NEW ISSUE—BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Mayer Brown LLP, Chicago, Illinois, Bond Counsel, under existing law, interest on the Bonds is not excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion and APPENDIX E for the form of opinion to be delivered by Bond Counsel.

$45,670,000
CITY OF CHICAGO
Chicago Midway Airport
Second Lien Revenue Refunding Bonds, Series 2018A (Taxable)

Dated: Date of Delivery **Due:** January 1, as shown on inside cover pages

The City of Chicago, Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2018A (Taxable) (the "Bonds"), are fully registered bonds issued in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC is securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form and purchasers will not receive certificates representing their interests in the Bonds purchased. Principal of, and interest on, the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as trustee (the "*Second Lien Trustee*"), to DTC, which in turn will remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Bonds will be made to such registered owner, and disbursal of such payments to beneficial owners will be the responsibility of DTC and its participants. See "THE BONDS–Book-Entry Only System."

The proceeds of the Bonds are being used to (i) refund prior to maturity and pay at maturity the Refunded Bonds (see "APPLICATION OF BOND PROCEEDS–Refunding Plan"); and (ii) pay costs and expenses incidental thereto and to the issuance of the Bonds.

The Bonds are limited obligations of the City of Chicago (the "*City*") payable solely from, and secured by, a pledge of (i) Second Lien Revenues (as defined herein) derived from the operation of the Chicago Midway International Airport ("*Midway*") and (ii) Customer Facility Charges (as herein defined) and the Facility Rent (as herein defined) relating to the Midway consolidated rental car facility that opened in April 2013 ("*CFC Revenues*"), which constitute Other Available Moneys under the Second Lien Indenture. The Bonds are payable from (i) the Second Lien Revenues on a parity basis with City of Chicago, Chicago Midway Airport Outstanding Second Lien Bonds described herein and any other Second Lien Obligations (as herein defined) that may be outstanding from time to time under the Second Lien Indenture and (ii) CFC Revenues on a parity basis with any Parity CFC Bonds (as herein defined) that may be outstanding from time to time, all as more fully described herein. The Bonds and the obligations to pay principal of, and interest thereon, are not general obligations of the City and do not constitute an indebtedness or loan of credit of the City, the State of Illinois (the "*State*") or any political subdivision thereof within the meaning of any constitutional or statutory limitation of the State. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal of, or interest on, the Bonds. No property of the City, including property at Midway, is pledged as security for the Bonds.

Interest on the Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2019. The Bonds are subject to optional and mandatory redemption prior to maturity as set forth herein. See "THE BONDS–Redemption Provisions."

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

The Bonds are offered when, as and if issued, and subject to the delivery of approving legal opinions by Mayer Brown LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the City by (i) its Corporation Counsel, and (ii) in connection with the preparation of this Official Statement by Charity & Associates, P.C., Chicago, Illinois, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by Ice Miller LLP, Chicago, Illinois. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about August 1, 2018.

BofA Merrill Lynch

July 24, 2018

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

$45,670,000
CHICAGO MIDWAY AIRPORT
SECOND LIEN REVENUE REFUNDING BONDS, SERIES 2018A (TAXABLE)

MATURITY (JANUARY 1)	PRINCIPAL AMOUNT	INTEREST RATE	PRICE	YIELD	CUSIP[1]
2019	$2,615,000	2.937%	100.000	2.937%	167562 RE9
2020	3,815,000	3.037%	100.000	3.037%	167562 RF6
2021	3,930,000	3.182%	100.000	3.182%	167562 RG4
2022	4,055,000	3.318%	100.000	3.318%	167562 RH2
2023	4,190,000	3.468%	100.000	3.468%	167562 RJ8
2024	4,335,000	3.605%	100.000	3.605%	167562 RK5
2025	4,495,000	3.655%	100.000	3.655%	167562 RL3
2026	4,660,000	3.697%	100.000	3.697%	167562 RM1
2027	4,830,000	3.747%	100.000	3.747%	167562 RN9
2028	5,010,000	3.797%	100.000	3.797%	167562 RP4
2029	3,735,000	3.897%	100.000	3.897%	167562 RQ2

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed are being provided solely for the convenience of the bondholders only at the time of sale of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the sale of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

The Underwriter has provided the following sentence for inclusion in the Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being used in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. Certain information contained in this Official Statement has been obtained by the City from DTC and other sources that are deemed to be reliable; however, no representation or warranty is made as to the accuracy or completeness of such information by the City. The delivery of this Official Statement does not imply that information herein is correct as of any time subsequent to its date.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents in their entirety for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof. Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the beliefs of the City as well as assumptions made by and currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Neither the City, the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to, or been consulted in connection with, the preparation of the prospective financial information contained herein. The City's independent auditors assume no responsibility for the content of the prospective financial information set forth in this Official Statement, disclaim any association with such prospective financial information, and have not, nor have any other independent auditors, expressed any opinion or any other form of assurance on such information or its achievability.

No dealer, broker, sales representative or any other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement in connection with the offering it describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page and inside cover pages hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of, the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and opinions expressed herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of Midway since the date of this Official Statement. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Bonds.

In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and the risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no federal or state securities commission or regulatory authority has confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS. SPECIFICALLY, THE UNDERWRITER MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

CITY OF CHICAGO
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MAYOR
Rahm Emanuel

CITY TREASURER
Kurt A. Summers, Jr.

CITY CLERK
Andrea M. Valencia

CITY COUNCIL COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Carole L. Brown

CITY COMPTROLLER
Erin Keane

BUDGET DIRECTOR
Samantha S. Fields

CORPORATION COUNSEL
Edward N. Siskel, Esq.

CHICAGO DEPARTMENT OF AVIATION
Ginger S. Evans, Commissioner

BOND COUNSEL
Mayer Brown LLP
Chicago, Illinois

DISCLOSURE COUNSEL
Charity & Associates, P.C.
Chicago, Illinois

FINANCIAL ADVISOR
Acacia Financial Group, Inc.
Chicago, Illinois

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OFFICIAL STATEMENT

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INTRODUCTION

This Official Statement is furnished by the City of Chicago (the "*City*") to provide information regarding Chicago Midway International Airport ("*Midway"* or the *"Airport*") and the City of Chicago, Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2018A (Taxable) to be issued in the aggregate principal amount of $**45,670,000** (the "*Bonds*"). Certain capitalized terms used in this Official Statement, unless otherwise defined, are defined in APPENDIX A–"GLOSSARY OF TERMS."

Authorization

The Bonds are issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970. The Bonds are issued pursuant to an ordinance adopted by the City Council on January 13, 2016 (the "*Ordinance*") and pursuant to a Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations, dated as of September 1, 1998, as supplemented and amended (the "*Master Indenture*" or the "*Second Lien Indenture*"), from the City to The Bank of New York Mellon Trust Company, N.A. (as successor to American National Bank and Trust Company of Chicago), Chicago, Illinois, as trustee (the "*Second Lien Trustee*" or the "*Trustee*"), including as supplemented by the Twenty-Fifth Supplemental Indenture, dated as of July 1, 2018 (the "*Twenty-Fifth Supplemental Indenture*"), providing for the issuance of the Bonds.

Purpose

The proceeds of the Bonds are being used to (i) refund prior to maturity and pay at maturity the Refunded Bonds (see "APPLICATION OF BOND PROCEEDS–Refunding Plan"); and (ii) pay costs and expenses incidental thereto and to the issuance of the Bonds.

First Lien Bonds

The Master Indenture of Trust Securing Chicago Midway Airport Revenue Bonds, dated as of April 1, 1994, as amended and supplemented (the "*First Lien Indenture*") from the City to The Bank of New York Mellon Trust Company, N.A. (as successor to American National Bank and Trust Company of Chicago), Chicago, Illinois, as trustee (the "*First Lien Trustee*") grants to the First Lien Trustee a first lien on and pledge of Net Revenues of Midway to secure on a parity basis First Lien Bonds as more fully described under the heading "MIDWAY FINANCIAL INFORMATION–Midway Indebtedness–*General*." First Lien Bonds have a priority over Second Lien Bonds, including the Bonds.

Second Lien Bonds; Security for the Bonds

The Second Lien Bonds are Junior Lien Obligations under the First Lien Indenture and are payable from amounts that may be withdrawn by the First Lien Trustee from the Junior Lien Obligation Debt Service Fund established under the First Lien Indenture (the "*Junior Lien Revenues*") and transferred to the Second Lien Trustee for deposit in the Second Lien Revenue Fund under the Second Lien Indenture (the "*Second Lien Revenues*.") The pledge of Junior Lien Revenues under the First Lien Indenture for the payment of Junior Lien Obligations is expressly junior and subordinate to the pledge of Net Revenues for the payment of First Lien Bonds. See "SECURITY FOR THE BONDS–Description of Revenues" and "–Flow of Funds from Revenues."

The Bonds are payable (i) on a parity basis with Second Lien Bonds, with respect to Second Lien Revenues and (ii) on a parity basis with Parity CFC Bonds (as defined herein), with respect to CFC Revenues (as defined herein). See "SECURITY FOR THE BONDS–CFC Revenues" and "– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

The City has entered into Amended and Restated Airport Use Agreements and Facilities Leases, dated as of January 1, 2013 (the "*Airport Use Agreements*"), with the following five airlines (each airline that has executed an Airport Use Agreement is referred to herein as a "*Signatory Airline,*" collectively the "*Signatory Airlines*"): Southwest Airlines Co. ("*Southwest*"), Delta Air Lines (and its other regional airline partners) ("*Delta*"), Frontier Airlines ("*Frontier*"), Porter Airlines ("*Porter*") and Volaris Airlines ("*Volaris*"). Southwest, Delta, Porter, and Volaris constitute all the airlines currently operating scheduled service at Midway. The stated termination date of the Airport Use Agreements is December 31, 2027, subject to the right of the City or a Signatory Airline under certain circumstances to terminate its Airport Use Agreement prior to that date. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY."

The nature of the obligation of the Signatory Airlines to make payments to the City under the Airport Use Agreements is described in APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS–Airline Fees and Charges." Certain Outstanding Second Lien Bonds mature after the stated termination date of the Airport Use Agreements. Following the termination of the Airport Use Agreements, there is no assurance that any airline using Midway will be contractually obligated to make payments including, among other things, debt service on the Outstanding Second Lien Bonds. See "SECURITY FOR THE BONDS," APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE" and APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

The CFC Revenues constitute Other Available Moneys (as hereinafter defined) under the Second Lien Indenture, but only in respect of the Bonds. See "SECURITY FOR THE BONDS – Other Available Moneys" and "–CFC Revenues." In order to secure the payment of the principal, premium, if any, and interest on Second Lien Obligations, including the Bonds, outstanding from time to time under the Second Lien Indenture, a pledge is made in the Second

Lien Indenture of the Second Lien Revenues, and CFC Revenues in the Twenty-Fifth Supplemental Indenture. See "SECURITY FOR THE BONDS" and APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE." The City's collection of CFC Revenues is facilitated by the Consolidated Rental Car Facility Lease at Midway, date as of June 1, 2011 (the "*Consolidated Rental Car Facility Lease*"), by and between the City and Midway RACS, LLC, a consortium of companies engaged in the business of renting automobiles (the "*Tenant*"), for the consolidated rental car facility at Midway (the "*Consolidated Rental Car Facility*"), Rental Car Concession License Agreements with on-airport rental car companies operating at the Consolidated Rental Car Facility and Off-Airport Rental Car Concession License Agreement with rental car companies which do not operate at the Consolidated Rental Car Facility, but desire to pick up rental car customers at Midway. See "SECURITY FOR THE BONDS - CFC Revenues."

The Bonds are not general obligations of the City and do not constitute an indebtedness or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the State of Illinois (the "*State*"), the City or any other political subdivision of the State is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not payable in any manner from revenues raised by taxation. No property of the City (including property located at Midway) is pledged as security for the Bonds.

Obligations Subordinate to the Bonds

In October 2003, the City established a Commercial Paper Program (the "*CP Program*") providing for the issuance, from time to time, of Commercial Paper Notes (the "*CP Notes*") in an aggregate principal amount outstanding at any one time of not to exceed $150,000,000. By adoption of an ordinance on March 13, 2013, the City increased the aggregate principal amount authorized to be issued and outstanding at one time under the CP Program from $150,000,000 to $250,000,000. The City has obtained credit support for the CP Notes in an amount not to exceed $85,000,000. The CP Notes are authorized to be issued for payment, or the reimbursement of the City for the payment, of the cost of all or any portion of capital projects at or related to Midway, cash flow needs at Midway, the refunding of general airport revenue bonds and special facility revenue bonds and the payment of the costs of issuance of CP Notes. The CP Notes are subordinate to all other Airport Obligations, including the Second Lien Bonds, with respect to their claim on Revenues (as hereinafter defined). As of the date of this Official Statement, there are no outstanding CP Notes. See "MIDWAY FINANCIAL INFORMATION–Midway Indebtedness – *Commercial Paper*."

Chicago Midway International Airport

Midway, which is located 10 miles southwest of the City's central business district, began operations in 1927 and is an integral component of Chicago's transportation infrastructure. According to statistics compiled by Airports Council International *("ACI"*) for the year ended December 31, 2016, the latest information available, Midway was the 25th most active airport in the United States, measured in terms of total passengers. From 2008 to 2017, Midway experienced a 3.3% average annual growth in passenger enplanements compared to 1.5% growth nationwide.

After recording record high enplanements of 11.3 million in 2016, enplanements at Midway declined 1.0 percent to 11.2 million enplanements in 2017, as a result of downgauging by Delta and lower load factors reported by Southwest. Through May 2018, enplaned passengers totaled 4.3 million, approximately 0.5% below the same period in 2017.

Midway is served primarily by airlines that generally provide low-fare, point-to-point origination and destination ("*O&D*") passenger service, with Southwest accounting for approximately 92.7% of total enplaned passengers[1] at Midway in 2017. In 2017, Southwest enplaned 20.4% of airline passengers in the Chicago metropolitan market (Southwest's share of total U.S. enplanements through November 2017 (the most recent data available) was 18.6%)[2]. See "SECURITY FOR THE BONDS – Airport Use Agreements," "CHICAGO MIDWAY INTERNATIONAL AIRPORT – Activity at Midway," and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY AND MIDWAY – Effect of Airline Bankruptcy."

Events and Factors Affecting the Airline Industry

The financial performance of the airline industry generally has correlated with the strength of the national economy. In addition, other events and factors, such as fluctuating fuel costs, impact the airline industry in general. For a more complete discussion of events and factors impacting Midway and the airlines that use Midway, see "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY."

Other Commercial Service Airports Serving the Chicago Region

The City also operates, through its Chicago Department of Aviation ("*CDA*"), Chicago O'Hare International Airport ("*O'Hare*"). Based upon preliminary data from ACI for the 12-month period ended December 2017, O'Hare ranked second both worldwide and in the United States for total aircraft operations, and sixth worldwide and third in the United States in terms of total passengers. On April 15, 1995, the City and the City of Gary, Indiana entered into an interstate compact (the "*Compact*"), which established the Chicago/Gary Regional Airport Authority (the "*Chicago-Gary Authority*") to oversee and support Midway, O'Hare, Merrill C. Meigs Field[3] ("*Meigs Field*") and the Gary/Chicago International Airport, to evaluate jointly the bi-state region's need for additional airport capacity and to coordinate and plan for the continued development, enhancement and operation of such airports and the development of any new airport serving the bi-state region. Gary/Chicago International Airport is owned by the City of Gary, Indiana and operated by the Gary/Chicago International Airport Authority (the "*Gary/Chicago Authority*").

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[1] Excludes general aviation, military, helicopter and miscellaneous passengers included in the Chicago Department of Aviation Management Records.

[2] U.S. Department of Transportation T100 Data (accessed May 2018).

[3] As of April 2003, Meigs Field is no longer operational.

Forward-Looking Statements

All statements other than statements of historical facts included in this Official Statement are forward-looking statements, including, without limitation: (a) statements concerning projections of future passenger activity at Midway and of future financial performance at Midway; (b) statements of the plans and objectives of the City in relation to the Airport's CIP (as defined herein) (See "CHICAGO MIDWAY INTERNATIONAL AIRPORT" and "2018-2024 CAPITAL IMPROVEMENT PROGRAM"); and (c) assumptions relating to the statements described in clauses (a) and (b) above (collectively, the "*Forward-Looking Statements*").

Projections. The projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the City's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of City management's knowledge and belief, the expected course of action and the expected future financial performance of Midway. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither 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. Such parties assume no responsibility for, and disclaim any association with, the prospective financial information.

Glossary of Terms; Document Summaries

This Official Statement contains summaries of the terms of and security for the Bonds, together with descriptions of Midway and its operations. A Glossary of Terms is included as APPENDIX A, a summary of certain provisions of the Second Lien Indenture is included as APPENDIX B and a summary of certain provisions of the Airport Use Agreements is included as APPENDIX C. APPENDIX A–"GLOSSARY OF TERMS" contains terms of general applicability, which are used herein, and terms related to the Second Lien Indenture and the Airport Use Agreements as set forth therein. All references herein to agreements and documents are qualified in their entirety by references to the definitive forms of the agreement or document. All references to the Bonds are further qualified by references to the information with respect to them contained in the Second Lien Indenture.

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THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Second Lien Indenture for all of the provisions relating to the Bonds. The discussion herein is qualified by such reference.

General

The Bonds will be dated the date of delivery and mature on January 1 of the years and in the principal amounts shown on the inside front cover pages hereof. The Bonds will bear interest until their final maturity or earlier redemption payable on January 1 and July 1 in each year, commencing January 1, 2019, at the fixed rates *per annum* set forth on the front inside cover pages hereof.

The Bonds will be subject to redemption as described below under the subcaption "–Redemption Provisions."

The Bonds will be offered only as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof (each, an "*Authorized Denomination*"). The principal of and premium, if any, on all Bonds shall be payable at the designated corporate trust office of the Second Lien Trustee in Chicago, Illinois upon the presentation and surrender of the Bonds as the same become due and payable. The interest on the Bonds shall be paid by check drawn upon the Second Lien Trustee and mailed to the persons in whose names the Bonds are registered at their addresses as they appear on the registration books maintained by the Bond Registrar at the close of business on the Record Date next preceding each Interest Payment Date or at such other address as is furnished in writing by such owner to the Bond Registrar. Interest on the Bonds shall be paid by wire transfer to any registered owner who at the close of business on such Record Date has given written notice of his or her wire transfer address in the continental United States to the Bond Registrar prior to such Record Date (which notice may provide that it will remain in effect until revoked), provided that each such wire transfer shall only be made with respect to an owner of $1,000,000 or more in aggregate principal amount of the Bonds as of the close of business on such Record Date.

The Bonds will be initially registered through a book-entry only system operated by The Depository Trust Company, New York, New York ("*DTC*"). Details of payments of the Bonds when in the book-entry form and the book-entry only system are described below under the subcaption "–Book-Entry Only System." Except as described under the subcaption "–Book-Entry Only System" below, beneficial owners of the Bonds will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered under the Second Lien Indenture to be the Registered Owners thereof. Accordingly, beneficial owners must rely upon (i) the procedures of DTC and, if such beneficial owner is not a DTC Participant, the DTC Participant who will act on behalf of such beneficial owner to receive notices and payments of principal and interest on the Bonds and to exercise voting rights, and (ii) the records of DTC and, if such beneficial owner is not a DTC Participant, such beneficial owner's DTC Participant, to evidence its beneficial ownership of Bonds. As long as DTC or its nominee is the Registered Owner of Bonds, references herein to Bondholders or Registered Owners of such Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such Bonds.

Redemption Provisions

The Bonds shall be subject to redemption prior to their Maturity Dates in the amounts, at the times and in the following manner:

Make Whole Optional Redemption. The Bonds of each maturity are subject to redemption at the option of the City in whole or in part pro-rata at any time at the Redemption Price that is the greater of (A) 100% of the principal amount of the Bonds to be redeemed and (B) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the 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 below) plus 20 basis points plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519)) that has become publicly available not more than 45 days and not less than 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 the period from the redemption date to the maturity date of the Bonds to be redeemed.

The redemption price of Bonds to be redeemed pursuant to the make whole optional redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Second Lien Trustee and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

General Provisions Regarding Redemptions

In case a Bond is of a denomination larger than the minimum Authorized Denomination, all or a portion of such Bond (equal to the minimum Authorized Denomination or any integral multiple thereof) may be redeemed but such Bond shall be redeemed only in a principal amount equal to the minimum Authorized Denomination or any integral multiple thereof.

Selection of Bonds to Be Redeemed. In the event DTC is the sole registered owner of the Bonds, redemption of the Bonds will be done in accordance with the procedures of DTC.

The particular maturities of Bonds to be redeemed at the option of the City will be determined by the City in its sole discretion.

If less than all the Bonds shall be called for redemption under any provision of the respective Supplemental Indenture permitting such partial redemption, the particular Bonds or portions thereof to be redeemed shall be selected in such order of maturity as the City shall determine and within any maturity by lot. In selecting Bonds for redemption, the Second Lien Trustee shall treat each Bond as representing that number of Bonds which is obtained by

dividing the principal amount of such Bond by the minimum 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 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 Second Lien 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 Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bond shall be issued to the Registered Owner thereof without charge therefor.

Notice of Redemption

Notice of the redemption of Bonds or any portion thereof identifying the Bonds or portions thereof to be redeemed, specifying the redemption date, the Redemption Price, the places and dates of payment and that from the redemption date interest will cease to accrue, shall be given by the Second Lien Trustee by mailing a copy of such redemption notice by first class mail not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Such notice shall specify the redemption date, the Redemption Price, the place and manner of payment, and that from the redemption date interest will cease to accrue on the Bonds which are the subject of such notice, and shall include such other information as the Second Lien Trustee shall deem appropriate or necessary at the time such notice is given to comply with any applicable law, regulation or industry standard. Failure to mail any such notice to the Registered Owner of any Bond or any defect therein shall not affect the validity of the proceedings for such redemption of Bonds. A notice of optional redemption may be conditional as to the deposit of funds or other matters on the redemption date and failure to deposit funds or meet such other conditions shall not constitute an event of default.

In addition to the foregoing requirements, each notice of redemption of Bonds shall specify (i) the series name and designation and certificate numbers of the Bonds being redeemed, (ii) the CUSIP numbers of the Bonds being redeemed, (iii) the principal amount of the Bonds being redeemed and the redeemed amount for each certificate (for partial calls), (iv) the redemption date, (v) the Redemption Price, (vi) the Date of Issuance, (vii) the interest rate and Maturity Date of the Bonds being redeemed, (viii) the date of mailing of notices to Registered Owners and information services, and (ix) the name of the employee of the Second Lien Trustee that may be contacted with regard to such notice. A copy of each such notice shall be sent by registered mail, telecopier or overnight delivery service to the Securities Depository with the intention that it be received at least two days prior to the date of mailing of notices to Registered Owners. Failure to give notice in the prescribed manner with respect to any Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any 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 Second Lien Trustee on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon and premium, if any, the Bonds thus called shall not, after the applicable redemption date, bear interest, be protected by

the Second Lien Indenture or be deemed to be outstanding under the provisions of the Second Lien Indenture.

Book-Entry Only System

General. The following information has been furnished by DTC for use in this Official Statement and neither the City nor the Underwriter takes any responsibility for its accuracy or completeness. The DTC Omnibus Proxy record date, as such term is used under this subcaption, is not, and has no relation to, the "*Record Date*" as defined in APPENDIX A—"GLOSSARY OF TERMS" and used in this Official Statement.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each offered Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Second Lien Trustee and request that copies of the notices be provided directly to them.

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Second Lien Trustee, 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 (nor its nominee), the

City or the Second Lien Trustee, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Second Lien Trustee; disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

For every transfer and exchange of the Bonds, the Second Lien Trustee and DTC 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.

The City and the Second Lien Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than an owner, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than an owner, of any amount with respect to principal of or interest on the Bonds.

Effect on Bonds of Discontinuance of Book-Entry System. The following two paragraphs apply to the Bonds only when they are not in the book-entry system:

The Bonds will be issuable as fully registered bonds in denominations that are integral multiples of $5,000. Exchanges and transfers will be made without charge to the Registered Owners, except that the Second Lien Trustee may require the payment by the Registered Owner requesting exchange or transfer of any tax or governmental charge required to be paid with respect thereto.

Principal of and interest on the Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the Second Lien Trustee. Interest on the Bonds will be payable by check mailed to persons in whose names they are registered at the close of business on the Record Date next preceding each Interest Payment Date. The Record Date for the Bonds will be June 15 and December 15 prior to each July 1 and January 1, respectively. At the request of any Registered Owner of not less than $1,000,000 principal amount of the Bonds of a Series, all payments to such Registered Owner with respect to such Bonds shall be made by wire transfer to any address in the continental United States on the applicable Payment Date, if such Registered Owner provides the Second Lien Trustee with

written notice of such wire transfer address prior to the applicable 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).

Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the book-entry only system described below, all payments to the Beneficial Owners of the Bonds will be made in accordance with the procedures described above under "–Book-Entry Only System."

SECURITY FOR THE BONDS

General

The Bonds and the obligation to pay interest thereon are not general obligations of the City and do not constitute an indebtedness or a loan of credit of the City, the State or any political subdivision thereof within the meaning of any constitutional or statutory limitation of the State. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged for the payment of the principal of or interest on the Bonds. No property of Midway is pledged as security for the Bonds, except for the Second Lien Revenues pledged under the Second Lien Indenture and CFC Revenues pledged under the Twenty-Fifth Supplemental Indenture.

The Second Lien Bonds, including the Bonds, and any future Second Lien Obligations issued pursuant to the Second Lien Indenture, are secured by, and payable from, Second Lien Revenues pledged and assigned to the payment thereof. See "–Description of Revenues" below. Additionally, the Bonds are secured by, and payable from, CFC Revenues pledged to the payment thereof pursuant to the Twenty-Fifth Supplemental Indenture on a parity basis with any Parity CFC Bonds. See "-CFC Revenues" below.

The Second Lien Indenture authorizes the issuance of Second Lien Obligations without limitation as to amount (except as may be limited by law) for the purpose of financing or refinancing Airport Projects. Under the Second Lien Indenture such Second Lien Obligations are secured by, and payable solely from, Junior Lien Revenues authorized to be withdrawn by the First Lien Trustee from the Junior Lien Obligation Debt Service Fund established by the First Lien Indenture and transferred to the Second Lien Trustee for deposit in the Second Lien Revenue Fund under the Second Lien Indenture. See "–Flow of Funds from Revenues" below. Second Lien Obligations include (i) bonds, notes or evidences of indebtedness issued by the City under the Second Lien Indenture, (ii) obligations incurred by the City to reimburse any issuer of a letter of credit or surety bond securing Second Lien Obligations, as more fully described in the definition of "*Section 208 Obligations*" in APPENDIX A–"GLOSSARY OF TERMS" and in APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Authorization of the Second Lien Bonds and Other Second Lien Obligations," and (iii) any obligations incurred by the City to any Swap Provider, as more fully described in the definition of "*Section 209 Obligations*" in APPENDIX A–"GLOSSARY OF TERMS" and in APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Authorization of the Second Lien Bonds and Other Second Lien Obligations."

Such Junior Lien Revenues when paid by the First Lien Trustee to the Second Lien Trustee for deposit into the Second Lien Revenue Fund created under the Second Lien Indenture constitute Second Lien Revenues. Pursuant to the Second Lien Indenture, such Second Lien Revenues are pledged to the payment of the principal of, premium, if any, and interest on all Second Lien Obligations (including the Bonds) without priority of distinction of one series of Second Lien Obligations over any other series of Second Lien Obligations.

In order to provide for the deposit into the Junior Lien Obligation Debt Service Fund of sufficient funds to satisfy the deposit requirements set forth in any resolution, ordinance or indenture securing Second Lien Obligations, the City is required, upon the issuance of each series of Second Lien Obligations and thereafter as may be necessary to reflect changes in such deposit requirements, to file with the First Lien Trustee a certificate setting forth the dates on which Second Lien Revenues are required to be withdrawn from the Junior Lien Obligation Debt Service Fund and deposited with the Second Lien Trustee and the amounts of such withdrawals to the extent determinable. Upon receipt by the Second Lien Trustee, Second Lien Revenues are required to be deposited into the Second Lien Revenue Fund and segregated within the Second Lien Revenue Fund into such sub-funds, accounts and sub-accounts as may have been established for the benefit of outstanding series of Second Lien Obligations. For a general description of the application of Revenues, see "–Flow of Funds from Revenues–Payment of Debt Service on the Bonds and Swap Payments," below, and APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Source of Payment; Pledge of Second Lien Revenues."

