5B Bonds of a maturity are to be redeemed prior to maturity, the particular Taxable Series 20I5B Bonds being redeemed, or portions thereof to be redeemed, will be selected on a pro-rata pass-through distribution of principal basis to the extent permitted by and in accordance with procedures of DTC. If the DTC operational arrangements do not allow for the redemption of the Taxable Series 2015B Bonds on a pro-rata pass-through distribution of principal basis, then the Taxable Series 20I5B Bonds to be redeemed will be selected for redemption in accordance with DTC procedures, by lot.

ScheduleIC

Series 2015A Debt Management Project

For the payment or the refunding of all or a portion of the Outstanding Line and CP Indebtedness as follows:

Outstanding Line ("Line")
and CP Indebtedness

Expiration or
Termination Date

Amount To Be Paid

2013 2014 2014 2014

2015
Line Line Line Line

Line

Bank of America, N.A.	11/30/2015
Morgan Stanley Bank, N.A.	6/30/2016
Barclays Bank PLC	9/30/2015
JPMorgan Chase Bank, National Association	4/25/16
DNT Asset Trust	9/30/2015

$ 86,170,855.22 31,264,234.58 62.360,000.00 43,740.45

117,405,638.28

Schedule ID

Series 2015B Debt Management Project

I. For the payment or the refunding of all or a portion of the Outstanding Line and CP Indebtedness as follows:

Series or Year

Outstanding Line ("Line") and CP ("CP") Indebtedness

Expiration or
Termination Date

Amount To Be Paid

2002C/D	CP	Bank of Montreal, acting through its Chicago Branch	9/30/2015
2013	Line	Bank of America, N.A.	11/30/2015
2014	Line	Morgan Stanley Bank, N.A.	6/30/2016
2014	2014 Line	Barclavs Bank PLC	9/30/2015

		JPMorgan Chase Bank, National	
2014	Line	Association	4/25/2016
2015	Line	DNT Asset Trust	9/30/2015

$95,105,000.00 86,369,144.78 68,735.765.42 36,505,000.00

63,353,500.00 34,181,361.72

II. For the reimbursement of the Corporate Fund of the City of amounts expended in connection with the Sales Tax Swap Termination in the amount of $24,500,000.00.

III. For the termination ofthe Financing Transaction (Orange Line), $181,000,000.00.

Schedule II Notification of Tax Abatement

State or Illinois County of Cook

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)SS
)

Notification of Tax Abatement

$345,530,000 General Obligation Bonds, Series 2015A

$742,860,000
General Obligation Bonds, Taxable Series 2015B

of the City of Chicago

To: The City Council of the City of Chicago and the County Clerks of The Counties of Cook and DuPage, Illinois

Please be advised that responsive to authority contained in an Ordinance (the "Ordinance") adopted by the City Council (the "City Council") of the City of Chicago (the "City") on June 17, 2015, authorizing the issuance of up to $1,100,000,000 aggregate principal amount of general obligation bonds of the City, plus original issue discount, on July 21,2015 the City issued its $345,530,000 General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"), having the terms described in that certain Bond Purchase Agreement, dated July 16, 2015 (the "Series 20I5A Bond Purchase Agreement"), between the City and Morgan Stanley & Co. LLC, acting on behalf of itself and as representative of certain underwriters named therein (the "Underwriters"), and its $742,860,000 General Obligation Bonds, Taxable Series 2015B (together with the Series 2015A Bonds, the "Bonds"), having the terms described in that certain Bond Purchase Agreement, dated July 15,2015, between the City and the Underwriters (together with the Series 2015A Bond Purchase Agreement, the "Bond Purchase Agreements").

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

Notification of the sale of the Bonds to the City Council and of the determinations made by the Chief Financial Officer of the Citv with respect to the sale of the Bonds. the filing of the Bond Purchase Agreements. and the Official

Statement for the Bonds, all as provided for or required by the Ordinance was made by the filing with the City Clerk of a Notification of Sale executed and delivered by the Chief Financial Officer on the date of issuance of the Bonds.

Please be further advised that Section 7 of the Ordinance provides for a direct annual tax in and for each of the years 2015 to 2055, inclusive, to pay the interest on the Bonds promptly when and as the same falls due and to pay and discharge the principal thereof at maturity. Pursuant to Section 12 of the Ordinance, please be further advised that the amount of the annual tax levy requirements for the payment of the principal of and interest on the Bonds resulting from the sale ofthe Bonds is less than the levy of taxes authorized in Section 7 of the Ordinance.