The Second Lien Indenture permits the City, at its option, to transfer to the Second Lien Trustee Other Available Moneys, as described below, to pay the principal of and interest on the Bonds. Under the Twenty-Fifth Supplemental Indenture, the City has covenanted to: (i) impose and to cause all Customer Facility Charges to be collected on a monthly basis in accordance with the CFC Ordinance and the CFC Statute; and (ii) enforce the Consolidated Rental Car Facility Lease to collect Facility Rent as and when due in accordance with the Consolidated Rental Car Facility Lease, and such CFC Revenues have been pledged to the Bonds. The CFC Revenues constitute Other Available Moneys, but only with respect to the Bonds. See "–Other Available Moneys" and "–CFC Revenues" below. CFC Revenues will be deposited with the Trustee and used to pay the principal of and interest on the Bonds prior to the use of Second Lien Revenues.

Proposed Amendment to the Second Lien Indenture

Pursuant to the Eleventh Supplemental Indenture by and between the City and the Second Lien Trustee, Section 506 of the Second Lien Indenture is proposed to be deleted in its entirety. The effect of this proposed amendment would be to delete the obligation to satisfy all of these conditions prior to any sale or transfer. Owners of the Bonds will be deemed to have consented to the proposed amendment by virtue of their purchase of the Bonds.

Currently, Section 506 imposes a series of conditions that would have to be satisfied before any sale, conveyance, mortgage, encumbrance or other disposition, directly or indirectly, of all or substantially all of the Airport or the transfer, directly or indirectly, of control, management or any material aspect of control, management or oversight of the Airport (collectively, a "*Sale or Transfer*") could occur. All of these conditions are described in

APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE—Sale or Transfer of Airport."

The proposed amendment contained in the Eleventh Supplemental Indenture requires compliance with the terms of Articles VII and VIII of the Second Lien Indenture, including the consent of the Owners of a majority in principal amount of the all Second Lien Obligations outstanding at the time that consent is given, the delivery of an opinion of counsel with respect to the authorization, execution, delivery and enforceability of the Eleventh Supplemental Indenture and the satisfaction of certain other conditions.

The Owners of all of the Outstanding Second Lien Bonds have consented to the proposed amendment. However, the City has not to date elected to implement the proposed amendment, requested consent from the providers of credit support for certain of the Outstanding Second Lien Bonds (e.g. bond insurers or letter of credit banks) to the proposed amendment, or certified its effectiveness to the Second Lien Trustee.

Description of Revenues

Under the Second Lien Indenture "*Revenues*" consist of all amounts received or receivable, directly or indirectly, by the City for the use and operation of, or with respect to Midway, excluding, however: (a) PFC revenue, or any similar charges levied by or on behalf of the City (including CFC Revenues), and investment income thereon; (b) any grants, gifts, bequests, contributions or donations; (c) the proceeds from the sale, transfer or other disposition by the City of title to all or any part of Midway; (d) the proceeds of any taxes collected at Midway; (e) the proceeds of any condemnation awards or insurance proceeds, except to the extent such moneys are deemed to be revenues in accordance with generally accepted accounting principles ("*GAAP*"); (f) the proceeds of any court or arbitration award or settlement in lieu thereof, except to the extent such moneys are deemed to be revenues in accordance with generally accepted accounting principles or constitute reimbursements for previously incurred O&M Expenses; (g) any amounts derived by the City with respect to debt service on Special Facility Revenue Bonds; (h) the proceeds of any bonds or other indebtedness of the City; (i) payments of principal and interest on any loans made by the City for Airport purposes; (j) investment income on moneys held in the Construction Fund, the Special Project Fund, the Emergency Reserve Fund and the Airport Development Fund; and (k) any other amounts that are not deemed to be revenues in accordance with GAAP or that are restricted as to their use. For a complete definition of "*Revenues,*" see APPENDIX A–"GLOSSARY OF TERMS."

For a general description of the application of Revenues, and the application of Second Lien Revenues under the Second Lien Indenture, see "–Flow of Funds from Revenues, and "–Payment of Debt Service on the Bonds and Swap Payments," below, and APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Source of Payment; Pledge of Second Lien Revenues."

Other Available Moneys, including CFC Revenues

"*Other Available Moneys*" includes (i) CFC Revenues, with respect to the Bonds, and (ii) for any Fiscal Year, the amount of money determined by the Chief Financial Officer to be

transferred by the City for such Fiscal Year from sources other than Revenues to the First Lien Revenue Fund, the First Lien Debt Service Fund or any debt service fund for Second Lien Obligations. For purposes of the Bonds only, "*Other Available Moneys*" include the CFC Revenues that have been pledged to the payment of the Bonds.

As noted above, PFC revenues do not constitute Revenues as defined in the Second Lien Indenture and are not pledged to, or held by, the Second Lien Trustee for the benefit of the owners of the Bonds. However, the City expects that to the extent that PFC revenues are available to the City in each Fiscal Year, the City will transfer to the Second Lien Trustee for deposit into the respective Dedicated Sub-Funds as Other Available Moneys PFC revenues to pay PFC-eligible debt service on the Bonds and on Outstanding Airport Obligations, although the City is under no obligation to do so.

Pursuant to the Twenty-Fifth Supplemental Indenture, the City shall: (i) cause all Customer Facility Charges to be collected on a monthly basis in accordance with the CFC Ordinance and the CFC Statute; and (ii) enforce the Consolidated Rental Car Facility Lease to collect Facility Rent as and when due in accordance with the Consolidated Rental Car Facility Lease, and deliver or cause to be delivered all such collected CFC Revenues to the Trustee for deposit into the Series 2018A CFC Revenue Account. The Trustee will transfer such moneys deposited into the Series 2018A CFC Revenue Account upon receipt and no later than the first Business Day of each month. See "– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture" below.

Customer Facility Charges. In April 2013, the City opened the Consolidated Rental Car Facility to serve Midway. On September 1, 2005, the rental car companies operating at Midway began collecting a Customer Facility Charges ("*CFC*") of $3.75 per contract day from customers who rented cars at Midway, which CFC was increased to $4.75 per contract day as of July 1, 2015. Pursuant to an ordinance approved by the City Council of the City on July 27, 2005, the amount of the CFC may be adjusted by the Commissioner of the Chicago Department of Aviation from time to time with thirty days prior written notice to the rental car companies operating at the Consolidated Rental Car Facility at Midway. Construction of the Consolidated Rental Car Facility was financed through a combination of CFCs collected from rental car customers at Midway and the proceeds of the Refunded Bonds. CFCs were pledged to the Refunded Bonds and are pledged to the Bonds; CFCs are not included in Revenues pledged to secure any Second Lien Bonds other than the Bonds.

Consolidated Rental Car Facility Lease and Facility Rent. The Consolidated Rental Car Facility is leased to the Tenant pursuant to the Consolidated Rental Car Facility Lease. The Consolidated Rental Car Facility Lease establishes the rents due for the facility, which include "*Base Rent*" and "*Facility Rent.*" Base Rent, or ground rent, is payable to the City and is part of Revenues. Facility Rent includes "*Debt Service Facility Rent*," which shall only be payable by Tenant under the Consolidated Rental Car Facility Lease to the extent that (i) total CFC collections from all On-Airport Rental Car Companies (as hereinafter defined) then comprising Tenant for the applicable payment period under the Consolidated Rental Car Facility Lease are less than the total amount of such Debt Service Facility Rent attributable to such payment period, and (ii) funds then contained in the CFC Surplus Account (as hereinafter defined) are first applied towards such excess Debt Service Facility Rent, but are less than the total amount of

such Debt Service Facility Rent excess for the applicable payment period. Facility Rent, along with CFC's "*CFC Revenues*" are pledged to secure the Bonds and is not included in Revenues pledged to secure Second Lien Bonds, but is included in Other Available Moneys and pledged to the payment of the Bonds. Any and all additional components of Facility Rent shall be paid by Tenant as and when the same become due and payable, and in any event within 30 days following the City's invoice therefor.

As soon as reasonably practicable following the end of each calendar year during the term of the Consolidated Rental Car Facility Lease, the City shall provide Tenant with a statement (the "*Debt Service Facility Rent Statement*") indicating (i) the total amount of Debt Service and related costs attributable to such calendar year, (ii) the total CFC collections received by the City and attributable to such calendar year, and (iii) the available balance of the CFC Surplus Account for such calendar year. If such Debt Service Facility Rent Statement indicates that the total amount of Debt Service and related costs for such calendar year exceeds the sum of (A) the total amount of CFC collections attributable to such calendar year, plus (B) the then-available CFC Surplus Account funds for such calendar year applied thereto, Tenant shall pay to the City any such deficiency (a "*Rent Deficiency*") within sixty (60) days after Tenant receives the Debt Service Facility Rent Statement for such calendar year, and such sums shall be deemed additional rent under the Consolidated Rental Car Facility Lease. Any such Rent Deficiency which remains unpaid from and after such 60-day period shall bear interest at a default rate set under the Consolidated Rental Car Facility Lease from the date due until paid. If such Debt Service Facility Rent Statement indicates that the total amount of Debt Service and related costs for such calendar year is less than the total amount of CFC collections attributable to such calendar year, the City shall apply such excess, at the City's discretion, first to Eligible Costs (as defined in the Consolidated Rental Car Facility Lease) and then as otherwise permitted under the terms and provisions of the CFC Ordinance, the Master Indenture, as the case may be (provided, the City shall advise Tenant of any excess CFC collections which are to be applied to items other than Eligible Costs). The City acknowledges in the Consolidated Rental Car Facility Lease that under each sublease between Tenant, as the sublessor, and each On-Airport Rental Car Company (as hereinafter defined) comprising Tenant, as the sublessee, each On-Airport Rental Car Company will be required to pay its share of any Rent Deficiency payable under the Consolidated Rental Car Facility Lease directly to the City, and the City, without limitation of its other rights and remedies under the Consolidated Rental Car Facility Lease for the non-payment of any such Rent Deficiency or other sums, and without limitation or modification of the liability of Tenant and each such On-Airport Rental Car Company for the payment of such Rent Deficiency or other sums thereunder, and the City agrees to accept payment of such Rent Deficiency from each such On-Airport Rental Car Company.

In the event that the Bonds are retired, are paid in full, or are otherwise discharged prior to the maturity date established at the time of their initial issuance (each, an "*Early Discharge*") from any moneys other than CFC Revenue Account or CFC Surplus Account moneys pursuant to the Second Lien Indenture at any time prior to the expiration date of the Consolidated Rental Car Facility Lease such that there is then no additional Debt Service Facility Rent thereafter coming due and payable thereunder, the City shall continue to impose the CFC until the expiration date of the Consolidated Rental Car Facility Lease, CFC proceeds shall continue to be collected and remitted to the City by the On-Airport Rental Car Companies in accordance with the applicable Concession Agreement (as hereinafter defined) until the expiration date of the

Consolidated Rental Car Facility Lease, and Tenant shall pay thereunder in lieu of, and in substitution for, such Debt Service Facility Rent, and as a component of Facility Rent, rent for the premises equivalent to the Fair Rental Value (as defined in the Consolidated Rental Car Facility Lease) therefor (the "*Alternate Facility Rent*"). Alternate Facility Rent shall be due and payable to the City at the same time and in the same manner as the rent otherwise payable under the Consolidated Rental Car Facility Lease; provided, however, that Tenant may offset against the amount of Alternate Facility Rent due to the City (or any assignee of the City) thereunder the aggregate CFC proceeds that have theretofore been paid to the City by the On-Airport Rental Car Companies, net of any amounts that have been committed by the City (or any assignee of the City) to pay other Eligible Costs, for the applicable payment period; it being understood that the Alternate Facility Rent shall be deemed another Eligible Cost under the Consolidated Rental Car Facility Lease.

In the event of an Early Discharge (as defined in the Consolidated Rental Car Facility Lease) from CFC Revenue Account and/or CFC Surplus Account moneys such that no additional Debt Service Facility Rent shall thereafter be due and payable, the Alternate Facility Rent shall not be based on the Fair Rental Value as set forth above. Rather, Tenant shall pay under the Consolidated Rental Car Facility Lease in lieu of, and in substitution for, such Debt Service Facility Rent, and as a component of Facility Rent, rent for the premises in an amount equal to the interest component of Debt Service on the Bonds which would otherwise have been due and payable if there had not been an Early Discharge, with interest calculated as if the principal outstanding on the Bonds as of the date of Early Discharge were amortized on a straight-line basis over what would have been the remaining term of the Bonds (the "*Modified Alternate Facility Rent*"), it being acknowledged by the City and Tenant that such Modified Alternate Facility Rent, plus the CFC Revenue Account and/or CFC Surplus Account moneys that were used for the Early Discharge, are equal to the Fair Rental Value for the premises for the remainder of the term. Modified Alternate Facility Rent shall not be deemed another Eligible Cost for purposes of the Consolidated Rental Car Facility Lease, and the On-Airport Rental Car Companies shall not offset CFCs collected and remitted to the City against Modified Alternate Facility Rent, it being understood, however, that the CFC may still be imposed and the proceeds thereof collected and remitted for purposes of paying other Eligible Costs. Modified Alternate Facility Rent shall be due and payable to the City at the same time and in the same manner as the rent otherwise payable under the Consolidated Rental Car Facility Lease.

In the Consolidated Rental Car Facility Lease, Tenant acknowledges that each of its members is required to collect and promptly remit CFCs to the City under the terms of each company's Concession Agreement.

Rental Car Concession License Agreements. Each of the on-airport rental car companies operating at the Consolidated Rental Car Facility (the "*On-Airport Rental Car Companies*") has entered into a Rental Car Concession License Agreement (a "*Concession Agreement*") with the City, with a term of 30 years. On June 1, 2011, the following On-Airport Rental Car Companies entered into a Concession Agreement with the City: (i) Avis Budget Group, Inc. (owner of the Avis Rent a Car and Budget Rent a Car brands); (ii) Dollar Thrifty Automotive Group, Inc. (owner of the Dollar Rent a Car and Thrifty Rent a Car brands); (iii) Enterprise Holdings, Inc. (owner of the Enterprise Rent-A-Car, Alamo Rent A Car, and National Car Rental brands) and (iv) the Hertz Global Holdings, Inc. (Hertz, owner of Hertz Car Rental and Advantage Rent a

Car brands). The Concession Agreements establish a concession fee ("*Rental Car Concession Fee*") for each rental car company operating at the Consolidated Rental Car Facility, consisting of a minimum annual guarantee and a percentage of gross revenues above such minimum annual guarantee, payable to the City and included in Revenues pledged to secure the Second Lien Bonds, including the Bonds. In addition, rental car companies which do not operate at the Consolidated Rental Car Facility ("*Off-Airport Rental Car Companies*") but which desire to pick up rental car customers at Midway must enter into an Off-Airport Rental Car Concession License Agreement pursuant to which such Off-Airport Rental Car Companies agree to pay a Rental Car Concession Fee to the City and to collect and deliver CFCs to the City. Such Rental Car Concession Fees are included in Revenues pledged to secure the Second Lien Bonds, including the Bonds, however, the CFCs are pledged only to the Bonds. Off-Airport Rental Car Companies may pick up customers only at the Consolidated Rental Car Facility and not at the terminal.

Upon the issuance of the Bonds and the refunding of the Refunded Bonds (as hereinafter defined), the CFC Revenues are not pledged to any Second Lien Bonds, other than the Bonds, and do not constitute Revenues under the Second Lien Indenture.

The CFC Revenues constitute Other Available Moneys, but only with respect to the Bonds. The City reserves the right to pledge any CFC Revenues to other Airport Obligations funding Airport Projects authorized under the CFC Statute on a parity basis with the Bonds.

Flow of Funds of Revenues under First Lien Indenture and Second Lien Indenture

Revenues and expenses of Midway are accounted for as a separate enterprise fund of the City subject to the provisions of the First Lien Indenture and the Airport Use Agreements. Under the First Lien Indenture, all Revenues are collected by the City and, after monthly deposits by the City into the O&M Fund of an amount equal to one-twelfth of the O&M Expense Projection for the current Fiscal Year, promptly deposited to the credit of the First Lien Revenue Fund in the name of the First Lien Trustee. The First Lien Trustee is accountable only for moneys so deposited.

The First Lien Indenture creates the First Lien Revenue Fund, the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund and the Junior Lien Obligation Debt Service Fund to be held and administered by the First Lien Trustee. The City further agrees under the First Lien Indenture to establish and maintain as required by the Airport Use Agreements, an O&M Fund, a Special Project Fund, an O&M Reserve Account, a Working Capital Account, a Repair and Replacement Fund, an Emergency Reserve Fund and an Airport Development Fund.

Monthly Deposits. On the tenth day of each month the First Lien Trustee shall make the following deposits and transfers from amounts on deposit in the First Lien Revenue Fund in the manner and order of priority set forth below:

> *First*: into the First Lien Debt Service Fund the amount, if any, needed to increase the amount in the First Lien Debt Service Fund so that it equals the amount of money obtained by aggregating the several sums, computed with respect to the Outstanding First Lien Bonds of each Series, of (i) certain accrued and unpaid principal

and interest due on First Lien Bonds, and (ii) the amount, if any, specified in a certificate filed with the First Lien Trustee in order to provide funds to pay amounts due and owing to the issuer of any Reserve Fund Asset.

Second: to the City for deposit into the O&M Reserve Account an amount equal to one-twelfth of the O&M Reserve Account Deposit Requirement, which is the amount required in each Fiscal Year to increase the amount on deposit in the O&M Reserve Account to an amount equal to one-sixth of the O&M Expense Projection for such Fiscal Year.

Third: to the City for deposit into the Working Capital Account. As there is no current deposit requirement for the Working Capital Account under the Airline Use Agreements, the City has directed the First Lien Trustee to suspend deposits to the Working Capital Account, which direction may be revoked at any time.

Semi-Annual Deposits. On the Business Day immediately preceding the first and the 182nd day of a Fiscal Year, the First Lien Trustee shall make the following deposits and transfers from amounts on deposit in the First Lien Revenue Fund in the manner and order of priority set forth below:

First: into the First Lien Debt Service Reserve Fund the amount, if any, necessary to increase the amount on deposit therein to an amount equal to the First Lien Debt Service Reserve Fund Requirement for First Lien Bonds under the First Lien Indenture.

Second: into the Junior Lien Obligation Debt Service Fund an amount, if any, equal to the amount required by any resolution or ordinance authorizing the issuance of Junior Lien Obligations to be deposited therein on such date and without priority, one over the other, to any Accounts within the Junior Lien Obligation Debt Service Fund, as specified by a Certificate filed with the First Lien Trustee. Deposits will be made to this Fund for transfer to the Second Lien Trustee to pay debt service on the Bonds, to pay Section 208 Obligations or Section 209 Obligations and to restore the amount held in the Common Debt Service Reserve Sub-Fund to the Reserve Requirement. See "–Payment of Debt Service on the Bonds and Swap Payments," below.

Third: to the City for deposit into the Repair and Replacement Fund an amount equal to one-half of the Repair and Replacement Fund Deposit Requirement, which requirement for each Fiscal Year shall be $1.0 million adjusted for each Fiscal Year by multiplying the amount of the Repair and Replacement Fund Deposit Requirement for the prior Fiscal Year by a factor of one plus the percentage increase, if any, in the Producer Price Index during the most recently ended 12-month period for which the Producer Price Index is available. As permitted under the First Lien Indenture, the City has directed the First Lien Trustee to suspend deposits to the Repair and Replacement Fund, which direction may be revoked at any time.

Fourth: to the City for deposit into the Emergency Reserve Fund an amount equal to one-half of the Emergency Reserve Fund Deposit Requirement, which

requirement shall be the amount required to be deposited in the Emergency Reserve Fund so that the amount held therein will equal for each Fiscal Year, the required balance for the prior Fiscal Year (which was established at $250,000 for the Fiscal Year ended December 31, 1994) plus the percentage increase, if any, in the Producer Price Index during the most recently ended 12-month period for which the Producer Price Index is available.

Fifth: to the City for deposit into the Special Project Fund the amount specified by the City in a certificate filed with the First Lien Trustee as the amount to be deposited at such time in such Fund.

Sixth: to the City for deposit into the Airport Development Fund the amount specified by the City in a certificate filed with the First Lien Trustee as the amount to be deposited at such time in such Fund.

If at the time deposits are required to be made as described above, the moneys held in the First Lien Revenue Fund are insufficient to make any required deposit, then the deposit shall be made up on the next applicable deposit date from amounts in the First Lien Revenue Fund after required deposits into all other Funds and Accounts having a higher priority shall have been made in full.

At the end of each Fiscal Year amounts on deposit in the O&M Fund, the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund and the Junior Lien Obligation Debt Service Fund in excess of the amount required under the First Lien Indenture or under any ordinance or resolution authorizing the issuance of Junior Lien Obligations to be on deposit in such Fund at the end of such Fiscal Year shall be transferred to the First Lien Revenue Fund.

Payment of Debt Service on the Bonds and Swap Payments. The Second Lien Indenture creates the Second Lien Revenue Fund to be held and administered by the Second Lien Trustee. The City is required to file with the First Lien Trustee, upon the issuance of each series of Second Lien Obligations (including the Bonds), an executed counterpart of the Supplemental Indenture creating such series and a certificate stating the dates on which amounts on deposit in the Junior Lien Obligation Debt Service Fund are to be withdrawn therefrom by the First Lien Trustee and paid to the Second Lien Trustee, and the amounts of such withdrawals to the extent determinable, and containing a direction of the City to the First Lien Trustee to withdraw from the Junior Lien Obligation Debt Service Fund and pay to the Second Lien Trustee the amounts, and on the dates, specified in such certificate. The Second Lien Trustee shall deposit such payments in the Second Lien Revenue Fund. The moneys in the Second Lien Revenue Fund shall be disbursed and applied by the Second Lien Trustee as required by the provisions of any Supplemental Indenture creating a series of Second Lien Obligations (including the Twenty-Fifth Supplemental Indenture), by the Nineteenth Supplemental Indenture with respect to the Common Debt Service Reserve Sub-Fund or by any instrument creating Section 208 or Section 209 Obligations. The Second Lien Trustee shall segregate within the Second Lien Revenue Fund and credit to such sub-funds, accounts and sub-accounts therein as may have been created for the benefit of such series of Second Lien Obligations and such Section 208 and Section 209 Obligations in such Supplemental Indenture such amounts as may be required to be so credited under the provisions of such Supplemental Indenture or instrument creating Section 208 or

Section 209 Obligations to pay the principal of and interest on such Second Lien Obligations and satisfy such Section 208 Obligations and Section 209 Obligations.

Moneys on deposit in the respective Dedicated Sub-Funds, and in each account established therein, are to be held in trust by the Second Lien Trustee solely for the benefit of the Registered Owners of the respective series of Bonds. The specific accounts established in the Dedicated Sub-Funds, and the deposit requirements for each such account, are more fully described in APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Payment of Debt Service on the Bonds and Related Section 208 and Section 209 Obligations."

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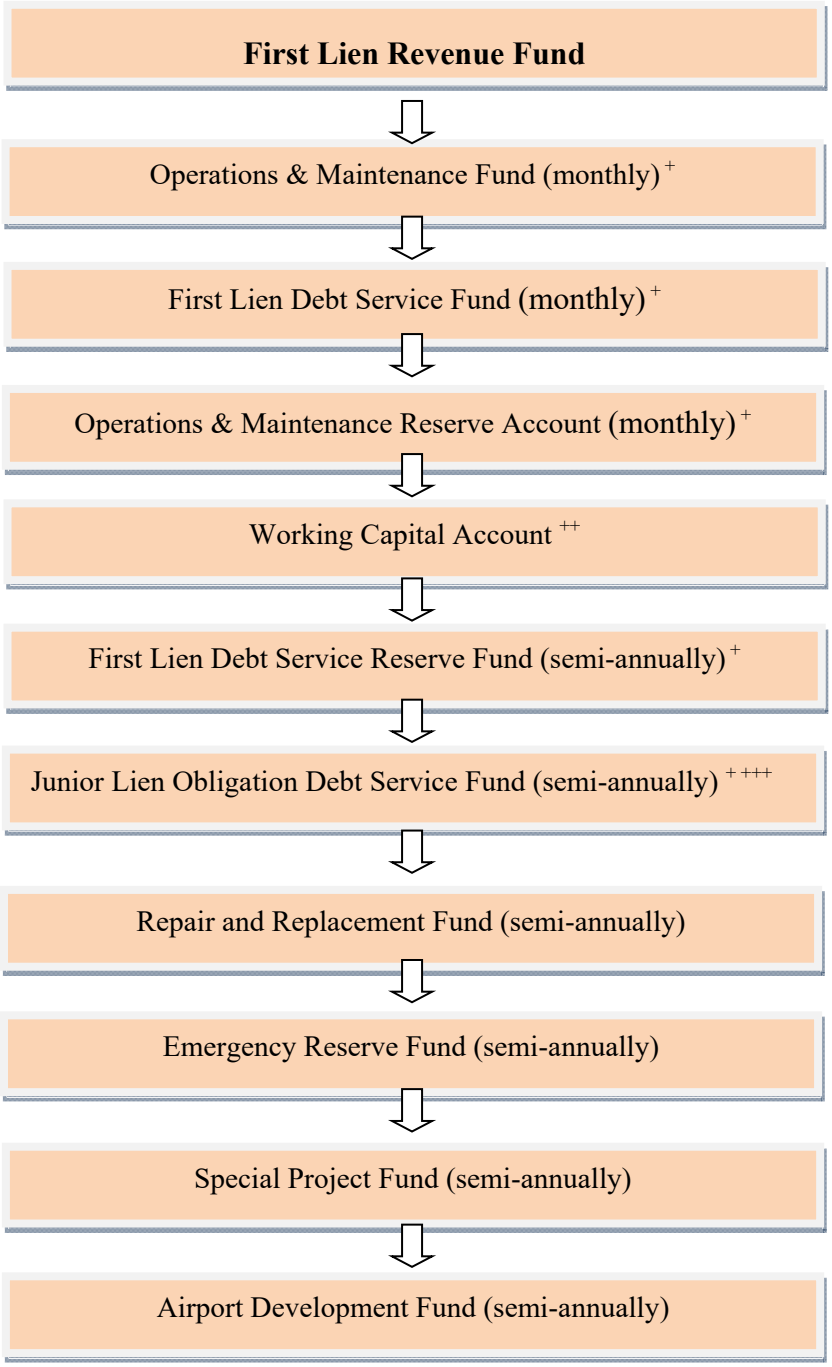
FLOW OF FUNDS DIAGRAM OF REVENUES UNDER THE SECOND LIEN INDENTURE



+ Amount on deposit at year-end in excess of amount required to be on deposit for such Fiscal Year under the First Lien Indenture or any ordinance or resolution authorizing the issuance of Junior Lien Obligations at year-end shall be transferred to the First Lien Revenue Fund.

++ As there is no current deposit requirement for the Working Capital Account under the Airline Use Agreements, the City has directed the First Lien Trustee to suspend deposits to the Working Capital Account, which direction may be revoked at any time.

+++ The CFC Revenues are not pledged to any Second Lien Bonds, other than the Bonds.

Source: City of Chicago, Department of Aviation.

This chart represents a simplified description of disbursements from the Revenue Fund. For a detailed description of the disbursements from the First Lien Revenue Fund, see "SECURITY FOR THE BONDS–Flow of Funds from Revenues," above.

Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture

The Twenty-Fifth Supplemental Indenture creates and establishes the Series 2018A Dedicated Sub-Fund with the Second Lien Trustee as a separate and segregated sub-fund within the Second Lien Revenue Fund. Moneys on deposit in the Series 2018A Dedicated Sub-Fund, and in each Account established therein are to be held in trust by the Second Lien Trustee for the sole and exclusive benefit of the Registered Owners of the Bonds. The Twenty-Fifth Supplemental Indenture creates within the Series 2018A Dedicated Sub-Fund the following separate accounts: (a) the Series 2018A Costs of Issuance Account; (b) the Series 2018A Program Fee Account; (c) the Series 2018A Debt Service Reserve Account; (d) the Series 2018A Principal and Interest Account; (e) the Series 2018A CFC Revenue Account; and (f) the Series 2018A CFC Coverage Account. The Twenty-Fifth Supplemental Indenture also creates, as a City-held fund, the CFC Surplus Account, which is not included in the Trust Estate Pursuant to the Twenty-Fifth Supplemental Indenture, the City will: (i) impose and to cause all Customer Facility Charges to be collected on a monthly basis in accordance with the CFC Ordinance and the CFC Statute; and (ii) enforce the Consolidated Rental Car Facility Lease to collect Facility Rent as and when due in accordance with the Consolidated Rental Car Facility Lease. The City acknowledges that the CFC Revenues are Other Available Moneys that have been pledged to the repayment of the Bonds in accordance with the Indenture. The City shall deliver or cause to be delivered all such CFC Revenues to the Trustee for deposit into the Series 2018A CFC Revenue Account. The Trustee will transfer such CFC Revenues deposited into the Series 2018A CFC Revenue Account upon receipt and no later than the first Business Day of each month, in the following order of priority:

(a) first, the Trustee shall transfer, on an equal and ratable basis, (i) to the Series 2018A Principal and Interest Account, (A) amounts sufficient to pay one-sixth of the interest due on the Bonds on the next succeeding Interest Payment Date and (B) amounts sufficient to pay one-twelfth of the Principal Installments due on the Bonds on the next succeeding January 1; and (ii) to each debt service account for any series of Parity CFC Bonds, after taking into account any amounts on deposit in available capitalized interest account for such Parity CFC Bonds, (A) amounts sufficient to pay one-sixth of the interest due on the next succeeding interest payment date as set forth in the indenture or supplemental indenture for such Parity CFC Bonds and (B) amounts sufficient to pay one-twelfth of the principal due on such Parity CFC Bonds as set forth in the indenture or supplemental indenture for such Parity CFC Bonds;

(b) second, the Trustee shall transfer, on an equal and ratable basis, (i) to the Series 2018A Debt Service Reserve Account amounts necessary to cause the amount on deposit therein to equal the Reserve Requirement and (ii) to such debt service reserve fund, if any, established with respect to any series of Parity CFC Bonds amounts necessary to cause the amounts on deposit in such debt service reserve fund to equal the requirement, if any, established with respect to such debt service reserve fund in the indenture or supplemental indenture for such Parity CFC Bonds;

(c) third, the Trustee shall transfer, on an equal and ratable basis, (i) to the Series 2018A Program Fee Account amounts necessary to cause the amount on deposit therein to equal the budgeted Program Fees for such Bond Year and (ii) to such administrative expense account, if any, established with respect to any series of Parity CFC Bonds amounts necessary to cause the amount on deposit in such account to equal the budgeted administrative expenses, if any, as set forth in the indenture or supplemental indenture for such Parity CFC Bonds;

(d) fourth, the Trustee shall transfer to the Series 2018A CFC Coverage Account amounts necessary to cause the amounts on deposit therein to equal the CFC Coverage Requirement; and

(e) fifth, the Trustee shall transfer to the CFC Surplus Account all remaining moneys on deposit in the Series 2018A CFC Revenue Account.

Moneys credited from time to time to the CFC Surplus Account pursuant to sub-clause (e) above may be used, at the discretion of an Authorized Officer of the City, to (i) on an equal and ratable basis, to make a deposit (A) to the Series 2018A Program Fee Account for the payment of Program Fees when said Account has a deficiency or (B) to any administrative expense account established with respect to any series of Parity CFC Bonds for the payment of administrative expenses as authorized by the indenture or supplemental indenture for such Parity CFC Bonds when such account has a deficiency, (ii) to fund repairs and replacements for any Parity CFC Airport Projects, (iii) to expand any Parity CFC Airport Projects, (iv) to purchase, defease or retire the Bonds or any series of Parity CFC Bonds, or (v) for any other lawful purpose with respect to the "Eligible Costs" permitted under the CFC Ordinance and the CFC Statute. Moneys on deposit in the CFC Surplus Account shall be used by the City, on an equal and ratable basis, to pay the principal of and interest on the Bonds and any series of Party CFC Bonds at such time as such principal and interest are due and there is not sufficient money in the Series 2018A Principal and Interest Account or the debt service account for such Parity CFC Bonds, as applicable.

The following chart represents a simplified description of CFC Revenues deposited into the Series 2018A CFC Revenue Account under the Twenty-Fifth Supplemental Indenture. For a detailed description, see "– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture," above.

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Rate Covenant

The City covenants in the Second Lien Indenture that it will fix and establish, and revise from time to time whenever necessary, such rentals, rates and other charges for the use and operation of Midway and for certain services rendered by the City in the operation thereof 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 or the Second Lien Indenture, will be at least sufficient:

(a) to provide for the payment of O&M Expenses for the Fiscal Year, and

(b) to provide for the *greater* of paragraph (i) or (ii) as follows:

(i) the greater of the amounts needed to make the deposits required under the First Lien Indenture during such Fiscal Year into the First Lien Debt Service Fund, the O&M Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 125% of the Aggregate First Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by any amount held in any

Capitalized Interest Account for disbursement during such Bond Year to pay interest on First Lien Bonds; or

(ii) the greater of the amounts needed to make the deposits required under the First Lien Indenture during such Fiscal Year into the First Lien Debt Service Fund, the O&M Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 110% of the sum of the Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year, reduced by (A) any amount held in any Capitalized Interest Account for disbursement during such Bond Year to pay interest on any First Lien Bonds, and (B) any amount held in any Capitalized Interest Account established pursuant to a Supplemental Indenture for disbursement during such Bond Year to pay interest on Second Lien Obligations (collectively, the "*Rate Covenant*").

Under the Second Lien Indenture, if during any Fiscal Year, Revenues, Other Available Moneys and such cash balance in the First Lien Revenue Fund will not be sufficient to produce an amount calculated to meet the Rate Covenant, the City is obligated to revise its Midway rentals, fees and charges or alter its methods of operation or take other such action in such manner as is necessary to satisfy the Rate Covenant. Within 60 days after the end of each Fiscal Year, the City shall furnish to the Second Lien Trustee a calculation of the coverage required, certified by the Chief Financial Officer. If the City determines that the Rate Covenant was not satisfied for the prior Fiscal Year, then within 60 days after the receipt by the Second Lien Trustee of such certificate, the City shall employ an Independent Airport Consultant to review and analyze the financial status and the administration and operation of the Airport and to submit to the City, within 60 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the City with respect to the revision of its Midway rentals, fees and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the then-current Fiscal Year or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Promptly upon its receipt of the recommendations the City shall, after giving due consideration to the recommendations, revise the Midway rentals, fees and charges or alter its methods of operations or take other action which is projected to result in satisfying the Rate Covenant during the then-current Fiscal Year or, if less, the maximum deemed feasible by the Independent Airport Consultant. So long as the City is acting in accordance with the provisions of the Second Lien Indenture relating to the recalculation of rentals, fees and charges, the City's failure to satisfy the Rate Covenant will not constitute an Event of Default under the Second Lien Indenture. See "–Flow of Funds from Revenues" above.

Debt Service Reserve Account

Pursuant to the Twenty-Fifth Supplemental Indenture, the City is required to establish and to make deposits into a separate "Debt Service Reserve Account" (the "*Series 2018A Debt Service Reserve Account*") for the Bonds in an amount equal to the Reserve Requirement for the Bonds. The "*Reserve Requirement*" for the Bonds is equal to $4,567,000, which is equal to the

lesser of (i) the maximum amount of Annual Second Lien Debt Service payable on the Bonds in the current or any succeeding Bond Year, (ii) 125% of the average Annual Second Lien Debt Service on the Bonds or (iii) 10% of the original principal amount of the Bonds. Under the Twenty-Fifth Supplemental Indenture, all or any portion of the Reserve Requirement for the Bonds may be satisfied by the deposit with the Second Lien Trustee of a Qualified Reserve Account Credit Instrument.

Deficiencies in the Debt Service Reserve Account are required to be satisfied from Second Lien Revenues. The Debt Service Reserve Account will be applicable only to the applicable series of Bonds and funds on deposit in each Debt Service Reserve Account will not be available to pay debt service on any other series of Second Lien Obligations or the First Lien Bonds. See "Flow of Funds–*Payment of Debt Service on the Bonds and Swap Payments*," above and APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Payment of Debt Service on the Bonds and Related Section 208 and Section 209 Obligations."

Covenant Against Other Pledges of Revenues

The City covenants in the Second Lien Indenture that it will not issue any bonds, notes or other evidence of indebtedness, secured by a pledge of Second Lien Revenues, other than Second Lien Obligations, and shall not create or cause to be created any lien or charge on Revenues, or on any amounts pledged for the benefit of owners of Second Lien Obligations under the Second Lien Indenture (other than the pledge contained in the First Lien Indenture); except that the City has the right to issue (a) First Lien Bonds, (b) bonds, notes and other evidence of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after the discharge and satisfaction of all Second Lien Obligations or (c) to issue bonds, notes and other evidence of indebtedness that are payable from or secured by a pledge of amounts which may be withdrawn from the Junior Lien Obligation Debt Service Fund so long as such pledge is expressly junior and subordinate to the pledge of Second Lien Revenues to the payment of Second Lien Obligations.

Midway Revenues Must Be Used For Airport Purposes

As a recipient of federal grants for Midway, the City is required by federal law, and by its grant assurances to the Federal Aviation Administration (the "*FAA*") under its grant agreements with the FAA, to use all revenues generated at Midway, including all Revenues, for the capital or operating costs of Midway, the local airport system, or other local facilities which are owned or operated by the City and directly and substantially related to the air transportation of passengers or property.

Any diversion by the City of revenues generated at Midway, including the Revenues, in violation of federal law or the City's grant assurances, would subject the City to potential enforcement actions by the FAA, including: (i) withholding Airport Improvement Program ("*AIP*") grant funds, approval of AIP grant applications, modifications of existing AIP grants and approval of applications to impose and use passenger facility charges ("*PFCs*"); and/or (ii) assessment of a civil penalty for unlawful revenue diversion of up to $50,000; and/or (iii) seeking judicial enforcement for violation of any grant assurance; and/or (iv) assessment of a

civil penalty up to three times the amount of the diverted revenue; and/or (v) assessment of interest on the amount of diverted revenue; and/or (vi) withholding any amount from funds otherwise available to the City from the United States Department of Transportation, including funds for other transportation projects, such as transit or multimodal projects; and/or (vii) exercise by the FAA of its right of reverter and, on behalf of the United States, taking title to all or any part of federal property interests previously conveyed by the federal government to the City.

In addition, any diversion by the City of revenues generated at Midway, including the Revenues, in violation of the City's grant assurances or federal law might result in a default under the First Lien Indenture, which, upon becoming an Event of Default under the First Lien Indenture, could result in the exercise by the Trustee of the remedies under the First Lien Indenture. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE—Remedies."

Airport Use Agreements

A substantial portion of the Revenues to be deposited in accordance with the First Lien Indenture is derived from rentals, fees and charges imposed upon the Signatory Airlines pursuant to the Airport Use Agreements. The Airport Use Agreements provide that the aggregate of all rentals, fees and charges to be paid by the Signatory Airlines, together with Non-Airline Revenues and as required by the Airport Use Agreements, shall be sufficient to pay for the cost of operating, maintaining and improving Midway, including the satisfaction of all of the City's obligations to make deposits and payments under the Airport Use Agreements and the First Lien Indenture or any other ordinance or indenture authorizing the issuance of notes, bonds or other obligations of Midway. In addition, the Airport Use Agreements specifically provide the City with the right to approve or disapprove any transfer, including, but not limited to, any sublease or assignment, by any Signatory Airline of any of its leasehold rights to Leased Premises at Midway, which include, but are not limited to, gates at Midway. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS–Assignment, Sublease and Other Transfers." The termination date of the Airport Use Agreements is December 31, 2027. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS–Term," "–Default and Termination," and "–Change of Lease Term."

The Airport Use Agreements include incentives for the City to grow Non-Airline Revenues generated at Midway and to reduce operation and maintenance expenses incurred in the operation of Midway by providing that (i) up to $1 million of the amount, if any, of Non-Airline Revenues in excess of certain specified levels collected in each Fiscal Year and (ii) up to $1 million of the amount, if any, by which operation and maintenance expenses incurred in each Fiscal Year are below 95% of the budgeted operation and maintenance expenses for such Fiscal Year shall be deposited in the Airport Development Fund established and maintained by the City under the Airport Use Agreements. The aggregate of the amounts to be deposited into the Airport Development Fund in any Fiscal Year as described in clauses (i) and (ii) shall not exceed $1.5 million in any Fiscal Year. Each of the foregoing dollar limits shall be adjusted annually for inflation, and the Airport Use Agreements provide that the City may propose an additional increase to such dollar limits on January 1, 2023, which will be effective if not disapproved by a

majority-in-interest under the Airport Use Agreements. Amounts in the Airport Development Fund may be used by the City for any lawful purpose in the City's sole discretion.

Based upon CDA management records for 2017, the Signatory Airlines and their affiliates represented, in the aggregate, 99.9% of the total enplanements at Midway. Southwest represented 92.7% of the total enplaned passengers[1] at Midway in 2017. See "CHICAGO MIDWAY INTERNATIONAL AIRPORT – Airlines Providing Service at Midway," "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY – Effect of Airline Bankruptcy," and APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

Certain Outstanding Second Lien Bonds (including the Bonds) mature after the stated termination date of the Airport Use Agreements. It is not possible to predict the terms of any airport use agreement that might replace the Airport Use Agreements or whether any airlines will be contractually obligated to make payments in amounts reflecting, among other things, debt service on the Bonds or any other Second Lien Bonds after the stated termination of the Airport Use Agreements on December 31, 2027. The City has no obligation under the Second Lien Indenture to maintain, extend or renew any Airport Use Agreements. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY–Airport Use Agreements."

Additional Obligations

General. The Second Lien Indenture provides that, in order to provide sufficient funds for the financing or refinancing of Airport Projects, the City may issue one or more additional series of Second Lien Obligations ("*Additional Second Lien Obligations*") on a parity basis with outstanding Second Lien Obligations from time to time without limitation as to amount (except as may be limited by law), for the purpose of (i) the payment, or the reimbursement for the payment, of the costs of one or more Airport Projects, (ii) the refunding of any First Lien Bonds, Second Lien Obligations or other obligations issued to finance or refinance one or more Airport Projects, including, but not limited to, any Special Facility Revenue Bonds or any Junior Lien Obligations, or (iii) the funding of any Fund or Account (as defined in the First Lien Indenture) or any Fund or Account as specified in the Second Lien Indenture or the Supplemental Indenture under which any Second Lien Obligations are issued, including in each case payment of the Costs of Issuance of such Second Lien Obligations.

Additional Second Lien Obligations, other than Completion Obligations (defined as any Second Lien Obligation issued for the purpose of defraying additional costs of an Airport Project or Projects financed by the First Lien Bonds or Second Lien Obligations) or Refunding Obligations, may be issued only upon satisfaction of various requirements, including either:

(i) an Independent Airport Consultant's certificate stating that, based upon reasonable assumptions set forth therein, Revenues and Other Available Moneys are projected to be not less than that required to satisfy the Rate Covenant

[1] Includes general aviation, military, helicopter and miscellaneous passengers included in the CDA management records.

(disregarding any First Lien Bonds or Second Lien Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the series of Second Lien Obligations proposed to be issued) for each of the next three Fiscal Years following issuance of such Additional Second Lien Obligations or, if later, for each Fiscal Year from the issuance of such Additional Second Lien Obligations through the two Fiscal Years immediately following completion of the Airport Projects financed by such Additional Second Lien Obligations; provided that for purposes of issuing its certificate, the projections of the Independent Airport Consultant shall include as Other Available Moneys, only moneys that have either been (A) paid over to the First Lien Trustee and deposited into the First Lien Revenue Fund or the First Lien Debt Service Fund or paid over to the Second Lien Trustee and deposited into a debt service fund for Second Lien Obligations or (B) irrevocably pledged to the payment of debt service on First Lien Bonds or Second Lien Obligations; *or*

(ii) a Certificate stating that Revenues and Other Available Moneys in the most recent completed Fiscal Year for which audited financial statements have been prepared satisfied the Rate Covenant, assuming for such purpose that Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year includes the maximum Annual Second Lien Debt Service on the Additional Second Lien Obligations proposed to be issued.

See APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE–Authorization of the Second Lien Bonds and Other Second Lien Obligations."

Completion Obligations. With respect to any Additional Second Lien Obligations proposed to be issued as Completion Obligations, the City is required to deliver a Certificate to the Second Lien Trustee stating: (i) that the Completion Obligations proposed to be issued are being issued to finance the costs of one or more Airport Projects initially financed in whole or in part by First Lien Bonds or Second Lien Obligations; and (ii) that the additional cost of the Airport Projects being financed by such Completion Obligations does not exceed 15% of the aggregate cost thereof previously financed. Prior to the delivery of any Completion Obligations, the City is required to file with the Second Lien Trustee a certificate of a Consulting Engineer: (a) stating that the Airport Projects have not materially changed from their description in the First Lien Supplemental Indenture or the Supplemental Indenture creating the series of First Lien Bonds or Second Lien Obligations initially issued to finance the cost of such Airport Projects; (b) estimating the revised aggregate cost of the Airport Projects; (c) stating that the revised aggregate cost of such Airport Projects cannot be paid with available moneys; and (d) stating that, in the opinion of the Consulting Engineer, the issuance of Completion Obligations is necessary to provide funds to complete the Airport Projects.

Refunding Bonds. The City may also issue Additional Second Lien Obligations constituting Refunding Obligations without satisfying the requirement for a certificate of an Independent Airport Consultant summarized above under the subcaption "–General." See APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN

INDENTURE–Authorization of the Second Lien Bonds and Other Second Lien Obligations." The Bonds are Refunding Obligations under the Second Lien Indenture.

Other Provisions. For a more complete description of additional provisions concerning the security and sources of payment for the Bonds, see APPENDIX B–"SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE."

No Acceleration Rights

There is no provision for the acceleration of the maturity of Second Lien Bonds, including the Bonds, if any default occurs in the payment of the principal of or interest on Second Lien Bonds, including the Bonds, or in the performance of any other obligation of the City under the Second Lien Indenture.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

SOURCES OF FUNDS	
Par Amount of Bonds	$45,670,000.00
Series 2010C Debt Service Fund and Debt Service Reserve Account Releases	6,460,647.59
Contribution from CFC Surplus Account	17,000,000.00
Total	**$69,130,647.59**
USES OF FUNDS	
Deposit to Escrow Account	$63,975,308.76
Series 2018A Debt Service Reserve Account	4,567,000.00
Costs of Issuance (including Underwriter's Discount)	588,338.83
Total	**$69,130,647.59**

Totals may not add due to rounding.

APPLICATION OF BOND PROCEEDS

General

The proceeds of the Bonds are being used to: (i) refund prior to maturity and pay at maturity the Refunded Bonds; and (ii) pay costs and expenses incidental thereto and to the issuance of the Bonds.

Refunding Plan

The City expects to apply: (i) a portion of the net proceeds of the Bonds; (ii) the release of the Series 2010C Debt Service Reserve Account and (iii) a contribution from CFC Surplus

Account to refund $60,090,000 principal amount of Series 2010C Second Lien Bonds representing the full Outstanding amount of the Series 2010C Second Lien Bonds (the "*Refunded Bonds*").

On the date of issuance and delivery of the Bonds, the City will give the Trustee irrevocable instructions to call the Refunded Bonds on their applicable redemption dates. Notices of the call for redemption of the Refunded Bonds will be given by the Trustee in the manner required by the Second Lien Indenture.

To provide for the redemption and defeasance of the Refunded Bonds, a portion of the proceeds of the Bonds and the contribution from CFC Surplus Account will be applied to the redemption of the Refunded Bonds and be deposited into an escrow account to be held by The Bank of New York Mellon Trust Company, N.A., as the escrow agent and the Second Lien Trustee ("*Escrow Agent*"). The principal of, and interest on, the Refunded Bonds will be payable from the escrow account administered for the benefit of the City and the holders of the outstanding Refunded Bonds.

The interest earned on such escrowed funds will not serve as security for or be available for payment of principal of or interest on the Bonds.

Verification Report

The sufficiency of the funds to be on deposit in the Escrow Account to pay the remaining debt service payments on the Refunded Bonds, assuming the Refunded Bonds will be redeemed on September 4, 2018 and January 1, 2020, will be verified by Robert Thomas, CPA LLC, independent certified public accountants, based upon information supplied by the City in connection with such matters.

CHICAGO MIDWAY INTERNATIONAL AIRPORT

General

Midway was opened in 1927 and is located approximately ten miles southwest of the City's central business district. Midway occupies approximately 840 acres of land, can be accessed by the Stevenson Expressway (Interstate Route 55) and is directly linked to the City's central business district by a rapid transit rail system.

Midway was the principal airport serving the Chicago Region (defined below) prior to the completion of O'Hare in 1962. The airlines currently using Midway generally provide low fare, point-to-point, O&D passenger service. According to statistics compiled by ACI, in 2016, Midway was the 25th most active airport in the United States, measured in terms of total passengers. From 2008 to 2017, Midway experienced a 3.3% average annual growth in passenger enplanements compared to 1.5% growth nationwide.

After recording record high enplanements of 11.3 million in 2016, enplanements at Midway declined 1.0 percent to 11.2 million enplanements in 2017, as a result of downgauging

by Delta and lower load factors reported by Southwest. Through May 2018, enplaned passengers totaled 4.3 million, approximately 0.5% below the same period in 2017.

In May 2018, Midway had an average of approximately 262 average daily nonstop flights to 73 markets, including international destinations.

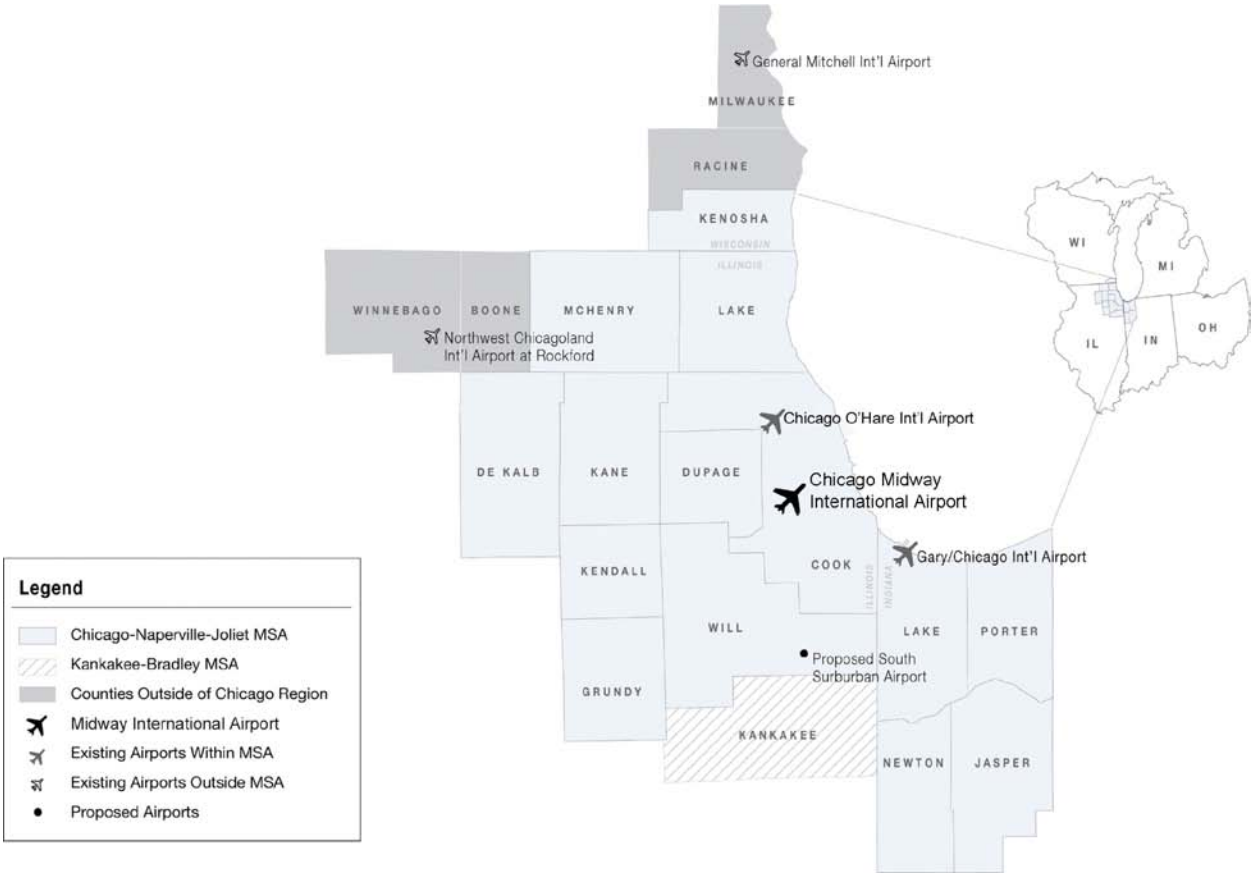
Midway has already completed essential capital improvement projects. Since 1996, $1.66 billion in projects have been completed. In 2004, the City completed its $631 million Terminal Development Program ("*TDP*") which included the construction of a new passenger terminal with three concourses and 43 passenger gates that replaced the previous 29-gate facility. See "– Existing Facilities at Midway" below. Midway has made large and significant capital investments with the development of a new one million square foot terminal and concourses, new apron pavement, construction of a new parking garage adjacent to the terminal, construction of a 6,300 space Economy Elevated Parking Structure ("*EPS*") and the construction of the Consolidated Rental Car Facility, completed in the second quarter of 2013. The City has developed its 2018-2024 CIP (as hereinafter defined), the most recently published, to address capital project requirements for Midway for the period 2018 through 2024. In general, the primary focus of the 2018-2024 CIP is the Midway Modernization Program ("*MMP*") which includes three major projects: Passenger Security Checkpoint Expansion, Terminal Parking Garage Expansion and Concessions Redevelopment Program. The focus of the MMP is to enhance the passenger's experience and increase non-airline revenues. The balance of the 2018-2024 CIP includes residential sound insulation, rehabilitation of airfield pavement, lighting and mechanical upgrades for the terminal, the heating and refrigeration plant and the terminal parking structure, and additional projects associated with the airfield and support facilities, parking and roadway projects, terminal area projects and safety and security projects. The 2018-2024 CIP does not include plans for enhancing airfield capacity. It is projected that, after the year 2040, significant future growth at Midway ultimately will be constrained by the capacity of its available airfield facilities unless new navigational or aircraft technology is introduced into the market. For additional information regarding the 2018-2024 CIP and the funding thereof, see "2018-2024 CAPITAL IMPROVEMENT PROGRAM" herein.

Southwest is the largest single airline at Midway, accounting for 92.7% of commercial enplanements in 2017. See the table entitled "CHICAGO MIDWAY INTERNATIONAL AIRPORT HISTORICAL ENPLANEMENT BY AIRLINE 2013-2017" and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY AND MIDWAY." Additional information concerning enplanement growth and airline activity levels at Midway is contained under the caption "CHICAGO MIDWAY INTERNATIONAL AIRPORT" herein.

The Air Trade Area

The primary air trade area that Midway serves consists of 10 counties in Illinois (Cook, DeKalb, DuPage, Grundy, Kane, Kankakee, Kendall, Lake, McHenry and Will), four counties in Indiana (Jasper, Lake, Newton and Porter) and one county in Wisconsin (Kenosha). These 15 counties comprise the "*Chicago Region*" and include two Metropolitan Statistical Areas that contain four adjoining major metropolitan areas. This area is depicted by the following map.

MAP OF CHICAGO AIR TRADE AREA



The demand for air transportation is, to a degree, dependent upon the demographic and economic characteristics of an airport's air trade area[1]. This relationship is particularly true for origin and destination (O&D) passenger traffic, which accounted for approximately 66.3 percent of demand at the Airport for fiscal year 2017 (with connecting passengers accounting for the remaining 33.7 percent). Demand for airline travel at the Airport, therefore, is influenced by the local characteristics of the area served, along with individual airline decisions regarding service in support of connecting activity.