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I have determined that a reduction in the amount of the tax levy in the years 2015 to 2055, inclusive, is deemed desirable in connection with the sale of the Bonds. The amount of the taxes levied in the Ordinance to pay debt service on the Bonds, the amount of the taxes to be abated resulting from the sale of the Bonds, and the remainder of the taxes levied which is to be extended for collection are as follows:

Levy year	amount Levied in the Ordinance	Excess Levy to be abated	Tax to be extended for Payment of the Bonds
2015	$250,000,000.00	$248,392,282.46	$ 1,607,717.54
2016	250,000,000.00	248,392,282.46	1,607,717.54
2017	250,000,000.00	165,655,940.18	84,344,059.82
2018	250,000,000.00	163,489,416.78	86,510,583.22
2019	250,000,000.00	163,371,402.48	86,628,597.52
2020	250,000,000.00	163,312,880.18	86,687,119.82
2021	250,000,000.00	163,201,630.58	86,798.369.42
2022	250,000,000.00	163,098,987.48	86,901,012.52
2023	250,000,000.00	170,246,281.24	79,753,718.76
2024	250,000,000.00	158,533,043.74	91,466,956.26
2025	250,000,000.00	153,942,481.24	96,057,518.76
2026	250,000,000.00	146,514,418.74	103,485,581.26
2027	250,000,000.00	146^24,606.24	103,475,393.76
2028	250,000,000.00	142.831,950.00	107,168.050.00
2029	250,000,000.00	129,883,443.74	120,116,556.26
2030	250,000,000.00	33,253,875.00	216,746,125.00
2031	250,000,000.00	101,182,193.74	148,817,806.26
2032	250,000,000.00	103,602,550.00	146,397,450.00
2033	250,000,000.00	31390,387.50	218,409.612.50
2034	250,000,000.00	201,073,687.50	48,926,312.50
2035	450,000,000.00	410,286.600.00	39,713,400.00
2036	450,000,000.00	407,621,562.50	42,378,437.50
2037	450,000,000.00	412,966,687.50	37,033,312.50
2038	450,000,000.00	412,283.775.00	37,716,225.00
2039	450,000,000.00	429,673,612.50	20,326,387.50
2040	450,000,000.00	429.635,250.00	20,364,750.00
2041	450,000,000.00	450,000,000.00	0.00
2042	450,000,000.00	450,000,000.00	0.00
2043	450,000,000.00	450.000,000.00	0.00
2044	450,000,000.00	450.000,000.00	0.00
2045	450,000,000.00	450,000,000.00	0.00
2046	450,000,000.00	450,000,000.00	0.00
2047	450,000,000.00	450,000,000.00	0.00
2048	450.000.000.00	450.000.000.00	0.00

2049	450,000,000.00450,000.000.000.00
2050	450,000.000.00450,000.000.000.00
2051	450,000,000.00450,000.000.000.00
2052	450,000,000.00450.000.000.000.00
2053	450,000.000.00450.000,000.000.00
2054	450,000.000.00450.000.000.000.00
2055	450.000,000.00450.000.000.000.00

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Respectfully submitted as of this 16th day of July, 2015.

Carole L. Brown Chief Financial Officer

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ISignature Page to Notification of Tax Abat ement |

Acknowledgment of Filing Notification of Tax Abatement

The foregoing Notification of Tax Abatement relating to $345,530,000 General Obligation Bonds, Series 2015A, and $742,860,000 General Obligation Bonds, Taxable Series 2015B, ofthe City of Chicago (the "City") has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

In Witness Whereof, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this day of , 2015.

Susana A. Mendoza City Clerk

I Seal |

Acknowledgment of Filing Notification of Tax Abatement

The foregoing Notification of Tax Abatement relating to $345,530,000 General Obligation Bonds, Series 2015A, and $742,860,000 General Obligation Bonds. Taxable Series 2015B, of the City of Chicago (the "Cily") has been filed in my office as City Clerk of the City and is part of the official files and records of my office.

In Witness Whereof, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the Cily this ItAlay of vAolv^ 2015.

[Seal]

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Acknowledgment of Filing Notification of Sale

The foregoing Notification of Sale of $345,530,000 aggregate principal amount of General Obligation Bonds, Series 2015A, and $742,860,000 aggregate principal amount of General Obligation Bonds, Taxable Series 2015B, of the City of Chicago (the "City") has been • filed in my office as City Clerk of the City and is part of the official files and records of my office.

In Witness Whereof, I have hereunto affixed my signature and caused to be affixed hereto the corporate seal of the City this day of , 2015.

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