The Airport's Air Trade Area has a large, diverse economic base that supports business and leisure travel. Projected economic variables indicate that the Air Trade Area will remain a destination that attracts both business and tourist visitors, positively affecting the demand for future inbound airline travel. Projected Air Trade Area economic variables further support the continued growth of local outbound passengers.

[1] The geographical area served by an airport is commonly referred to as an airport's air trade area. For purposes of this Official Statement, the Airport's Air Trade Area consists of the Chicago-Naperville-Elgin Metropolitan Statistical Area (MSA) and the Kankakee MSA.

PROJECTED SELECT SOCIOECONOMIC VARIABLES (2017-2027)

	2017	PROJECTED 2027	CAGR
POPULATION			
Air Trade Area	9,673,648	10,260,078	0.6%
United States	325,888,129	357,430,460	0.9%
PER CAPITA PERSONAL INCOME (in 2017 dollars)			
Air Trade Area	$57,036	$64,385	1.2%
United States	$51,074	$57,842	1.3%
GRP/GDP (millions of 2017 dollars)			
Air Trade Area	$70,358	$77,840	1.0%
United States	$59,476	$65,154	0.9%
	2007	2017	APRIL 2018
NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATES			
Air Trade Area	4.9%	4.9%	4.3%
United States	4.6%	4.4%	3.7%
Variance	0.3%	0.5%	0.6%

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics, June 2018; Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data* Source (CEDDS), April 2018.

Population growth is a key factor creating demand for airline travel. The Air Trade Area added approximately 329,000 to its population between 2007 and 2017, or approximately 22,500 per year. The Air Trade Area's historical rate of population growth was higher than that of the Midwest population (see Footnote 3 in the table below), but it was lower than that of the United States, a relationship that is expected to prevail through 2027. The Air Trade Area population forecast for the period 2017 through 2027 reflects a compound annual growth rate (CAGR) of 0.6 percent—a rate that is higher than what is projected for the Midwest (0.4 percent) but lower than what is projected for the United States (0.9 percent). The projected increase of approximately 586,000 new residents in the Air Trade Area during this period is expected to generate additional demand for airline service at the Airport.

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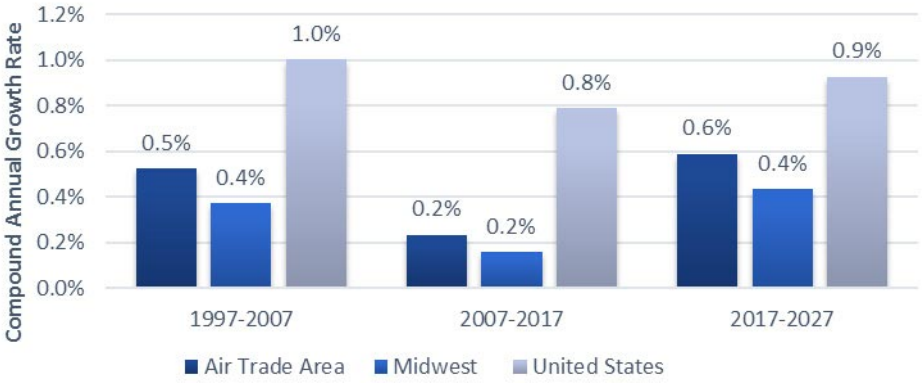
Historical and Projected Population (1997–2027)

	HISTORICAL			PROJECTED
AREA	**1997**	**2007**	**2017**	**2027**
Air Trade Area	**8,965,670**	**9,448,639**	**9,673,648**	**10,260,078**
Chicago-Naperville-Elgin MSA[(1)]	8,862,719	9,337,140	9,563,202	10,144,717
Kankakee MSA[(2)]	102,951	111,499	110,446	115,361
Midwest[(3)]	**44,493,603**	**46,187,992**	**46,927,765**	**49,006,033**
United States	**272,646,878**	**301,231,167**	**325,888,129**	**357,430,460**



NOTES:

1. Chicago-Naperville-Elgin MSA is defined as Cook County (IL), DeKalb County (IL), DuPage County (IL), Grundy County (IL), Kane County (IL), Kendall County (IL), Lake County (IL), McHenry County (IL), Will County (IL), Jasper County (IN), Lake County (IN), Newton County (IN), Porter County (IN), and Kenosha County (WI).
2. Kankakee MSA is defined as Kankakee County (IL).
3. Midwest is defined as Illinois, Indiana, Michigan, Ohio, and Wisconsin.

SOURCE: Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data Source* (CEDDS), April 2018.

Another key indicator of a region's demand for airline travel is per capita personal income.[1] Per capita personal income indicates the relative affluence of a region's residents, as well as their ability to afford airline travel. It can also be an indicator of an area's attractiveness to business and leisure travelers. Regions with higher per capita personal income often have stronger business connections to the rest of the nation, as well as a more developed market for tourism. Between 2007 and 2017, per capita personal income in the Air Trade Area was higher than that of the Midwest and the United States. Per capita personal income for the Air Trade Area increased at a CAGR of 0.8 percent between 2007 and 2017, which is lower than the rate in both the Midwest (1.1 percent) and the United States (1.0 percent) during the same period.

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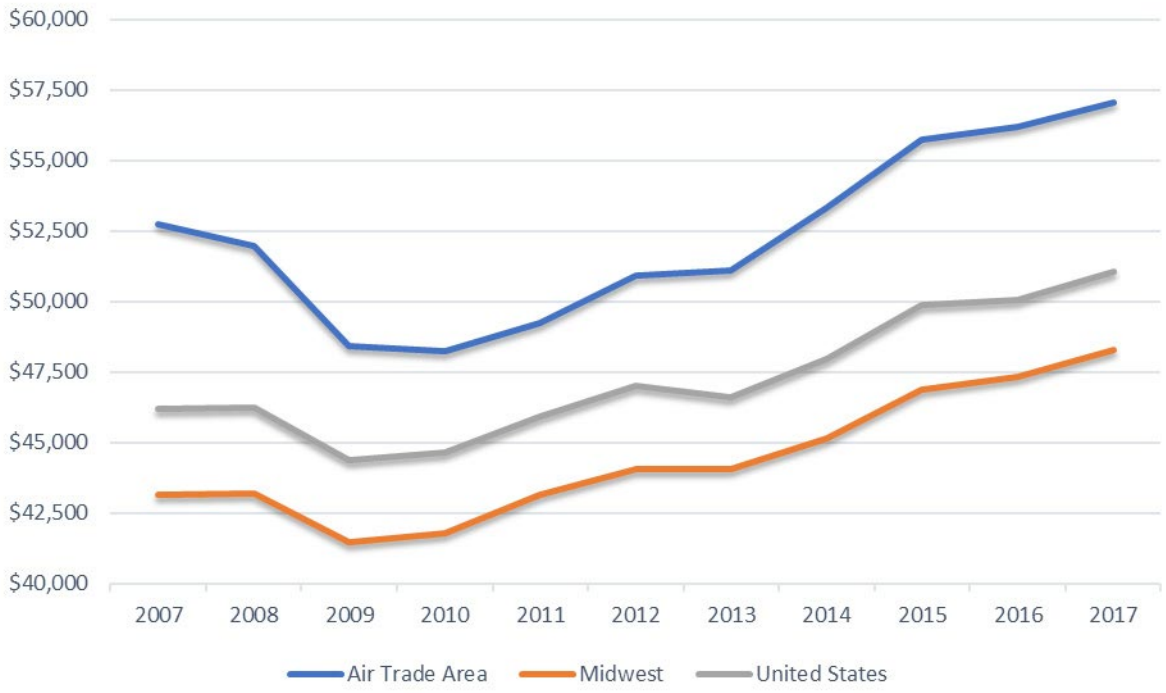
[1] Per capita personal income is the sum of wages and salaries, other labor income, proprietors' income, rental income, dividend income, personal interest income, and transfer payments, less personal contributions for government social insurance, divided by the region's population.

Per Capita Personal Income (2007–2017)[1]



ANNUAL PER CAPITA PERSONAL INCOME GROWTH	AIR TRADE AREA	MIDWEST	UNITED STATES
2007–2017	0.8%	1.1%	1.0%
2017–2028 (Projected)	1.2%	1.3%	1.3%

NOTE:

1. Amounts are in 2017 dollars.

SOURCE: Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data* Source (CEDDS), April 2018.

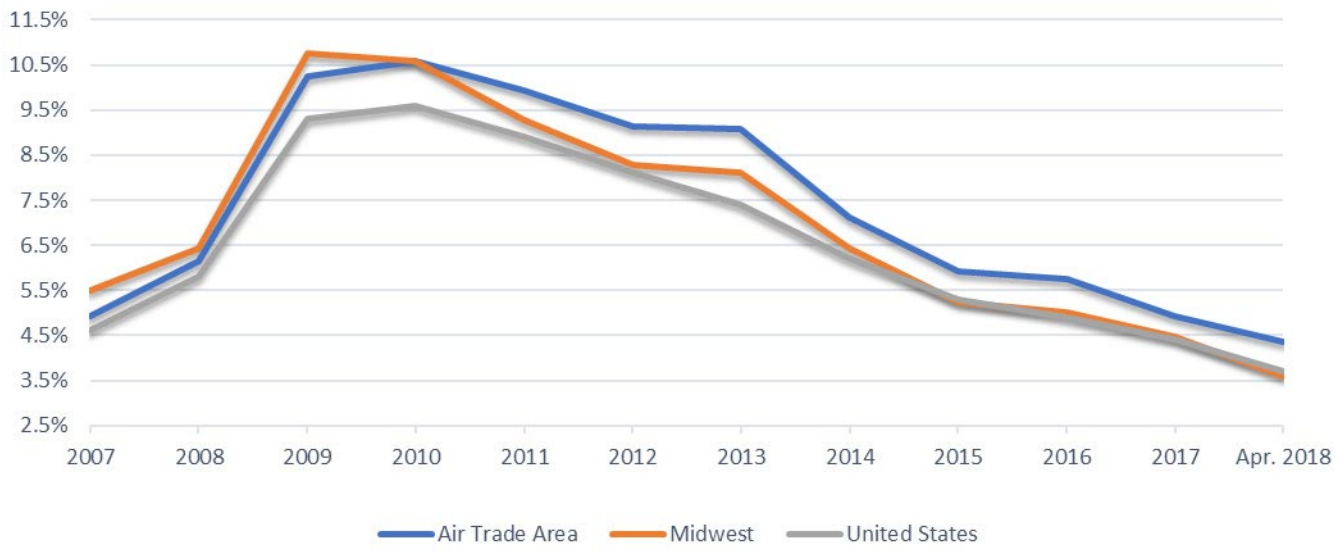
Employment Trends

Between 2007 and 2017, the Air Trade Area labor force grew at a CAGR of approximately 0.1 percent—higher than the rate of the Midwest (-0.1 percent) but lower than that of the United States (0.5 percent). The annual unemployment rate in the 15-county Air Trade Area was higher than that of the United States in all years from 2007 through 2017. The Air Trade Area's unemployment rate was lower than that of the Midwest from 2007 through 2009 and higher than the Midwest rate from 2010 through 2017.

In April 2018, the unemployment rate in the Air Trade Area was 4.3 percent (non-seasonally adjusted);[1] this was higher than the 3.6 percent non-seasonally adjusted unemployment rate in the Midwest and 3.7 percent in the United States.[1]

[1] Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.

EXHIBIT 3: UNEMPLOYMENT RATE (2007–2017)[1]



NOTE:

1. April 2018 data are not seasonally adjusted. In April 2018, the seasonally adjusted unemployment rate was 4.1 percent in the Midwest and 3.9 percent in the United States. Seasonally adjusted unemployment data are not available for the Air Trade Area.

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics, June 2018.

Demographic and Economic Information concerning the Chicago Region. As of June 2018, there are 35 Fortune 500 companies located in the Air Trade Area. These 35 Fortune 500 companies make up 35 percent of the Fortune 500 companies headquartered in the Midwest and 95 percent of the Fortune 500 companies headquartered in Illinois.

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[1] In August 2016, the seasonally adjusted unemployment rate was 4.8 percent in the Midwest and 4.9 percent in the United States.

Fortune 500 Companies Headquartered in the Air Trade Area (2017)[1]

	COMPANY	FORTUNE 500 RANK	REVENUE ($ millions)	LOCATION	INDUSTRY
1	Walgreens Boots Alliance	19	$118,214	Deerfield	Retail
2	Boeing	27	$93,392	Chicago	Aerospace and Defense
3	Archer Daniels Midland	48	$60,828	Chicago	Agriculture
4	Allstate	79	$38,524	Northbrook	Financial Services
5	United Continental Holdings	81	$37,736	Chicago	Airline
6	Exelon	92	$33,531	Chicago	Energy
7	Kraft Heinz	106	$26,232	Chicago	Food and Beverage
8	AbbVie	110	$28,216	North Chicago	Pharmaceuticals
9	Abbott Laboratories	111	$27,390	Abbott Park	Pharmaceuticals
10	Mondelez International	112	$25,896	Deerfield	Food and Beverage
11	US Foods Holding	121	$24,147	Rosemont	Retail
12	McDonald's	131	$22,820	Oak Brook	Hospitality and Travel
13	Sears Holdings	172	$16,702	Hoffman Estates	Retail
14	CDW	189	$15,191	Lincolnshire	Technology
15	Illinois Tool Works	204	$14,314	Glenview	Industrial Manufacturing
16	Discover Financial Services	263	$11,545	Riverwoods	Financial Services
17	Baxter International	283	$10,561	Deerfield	Healthcare
18	W.W. Grainger	287	$10,424	Lake Forest	Industrial Manufacturing
19	LKQ	300	$9,848	Chicago	Transport Manufacturing
20	Tenneco	320	$9,274	Lake Forest	Transport Manufacturing
21	Conagra Brands	321	$9,234	Chicago	Food and Beverage
22	Navistar International	342	$8,570	Lisle	Industrial Manufacturing
23	Univar	349	$8,253	Downers Grove	Chemicals
24	Jones Lang LaSalle	356	$7,932	Chicago	Real Estate
25	Anixter International	357	$7,927	Glenview	Retail
26	Dover	360	$7,830	Downers Grove	Industrial Machinery
27	R.R. Donnelley & Sons	406	$6,940	Chicago	Media and Communications
28	Packaging Corp. of America	436	$6,445	Lake Forest	Business Services
29	Motorola Solutions	443	$6,380	Chicago	Media and Communications
30	TreeHouse Foods	446	$6,307	Oak Brook	Food and Beverage
31	Old Republic International	450	$6,263	Chicago	Financial Services
32	Arthur J. Gallagher	454	$6,160	Itasca	Financial Services
33	Ulta Beauty	471	$5,885	Bolingbrook	Retail
34	Ingredion	478	$5,832	Westchester	Food and Beverage
35	Northern Trust	486	$5,716	Chicago	Financial Services

NOTE:

1. Based on 2017 revenue.

SOURCE: "2018 Fortune 500," *Fortune*, May 21, 2018.

PREPARED BY: Partners for Economics Solutions, June 2018.

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Largest Employers in the Air Trade Area (2017)[1]

COMPANY	# OF FULL TIME LOCAL EMPLOYEES	INDUSTRY
U.S. Government	41,500	Government
Chicago Public Schools	35,447	Government
City of Chicago	31,160	Government
Cook County	21,316	Government
Advocate Health Care	19,049	Health Care
Northwestern Memorial Healthcare	16,667	Health Care
University of Chicago	16,583	Higher Education
JPMorgan Chase & Co. (#20)[2]	15,701	Financial Services
State of Illinois	14,690	Government
Amazon.com (#8)	13,240	Internet Retail and Services
United Continental Holdings (#81)	12,994	Airline
Walgreens Boots Alliance (#19)	12,751	Retail
Northwestern University	10,847	Higher Education
Presence Health	10,225	Health Care
Wal-Mart Stores Inc. (#1)	10,220	Retail
Abbott Laboratories (#111)	9,860	Pharmaceuticals
Jewel-Osco	9,660	Retail
University of Illinois at Chicago	9,566	Higher Education
American Airlines Group Inc. (#71)	9,520	Airline
Rush University Medical Center	9,402	Health Care
Chicago Transit Authority	9,373	Government
AT&T Inc. (#9)	9,200	Telecommunications
University of Chicago Medical Center	9,161	Health Care
Allstate Corp. (#79)	7,670	Insurance
Employco USA Inc.	7,657	Payroll Services

NOTES:

1. Employers with the most full-time employees in Cook, DuPage, Kane, Lake (IL), Lake (IN), McHenry, and Will counties.
2. (#) indicates 2018 Fortune 500 Ranking.

SOURCES: Chicago's Largest Employers, *Crain's Chicago Business*, December 31, 2017; "2018 Fortune 500," *Fortune*, May 21, 2018.

PREPARED BY: Partners for Economic Solutions, June 2018.

Regional Authority

In April 1995, the City and the City of Gary, Indiana, entered into a compact which established the Chicago-Gary Authority to oversee and support Midway, O'Hare, Meigs Field and the Gary/Chicago International Airport, to jointly evaluate the bi-state region's need for additional airport capacity and to coordinate and plan for the continued development, enhancement and operation of such airports and the development of any new airport serving the bi-state region. Subject to the power of the Chicago-Gary Authority to approve certain capital expenditures and other actions, the City continues to manage, own and operate Midway and O'Hare. Meigs Field was closed by the City in March 2003. The City has all necessary approvals from the Chicago-Gary Authority to proceed with the 2018-2024 CIP.

Other Commercial Service Airports Serving the Chicago Region

O'Hare. In addition to Midway, the City operates O'Hare through its CDA. The operations of these two airports are separate and distinct and the Bonds are not secured by any revenues generated at O'Hare. O'Hare, located approximately 18 miles northwest of the City's central business district, is the primary commercial airport within the Chicago Region, with total enplanements of 39,815,888 in 2017, based on CDA management records. Based on preliminary data from ACI, for the 12-month period ended December 2017, O'Hare was the second busiest airport in the world measured in terms of total aircraft operations, and the sixth busiest in the world, as measured by total passengers. O'Hare's two largest airlines, American Airlines and United Airlines, have significant hubbing operations and have a high level of connecting activity at O'Hare, serving destinations throughout the world.

On March 28, 2018, the City and the airlines operating at O'Hare entered into a new Use and Lease Agreement ("*ULA*") effective May 12, 2018. The ULA is designed to expand and elevate O'Hare into a global gateway. The ULA will launch the largest capital expansion of the airport's history, with constructions and implementation scheduled to take place through 2026 for the Phase I Terminal Area Plan ("*TAP*") elements. As part of the expansion, the City is making a series of investments in terminals and the core airport design to increase capacity, connectivity and growth to match passenger demand.

The ULA is a residual agreement with non-airline revenues used to offset charges to the airlines. There are three term options for airline signatories to the ULA. Long-Term Signatories will have a 15-year term through December 31, 2033 with eligibility for preferential gates and check-in space and may vote on capital investment control decisions. Short-Term Signatories have the option of a 5-year term through December 31, 2023 with renewals in 5-year increments. Short-Term Signatories are eligible for common use gates and cannot vote on capital improvement control decisions. Non-Signatory airlines must sign operating agreements in order to operate at O'Hare and will have a separate month-to-month lease of space.

The ULA does not provide airlines with exclusive use gates. Rather, Long-Term Signatories are given the first right to schedule use of preferential gates. Long-Term Signatories can earn additional preferential gates by increasing flight activity. Reallocation of the preferential gates will occur on a yearly basis beginning in 2021. During extended windows without scheduled use, the City can allocate such preferential gate for use by another carrier. Common use gates are available for any airline.

Airline rates and charges are set by the City on an annual basis, calculated to generate sufficient monies to cover all of O'Hare's annual operating and debt service requirements as well as coverage and reserves. Landing fees are charged for each flight landing at the airport. Landing fees are calculated in a manner that will ensure sufficient monies are available to cover City associated airfield costs. Terminal rates and fees are set to sufficiently pay for costs associated with terminals with an offset of the concession, net parking and ground transportation revenues. Additionally, square foot rental rates will be paid for exclusive use space such as offices, clubs, and operations space and preferential gates and check-in space. Common use fees will be charged for gates, check-in and baggage systems based on activity levels.

The O'Hare long-term capital plan is facilitated by the ULA. Previously approved projects, the pre-approval of the TAP elements, and other pre-approved projects in the City's O'Hare Capital Improvement Program ("*O'Hare CIP*") are itemized in the ULA and have already been approved by the airlines.

The ULA provides a list of $2.6 billion Previously Approved Projects that have been approved by Signatory Airlines under the prior use and lease agreement for terminal related projects. Funding for these projects has been undertaken in phases and has included general airport revenue bonds, PFC revenues and/or grant proceeds. The $2.6 billion Previously Approved Projects are excluded from the $8.5 billion TAP and Pre-Approved Projects approved in the ULA.

Long-term terminal development and redevelopment are included as part of the recently approved TAP. The TAP is designed to increase O'Hare's connectivity, capacity, and efficiency, improving the passenger experience, and modernize existing terminals and their functional and commercial spaces. The total project costs for the Phase I TAP elements, and therefore the Phase I Tap budget, is $6.1 billion in 2017 dollars. The City will proceed with the design, construction and equipping of each of the Phase I TAP elements without additional review by the Majority-In-Interest ("*O'Hare MII*"), defined as at least seventy percent of the total Long-Term Signatory Airlines' Airport fees and charges (landing fees and/or terminal rentals, as applicable) paid in the preceding year. O'Hare MII review is not required unless the current estimate of the total project cost for all of the Phase I TAP elements exceeds the TAP budget escalated from January 1, 2028 or there is a change in project scope as further defined in Exhibit L of the ULA. The Phase I TAP elements are expected to be fully completed by 2026. It is expected that funding of Phase I Terminal Area Plan elements will be undertaken in phases and may include general airport revenues, PFCs, special facilities bonds and or grant proceeds.

The ULA includes additional TAP elements that when specified triggers for the identified projects have been met for any three consecutive years the City may proceed with the design, construction and equipping of each additional TAP element that includes an additional TAP trigger without further O'Hare MII review. Funding sources and timing of the additional TAP elements have not been determined.

The ULA provides a list of Other Pre-Approved Capital Improvement Projects that have been approved by Signatory Airlines under the prior use and lease agreement. These $2.4 billion in 2017 dollars in pre-approved projects include Runway 9R-27L extension, Taxiway A/B relocation, pedestrian tunnels renovation, and other infrastructure improvements. The Other Pre-Approved Capital Improvement Projects will be undertaken in phases and funding sources may include general airport revenue bonds, PFC revenues, special facilities bonds, and/or grant proceeds.

Gary/Chicago International Airport. Gary/Chicago International Airport, which is owned by the City of Gary, Indiana and operated by the Gary/Chicago Authority, is also located in the Chicago Region. Currently, no commercial passenger service is provided at Gary/Chicago International Airport.

General Mitchell International Airport. The nearest commercial service airport outside the Chicago Region is General Mitchell International Airport ("*Mitchell*"), located approximately 85 miles north of Midway. Mitchell serves the commercial air service needs of Milwaukee, southeast Wisconsin, and portions of northern Illinois. As reported by Mitchell, there were 3,452,544 enplanements at the airport in 2017. On average in 2018, scheduled service from Mitchell is provided to 47 markets, with an average of 105 daily nonstop flights.

In 2017, Midway enplaned 20.4% of passengers among the three airports. As of the four quarters ended Q3 2017, Midway represented approximately 22.9 percent of O&D passengers among the three airports.

Historical Enplaned Passengers at Midway, O'Hare and General Mitchell

	MIDWAY			O'HARE			GENERAL MITCHELL			TOTAL FOR CHICAGO REGION	
YEAR	ENPLANED PASSENGERS[1/]	ANNUAL GROWTH	SHARE	ENPLANED PASSENGERS[1/]	ANNUAL GROWTH	SHARE	ENPLANED PASSENGERS	ANNUAL GROWTH	SHARE	ENPLANED PASSENGERS	ANNUAL GROWTH
2008	8,229,304	(11.4%)	17.8%	34,011,186	(9.9%)	73.6%	4,000,765	3.4%	8.7%	46,241,255	(9.2%)
2009	8,468,470	2.9%	19.0%	32,035,155	(5.8%)	72.0%	3,981,871	(0.5%)	9.0%	44,485,496	(3.8%)
2010	8,734,214	3.1%	18.6%	33,219,302	3.7%	70.9%	4,927,558	23.7%	10.5%	46,881,074	5.4%
2011	9,352,766	7.1%	19.8%	33,194,708	(0.1%)	70.2%	4,760,952	(3.4%)	10.1%	47,308,426	0.9%
2012	9,671,619	3.4%	20.7%	33,231,201	0.1%	71.2%	3,780,315	(20.6%)	8.1%	46,683,135	(1.3%)
2013	10,155,389	5.0%	21.7%	33,284,788	0.2%	71.3%	3,266,309	(13.6%)	7.0%	46,706,486	0.1%
2014	10,497,727	3.4%	21.5%	34,939,694	5.0%	71.7%	3,278,820	0.4%	6.7%	48,716,241	4.3%
2015	11,003,697	4.8%	20.9%	38,381,489	9.9%	72.9%	3,277,356	(0.0%)	6.2%	52,662,542	8.1%
2016	11,232,443	2.1%	21.0%	38,858,080	1.2%	72.7%	3,383,271	3.2%	6.3%	53,473,794	1.5%
2017	11,117,333	(1.0%)	20.4%	39,802,688	2.4%	73.2%	3,452,544	2.0%	6.3%	54,372,565	1.7%
Weighted Average											
2008 - 2017			20.2%			72.0%			7.8%		
Compounded Annual Growth Rate											
2008-2017	3.4%			1.8%			(1.6%)			1.8%	

1/ Excludes general aviation, military, helicopter, and miscellaneous passengers included in the City of Chicago's statistics.

SOURCE: City of Chicago, Chicago Department of Aviation Management Records (Midway and O'Hare enplanements), June 2018; General Mitchell International Airport, Historical Passsenger Traffic Report (General Mitchell enplanements), June 2018.

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Regional O&D Passenger Share

	MIDWAY (MDW)	O'HARE (ORD)	MILWAUKEE (MKE)
2008	22.3%	66.2%	11.5%
2009	24.9%	62.9%	12.2%
2010	24.2%	61.0%	14.8%
2011	24.3%	61.1%	14.6%
2012	25.2%	62.1%	12.7%
2013	25.7%	62.4%	11.9%
2014	25.3%	63.1%	11.6%
2015	24.1%	65.4%	10.5%
2016	23.4%	66.3%	10.3%
2017[1]	22.9%	66.8%	10.3%

1. For the four quarters ended Q3 2017.

SOURCES: U.S. DOT DB1B Survey, June 2018.

Existing Facilities at Midway

Midway's airfield includes five runways with a complementary system of taxiways. Three of the four commercial aircraft runway ends have instrument landing systems that permit aircraft operations in a variety of weather conditions. All runways have RNAV procedures implemented as part of the FAA's NextGen program.

In response to increasing passenger demand and a need for new terminal facilities, the City completed the TDP in 2004, an eight-year capital program that included construction of a new one million square foot terminal and concourse building. The TDP increased the number of airline gates from 29 to 43, increased the terminal concession space from 18,200 square feet to 50,000 square feet, provided additional ticket counter space and baggage claim areas, and included the addition of a Federal Inspection Services ("*FIS*") facility for the processing of international passengers. Of the 43 airline gates, 34 are currently used pursuant to preferential lease agreements and 9 are currently used as Midway-controlled common use gates. Of the 34 airline gates used pursuant to preferential lease agreements, 32 are currently used by Southwest and two are currently used by Delta. Of the common use gates, 6 are currently used for domestic service by Delta, Southwest, and Public Charters. Three common use gates also have FIS capacity and are currently used for international service by Southwest, Porter and Volaris.

Vehicular access to and from Midway was improved by the construction of an elevated roadway entrance off of Cicero Avenue – a component of the TDP. Also included in the TDP were other roadway improvements, such as the relocation of Cicero Avenue and the construction of a two-level roadway in front of the new terminal building. Re-circulation roadways allow vehicles to move between the two levels and also serve the parking garage. Access to Midway by car is provided by the Stevenson Expressway (Interstate 55), local streets and Midway's new access roadway. In addition to this roadway system, the Chicago Transit Authority ("*CTA*") operates a rapid transit rail line and surface transit providing a direct connection between Midway and the City's central business district. The transit station is connected directly with the

Midway terminal complex and is conveniently located east of the terminal. Passengers access the transit station via an elevated pedestrian walkway.

Public automobile parking at Midway is provided in a terminal parking garage and on-airport economy parking garage and surface parking lots. The terminal parking garage, located adjacent to the terminal building, provides one level of hourly parking, with approximately 360 spaces and five levels of daily parking, with approximately 2,110 spaces. In December of 2005, Midway opened the Economy Parking Garage with 6,300 public parking stalls and free shuttle bus service to transfer passengers to and from the terminal. In June 2006, Midway opened a "cell. Phone" lot which enables drivers to park in a nearby lot and wait until the passenger they are picking up has arrived. Midway has had 8,242 economy parking spaces for both the Economy BPS and surface parking since December 2015. Within closer proximity to the terminal, Midway operates a Daily Lot of 509 spaces. In addition, Midway maintains two employee parking lots with a combined total of 1,069 parking spaces. In April 2013, Midway opened its new Consolidated Rental Car Facility. This new facility is located adjacent to the Economy Parking Garage at 55th and Laramie. All rental car operations are operated from this new 1,900 space facility, which is connected to the terminal complex via a dedicated roadway and shuttle bus operation. See "SECURITY FOR THE BONDS– CFC Revenues."

General aviation facilities, including hangars, ramps and an aircraft tie down apron, occupy approximately 47 acres primarily in the west and south sides of the airfield. Principal general aviation tenants include two fixed-base operators. An Airport Maintenance Complex and FAA Air Traffic Control Tower opened in 1997 on the south side of the airfield. Support facilities at Midway include fuel farms, Airport and airline maintenance facilities and an Aircraft Rescue and Fire Fighting station.

Midway Noise Compatibility Program

In 1996, the Midway Noise Compatibility Commission (the "*Midway Noise Commission*") was formed through the execution of an intergovernmental agreement by the City, Cook County and certain municipalities that are located in the area surrounding Midway. The purpose of the Midway Noise Commission is to (i) determine certain noise compatibility projects to be implemented in a defined area surrounding Midway, and (ii) advise the City concerning other Midway noise-related issues. As of May 15, 2018, the City has spent approximately $260.9 million on residential and school noise compatibility projects implemented in cooperation with the airlines and the Midway Noise Commission.

Activity at Midway

The FAA classifies Midway as a "large hub" airport. The following table shows enplaned passenger activity levels at Midway during the period from 2008 through 2017.

CHICAGO MIDWAY INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
2008-2017

Calendar Year	O&D	O&D Passenger Growth	Connecting	Connecting Passenger Growth	Total	Total Passenger Growth	O&D Percentage	U.S. Enplaned Passengers	U.S. Enplaned Passengers Growth
2008	5,910,045	-9.5%	2,448,242	-15.0%	8,358,287	-11.2%	70.7%	746,703,610	-3.6%
2009	5,647,591	-4.4%	2,924,256	19.4%	8,571,847	2.6%	65.9%	707,500,457	-5.3%
2010	5,485,191	-2.9%	3,370,834	15.3%	8,856,025	3.3%	61.9%	722,736,206	2.2%
2011	5,693,938	3.8%	3,764,872	11.7%	9,458,810	6.8%	60.2%	735,341,289	1.7%
2012	6,308,718	10.8%	3,470,891	-7.8%	9,779,609	3.4%	64.5%	740,323,597	0.7%
2013	6,505,206	3.1%	3,762,275	8.4%	10,267,481	5.0%	63.4%	747,392,581	1.0%
2014	6,446,497	-0.9%	4,161,499	10.6%	10,607,996	3.3%	60.8%	768,261,497	2.8%
2015	6,890,633	6.9%	4,227,590	1.6%	11,118,223	4.8%	62.0%	805,687,948	4.9%
2016	7,181,858	4.2%	4,163,890	-1.5%	11,345,748	2.0%	63.3%	834,929,061	3.6%
2017	7,446,996	3.7%	3,785,276	-9.1%	11,232,272	-1.0%	66.3%	853,651,787	2.2%

Compound Annual Growth Rate

2008–2017	2.6%	5.0%	3.3%	1.5%

Note: 2017 United States enplaned Passengers and O&D and connecting passenger data is based on the four quarters ending Q3 2017, the latest period for which U.S. DOT data were available.

Sources: City of Chicago Department of Aviation Management Records (Total Enplanements) and 2016 Department of Aviation Consolidated Annual Financial Statement (O&D Enplanements), July 2017.

The large O&D passenger market which exists in the Chicago Region (O&D passengers consist of those travelers whose residence and/or place of employment is in the Chicago Region and whose air trips originate at Midway and those travelers who visit the Chicago Region for business or personal reasons) has proven to be attractive to airlines. For fiscal year 2017, total passenger activity at Midway was composed of approximately 66.3% enplaned O&D passengers and approximately 33.7% connecting enplaned passengers.

Airlines Providing Service at Midway

Currently, three U.S. airlines – Southwest, Delta, and PublicCharters (which offers scheduled charter service) – and two foreign flag carriers – Porter and Volaris – provide scheduled service at Midway. Southwest, Delta, and Porter have served the airport continually since at least 2008, while Volaris and Public Charts have provided continual service since 2010. Other than PublicCharters, which offers scheduled charter service, the other two U.S. flag carriers are classified by the U.S. Department of Transportation as a Group III airline, which are U.S. airlines with the largest total annual revenues having operating revenues of more than $1 billion per year. International service commenced at Midway in the first quarter of 2002, upon the completion of the FIS Facility. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY."

Scheduled Air Carrier Base at Midway

AIR CARRIER[2]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018[1]
Delta Air Lines	•	•	•	•	•	•	•	•	•	•	•
Southwest Airlines	•	•	•	•	•	•	•	•	•	•	•
Porter	•	•	•	•	•	•	•	•	•	•	•
Public Charters			•	•	•	•	•	•	•	•	•
Volaris			•	•	•	•	•	•	•	•	•
Air Carriers No Longer Serving the Airport[2]											
Frontier	•	•	•	•	•	•	•	•			
Sun Country						•	•	•			
Branson AirExpress			•				•	•		•	
VivaAerobus				•	•						
ATA	•										
United	•										

1. Scheduled in 2018.
2. Includes regional affiliates.

SOURCE: Innovata, June 2018.

The following table presents the nonstop daily markets served by Southwest.

Daily Nonstop Service by Southwest at Midway[1] MARKET	Avg. Daily Flights	Avg. Daily Seats
Atlanta	12	1,625
Las Vegas	9	1,520
Denver	9	1,509
Minneapolis/St. Paul	13	1,484
Orlando	8	1,278
Phoenix	7	1,222
Kansas City	8	1,185
St. Louis	7	1,049
Baltimore	7	1,039
Dallas-Love	7	1,035
Nashville	7	1,019
Houston-Hobby	6	992
Los Angeles	6	960
Philadelphia	6	899
Detroit	8	897
Washington-National[2]	6	889
New York-La Guardia	6	860
Omaha	6	832
Boston	6	822
Columbus	5	805
Newark	5	788
Tampa	5	761
Cleveland	5	725
Seattle	4	688
San Diego	4	681
Cincinnati-International	5	674
Pittsburgh	5	663
Fort Lauderdale	4	609
Louisville	4	590
Oakland	4	579
Raleigh/Durham	4	573
Buffalo	4	543
Fort Myers	3	539
New Orleans	3	451
Hartford	3	447
Portland, Oregon	3	434
Austin	3	415
Providence	3	413
Grand Rapids	3	405
San Francisco	3	395
Manchester	3	393
Toronto-City, Canada	5	392
San Antonio	3	392
Albuquerque	2	350
Cancun, Mexico	2	344
Norfolk	2	336
Albany	2	317
Birmingham	2	305
Charleston, South Carolina	2	304
Salt Lake City	2	301
San Jose, California	2	298
Sacramento	2	294
Charlotte-Douglas	2	293
Memphis	2	270
Indianapolis	2	247
Ontario	1	175
Reno	1	171
Morelia, Mexico	1	162
Jacksonville	1	162
Montego Bay, Jamaica	1	160
Guadalajara, Mexico	1	158
Punta Cana, Dominican Republis	1	148
Oklahoma City	1	143
Tucson	1	143
San Juan, Puerto Rico	1	126
Spokane	1	122
Boise	1	119
Orange County	1	114
Leon/Guanajuato, Mexico	1	82
Flint	1	76
Zacatecas, Mexico	1	62
Pensacola	1	57
Durango, Mexico	1	43
Queretaro, Mexico	1	43
Manistee	1	33
Panama City, Florida	1	19
Portland, Maine	1	19
Cincinnati-Lunken	1	16
Total	**284**	**40,483**

NOTES:

(1) Daily operations based on average daily operations in each year shown.

(2) Includes IAD and DCA.

SOURCE: Innovata, June 2018.

In 2017, Volaris added service to Queretaro, Mexico; Branson Air Express added service to Branson, Missouri; and Southwest added service to Cincinnati, Ohio, Panama City, Florida, and San Juan, Puerto Rico. In 2018, Southwest has announced new service to two additional destinations, Burbank, California and San Jose del Cabo, Mexico. The destinations served from Midway as of June 2018 are shown below:

The Airport supports demand to a broad range of O&D markets. The top 20 domestic markets comprise 73.1 percent of domestic O&D demand. The remaining 26.9 percent of domestic O&D passengers are spread among other destinations throughout the United States.

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Primary O&D Passenger Markets for 2017

RANK	MARKET	TOTAL O&D PASSENGERS	PERCENT OF TOTAL DOMESTIC O&D
1	Washington, D.C. 1/	815,130	6.1%
2	New York City 2/	722,718	5.4%
3	Orlando	690,484	5.1%
4	Atlanta	645,457	4.8%
5	Las Vegas	640,790	4.8%
6	Los Angeles 3/	610,616	4.5%
7	Denver	589,233	4.4%
8	Phoenix	555,229	4.1%
9	Minneapolis/St. Paul	488,569	3.6%
10	Dallas 4/	487,136	3.6%
11	Boston	486,834	3.6%
12	Houston 5/	459,786	3.4%
13	Tampa	425,663	3.2%
14	San Francisco/Bay Area 6/	401,711	3.0%
15	South Florida	357,987	2.7%
16	Kansas City	342,491	2.5%
17	Ft. Myers	308,521	2.3%
18	Nashville	290,876	2.2%
19	San Diego	261,524	1.9%
20	Philadelphia	243,826	1.8%
Top 20		**9,824,581**	**73.1%**
All Others		**3,618,890**	**26.9%**

NOTES:

Data for the four quarters ending Q3 2017. Total, both ways.

1/ Includes Reagan National Airport, Dulles International Airport, and Baltimore Washington International Airport.

2/ Includes Newark Liberty International Airport, John F. Kennedy International Airport, and LaGuardia Airport.

3/ Includes Los Angeles International Airport, Ontario/LA International Airport, John Wayne Airport, Hollywood Burbank Airport, and Long Beach Airport.

4/ Includes Dallas Love Field and Dallas/Fort Worth International Airport.

5/ Includes William P. Hobby Airport and George Bush Intercontinental Airport.

6/ Includes San Francisco International Airport, Oakland International Airport, and San Jose International Airport.

SOURCE: U.S. DOT, DB1b *O&D Survey*, June 2018.

Midway Role in Southwest Airlines Network

Midway is the most active airport in Southwest's network measured by enplaned passengers and the number of flight departures. The growth in Southwest passengers and departures at Midway has exceeded that of its overall network. Since 2005, Southwest's departures and passengers at Midway have grown by annual averages of 2.4% and 5.5%, respectively, compared to 0.3% and 2.7% for the overall Southwest network. In addition, Southwest serves more cities from Midway than from any other airport. This is attributable in part to Chicago's large O&D base and geographic location, producing efficient transfer operations at Midway. From 2008 through 2017, Southwest O&D passengers at MDW have grown at a compound annual rate of 3.0%, while connecting passengers have grown 3.6%. Southwest has over 5,000 Chicago-based employees.

In 2017[1], Southwest enplaned 20.4% of airline passengers in the Chicago metropolitan market (Southwest's share of total U.S. enplanements through November 2017 was 18.6%) and represented 57% of Midway operating revenues. This distribution is similar to other large population centers with more than one commercial airport, most of these regions also having one airport that is largely served by Southwest.

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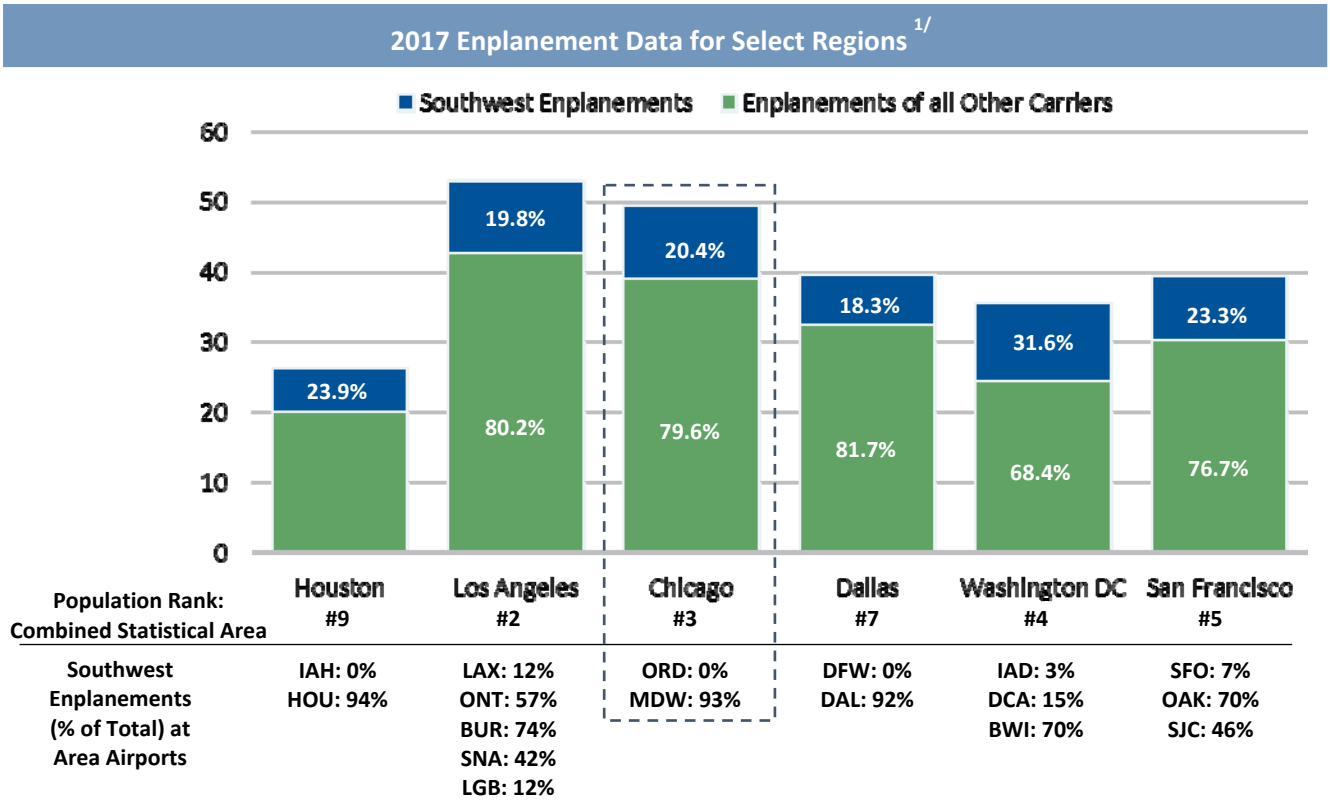
[1] Data are for the 12 months ended November 2017, the most recent data available.



Sources: U.S. DOT T-100 (accessed May 2018); CSA population rank: Woods & Poole Economics, 2018
1) Note: Enplanement data are for the 12 months ended November 2017. Excludes general aviation, military, helicopter and miscellaneous passengers included in the Chicago Department of Aviation management records.

Southwest passengers accounted for approximately 92.95% of PFCs collected at Midway in 2016 and 92.72% of PFCs collected at Midway in 2017. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY–Southwest Airlines."

The following table identifies the historical market shares of the airlines listed based on enplaned passengers by airline at Midway.

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CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANEMENT BY AIRLINE
2013-2017

	2013		2014		2015		2016		2017	
Airline	**Enplaned Passengers**	**Share**	**Enplaned Passengers**	**Share**	**Enplaned Passengers**	**Share**	**Enplaned Passengers**	**Share**	**Enplaned Passengers**	**Share**
Southwest[1]	9,347,798	91.04%	9,646,176	90.93%	10,281,189	92.47%	10,520,571	92.73%	10,415,087	92.72%
Delta[2]	435,989	4.25%	486,182	4.58%	490,974	4.42%	478,271	4.42%	456,619	4.07%
Volaris	108,896	1.06%	95,082	0.90%	110,969	1.00%	139,148	1.23%	149,776	1.33%
Porter	72,423	0.71%	78,556	0.74%	81,980	0.74%	86,678	0.76%	86,044	0.77%
Others[3]	302,375	2.94%	302,000	2.85%	153,111	1.38%	121,080	1.07%	124,746	1.11%
Airport Total	**10,267,481**	**100.0%**	**10,607,996**	**100.0%**	**11,118,223**	**100.0%**	**11,345,748**	**100.0%**	**11,232,272**	**100.0%**

[1] Includes AirTran enplanements of 462,680 and 383,443 for 2013 and 2014, respectively.
[2] Includes mainline and all regional affiliates.
[3] Includes activity for charters and airlines no longer serving the Airport.
Source: City of Chicago, Chicago Department of Aviation Management Records, June 2018.

Midway Management

Midway is operated by the City through the CDA, which oversees planning, operations, safety and security, and finance and administration at Midway and O'Hare. CDA is headed by Ginger S. Evans, Commissioner of Aviation, who has overall responsibility for the management, planning and operation of the City's airports. On June 19, 2018, Ginger Evans, CDA Commissioner, announced her intention to resign effective August 1, 2018. Jamie Rhee has been appointed to succeed Ms. Evans as Commissioner. The City's Appropriation Ordinance for 2018 provides for a CDA staff of 166 budgeted employees for Midway. Midway's staff is complemented by 55 seasonal employees for the winter season.

Budget Procedures

Midway is governed in its financial transactions by the City's annual appropriation ordinance and applicable bond ordinances and follows the City's budget process. The City is required to pass an annual appropriation ordinance prior to the beginning of each fiscal year. CDA submits its proposed budget for the following fiscal year, including the proposed budget for Midway, to the City's Budget Director for inclusion in the proposed City budget. The Budget Director includes a proposed budget for CDA in the City's budget proposal for approval by the Mayor who submits the City budget to the City Council for approval. The City Council adopted the budget for the City's 2018 Fiscal Year on November 21, 2017.

2018-2024 CAPITAL IMPROVEMENT PROGRAM

The City is undertaking the 2018-2024 Capital Improvement Program ("*2018-2024 CIP*") for Midway. The 2018-2024 CIP is estimated to cost $501.1 million and is anticipated to be funded from the following sources: proceeds of Airport obligations, including the Bonds, federal funds and other Midway funds. The 2018-2024 CIP is designed to provide airfield and terminal improvements, to enhance airport safety and security, to provide parking and roadway improvements and to implement noise mitigation measures at Midway. The 2018-2024 CIP does not include airfield capacity enhancement plans.

As part of the projects included in the 2018-2024 CIP, the City is implementing projects associated with the MMP focused on enhancing the passenger's experience and increasing non-airline revenue. These projects include additional parking facilities adjacent to the terminal building, expansion of the TSA passenger checkpoint area and the transformation of the airport's concessions program. These projects are underway and their estimated cost and non-airline revenue impacts have not been included in the 2018-2024 CIP or Midway revenue projections.

2018-2024 CIP Projects

Airfield, Terminal Ramp and Support Facilities. Approximately $75.8 million for airfield, support facility and noise mitigation are included in the CIP. Airfield improvements include rehabilitations of the airfield's major runways and taxiways, service roads, lighting and cabling and electrical systems.

Terminal Area Project and Safety and Security Improvements. Approximately $157.2 million for terminal enhancements and safety and security improvements. These include construction of a Passenger Security Checkpoint Expansion Project, which will add an approximately 80,000 square foot pavilion to the existing passenger screening area for passenger queuing and new concession opportunities. The project will also provide for the modification and redevelopment of the Federal Inspection Services Bag Claim Area and expansion of the baggage handling system. By relocating the security checkpoint to the pavilion, the project will create 18,000 square feet of new revenue generating space in a prime location immediately after security, and creates a single TSA Checkpoint to streamline operations and enhance the passenger's experience by improvements to vertical circulation and the expanded mezzanine level in the landside terminal building. Renovation and expansion of Midway's concessions program, including food and beverage, news and gift, specialty retail, duty-free, personal services, concessions support facilities and other public amenities. New concessions manager, Midway Partnership, will invest $75 million to renovate and expand the concessions program. A world-class concessions program will feature local Chicago establishments and brands, as well as nationally recognized products and services. First new locations opened in May 2018 with phased openings continuing through 2020. The remainder will be used for infrastructure improvements and upgrades to the mechanical, electrical, fire protection, lighting, building control and heating and refrigeration systems.

Parking and Roadway Projects. Approximately $177.6 million in planned parking and roadway improvements, which include the expansion of the terminal parking garage to add approximately 1,500 parking spaces and improvement of the entrance plaza for the terminal parking garage, complete renovation of the CTA Pedestrian Walkway including new elevators and escalators. The remainder will be used for terminal parking structure improvements to include a new Parking Access Revenue Control System for more efficient entry and exiting and energy efficient upgrades to existing garage facilities electrical components.

Noise Mitigation Projects. Approximately $52.3 million to sound-insulate 2,000 homes located within the 65 Day-Night Average Sound Level (DNL) or greater contour level in the FAA-approved future noise contour.

Land Acquisition. Approximately $8.0 million for the acquisition of parcels within the Runway Protection Zones, and for remediation, demolition, and airport compatible development.

Implementation. Approximately $30.2 million is included in the 2018-2024 CIP for implementation costs.

The City has received all regulatory approvals to proceed with the 2018-2024 CIP.

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The estimated sources and uses of funds for all of the anticipated costs of the 2018-2024 CIP are set forth in the following table.

CHICAGO MIDWAY INTERNATIONAL AIRPORT
CAPITAL IMPROVEMENT PROGRAM 2018-2024
SOURCES AND USES (in thousands)

ESTIMATED SOURCES:	
Airport Improvement (AIP) Grants	$33,921
Other Federal Funds (TSA) Grants	4,388
Series 2010 Second Lien Bonds	13,773
Series 2014 Second Lien Bonds	66,074
Series 2016 Second Lien Bonds	280,804
Future Airport Obligations	102,155
TOTAL ESTIMATED SOURCES	$501,115
ESTIMATED USES:	
Terminal Projects[1]	$150,246
Land Acquisition	8,020
Airfield/Terminal Ramp/Support Facilities	75,820
Parking and Roadway Projects	177,567
Noise Mitigation	52,304
Safety and Security	6,997
Implementation	30,161
TOTAL ESTIMATED USES	$501,115

[1] Terminal area projects are a reclassification of projects which were previously included in airfield and terminal projects.
Source: City of Chicago Department of Aviation.

2018-2024 CIP Funding Sources

The City anticipates that the 2018-2024 CIP will be funded from the federal Airport Improvement Program ("*AIP*"), proceeds of Second Lien Bonds, PFC revenues, CFC Revenues, Midway funds and certain investment earnings. The estimated sources and uses of funds for the 2018-2024 CIP are set forth in the preceding table.

Midway Airport Revenue Bonds. The City expects that additional First Lien Bonds or Second Lien Bonds will be issued to complete the 2018-2024 CIP. The amount of indebtedness required for the 2018-2024 CIP could increase for a variety of reasons, including costs of additional security improvements and reductions in PFC revenues and Grant Reimbursements, as discussed below under the caption "– Uncertainties in Funding the 2018-2024 CIP."

Passenger Facility Charge Revenues. In 1990, the United States Congress enacted legislation (the "*PFC Act*") authorizing a public agency, such as the City, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to limited exceptions) a PFC of $1.00, $2.00 or $3.00. The purpose of the PFC is to provide additional capital funding for the expansion of the national airport system. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety,

capacity or security of the national air transportation system; reduce noise from an airport that is part of such system; or furnish opportunities for enhanced competition between or among air carriers. Before imposing and using PFCs, a public agency must apply to the FAA for approval. PFCs are collected on behalf of airports by air carriers and their agents (the "*Collecting Carriers*") and remitted to the City on a monthly basis. The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("*AIR 21*"), among other things, amended the PFC Act to authorize eligible public agencies such as the City to impose PFCs of $4.00 or $4.50 to finance PFC eligible projects, including the payment of debt service on indebtedness incurred to finance such projects, that cannot be paid for from funds reasonably expected to be available through the AIP, subject to certain other conditions. On January 1, 2007, pursuant to authorization contained in AIR 21 and amended PFC Approvals received from the FAA, the City began imposing PFCs at Midway at the rate of $4.50 per eligible enplaned passenger. Regardless of the number of PFC applications which have been approved by the FAA, eligible public agencies, such as the City, can only collect a maximum of $4.50 from each eligible enplaning passenger.

Funds apportioned under the AIP to large and medium hub airports imposing a PFC are reduced for each fiscal year in which a PFC is imposed (i) for airports imposing a PFC of $3.00 or less, by 50% of the projected revenues from the PFC in such fiscal year and (ii) for airports (such as Midway) imposing a PFC of more than $3.00, by 75% of the projected revenues from the PFC in such fiscal year. Such reduction will not exceed more than 50% or 75%, respectively, of the AIP apportionment to which such airport would otherwise be entitled.

AIR 21 provides that in the case of large or medium hub airports at which one or two air carriers control more than 50% of passenger boardings (such as Midway), no public agency may impose a PFC with respect to such airport unless the public agency has submitted a written competition plan to the FAA. The City is in compliance with this requirement of AIR 21.

The City currently has authority to impose and use approximately $2.21 billion of PFCs at Midway, of which the City had expended approximately $606.2 million through the end of 2016. The City expects from time to time to file additional applications and/or amend existing applications to increase its authority to impose and use PFCs at Midway.

The FAA may terminate the City's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the City is in violation of certain provisions of the federal Airport Noise and Capacity Act of 1990 relating to airport noise and access restrictions, (ii) PFC collections and investment income thereon are not being used for PFC-approved projects in accordance with the PFC approvals applicable to the City's PFC program (the "*PFC Approvals*"), or with the PFC Act and the PFC regulations adopted by the FAA (the "*PFC Regulations*"), (iii) implementation of a PFC-approved project does not commence within the time period specified in the PFC Act and PFC Regulations, or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC Approvals. The City has not received notice of any such determination by the FAA. The informal resolution and formal termination processes of the FAA lasting at least 180 days will be required before the FAA can terminate the City's authority to impose PFCs.

The City expects that certain projects will be funded from proceeds of First Lien Bonds and Second Lien Bonds, the debt service on which will be paid with PFC revenues ("*PFC-eligible debt service*"). In addition, under the PFC Regulations, a portion of the debt service on First Lien Bonds and Second Lien Bonds may also qualify as PFC-eligible debt service to the extent proceeds of First Lien Bonds and Second Lien Bonds are used to refund outstanding Airport Obligations the proceeds of which were used to fund eligible airport-related projects. The City has agreed in the Airport Use Agreements to use PFC revenues to pay PFC-eligible debt service on First Lien Bonds and Second Lien Bonds the proceeds of which are used by the City to pay for capital projects approved by the FAA for the collection and use of a PFC at Midway. The airline rates and charges calculations reflect the assumed use of PFC revenues to pay a certain portion of PFC-eligible debt service on the First Lien Bonds and Second Lien Bonds.

Uncertainties Related to PFC Revenues. A number of factors may affect the amount of PFC revenues available to the City. The amount of PFC revenues collected by the City in future years will vary based upon the actual number of passenger enplanements at Midway and no assurance can be given that the levels of enplanements will be realized, particularly in light of the current uncertainties in the airline industry. In addition, additional FAA approvals will be required to permit the City to achieve the levels of projected PFC revenues currently assumed to be used to pay PFC-eligible debt service on First Lien Bonds and Outstanding Second Lien Bonds. Furthermore, under the PFC Act, the FAA may terminate the City's authority to impose a PFC under the circumstances described above under "*PFC Program at Midway*." See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY–Effect of Airline Bankruptcy."

PFC revenues do not constitute Revenues as defined in the Second Lien Indenture and are not pledged to or held by the Second Lien Trustee for the benefit of the owners of Second Lien Bonds unless and until they are specifically transferred to the Second Lien Trustee for deposit into the respective Dedicated Sub-Funds as Other Available Moneys. The City expects, however, that to the extent that PFC revenues are available to the City, the City will use PFC revenues to pay PFC-eligible debt service on various series of First Lien Bonds and Second Lien Bonds. See "SECURITY FOR THE BONDS–Other Available Moneys."

Federal AIP Grants. The Airport and Airway Improvement Act of 1982 created the AIP grant program, which is administered by the FAA. The AIP grants include entitlement grants, which are allocated among airports by the FAA in accordance with a formula based on enplanements, and discretionary grants, which are allocated by the FAA in accordance with its guidelines. The City's commitment to allocate grant funds to debt service ended in 2009. The City expects to continue to apply PFCs for PFC-eligible debt service. Midway has PFC collection authority through 2054. Midway has been awarded AIP grants of approximately $12 million to $18 million since Federal Fiscal Year (FFY) 2015 for the phases of the Residential Sound Insulation Program. In addition, Midway has been awarded discretionary and entitlement grants of approximately $6 million to $13 million annually for various airfield projects and equipment acquisition. As entitlement grant amounts will vary based upon enplanements at Midway, no assurance can be given that the levels of enplanements will be realized. Actual entitlement funding levels may vary significantly and such differences may be material.

Uncertainties in Funding the 2018-2024 CIP

All of the amounts presented above are preliminary and based on numerous assumptions which are subject to change. Changes in various assumptions could cause an increase in the amount of the proceeds of additional Airport Obligations which are projected to be required to complete the funding of any of the elements of the 2018-2024 CIP described above. The estimated costs of, and the projected schedule for, the projects included in the 2018-2024 CIP depend on various sources of funding, and are subject to a number of uncertainties including: estimating errors, design and engineering errors, changes to the scope of these projects, delays in contract awards, material and/or labor shortages, litigation, unforeseen site conditions, adverse weather conditions, contractor defaults, labor disputes, unanticipated levels of inflation, and environmental issues, including environmental approvals that the City has not obtained at this time. There can be no assurance that the cost of construction of the projects included in the 2018-2024 CIP will not exceed the currently projected amounts or that the completion will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue additional Airport Obligations and may result in increased costs per enplaned passenger to the airlines serving Midway.

MIDWAY FINANCIAL INFORMATION

Historical Operating Results

The following is a summary of Midway's operating revenues and O&M expenses for the five-year period ended December 31, 2013 through 2017. See APPENDIX D–"AUDITED FINANCIAL STATEMENTS."

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CHICAGO MIDWAY INTERNATIONAL AIRPORT
HISTORICAL OPERATING RESULTS
2013 – 2017
(in thousands)

	2013	2014	2015	2016	2017
Operating Revenues:					
Landing Fees	$42,516	$42,539	$48,350	$49,186	$54,165
Rental Revenues					
Terminal Area Use Charges	47,486	40,916	36,273	38,239	41,251
Other Rentals and Fueling System Fees	26,004	24,197	25,945	26,396	27,912
Subtotal Rental Revenues	$73,490	$65,113	$62,218	$64,635	$69,163
Concessions					
Auto Parking	32,721	34,226	35,772	36,665	38,317
Auto Rentals	10,255	10,743	11,104	11,390	11,287
Restaurant	10,179	11,090	12,150	13,019	14,912
News and Gifts	3,619	3,761	4,128	4,471	4,729
Other	2,409	2,787	2,397	2,827	2,452
Subtotal Concessions	$59,183	$62,607	$65,551	$68,372	$71,697
Total Operating Revenues	$175,189	$170,259	$176,119	$182,193	$195,025
Operation & Maintenance Expenses:					
Salaries and Wages[1]	$43,998	$47,836	$43,343	$48,548	$48,185
Pension Expense[2]	--	--	60,767	47,879	40,211
Repair and Maintenance	39,606	44,160	44,095	48,277	44,506
Professional and Engineering Services	19,144	23,255	20,954	20,851	24,344
Energy	7,205	7,060	6,868	7,221	6,984
Materials and Supplies	1,927	1,971	2,522	2,016	1,932
Other Operating Expenses	9,236	5,314	5,327	7,813	4,803
Total O&M Expenses Before Depreciation and Amortization	$121,116	$129,596	$183,876	$182,605	$170,965
Net Operating Income (and Loss) Before Depreciation and Amortization[3]	$54,073	$40,663	$(7,757)	$(412)	$24,060

[1] Salaries and Wages figures include charges for pension, health care and other employee benefits.
[2] Pension Expense is included in 2015, 2016 and 2017 as a separate category due to implementation of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 ("*GASB 68*"). GASB 68 requires certain pension expenses be reported in the City's Airport Financial Statements when incurred rather than when they are payable. Prior to GASB 68 (from 2013 through 2014 in the above table), Salaries and Wages include the Pension Expense due and payable in each year.
[3] Amount for 2017 may be reconciled to operating loss of $27,383 reported in the 2017 Statement of Revenues, Expenses and Changes in Net Position by deducting depreciation and amortization of $51,443. Amount for prior years may be reconciled through similar calculations.
Sources: Chicago Midway Airport Audited Financial Statements and City Comptroller's Office.

Discussion of Financial Operations

The "Historical Operating Results" table on the prior page summarizes Midway's audited financial results for the years 2013 through 2017. Operating revenues are comprised of landing fees, terminal area use charges, other rentals and concessions. O&M expenses are comprised of salaries and wages, pension expense, repairs and maintenance, professional and engineering services, energy, materials and supplies, and other operating expenses which include insurance premiums, equipment rentals, vehicles and various miscellaneous costs.

The City charges the Signatory Airlines based on a projection of, and recognizes revenues from, the Signatory Airlines only to the extent required to fund the net airline requirement (equal to O&M expenses, net debt service requirements and fund deposit requirements less non-airline revenues and airport development fund ("*ADF*") transfers). Terminal area use charges/rental increased by $3.0 million and other rentals and fueling fees increased by approximately $1.5 million, in 2017 compared to 2016, and non-airline revenues increased approximately $3.3 million. Operating expenses before depreciation and amortization decreased by approximately $11.6 million compared to 2016, primarily due to a decrease in GASB 68 operating expenses for pension, offset by increases in salaries and wages and repairs and maintenance.

The increase in 2017 operating revenues of $12.8 million (7%) from 2016 was due to increased landing fees and terminal area use charges of $8.0 million and rents and other concession revenue (from parking, auto rentals and restaurants) of $4.8 million.

Salaries and wages decreased by $0.4 million (1%) in 2017 compared to 2016 due to a decrease in the payment of overtime and medical care premiums as well as a retroactive salary adjustment in 2016 that was not applicable in 2017. Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017 $30.7 million is recognized on the income statement of Midway Airport for 2017 pursuant to GASB 68, but is not due and payable by the City during 2017, accordingly, that portion is not included in operating expenses for purpose of calculation of the debt service coverage ratios.

The Airport contractually operates under a residual agreement, whereby fees are established for airline parties based on budgeted O&M Expenses, certain debt service, and to a much lesser extent, fund deposits less concession revenue. A settlement is completed after the year end to adjust budget amounts to actual. The entry reflecting this settlement has not yet been completed.

Cash Balances

As of December 31, 2017, the Airport's available cash and cash equivalents of $260.4 million increased by $32.4 million compared to $228.0 million at December 31, 2016, due to cash from operating activities of $56.5 million and cash from investment activities of $74.8 million offset by cash used for capital and related financing of $98.1 million and noncapital financing of $0.8 million. Total cash and cash equivalents at December 31, 2017, were

comprised of unrestricted and restricted cash and cash equivalents of $46.0 million and $214.4 million, respectively.

Insurance

The City's property and liability insurance premiums are approximately $10 million per year. The City maintains property and liability insurance coverage for both O'Hare and Midway and allocates the cost of premiums between the two airports. The property coverage was renewed on December 31, 2017 with a limit of $3.5 billion and includes $3.5 billion in terrorism coverage, and the liability coverage was renewed May 15, 2018 with a limit of $1 billion and includes $1 billion in war and terrorism liability coverage.

CFC Revenues – Historical Collections

The following is a summary of CFC collections by the rental car companies operating at Midway for the period 2009 through April 2018.

City of Chicago
Department of Aviation
Chicago Midway International Airport
Summary of Customer Facility Charge (CFC)
2009-2018

	Transactions		Transaction Days		Average Transaction Length (days)	CFC Revenues Collected	
2009	446,574		1,560,850		3.50	$5,853,188	
2010	447,445	*0.2%*	1,561,571	*0.0%*	3.49	$5,855,891	*0.0%*
2011	463,963	*3.7%*	1,646,780	*5.5%*	3.55	$6,175,425	*5.5%*
2012	498,584	*7.5%*	1,702,810	*3.4%*	3.42	$6,385,538	*3.4%*
2013	514,941	*3.3%*	1,745,489	*2.5%*	3.39	$6,545,583	*2.5%*
2014	516,367	*0.3%*	1,737,127	*-0.5%*	3.36	$6,514,226	*-0.5%*
2015	589,510	*14.2%*	1,786,233	*2.8%*	3.03	$7,690,286	*18.1%*
2016	522,646	*-11.3%*	1,815,585	*1.6%*	3.47	$8,624,029	*12.1%*
2017	503,223	*-3.7%*	1,711,339	*-5.7%*	3.40	$8,128,860	*-5.7%*
2017 Through April	139,510		451,654		3.24	$2,145,357	
2018 Through April	129,916	*-6.9%*	424,286	*-6.1%*	3.27	$2,015,359	*-6.1%*

Sources: City of Chicago

Pension Costs

Determination of Pension Contributions

Midway employees participate in one of four single-employer defined-benefit pension plans for City employees: the Municipal Employees' Annuity and Benefit Fund of Chicago (the "*MEABF*"), the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("*LABF*," and together with MEABF, the "*Municipal and Laborers' Funds*"), the Policemen's Annuity and Benefit Fund of Chicago ("*PABF*"), or the Firemen's Annuity and

Benefit Fund of Chicago ("*FABF*," and together with PABF, the "*Public Safety Funds*," which, together with the Municipal and Laborer's Funds, are referred to herein as the "*Retirement Funds*"). For additional information on the Midway's portion of the net pension liability to the Retirement Funds, see Appendix D-"AUDITED FINANCIAL STATEMENTS- Notes 7 and 8."

Members of each Retirement Fund are eligible (individually, an "*Eligible Member*," and collectively, "*Eligible Members*") for an annual annuity payment (the "*Annuity Benefits*") if they meet certain age, years of service and prior service credit requirements (the "*Eligibility Factors*"). Benefits to each Eligible Member are statutorily established based on a combination of the Eligibility Factors and the Eligible Member's average annual salary for certain years prior to retirement (the "*Annuity Factors*").

Annuity Benefits for each of the Retirement Funds are funded from three sources: (i) contributions from the City (the "*City Contributions*") which are funded from the proceeds of a property tax levy on all taxable property located within the City or other available funds, including payments from Midway on behalf of the Midway employees, (ii) contributions from Eligible Members (the "*Employee Contributions*," and together with the City Contributions, the "*Contributions*"), and (iii) investment returns. Midway has historically contributed its pro rata share of City Contributions to the Retirement Funds (the "*Midway Portion*") based on the Annuity Factors for the number of Midway employees who are Eligible Members.

The City Contributions and Employee Contributions are each established by the Illinois Pension Code (the "*Pension Code*"). Historically, the Contributions required under the Pension Code did not relate to, and in recent years have been substantially less than, the contribution amounts that would have been required if the Retirement Funds were funded based on actuarial determinations of the contribution amounts necessary to fully fund the Annuity Benefits to Eligible Members of each Retirement Fund over an extended period. See "CERTAIN INVESTMENT CONSIDERATIONS – Financial Condition of the City and Other Overlapping Governmental Bodies" herein. In an effort to improve the funded status of the Public Safety Funds, the Illinois General Assembly passed Public Act 96-1495 ("*Act 1495*"), which modified provisions of the Pension Code with respect to PABF and FABF; certain provisions of Act 1495 were later amended by P.A. 99-506 ("*Act 506*"). In an effort to improve the funded status of the Municipal and Laborers' Funds, on July 6, 2017, the Illinois General Assembly passed Public Act 100-0023 ("*Act 23*"), which modified provisions of the Pension Code with respect to MEABF and LABF.

The City's Fiscal Year 2018 budget includes the following contributions to the Retirement Funds (as indicated by total annual contribution and Midway proportional share): (i) $344 million for MEABF, of which $5.0 million, or 1.5 percent, is Midway's proportional share; (ii) $48 million for LABF, of which $0.7 million, or 1.5 percent, is Midway's proportional share; and (iii) $795 million for FABF and PABF, of which $5.8 million, or 0.7 percent, is Midway's proportional share.

Public Safety Funds

The Pension Code establishes the Employee Contributions to PABF at 9.0 percent of the salary of each employee on an annual basis and Employee Contributions to FABF at 9.125

percent of the salary of each employee on an annual basis, and establishes Annuity Benefits for Eligible Members of the Public Safety Funds hired prior to January 1, 2011 based on the Annuity Factors, subject to 3.0 percent automatic annual increases after each Eligible Member's first full year of retirement. Prior to the effectiveness of Act 1495, the Pension Code established the City Contribution to PABF at an amount based upon a fixed multiplier of 2.00 times the annual Employee Contributions to PABF and the City Contribution to FABF at an amount based upon a fixed multiplier of 2.26 times the Employee Contributions to FABF.

Act 1495 required the City to contribute the actuarially determined amounts necessary to achieve a 90 percent funded ratio in the Public Safety Funds by 2040, but made no changes to the Annuity Benefits for Eligible Members hired before January 1, 2011 and established Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits tied to the lesser of 3.0 percent or the consumer price index. Additionally, Act 1495 reduced a survivor's Annuity Benefit equal to 2/3 of the Annuity Benefits that the deceased Eligible Member was receiving at the time of his or her death for Eligible Members hired on or after January 1, 2011.

Beginning with the City Contributions made to PABF and FABF in 2016, the City's Contributions to PABF and FABF are determined pursuant to Act 506 (which modified the funding approach for unfunded liabilities set forth in Act 1495), rather than the multiplier funding formula. Act 506 (i) extends the period by which the unfunded liabilities of the Public Safety Funds are amortized, on a level percentage of payroll basis, to a 90 percent funded ratio from 2040 to 2055 and (ii) institutes a phase-in period during 2016-2020 to allow for a more gradual increase in the City Contributions to the Public Safety Funds than originally required by Act 1495.

Municipal and Laborer's Funds

The Pension Code establishes Annuity Benefits for Eligible Members of the Municipal and Laborers' Funds hired prior to January 1, 2011 based on the Annuity Factors, subject to 3.0 percent automatic annual increases after the Eligible Members' first full year of retirement and Annuity Benefits for Eligible Members hired on or after January 1, 2011 based on the Annuity Factors, but with the average annual salary capped at a certain amount, and the annual increases to the Annuity Benefits are tied to the consumer price index. Further, the Pension Code establishes the Employee Contribution for MEABF and LABF Eligible Members hired prior to January 1, 2017 at 8.5 percent of the salary of each employee on an annual basis.

Pursuant to Act 23, MEABF and LABF Eligible Members hired on or after January 1, 2017 ("*New Members*") will contribute 11.5 percent of their salaries to their respective Retirement Funds and will be eligible for benefits at age 65 (as opposed to age 67 for Eligible Members hired between January 1, 2011 and January 1, 2017 ("*Tier II" Member*")). In addition, Tier II Members of MEABF and LABF will be eligible to receive benefits at age 65 provided that such Tier II Members agree to contribute an additional 3.0 percent of their salaries to their respective Retirement Funds.

Prior to the effectiveness of Act 23, the City Contributions were established at an amount based on a fixed multiplier of 1.25 times the annual Employee Contributions for MEABF and 1.00 times the annual Employee Contributions for LABF. Act 23 provides for the City to contribute the actuarially determined amount required to achieve a 90 percent funded ratio in each of MEABF and LABF by 2058, following a phase-in of increased City Contributions beginning in 2018 and ending in 2022.

Midway Indebtedness

General. The City has financed capital improvements at Midway through the issuance of the First Lien Bonds, Second Lien Bonds and CP Notes and from AIP and Transportation Security Administration ("*TSA*") Federal Grants, PFC revenues, CFC Revenues, airline contributions and other Midway funds. Prior to the issuance of the Bonds, the City's indebtedness at Midway consists of $22,660,000 aggregate principal amount of First Lien Bonds and $1,705,245,000 aggregate principal amount of Second Lien Bonds. The claim of the First Lien Bonds to Net Revenues of Midway is senior to the Second Lien Bonds.

Variable Rate Debt. The City's outstanding indebtedness at Midway includes certain series of variable rate debt obligations. These obligations are supported by letters of credit provided by banks for the payment of debt service or tender prices for such bonds. The following table sets forth information on the bond letter of credit facilities for the City's outstanding variable rate debt obligations for Midway.

LETTER OF CREDIT FACILITIES

					RATINGS THRESHOLDS*		
SECOND LIEN BOND SERIES	PRINCIPAL AMOUNT OUTSTANDING	LOC EXPIRATION DATE	BOND MATURITY DATE	BANK	FITCH	MOODY'S	S&P
2004C-1	$50,855,000	11/25/2019	1/1/2035	Bank of Montreal	BBB-	Baa3	BBB-
2004C-2	59,870,000	11/25/2019	1/1/2035	Bank of Montreal	BBB-	Baa3	BBB-
2004D	12,125,000	11/25/2019	1/1/2035	Bank of Montreal	BBB-	Baa3	BBB-
2014C	124,710,000	7/17/2020	1/1/2044	Barclays	BBB-	Baa3	BBB-

*A Midway Second Lien Bond rating below the level set forth in the "Ratings Thresholds" column would constitute an event of default under the agreements with the related banks.

Swap Agreements. The City entered into the interest rate swaps set forth below as a means of limiting, reducing or managing the City's interest cost with respect to certain bonds issued for Midway, and limiting the interest rate risk inherent in variable rate debt. However, the interest rate swaps may expose the City to certain market and credit risks. The City may terminate the interest rate swaps at any time at market value, or upon the occurrence of certain events.

In 2004, the City entered into separate Qualified Swap Agreements related to the Series 2004C and Series 2004D variable rate bonds with two Swap Providers, JPMorgan Chase Bank National Association and Goldman Sachs. In April 2011, the JPMorgan Chase Bank

National Association swap agreement was innovated to Wells Fargo, and the City now pays 4.247% on a notional amount of $49,140,000 of the outstanding Series 2004C and Series 2004D Bonds. The Goldman Sachs swap agreement requires the City to pay 4.174% on a notional amount of $73,710,000 of the outstanding Series 2004C and Series 2004D Bonds. The following chart provides information on these swap agreements as of June 30, 2018.

SWAP AGREEMENTS

SECOND LIEN BOND SERIES	CURRENT NOTIONAL AMOUNT	COUNTERPARTY	TYPE	CITY RECEIVES	CITY PAYS	EFFECTIVE DATE	TERMINATION DATE	TOTAL MARK-TO-MARKET
2004C&D	$73,710,000	Goldman Sachs	Floating-to-Fixed	SIFMA + .05%	4.174%	12/14/2004	1/1/2035	($11,242,696)
2004C&D	$49,140,000	Wells Fargo	Floating-to-Fixed	SIFMA + .05%	4.247%	4/21/2011	1/1/2035	($8,069,061)

The Qualified Swap Agreements entered into in 2004 were amended in connection with the 2010 conversion and reoffering of the Series 2004C and Series 2004D Bonds to remove and cancel bond insurance policies on the City's payment obligations thereunder. The terms of these are more fully described in Note 4 to the Audited Financial Statements of Midway included as APPENDIX D–"AUDITED FINANCIAL STATEMENTS" under the subheading "LONG-TERM DEBT–*Hedging Derivatives*."

In connection with Qualified Swap Agreements entered into in 2004 and 2011 described above, the City has entered into a credit support annex to secure potential termination payments on such Qualified Swap Agreements. In certain circumstances relating to market conditions and the financial creditworthiness of the Swap Provider, the credit support annex requires the Swap Provider to post collateral. Presently, only the Swap Providers are required to post collateral under the respective credit support annexes. The Airport and counterparties both have additional termination events ("*ATE*"). Each party is required to maintain a credit rating at or above Baa1/BBB+. In the event a party's credit rating falls below this level, the other party is authorized to terminate the credit support annex. For this and other reasons, the City regularly monitors Swap Provider creditworthiness. If the interest rate swaps are terminated, the related bonds would continue to bear interest at a variable rate (unless converted by the City to a fixed rate), and the City could be liable for a termination payment if the swaps have a negative market value. As of April 30, 2018, the estimated aggregate mark-to-market valuation for the two interest rate swaps listed above is negative $18,789,447. This estimate is based on the information provided by each counterparty and has not been independently verified by the City.

Commercial Paper. In October 2003, the City established the CP Program providing for the issuance, from time to time, of CP Notes in an initial aggregate principal amount outstanding at any one time of not to exceed $150 million. The CP Notes are authorized to be issued for payment, or the reimbursement of the City for the payment, of the cost of all or any portion of capital projects at or related to Midway, cash flow needs at Midway, the refunding of general airport revenue bonds and special facility revenue bonds and the payment of the costs of issuance of CP Notes. By ordinance adopted on March 13, 2013, the City increased the aggregate principal amount of CP Notes which may be outstanding at any one time under the CP Program

to $250 million. However, the City has only obtained credit support for CP Notes under the CP Program in an amount not to exceed $85 million as set forth in the following chart.

COMMERCIAL PAPER LETTER OF CREDIT FACILITIES

CP NOTE SERIES	LOC EXPIRATION DATE	BORROWING AUTHORITY	BANK	RATINGS THRESHOLDS* FITCH	MOODY'S	S&P
2003A-D	7/10/2020	$85,000,000	JPMorgan Chase Bank, N.A.	BBB-	Baa3	BBB-

*A Midway second lien debt rating below the level set forth in the "Ratings Thresholds" column would constitute an event of default under the agreements with the related banks.

CP Notes are subordinate to all other Airport Obligations, including the Second Lien Bonds, with respect to their claim on Revenues. At the present time, there are no CP Notes outstanding.

Debt Service Schedule. The table below sets forth aggregate annual debt service for the Outstanding First Lien Bonds and the Outstanding Second Lien Bonds, based on the stated maturity of the Outstanding First Lien Bonds and the Outstanding Second Lien Bonds, after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds.

DEBT SERVICE SCHEDULE
OF OUTSTANDING FIRST LIEN BONDS AND SECOND LIEN BONDS[1]

Year Ending Jan. 1	Total Debt Service on Outstanding First Lien Bonds	Total Debt Service on Outstanding Second Lien Bonds[2][3]	Total Debt Service on Series 2018A Bonds[4]	Total Debt Service on Second Lien Bonds[2][3]	Total Aggregate Debt Service[2][3]
2019[5]	$3,913,150	$69,309,672	$3,284,659	$72,594,331	$76,507,481
2020	4,535,350	117,219,213	5,345,380	122,564,593	127,099,943
2021	4,534,500	120,752,208	5,344,519	126,096,726	130,631,226
2022	4,533,200	124,398,331	5,344,466	129,742,797	134,275,997
2023	4,540,900	129,797,927	5,344,921	135,142,848	139,683,748
2024	4,536,500	129,270,637	5,344,612	134,615,249	139,151,749
2025		133,619,417	5,348,335	138,967,752	138,967,752
2026		132,479,210	5,349,043	137,828,253	137,828,253
2027		131,356,071	5,346,763	136,702,834	136,702,834
2028		130,247,671	5,345,783	135,593,454	135,593,454
2029		129,157,513	3,880,553	133,038,066	133,038,066
2030		128,088,786		128,088,786	128,088,786
2031		127,038,631		127,038,631	127,038,631
2032		126,002,111		126,002,111	126,002,111
2033		124,982,882		124,982,882	124,982,882
2034		123,978,395		123,978,395	123,978,395
2035		122,997,979		122,997,979	122,997,979
2036		48,228,457		48,228,457	48,228,457
2037		52,337,835		52,337,835	52,337,835
2038		52,339,079		52,339,079	52,339,079
2039		52,337,207		52,337,207	52,337,207
2040		52,340,457		52,340,457	52,340,457
2041		52,405,085		52,405,085	52,405,085
2042		58,108,220		58,108,220	58,108,220
2043		58,962,698		58,962,698	58,962,698
2044		59,851,077		59,851,077	59,851,077
2045		20,710,250		20,710,250	20,710,250
2046		20,706,000		20,706,000	20,706,000
Totals:	$26,593,600	$2,629,023,019	$55,279,034	$2,684,302,053	$2,710,895,653

(1) Totals may not add due to rounding.
(2) Represents net Second Lien Debt Service excluding refunded bonds debt service. For the Series 2004C&D Bonds, the Goldman Sachs swap assumes a 4.174% interest rate and the Wells Fargo swap assumes a 4.247% interest rate. For the Series 2014C Bonds, assumes a 2.17% interest rate.
(3) Debt service on variable rate bonds does not include support costs or miscellaneous expenses, such as letter of credit and remarketing agent fees.
(4) The CFC Revenues are not pledged to any Second Lien Bonds, other than the Bonds.
(5) Excludes debt service paid.

LEGISLATION, STATE ACTIONS, AND PROPOSED SOUTH SUBURBAN AIRPORT

Federal Legislation

On July 15, 2016, President Obama signed the "FAA Extension, Safety and Security Act of 2016" into law. The law reauthorized FAA operations and programs through September 30, 2017. Since October 1, 2017, FAA has operated under two short-term extensions of FAA's legislative authority, the "Disaster Tax Relief and Airport and Airway Extension Act of 2017," extended FAA's funding and authority through March 31, 2018, and the "Consolidated Appropriations Act, 2018," further extended FAA's funding and authority through September 30, 2018. As of the date of this Official Statement, the City has no assurance that the current FAA authorization and programs will be extended or that a new authorization or programs will be approved beyond September 30, 2018, or that no interruption of general federal funding, including FAA funding, will occur in connection with the current September 30, 2018 funding expiration date.

Future Legislation. Midway is subject to various laws, rules and regulations adopted by local, State, and federal governments and their agencies. The City is unable to predict the adoption or amendment of any such laws, rules or regulations, or their effect on the operations or financial condition of Midway.

State Actions

The State, certain State agencies and certain State legislators have taken certain actions that may affect Midway and the City's ability to collect Revenues.

Noise Legislation. Legislation with respect to reducing aircraft noise has been proposed from time to time in the Illinois General Assembly. There is no assurance that legislation with respect to aircraft noise will not be proposed or enacted in the future, or that if enacted it would not have a material adverse effect on operations, enplanements and Revenues at Midway.

State Approval of Federal Grants. Under the Illinois Aeronautics Act, the City is generally required to obtain the approval of the Illinois Department of Transportation ("*IDOT*") for all AIP grant applications that the City submits to the FAA.

Proposed South Suburban Airport

Plans to build a third airport in the Chicago Region have been under discussion for many years. The most likely site for such an airport is the proposed South Suburban Airport site located near Peotone, Illinois, in Will County, approximately 35 miles south of the City's central business district.

It is not possible at this time to determine the viability of a new major commercial airport at the Peotone site or to predict whether or when any new regional airport would be constructed; nor is it currently possible to predict what effect, if any, such an airport would have on operations or enplanements at Midway. The Peotone site is closer to Midway than to O'Hare; by expressway it is approximately 60 miles south of O'Hare, and approximately 45 miles south of Midway.

CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY

The purchase of the Bonds involves certain investment risks and considerations. Prospective purchasers should read this Official Statement in its entirety. The factors set forth below, among others, may affect the security for the Bonds. The order in which information regarding investment risks and considerations is presented is not intended to connote the magnitude or relevant importance of such risks and considerations.

General Factors Affecting the Level of Airline Traffic

The City's ability to collect Revenues, CFC Revenues and PFC revenues is dependent primarily on the level of aviation activity and enplaned passenger traffic at Midway. Key factors affecting airline traffic at Midway include, among others, population growth and the economic and political conditions of the region and the nation, national and international disasters and hostilities, safety concerns arising from international conflicts, the possibilities of terrorist or other attacks, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel, capacity of the national air traffic control system and various other local, regional, national and international factors. Many of these factors, most of which are outside of the City's control, are discussed in "CHICAGO MIDWAY INTERNATIONAL AIRPORT-The Air Trade Area." If aviation activity at Midway does not meet forecast levels, a corresponding reduction is likely to occur both in Revenues (absent an increase in Midway rentals, rates, fees and charges), in CFC Revenues and in PFC revenues.

Southwest Airlines Concentration at Midway

Southwest is the largest single airline at Midway with 92.7% of passenger enplanements in 2017. Southwest accounted for approximately 52.7% of total Midway operating revenues in 2017. See CHICAGO MIDWAY INTERNATIONAL AIRPORT." More information on Southwest, including annual and quarterly financial statements, can be found at the following website: http://southwest.investorroom.com.

Availability of Various Sources of Funding

The plan of financing for the 2018-2024 CIP assumes that Revenues, CFC Revenues and PFC revenues will be available in certain amounts and at certain times for the payment of certain capital project costs on a "pay as you go" basis and the payment of debt service of Airport Obligations. See "2018-2024 CAPITAL IMPROVEMENT PROGRAM." No assurance can be given that these sources of funding will actually be available in the amounts or on the schedule assumed.

The City's ability to prescribe, fix, maintain and collect certain rates, fees and other charges may be limited by various contractual obligations to third parties. See "SECURITY FOR THE BONDS – "CFC Revenues" and – "Airport Use Agreements," and APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS."

The assumptions with respect to entitlement and discretionary federal funding are based on a number of estimates and assumptions which, although considered reasonable by the City, are inherently subject to various uncertainties and contingencies. Actual entitlement and/or discretionary federal funding levels and timing will vary, and such differences may be material.

To the extent that any portion of the funding assumed in the plan of financing for the 2018-2024 CIP is not available as anticipated, the City may be required to issue additional Airport Obligations to pay the costs of the 2018-2024 CIP and increase airline rates and charges and CFC Revenues to pay debt service on the Bonds and any additional Airport Obligations, to fund the required coverage thereon. As noted above, the City's ability to raise such rates and charges may be limited by various contractual obligations.

Aviation Industry

General. The City's ability to collect Revenues and PFC revenue is affected by the dynamics of the airline industry, which also impact the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airport Use Agreements and other arrangements.

Historically, the financial performance of the airline industry generally has correlated with the strength of the national and global economy. Certain factors that may materially affect Midway and the airlines include, but are not limited to, (i) growth of population and the economic health of the region and the nation, (ii) airline service and route networks, (iii) national and international economic and political conditions, (iv) changes in demand for air travel, (v) service and cost competition, (vi) mergers and bankruptcy, (vii) the availability and cost of aviation fuel and other necessary supplies, (viii) levels of air fares, fixed costs and capital requirements, (ix) the cost and availability of financing, (x) the capacity of the national air traffic control system, (xi) national and international disasters and hostilities, (xii) public health concerns, such as the spread of influenza and severe acute respiratory syndrome, (xiii) the cost and availability of employees and labor relations within the airline industry, (xiv) regulation by the federal government, (xv) environmental risks, noise abatement concerns and regulation, (xvi) acts of war or terrorism, (xvii) aviation accidents, and (xviii) other risks. As a result of these and other factors, many airlines have operated at a loss in the past and many (including some that served Midway) have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the so-called legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, reducing routes served, consolidating connecting activity and replacing mainline jets with regional jets.

Financial Condition of Airlines Serving Midway. Many of the airlines serving Midway were impacted by the global economic downturn and recession that occurred between 2008 and 2009, and most major domestic airlines suffered significant financial losses. While the U.S. and global economies generally have rebounded, there can be no assurances that any such rebound will continue, or that other national or international fiscal concerns will not have an adverse effect on the airline industry. Current and future financial and operational difficulties encountered by the airlines serving Midway (most notably Southwest Airlines), could have a material adverse effect on operations at, and the financial condition of, Midway. If Southwest Airlines were to cease operations at Midway for any reason or eliminate or reduce Midway's

status as a connecting hub, the current level of activity of such airline may not be replaced by other airlines.

Cost of Aviation Fuel. Airline earnings are significantly affected by the price of aviation fuel. Any increase in fuel prices results in an increase of airline operating costs. Fuel prices continue to be impacted by, among other things, political unrest in oil-producing parts of the world, increased demand for fuel caused by rapid growth in certain global economies, such as China and India, currency fluctuations and changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged periods of increases in the cost of aviation fuel have had material adverse effects on airline profitability, causing airlines to reduce capacity, fleet and personnel, as well as increase fares and institute additional fees, such as checked baggage fees, all of which may decrease demand for air travel. Fluctuating fuel costs will continue to affect airline profitability and could lead to changes in air service as airlines restructure air service to address increases or decreases in the cost of fuel. Although, at present, aviation fuel prices have stabilized, no assurance can be given that such fuel prices will not increase in the future, thereby negatively impacting airline earnings and operations.

Capacity of National Air Traffic Control and Airport System. Capacity limitations of the national air traffic control systems continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The FAA has made certain improvements to the computer, radar and communications equipment of the air traffic control system in recent years, but no assurances can be given that future increases in airline and passenger traffic will not again adversely affect airline operations.

Airline Mergers, Acquisitions, and Alliance. In response to competitive pressures and increased cost, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta merged with Northwest Airlines. In 2009, Republic Airways Holdings, a regional airline, acquired Frontier Airlines and Midwest Airlines but, in 2014, sold Frontier Airlines to Indigo Partners LLC, a private equity firm. In 2010, United Airlines and Continental Airlines merged. In April 2015, American and US Airways completed their merger which created the largest airline in the world in terms of operating revenue and revenue passenger miles. Neither United nor American Airlines operates at Midway.

On May 2, 2011, Southwest announced the closing of its acquisition of AirTran. The acquisition extended Southwest's route network and added new markets, such as Atlanta (the largest domestic market Southwest did not previously serve) and Reagan National Airport (Washington, D.C.). It also provided Southwest with access to international leisure markets in the Caribbean and Mexico. The FAA granted the airline a single operating certificate on March 1, 2012, allowing Southwest to complete full integration of AirTran in 2014.

In addition, all of the large U.S. airlines are members of alliances with foreign–flag airlines, which alliances, and other marketing arrangements provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between airlines.

Airport Security. With enactment of the Aviation and Transportation Security Act ("*ATSA*") in November 2001, the TSA was created and established different and improved security processes and procedures. ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. ATSA also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Additional security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

Sequestration. Federal funding received by Midway, and aviation operations in general, could be adversely affected by implementation of the sequestration provisions of the Budget Control Act, which was signed into law by President Obama on August 2, 2011. Unless changed or delayed by the United States Congress from time to time, sequestration is a multi-year process and could adversely affect FAA, TSA, and Customs and Border Control ("*CBP*") budgets and staffing, resulting in staffing shortages, staff furloughs, and traffic delays and/or cancellations at airports across the United States. The full impact of sequestration on the aviation industry and Midway, generally, resulting from potential layoffs or further furloughs of federal employees responsible for federal airport security screening, air traffic control and CBP, is unknown at this time.

Threat of Terrorism. As has been the case since the events of September 11, 2001, the recurrence of terrorism incidents against either domestic or world aviation remains a risk to achieving forecast aviation activity at Midway. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

Cybersecurity Risks. Computer networks and data transmission and collection are vital to the efficient operation of the aviation industry. Air travel industry participants, including airlines, the FAA, the TSA, Midway, rental car companies, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect Revenues and CFC Revenues.

Effect of Airline Bankruptcy

Treatment of PFCs in Airline Bankruptcies. The PFC Act provides that PFCs collected by the Collecting Carriers constitute a trust fund held for the beneficial interest of the eligible public agency (*i.e.,* the City) imposing the PFCs, except for any handling fee or retention of

interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the Collecting Carriers are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In the event of a bankruptcy, the PFC Act, as amended in December 2003 by the Vision 100-Century of Aviation Reauthorization Act ("*Vision 100*") provides certain statutory protections to eligible public agencies imposing PFCs, including the City, with respect to PFC collections. It is unclear, however, whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to a Collecting Carrier in the event of its liquidation or cessation of business. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate PFC revenue in a separate account for the benefit of the eligible public agencies entitled to such revenue. Prior to the amendments made by Vision 100 allowing PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that PFC revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of the unsecured creditors of such airline. In connection with another bankruptcy proceeding prior to Vision 100, a different bankruptcy court entered a stipulated order establishing a PFC trust fund for the benefit of various airports to which the bankrupt airline was not current on PFC payments. Although Vision 100 should provide some protection for eligible public agencies in connection with PFC revenues collected by an airline in bankruptcy, no assurances can be given as to the approach bankruptcy courts will follow in the future.

The City also cannot predict whether a Collecting Carrier operating at Midway that files for bankruptcy would have properly accounted for PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such Collecting Carrier. Based on Vision 100, it is expected, although no assurance is given, that the City would be treated as a secured creditor with respect to PFCs held by a Collecting Carrier which becomes involved in a bankruptcy proceeding.

The cessation of operations by a Signatory Airline with significant operations at Midway, such as Southwest, would have a material adverse effect on operations, Revenues (with the resultant effect on repayment of the Bonds), PFC revenues and the cost to the other airlines of operating at Midway. Currently, 34 domestic gates and related facilities at Midway are preferentially leased by the City to the Signatory Airlines pursuant to the Airport Use Agreements, and 9 gates are controlled by the City. Southwest leases 32 gates and operates from four of the City-controlled gates. Each Signatory Airline paid a security deposit to the City upon entering into the Airport Use Agreement to apply to a Signatory Airline's past due rentals, charges and fees due to the City. In the event of a Signatory Airline default, the City has the power to terminate the Airport Use Agreement and exclude such Signatory Airline from its leased premises and assigned aircraft parking positions. See APPENDIX C "SUMMARY OF CERTAIN PROVISIONS OF AIRPORT USE AGREEMENTS Security Deposits" and "Default and Termination."

In the event of bankruptcy, proceedings involving a Signatory Airline, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to

assume or reject the applicable Airport Use Agreement. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance. Rejection of an Airport Use Agreement by any Signatory Airline that is a debtor in a bankruptcy proceeding would result in the termination of that Airport Use Agreement. Such rejection of an Airport Use Agreement would give rise to an unsecured claim of the City against the debtor's estate for damages, the amount of which is limited by the Bankruptcy Code. However, after application of certain reserve funds, the amounts unpaid by the Signatory Airline as a result of its rejection of its Airport Use Agreement in bankruptcy would be included in the calculation of the fees and charges of the remaining Signatory Airlines under their Airport Use Agreements. See APPENDIX C "SUMMARY OF CERTAIN PROVISIONS OF AIRPORT USE AGREEMENTS General Commitment to Pay Airline Fees and Charges."

It is not possible to predict the level of utilization of the gates leased under a debtor-in-possession's Airport Use Agreement following a bankruptcy filing. Decreased utilization of such gates could have a material adverse effect on operations at Midway, Revenues, PFC revenues and on the cost to the airlines operating at Midway.

Economic Conditions in the Air Trade Area

For a detailed discussion of the current economic conditions in Midway's air trade area, see "CHICAGO MIDWAY INTERNATIONAL AIRPORT-The Air Trade Area."

Financial Condition of Airlines Serving Midway

Certain of the Signatory Airlines file reports and other information (collectively, the "*SEC Reports*") with the U.S. Securities and Exchange Commission ("*SEC*"). Certain information, including financial information, as of particular dates concerning each of the Signatory Airlines (or their respective parent corporations) is included in the SEC Reports. The SEC Reports can be read and copied at the SEC's Public Reference Rooms, which can be located by calling the SEC at 1-800-SEC-0330. In addition, electronically filed SEC Reports can be obtained from the SEC's website at http://www.sec.gov. Each Signatory Airline and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street S.W., Washington, DC 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates. Non-U.S. airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines.

Effect of Airline Industry Consolidation

The airline industry has consolidated and it is possible that one or more of the Airline Parties could further consolidate. Depending on which Airline Parties, if any, merge, the result may be a decrease in gate utilization by an Airline Party, which decrease could be significant. It is not possible to predict the effect on gate usage as a result of potential airline consolidation at this time.

Termination of Airport Use Agreements

Pursuant to the Airport Use Agreements, the Signatory Airlines agree to pay rentals, fees and charges for Midway in an amount that, in the aggregate, are sufficient to allow the City to satisfy its covenants to Bondholders. The Airport Use Agreements are scheduled to terminate on December 31, 2027 but are subject to early termination by a Signatory Airline under certain limited circumstances. The Airport Use Agreement termination events are set forth in APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS–Term" and "–Default and Termination."

Factors Affecting Rental Car Demand at the Airport

Demand for rental cars at an airport is highly correlated to passenger activity, however, additional factors weigh in a traveler's decision to rent a car upon arrival at their destination such as rental rates, CFCs and other local fees assessed on rental cars, gas prices, availability of alternative modes of transportation, time constrains, distance between the local origin and destination points, the number of places to be visited, and convenience. Transportation network companies, such as Uber and Lyft, operating at airports may affect demand for rental cars. New emerging technologies, such as driverless cars, may affect demand for rental cars at airports in the future. It is not possible to predict whether or to what extent any such additional factors will occur, and what impact any such additional factors would have on CFC Revenues.

Credit Risk of Financial Institutions Providing Credit Enhancement, Liquidity Support and Other Financial Products Relating to Airport Obligations

The City entered into a number of liquidity, credit enhancement and other transactions involving a variety of financial institutions relating to its Airport Obligations, including bond insurance policies and debt service reserve fund surety bonds issued by monoline bond insurance companies. Additionally, in connection with various variable rate bond issues for Midway, the City entered into credit and liquidity agreements and interest rate swap agreements with and/or guaranteed by various financial institutions, including commercial and investment banks.

Each of Moody's, S&P Global Ratings, and Fitch (collectively, the "*Rating Agencies*") has downgraded the claims-paying ability and financial strength ratings of most of the nation's monoline bond insurance companies and many other financial institutions. The Rating Agencies could announce changes in rating outlook, or a review for downgrade or further downgrades of bond insurers, credit or liquidity providers or interest rate swap counterparties. Such adverse ratings developments with respect to bond insurers, credit or liquidity providers or interest rate counterparties on bond issues for Midway could have a material adverse effect on the Airport Obligations, including, without limitation, resulting in substantial increases in the debt service-related costs for the Airport Obligations and have negative effects on the City's debt portfolio with respect to Midway. In addition to an increase in the interest rates on variable rate bonds secured by the subject credit enhancers, such downgrades, especially downgrades to below investment grade, could lead to termination events or other negative effects under related agreements including, but not limited to, swap agreements, letters of credit and/or reserve fund surety policies. Payments required under these agreements in the event of any termination could be substantial and could have a negative impact on Revenues and/or the liquidity position of the

Airport. A default by any of the financial institutions under its bond insurance, debt service reserve fund, liquidity or interest rate swap obligations could have a material adverse impact on Midway finances.

Financial Condition of the City and Other Overlapping Governmental Bodies

The Bonds are limited obligations of the City payable solely from the Revenues, and do not constitute an indebtedness or a loan of credit of the City and neither the faith and credit nor the taxing power of the City nor any property of the City is pledged as security for the Bonds. The City's financial condition and the financial condition of other governmental bodies sharing a common tax base could impact the level of enplaned passenger traffic and aviation activity at Midway, and therefore, repayment of the Bonds.

Unfunded Pensions. The Retirement Funds have significant unfunded liabilities and low funding ratios. Historically, City Contributions to the Retirement Funds in accordance with the Pension Code have not been sufficient, when combined with employee contributions and investment returns, to offset increases in the Retirement Funds' liabilities, which has 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 when due. Furthermore, increases in City Contributions to the Retirement Funds (such as City Contributions to the Public Safety Funds scheduled to occur under Act 1495, as modified by Act 506, and City Contributions to the Municipal and Laborers' Funds scheduled to occur under Act 23) caused the City to increase its revenues and may require the City to further increase its revenues, reduce its expenditures, or some combination thereof, which may impact the services provided by the City or limit the City's ability to generate additional revenues for other purposes in the future.

Overlapping Taxing Districts. A number of governmental units and other public bodies share in varying degrees a common tax base, including property taxes, with the City. The City does not control the amount or timing of the taxes levied by these overlapping taxing districts. Depending on the amount of such increase(s), an increase in the amount of taxes by these overlapping taxing districts could potentially be harmful to the City's economy and/or may make it more difficult for the City to increase taxes and maintain essential or necessary City services. See "CHICAGO MIDWAY INTERNATIONAL AIRPORT-The Air Trade Area."

Municipal Bankruptcy

Municipalities, such as the City, 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 does not currently permit municipalities to be a debtor in a bankruptcy proceeding. From time to time, legislation has been introduced in the Illinois General Assembly which, if enacted, would permit Illinois municipalities to be a debtor in bankruptcy. The City is unable to predict whether the Illinois General Assembly may adopt any such legislation or the form of such legislation if enacted.

Notwithstanding the foregoing, if the City were authorized by State law to become a debtor in bankruptcy and were to become a debtor in a proceeding under Chapter 9 of the U.S. Bankruptcy Code, it is possible that the application of the Revenues and Other Available Moneys pledged by the City under the Second Lien Indenture to pay the Bonds could be stayed during the proceeding, and that the terms of the Bonds, the Ordinance or the Second Amended and Restated Seventh Supplemental Indenture could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with requirements of the U.S. Bankruptcy Code.

Although the City can provide no assurances, the City believes that the Revenues and Other Available Moneys pledged by the City under the Second Lien Indenture constitute "special revenues," as defined in Section 902(2) of the U.S. Bankruptcy Code and, as a consequence, (i) pursuant to Section 928(a) of the U.S. Bankruptcy Code, any and all of such pledged Revenues and Other Available Moneys currently pledged by the City under the First Lien Indenture acquired by the City after the commencement of a case by the City under Chapter 9 of the U.S. Bankruptcy Code would remain subject to the lien of the First Lien Indenture during and after the pendency of the bankruptcy case and could not lawfully be used by the City other than in compliance with the First Lien Indenture and (ii) under Section 922(d) of the U.S. Bankruptcy Code, the application by the City of "special revenues" under the terms of the First Lien Indenture would not be subject to stay after the commencement by the City of a case under Chapter 9 of the U.S. Bankruptcy Code.

As discussed below under the subheading "—Enforceability of Remedies," various of the legal opinions to be delivered in connection with the issuance of the Bonds will be qualified as to bankruptcy and similar events and as to the application of equitable principles.

Force Majeure Events Affecting the City and Midway

There are certain unanticipated events beyond the City's control that could have a material adverse effect on the City's operations and financial condition, or on Midway's operations and financial condition, if they were to occur. These events include, but are not limited to, 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, 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 severity of the impact on the City's operations and financial condition or on Midway's operations and financial condition, as applicable.

Limited Liability; Subordination

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT CONSTITUTE AN INDEBTEDNESS OR A LOAN OF CREDIT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF ILLINOIS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT PAYABLE

IN ANY MANNER FROM REVENUES RAISED BY TAXATION. NO PROPERTY OF THE CITY, INCLUDING PROPERTY LOCATED AT MIDWAY, IS PLEDGED AS SECURITY FOR THE BONDS.

The pledge of Second Lien Revenues for the Bonds is junior and subordinate to the pledge of Revenues for the payment of First Lien Bonds. The Bonds are secured on a parity basis with the Outstanding Second Lien Bonds and all other Second Lien Obligations. Subject to certain conditions set forth in the Second Lien Indenture, the City may in the future issue or incur Additional Second Lien Obligations that will be secured on a parity basis with the Bonds and the Outstanding Second Lien Bonds and all other Second Lien Obligations. See "SECURITY FOR THE BONDS–Additional Obligations."

Enforceability of Remedies

The rights of the owners of the Bonds and the enforceability of the City's obligation to make payments on the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinion of Bond Counsel and the City's Corporation Counsel delivered at the time of the initial issuance of the Bonds as to the enforceability of the City's obligations were qualified as to bankruptcy and similar events and as to the application of equitable principles and the exercise of judicial discretion in appropriate cases and to common law and statutes affecting the enforceability of contractual obligations generally, and to principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

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 event or otherwise. See "INTRODUCTION—Forward-Looking Statements."

LITIGATION

Except for the matters described below, there is no litigation pending or threatened against the City relating to the City's operation of Midway, the issuance, sale, or delivery of the Bonds or the validity or enforceability thereof other than various legal proceedings (pending or threatened) which may have arisen or may arise out of the ordinary course of business of Midway. The City expects that the final resolution of such legal proceedings arising in the

ordinary course of business will not have a material adverse effect on the financial position or the results of operation of Midway.

Harry O. Hefter Associates, Inc.

Harry O. Hefter Associates, Inc. ("*HOH*") submitted a request for resolution of a contract dispute ("*Dispute*"), dated September 16, 2013, under its Professional Services Agreement, Contract No. 1956 ("*Contract*"), Specification No. B2-91842-11, with CDA. HOH has asserted that it was entitled to an additional payment of between $469,182.56 and $617,249.81 in connection with services it rendered with respect to the design and construction of the Consolidated Rental Car Facility at Midway. On March 3, 2015 and August 25, 2017, the City's Chief Procurement Officer ("*CPO*") issued two decisions, granting the Dispute in part and denying it in part, and awarding HOH $194,940.35 in additional payment for above-budget hours HOH worked on shop drawing review, responding to requests for information, and responding to nonconformance reports On the additional services it provided. On September 26, 2017, HOH appealed the CPO's decisions through a petition for writ of certiorari seeking the full amount requested in its dispute. On May 10, 2018, the City filed a cross-petition for writ of certiorari challenging the CPO's 2015 & 2017 decisions and asking the Court to find HOH is not entitled to any additional compensation.

K-Five Topsoil Dispute

K-Five Construction Corporation ("*K-Five*") filed a dispute with the CPO seeking an additional $482,822.40 in compensation for topsoil it allegedly provided related to the work it performed on Contract (PO) Number: 41944, Specification No. 143520, titled "Runway 4-R-22L Rehabilitation" ("*Contract*"). In its dispute, K-Five alleges that it should be compensated for all topsoil it provided under the Contract under Line Item 84, which provides that K-Five will be compensated at the unit price of $12/hr. The City contends that nearly all of the topsoil that K-Five provided falls under Line Item 83 because it was incidental to the sodding work that K-Five performed and was compensated for under that line item. The matter is fully briefed and awaiting a decision from the CPO.

K-Five EMAS Dispute

K-Five filed a dispute with the CPO seeking an additional $575,000 in for work it performed to repair and reinstall an Engineered Materials Arrestor System ("*EMAS*") on Runway 4R-22L under on Contract (PO) Number: 41944, Specification No. 143520, titled "Runway 4-R-22L Rehabilitation" ("*Contract*"). The City contends that, pursuant to the Contract, the cost of repairing defective work should be borne by K-Five. The matter is fully briefed before the CPO, who has requested the designer and material supplier on the project provide additional information to the CPO, before she makes her final decision.

In addition to the above-described matters, there are, from time to time, lawsuits that arise out of the various construction contracts entered into in connection with construction projects at Midway. The City, however, does not believe that any sums that may be recovered would have a material adverse impact on the financial condition of Midway or the collection of Revenues by the City.

TAX MATTERS

Interest not exempt from State of Illinois Income Taxes

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Prospective purchasers of the Bonds should consult their own tax advisors regarding the application of any such state and local taxes.

Certain United States Federal Income Tax Consequences

The following discussion is a summary of the material United States federal income tax consequences of the acquisition, ownership and disposition of certain of the Bonds that we are offering. Except where noted, this summary deals only with Bonds that are purchased upon original issuance and are held as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- an insurance company;
- a person holding the Bonds as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a "hybrid" entity;
- a "*United States Holder*" (as defined below) whose "functional currency" for tax purposes is not the U.S. dollar;
- a "controlled foreign corporation";
- a "passive foreign investment company"; or

- a United States expatriate.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "*Code*"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below.

For purposes of this summary, a "*United States Holder*" means a beneficial owner of the Bonds that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

A "*Non-United States Holder*" means a beneficial owner of the Bonds who is neither a United States Holder nor a partnership or an entity treated as a partnership for United States federal income tax purposes.

If a partnership or an entity treated as a partnership for United States Federal income tax purposes holds the Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Bonds, you should consult your tax advisors.

This summary does not represent a detailed description of the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. **If you are considering the purchase of Bonds, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

Taxable Bonds

Consequences to United States Holders

The following is a summary of the material United States federal income tax consequences that will apply to you if you are a United States Holder of Bonds.

Payments of Interest

Except as set forth below, interest on the Bonds will generally be taxable to you as ordinary income and included in your income as interest income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

Original Issue Discount

If you own a bond issued with original issue discount ("*OID*"), you will be subject to special tax accounting rules, as described in greater detail below. In that case, you should be aware that you generally must include OID in gross income in advance of the receipt of cash attributable to that income. However, you generally will not be required to include separately in income cash payments received on the Bonds, even if denominated as interest, to the extent those payments do not constitute "qualified stated interest," as defined below.

A bond with an "issue price" that is less than its "stated redemption price at maturity" (the sum of all payments to be made on the bond other than "qualified stated interest") generally will be issued with OID if that difference is at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or weighted average maturity in the case of a bond with more than one principal payment. The "issue price" of each bond in a particular offering will be the first price at which a substantial amount of that particular offering is sold to the public. The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, and meets all of the following conditions:

- it is payable at least once per year;
- it is payable over the entire term of the bond; and
- it is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

If you own a bond issued with *de minimis* OID, which is discount that is not OID because it is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or weighted average maturity in the case of Bonds with more than one principal payment, you generally must include the *de minimis* OID in income at the time principal payments on the Bonds are made in proportion to the amount paid. Any amount of *de minimis* OID that you have included in income will be treated as capital gain.

Certain of the Bonds may contain provisions permitting them to be redeemed prior to their stated maturity at our option and/or at your option. Original issue discount Bonds containing those features may be subject to rules that differ from the general rules discussed herein. If you are considering the purchase of Bonds with those features and issued with OID, you should consult your own tax advisors with respect to those features since the tax consequences to you with respect to OID will depend, in part, on the particular terms and features of the Bonds.

If you own Bonds issued with OID with a maturity upon issuance of more than one year, you generally must include OID in income in advance of the receipt of some or all of the related cash payments using the "constant yield method" described in the following paragraphs.

If you hold a bond with a maturity of more than one year from its date of issue that has been issued with OID, you are generally required to include any qualified stated interest payments in income as interest at the time such interest is accrued or is received in accordance with your regular accounting method for tax purposes, as described above under "—Consequences to United States Holders —Payment of Interest."

The amount of OID that you must include in income if you are the initial United States Holder of an original issue discount bond is the sum of the "daily portions" of OID with respect to the bond for each day during the taxable year or portion of the taxable year in which you held that bond ("accrued OID") regardless of your regular method of accounting. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for an original issue discount bond may be of any length and may vary in length over the term of the bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the excess, if any, of:

- the bond's "adjusted issue price" at the beginning of the accrual period multiplied by its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period; over

- the aggregate of all qualified stated interest allocable to the accrual period.

OID allocable to a final accrual period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The "adjusted issue price" of a bond at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, determined without regard to the amortization of any acquisition or bond premium, as described below, and reduced by any payments previously made on the bond other than a payment of qualified stated interest. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds that provide for a variable rate of interest ("variable rate Bonds") are subject to special OID rules. In the case of a bond issued with OID that is a variable rate bond, both the "yield to maturity" and "qualified stated interest" will be determined solely for purposes of calculating the accrual of OID as though the bond will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the bond on its date of issue or, in the case of certain variable rate Bonds, the rate that reflects the yield to maturity that is reasonably expected for the bond. Additional rules may apply if either:

- the interest on a variable rate bond is based on more than one interest index; or

- the principal amount of the bond is indexed in any manner.

The discussion above generally does not address Bonds that are subject to the special rules governing contingent payment debt instruments. You should consult your own tax advisors regarding the United States federal income tax consequences of the holding and disposition of any Bonds that are subject to the special rules governing contingent payment debt instruments.

You may elect to treat all interest on any bond as OID and calculate the amount includible in gross income under the constant yield method described above subject to certain limitations and exceptions. For purposes of this election, interest includes stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium. You should consult with your own tax advisors about this election.

Market Discount

If you purchase a bond for an amount that is less than its stated redemption price at maturity (or, in the case of a bond issued with OID, its adjusted issue price), the amount of the difference will be treated as "market discount" for United States federal income tax purposes, unless that difference is less than a specified *de minimis* amount. Under the market discount rules, you will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a bond as ordinary income to the extent of the market discount that you have not previously included in income and are treated as having accrued on the bond at the time of the payment or disposition.

In addition, you may be required to defer, until the maturity of the bond or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness attributable to the bond. You may elect, on a bond-by-bond basis, to deduct the deferred interest expense in a tax year prior to the year of disposition. You should consult your own tax advisors before making this election.

Any market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the bond, unless you elect to accrue on a constant interest method. You may elect to include market discount in income currently as it accrues, on either a ratable or constant interest method, in which case the rule described above regarding deferral of interest deductions will not apply.

Acquisition Premium, Amortizable Bond Premium

If you purchase a bond issued with OID for an amount that is greater than its adjusted issue price but equal to or less than the sum of all amounts payable on the bond after the purchase date other than payments of qualified stated interest, you will be considered to have purchased that bond at an "acquisition premium." Under the acquisition premium rules, the amount of OID that you must include in gross income with respect to the bond for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year.

If you purchase a bond (including a bond issued with OID) for an amount in excess of the sum of all amounts payable on the bond after the purchase date other than qualified stated

interest, you will be considered to have purchased the bond at a "premium" and, if it is a bond issued with OID, you will not be required to include any OID in income. You generally may elect to amortize the premium over the remaining term of the bond on a constant yield method as an offset to interest when includible in income under your regular accounting method. Special rules limit the amortization of premium in the case of convertible debt instruments. If you do not elect to amortize bond premium, that premium will decrease the gain or increase the loss you would otherwise recognize on disposition of the bond.

Sale, Exchange, Retirement or other Disposition of Bonds

Your adjusted tax basis in a bond will, in general, be your cost for that bond, increased by OID or market discount, and reduced by any amortized premium and any cash payments on the bond other than qualified stated interest. Upon the sale, exchange, retirement or other disposition of a bond, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount equal to any accrued and unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and the adjusted tax basis of the bond.

Your amount realized will include the amount of any cash and the fair market value of any other property received for the bond. Except (i) as described above with respect to market discount and (ii) with respect to contingent payment debt instruments which this summary generally does not discuss, that gain or loss will be capital gain or loss. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Potential Acceleration of Income

Accrual method taxpayers that prepare an "applicable financial statement" (as defined in Section 451 of the Code, which includes any GAAP financial statement, Form 10-K annual statement, audited financial statement or a financial statement filed with any federal agency for non-tax purposes) generally would be required to include certain items of income such as OID and possibly de minimis OID and market discount in gross income no later than the time such amounts are reflected on such a financial statement. (The application of this rule to income of a debt instrument with OID is effective for taxable years beginning after December 31, 2018.) This could result in an acceleration of income recognition for income items differing from the above description, although the precise application of this rule is unclear at this time.

Additional Medicare Tax

Certain United States Holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to an additional 3.8% Medicare tax on some or all of such United States Holder's "net investment income." Net investment income generally includes interest on, and gain from the disposition of, the Bonds unless such interest income or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). United States Holders should consult their tax advisors regarding the effect this tax may have, if any, on their acquisition, ownership or disposition of the Bonds.

Consequences to Non-United States Holders

The following is a summary of the material United States federal income and estate tax consequences that will apply to you if you are a Non-United States Holder of Bonds.

United States Federal Withholding Tax

Subject to the discussion of backup withholding and FATCA below, the 30% United States federal withholding tax ordinarily imposed on U.S. source payments of interest to Non-United States Holders will not apply to any payment of interest on the Bonds (including OID) under the "portfolio interest rule," provided that:

- interest paid on the Bonds is not effectively connected with your conduct of a trade or business in the United States, or a permanent establishment maintained by you in the United States if certain tax treaties apply;

- you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable United States Treasury regulations;

- you are not a controlled foreign corporation that is related to us directly or indirectly through stock ownership;

- the interest is not considered contingent interest under Section 871(h)(4)(A) of the Code and the United States Treasury regulations thereunder; and

- either (a) you provide your name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form), and certify, under penalties of perjury, that you are not a United States person as defined under the Code or (b) you hold your Bonds through certain foreign intermediaries and satisfy the certification requirements of applicable United States Treasury regulations. Special certification rules apply to Non-United States Holders that are pass-through entities rather than corporations or individuals.

If you cannot satisfy the requirements described above, payments of interest, including OID, made to you will be subject to the 30% United States federal withholding tax, unless you provide us with a properly executed:

- IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or

- IRS Form W-8ECI (or other applicable form) stating that interest paid on the Bonds is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed below under "—United States Federal Income Tax On Effectively Connected Income").

Subject to the discussion of FATCA below, the 30% United States federal withholding tax generally will not apply to any payment of principal or gain that you realize on the sale, exchange, retirement or other disposition of a bond.

United States Federal Income Tax On Effectively Connected Income

If you are engaged in a trade or business in the United States and interest, including OID, on the Bonds is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment maintained by you), then you will be subject to United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% United States federal withholding tax, provided the certification requirements discussed above in "—United States Federal Withholding Tax" are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of such interest, subject to certain adjustments.

Sale, Exchange, Retirement or other Disposition of Bonds

Subject to the discussion of backup withholding and FATCA below, any gain realized on the disposition of a bond generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment maintained by you); or

- you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

Information Reporting and Backup Withholding

Consequences to United States Holders

In general, information reporting requirements will apply to certain payments of interest (including OID) and premium paid on Bonds and to the proceeds of sale of a bond paid to you (unless you are an exempt recipient such as a corporation). A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or a certification of exempt status, or if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Consequences to Non-United States Holders

Generally, we must report to the IRS and to you the amount of interest (including OID) on the Bonds paid to you and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also

be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty or multilateral agreement.

In general, you will not be subject to backup withholding with respect to payments on the Bonds that we make to you provided that we do not have actual knowledge or reason to know that you are a United States person as defined under the Code, and we have received from you the statement described above in the sixth bullet point under "—Consequences to Non-United States Holders—United States Federal Withholding Tax."

In addition, subject to the discussion of FATCA below, no information reporting or backup withholding will be required regarding the proceeds of the sale of a bond made within the United States or conducted through certain United States-related financial intermediaries, if the payor receives the statement described above and does not have actual knowledge or reason to know that you are a United States person as defined under the Code, or you otherwise establish an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS on a timely basis.

FATCA

Pursuant to Sections 1471 through 1474 of the Code and United States Treasury regulations promulgated thereunder (commonly referred to as "*FATCA*"), a separate U.S. withholding tax is imposed at the rate of 30% on payments of U.S. source interest and, beginning January 1, 2019, on the gross proceeds from the sale or other taxable disposition of Bonds producing U.S. source interest, made to non-U.S. financial institutions and certain other non-U.S. non-financial entities (including, in some instances, where such an entity is acting as an intermediary) that fail to comply with certain information reporting obligations. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest or principal payments on Bonds as a result of a holder's failure to comply with these rules or the presence in the payment chain of an intermediary that does not comply with these rules, neither we nor any paying agent nor any other person would be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. Certain countries have entered into, and other countries are expected to enter into, agreements with the United States to facilitate the type of information reporting required under FATCA. While the existence of such agreements will not eliminate the risk that Bonds will be subject to withholding, these agreements are expected to reduce the risk of the withholding for investors in (or indirectly holding Bonds through financial institutions in) those countries. Non-United States Holders should consult their own tax advisors regarding FATCA and whether it may be relevant to their purchase, ownership and disposition of Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the City of the Bonds are subject to the approving legal opinion of Mayer Brown LLP, Chicago, Illinois, Bond Counsel. The proposed form of opinion of Bond Counsel is included as APPENDIX E. Bond Counsel has

not been retained or consulted on disclosure matters and have not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assume no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, at the request of the City, it has reviewed the information in this Official Statement involving the description of the Bonds and the Second Lien Indenture and the security for the Bonds. This review did not include any obligation to establish or confirm factual matters set forth herein. The proposed form of the opinion of Bond Counsel is included as APPENDIX E.

Certain legal matters will be passed on for the City by its Corporation Counsel, by Charity & Associates, P.C., Chicago, Illinois, Disclosure Counsel to the City and for the Underwriter by its counsel, Ice Miller LLP, Chicago, Illinois.

UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "*Underwriter*"), subject to certain conditions set forth in a Bond Purchase Agreement with the City (the "*Bond Purchase Agreement*"). The Bond Purchase Agreement provides that the obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth therein, but the Underwriter will be obligated to purchase all of the Bonds if any of such Bonds are purchased. Pursuant to the Bond Purchase Agreement, the Underwriter expects to purchase the Bonds at a price of $45,404,829.24 (which reflects the par amount of the Bonds, less an underwriter's discount of $265,170.76). The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public.

The Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Bonds into investment accounts.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokering and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or rights against the City and its affiliates in connection with such activities.

In the ordinary course of its various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or

recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR AND INDEPENDENT REGISTERED MUNICIPAL ADVISOR

The City has engaged Acacia Financial Group, Inc., Chicago, Illinois, as its Financial Advisor (the "*Financial Advisor*") in connection with the authorization, issuance and sale of the Bonds. Under the terms of its engagement, the Financial Advisor will deliver a letter to the City regarding the fairness of the purchase price paid by the Underwriter to the City for the Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The City has retained Martin J. Luby LLC as its independent registered municipal advisor (the "*IRMA*") as defined in SEC Rule 15Ba1-1-(d)(1) to evaluate financing proposals and recommendations in connection with the City's various bond issuance programs and other financing ideas being considered by the City; however, the IRMA will not advise on the investment of City funds held by the Office of the City Treasurer. The IRMA's compensation is not dependent on the issuance of the Bonds.

INDEPENDENT AUDITORS

The financial statements of the City of Chicago, Illinois – Chicago Midway International Airport as of and for the years ended December 31, 2017 and 2016, included as APPENDIX D to this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

Deloitte & Touche LLP has not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor has Deloitte & Touche LLP expressed any opinion or any other form of assurance on such information or its achievability, and Deloitte & Touche LLP assumes no responsibility for, and disclaims association with, the prospective financial information included in this Official Statement.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") to enable the Underwriter to meet to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the SEC under the Securities Exchange Act, as amended (the "*Exchange Act*"). The MSRB has designated its Electronic Municipal Market Access system, known as EMMA, as the system to be used for continuing disclosures to investors. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below.

A failure by the City to comply with the Undertaking will not constitute a default under the Second Lien Indenture 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 of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

Annual Financial Information Disclosure

The City covenants that it will disseminate to EMMA its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB prepared in accordance with generally accepted accounting principles applicable to government units (as described below).

"*Annual Financial Information*" means (a) with respect to the City, financial and statistical data generally consistent with that contained in this Official Statement under the captions "CHICAGO MIDWAY INTERNATIONAL AIRPORT–Activity at Midway," "MIDWAY FINANCIAL INFORMATION–Historical Operating Results," "–Midway Indebtedness" and "–Debt Service Schedule" and (b) with respect to each Obligated Person other than the City, if such Obligated Person does not file SEC Reports, information substantially equivalent to that contained in the SEC Reports. If any of the City's Annual Financial Information that is published by a third party is no longer publicly available, the City shall include a statement to that effect as part of its Annual Financial Information for the year in which such lack of availability arises.

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

"*Obligated Person*" means the City and each airline or other entity at any time using Midway (i) that is obligated under an Airport Use Agreement, lease or other agreement having a term of more than one year to pay a portion of the debt service on the Airport Obligations and (ii) has paid amounts equal to at least 20% of the Revenues of Midway for each of the prior two fiscal years of Midway.

Southwest is at present the only Obligated Person other than the City. Southwest is required to file SEC Reports with the SEC under the Exchange Act as more fully described under the caption "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY–Financial Condition of Airlines Serving Midway." The City has no responsibility for the accuracy or completeness of any SEC Report filed by Southwest or by any future Obligated Person. Unless no longer required by the

Rule, the City agrees to use its reasonable efforts to cause each Obligated Person other than the City (to the extent that such Obligated Person is not otherwise required to file SEC Reports under the Exchange Act), to file annual information substantially equivalent to that contained in the SEC Reports with the MSRB.

Annual Financial Information exclusive of Audited Financial Statements (commencing with the Audited Financial Statements for the fiscal year ended December 31, 2018) will be provided to the MSRB not more than 210 days after the last day of the City's fiscal year, which currently is December 31. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included and Audited Financial Statements will be filed when available.

Reportable Events Disclosure

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

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities;

7. modifications to rights of security holders, if material;

8. bond calls, if material, and tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the securities, if material;

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar event of an Obligated Person (considering to have occurred in the following instances: the appointment of a

receiver, fiscal agent, or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if the jurisdiction of the City has been assumed by leaving the City Council and the City's officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee, or the change of the name of a trustee, if material.

Consequences of Failure of the City to Provide Information

The City shall give notice in a timely manner not in excess of ten business days 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 Second Lien 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 of the Undertaking, the City may amend the Undertaking, and any provision of the 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 of the City or type of business conducted;

(ii) the Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by parties unaffiliated with the City (such as the Trustee or co-bond counsel), or by approving vote of the beneficial owners of the Bonds pursuant to the terms of the Indenture at the time of the amendment; or

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

EMMA

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

Termination of Undertaking

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

Additional Information

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of an Event, in addition to that which is required by the Undertaking. If the City chooses to include any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of an Event in addition to that which is specifically required by the Undertaking, the City shall have no obligation under the Undertaking to update such other information or include it in any future Annual Financial Information or Audited Financial Statements or notice of occurrence of an Event.

Corrective Action Related to Certain Bond Disclosure Requirements

The City failed to comply with certain continuing disclosure undertakings previously entered into by it pursuant to the Rule as described below. Such non-compliance may or may not be material.

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

(not within the 10 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 (not within the 10 business-day deadline imposed by the Rule).

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

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

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 Assurance Corporation provided a municipal bond insurance policy relating to the City'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 the 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 file timely 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 "*Prior 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 last 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 Prior Bond Insurers occurring during the last seven years.

On January 15, 2016, S&P upgraded the rating of the City's Midway Second Lien Bonds from "*A*-" to "*A*." On May 17, 2016, the City filed with EMMA an event notice relating to this rating upgrade.

The City's Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2014C were secured by a letter of credit by J.P. Morgan Chase Bank, N.A. (the "*Letter of Credit Bank*"). On May 19, 2015, Fitch upgraded the long-term letter of credit supported rating of the 2014C Bonds from "A+" to "AA-" and its short-term letter of credit supported rating of the 2014C Bonds from "F1" to "F1+". On September 19, 2014, Moody's downgraded the long-term

letter of credit supported rating of the 2014C Bonds from "Aa1" to "Aa2". On May 28, 2015, Moody's upgraded the long-term letter of credit supported rating of the 2014C Bonds from "Aa2" to "Aa1". Event notices with respect to such rating changes were not filed with EMMA. The City made such filings on July 13, 2018. The Letter of Credit Bank has since been replaced.

On May 18, 2015, S&P downgraded the rating of the City's then-outstanding second lien water revenue bonds from "*AA*-" to "*A*." The City timely filed an event notice on EMMA regarding this rating downgrade for all of its then-outstanding second lien water revenue bonds except the Second Lien Water Revenue Bonds, Taxable Project Series 2010B (Build America Bonds – Direct Payment) (the "*Series 2010B Bonds*") and the Second Lien Water Revenue Bonds, Taxable Project Series 2010C (Qualified Energy Conservation Bonds – Direct Payment) (the "*Series 2010C Bonds*"). On May 20, 2015, the City filed an event notice on EMMA relating to this rating downgrade with respect to the Series 2010B Bonds and the Series 2010C Bonds.

In July 2015, the City filed on EMMA on a timely basis the audited financial statements for the Water Fund for the year 2014 for all then-outstanding water revenue bonds, except with respect to the Series 2010B Bonds and the Series 2010C Bonds. On July 16, 2015, the City filed on EMMA the 2014 audited financial statements for the Water Fund with respect to the Series 2010B Bonds and the Series 2010C Bonds. On November 30, 2017, the City filed on EMMA a notice regarding its failure to file on a timely basis the 2014 audited financial statements with respect to the Series 2010B Bonds and the Series 2010C Bonds.

RATINGS

The Bonds are rated "A" (stable outlook) by S&P and "A" (stable outlook) by Fitch. Certain information was supplied by the City to each of the foregoing rating agencies to be considered in evaluating the Bonds. The City has not sought a rating of the Bonds from any other rating agency.

Such ratings reflect views of such organizations and are not a recommendation to buy, sell or hold the Bonds. Any desired explanation of the significance of such ratings should be obtained from the ratings agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041; or Fitch, One State Street Plaza, New York, New York 10004.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. The City has furnished to the rating agencies certain information and materials relating to the Bonds and Midway, including certain information and materials that have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective rating agency. There is no assurance that any rating of Bonds will continue for any given period of time, or that any rating of Bonds will not be revised downward or withdrawn entirely by either such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The summaries or descriptions in this Official Statement of provisions in the Second Lien Indenture and the Airport Use Agreements and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions and do not constitute complete statements of such documents or provisions. Reference is made to the complete documents relating to such matter for further information, copies of which will be furnished by the City upon written request delivered to the office of the City's Chief Financial Officer, 121 N. LaSalle Street, 7th Floor, Chicago, Illinois 60602.

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AUTHORIZATION

The City has authorized the distribution of this Official Statement.

This Official Statement has been duly executed and delivered by the Chief Financial Officer on behalf of the City.

CITY OF CHICAGO

By: /s/ Carole L. Brown
Chief Financial Officer

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APPENDIX A
GLOSSARY OF TERMS

The following are definitions of certain terms used in the Second Lien Indenture and this Official Statement. This glossary 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 Second Lien Indenture are qualified in their entirety by the definitions set forth in the Second Lien Indenture. Copies of the Second Lien Indenture are available for review prior to the delivery of the Bonds at the office of the City's Chief Financial Officer and thereafter at the office of the Second Lien Trustee.

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

"*Aggregate Second Lien Debt Service*" means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period, an amount of money equal to the aggregate amounts required by the provisions of all Supplemental Indentures creating series of Second Lien Obligations and all instruments creating Section 208 Obligations and Section 209 Obligations to be deposited from Second Lien Revenues in all sub-funds, accounts and sub-accounts created under such Supplemental Indentures in such Bond Year or other specified 12-month period.

"*Airport*" or "*Midway*" means Chicago Midway International Airport.

"*Airport Obligations*" means any bonds, notes, or other evidences of indebtedness of the City, which bonds, notes, or other evidences of indebtedness are payable from Revenues.

"*Airport Project*" means any capital improvement at or related to the Airport, or the acquisition of land beyond the then-current boundaries of the Airport for use as part of the Airport, or any cost or expense paid or incurred in connection with or related to the Airport whether or not of a capital nature and whether or not related to facilities at the Airport, including, but not limited to, amounts needed to satisfy any judgment and the cost of any noise mitigation programs.

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

Indenture and the Supplemental Indenture creating such series of First Lien Bonds of Principal Installments payable at or after said date of computation.

"*Annual Second Lien Debt Service*" means, as of any particular date of computation and with respect to a particular Bond Year or other specified 12-month period and to Second Lien Obligations of a particular series or consisting of a particular Section 208 Obligation or Section 209 Obligation, an amount of money equal to the sum of (a) all interest payable during such Bond Year or other specified 12-month period on all Second Lien Obligations of said series, Section 208 Obligation or Section 209 Obligation Outstanding on said date of computation, and (b) all Principal Installments payable during such Bond Year or other specified 12-month period with respect to all Second Lien Obligations of said series, Section 208 Obligation or Section 209 Obligation Outstanding on said date of computation, all calculated on the assumption that Second Lien Obligations, Section 208 Obligations and Section 209 Obligations will, after said date of computation, cease to be outstanding by reason, but only by reason, of the payment when due and application in accordance with the Master Indenture and the Supplemental Indenture creating such series or the instrument creating such Section 208 Obligation or Section 209 Obligation of Principal Installments payable at or after said date of computation.

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

"*Authorized Officer*" means (a) the Mayor, the Chief Financial Officer, the Commissioner, the City Comptroller or any other official of the City so designated by a Certificate signed by the Mayor 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 of the City Council or any other document filed in his or her office.

"*Bond Counsel*" means a firm of attorneys having experience in the field of law relating to municipal, state and public agency financing, selected by the City and satisfactory to the Second Lien Trustee.

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

"*Bond Registrar*" means the Second Lien Trustee.

"*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.

"*Bondholder,*" "*holder*," "*owner*," "*owner of the Bonds*," or "*registered owner*" means the Registered Owner of any Bond.

"*Bonds*" means the Series 2018A Bonds.

"*Business Day*" shall mean a day except Saturday, Sunday or any day on which banks located in the States of New York or Illinois are required or authorized to close or on which the New York Stock Exchange is closed.

"CFC Coverage Requirement" means (i) to the extent that the amount calculated pursuant to Section 403(a)(ii)(A) of the Twenty-Fifth Supplemental Indenture is greater than the amount calculated pursuant to Section 403(a)(ii)(B) of the Twenty-Fifth Supplemental Indenture, zero; or (ii) to the extent that the amount calculated pursuant to Section 403(a)(ii)(B) of the Twenty-Fifth Supplemental Indenture is greater than the amount calculated pursuant to Section 403(a)(ii)(A) of the Twenty-Fifth Supplemental Indenture, 10% of the sum of (A) the maximum amount of Annual Second Lien Debt Service payable on the Bonds in the current or any succeeding Bond Year and (B) the maximum annual amount of principal and interest payable any Parity CFC Bonds as set forth in the indenture or supplemental indenture for such Parity CFC Bonds.

"CFC Ordinance" means the ordinance duly adopted and approved by the City Council of the City on July 27, 2005, as supplemented by the ordinance duly adopted and approved by the City Council of the City on July 28, 2010, which collectively authorize the imposition and collection of Customer Facility Charges and the irrevocable pledge of such Customer Facility Charges for the payment of the Series 2010C Bonds and the Bonds.

"CFC Revenues" means the Customer Facility Charges and the Facility Rent. CFC Revenues are not Revenues within the meaning of the Indenture or the First Lien Indenture. CFC Revenues are Other Available Moneys within the meaning of the Indenture and the First Lien Indenture, but only with respect to the Bonds.

"*CFC Statute*" means Section 6-305 of the Illinois Vehicle Code, 625 ILCS 5/6-305(j).

"CFC Surplus Account" means the account of that name held by the City and established as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

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

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

"*Common Debt Service Reserve Sub-Fund*" means the Common Debt Service Reserve Sub-Fund created by the Nineteenth Supplemental Indenture for the benefit of the Common Reserve Bonds.

"*Common Reserve Bonds*" means the Series 2016 Second Lien Bonds, the Series 2014 Second Lien Bonds (other than the Series 2014C Second Lien Bonds), the Series 2013 Second Lien Bonds and any other bonds issued under the Indenture designated by the City to be entitled to the benefit of the Common Debt Service Reserve Sub-Fund.

"*Completion Obligation*" means any Second Lien Obligation issued for the purpose of defraying additional costs of an Airport Project or Projects financed by the First Lien Bonds or Second Lien Obligations.

"Consolidated Rental Car Facility Lease" means that certain Consolidated Rental Car Facility Lease at Chicago Midway International Airport, date as of June 1, 2011, by and between the City and Midway RACS, LLC.

"*Consulting Engineer*" means a registered or licensed engineer or engineers, or firm or firms of engineers, with expertise in the field of designing, preparing plans and specifications for, supervising the construction, improvement and expansion of, and supervising the maintenance of, airports and aviation facilities, entitled to practice and practicing as such under the laws of the State, who, in the case of any individual, shall not be an officer or employee of the City.

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

"*Customer Facility Charges*" or "*CFC*" means the customer facility charges authorized by the CFC Ordinance and the CFC Statute to be charged with respect to the Airport.

"*Date of Issuance*" means the date of original issuance and delivery of the Bonds.

"*Defaulted Interest*" means interest on any Bond which is payable but not duly paid on the date due.

"*Defeasance Obligation*" means direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS or non-callable defeased municipal bonds rated AAA by any Rating Agency.

"*DTC*" means The Depositary Trust Company.

"Facility Rent" means that amount as set forth in the Consolidated Rental Car Facility Lease.

"*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.

"*First Lien Bonds*" means (a) any of the bonds of the City authenticated and delivered under and pursuant to Article II of the First Lien Indenture and (b) any Airport Obligations described in the second paragraph of Section 204 of the Master Indenture.

"*First Lien Debt Service Fund*" means the Debt Service Fund created by the First Lien Indenture.

"*First Lien Debt Service Reserve Fund*" means the Debt Service Reserve Fund created by the First Lien Indenture.

"*First Lien Indenture*" means the Master Indenture of Trust Securing Chicago Midway Airport Revenue Bonds dated as of April 1, 1994, from the City to the First Lien Trustee, as heretofore amended or supplemented and as further amended or supplemented by one or more Supplemental First Lien Indentures.

"*First Lien Revenue Fund*" means the Revenue Fund created by the First Lien Indenture.

"*Fiscal Year*" means January 1 through December 31 of any year, or such other fiscal year as the City may adopt for the Airport.

"*Fitch*" means Fitch Ratings, 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 or a securities rating agency, *"Fitch"* shall be deemed to refer to any other nationally recognized securities agency designated by the City by notice to the Trustee.

"*Funds*" means the special funds created and established pursuant to the Second Lien Indenture.

"*Indenture*," "*Master Indenture*," or "*Second Lien Indenture*" means the Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations, dated as of September 1, 1998, from the City to the Trustee, as amended, pursuant to which Chicago Midway Airport Second Lien Bonds are authorized to be issued, and any amendments and supplements thereto. References to Articles and Sections of the Indenture shall be deemed to refer to Articles and Sections of the Indenture as amended.

"*Independent Accountant*" means a certified public accountant selected by the City and licensed to practice in the State, and who (a) in the case of an individual, shall not be an officer or employee of the City, (b) shall be satisfactory to the Trustee, and (c) may be the accountant that regularly audits the books of the City or the Airport.

"*Independent Airport Consultant*" means a consultant, other than a Consulting Engineer, selected by the City, with expertise in the administration, financing, planning, maintenance and operations of airports and facilities thereof, and who, in the case of an individual, shall not be an officer or employee of the City.

"Interest Payment Date" means, with respect to the Series 2016A Bonds and the Series 2016B Bonds, January 1 and July 1 of each year, commencing January 1, 2019.

"Junior Lien Obligation Debt Service Fund" means the Junior Lien Obligation Debt Service Fund created by the First Lien Indenture.

"*Junior Lien Obligations*" means any bonds, notes or evidences of indebtedness, including the Second Lien Obligations, other than First Lien Bonds and Special Facility Revenue Bonds, issued by the City as permitted by the First Lien Indenture.

"*Junior Lien Revenues*" means all sums, amounts, funds or moneys which may be withdrawn for the Junior Lien Obligation Debt Service Fund for the payment of Junior Lien Obligations pursuant to provisions of the First Lien Indenture.

"*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 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 Trustee.

"*MATCO*" means the Midway Airlines' Terminal Consortium, formed to construct the Fuel System at the Airport and to operate and maintain certain airline equipment and the Fuel System at the Airport, pursuant to the MATCO Agreement.

"*MATCO Agreement*" means the agreement between the City and MATCO effective as of January 1, 2013, as amended and as such agreement may be hereinafter amended in accordance with its term.

"*Maturity Date*" mean with respect to the Series 2018 Bonds, each as of the dates as shown on the inside cover pages of this Official Statement.

"*Moody's*" means Moody's Investors Service, 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, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"*Ordinance*" means the ordinance duly adopted by the City Council of the City on January 13, 2016, which authorizes the issuance and sale of the Bonds and the execution and delivery of the Twenty-Fifth Supplemental Indenture.

"*Other Available Moneys*" means, for any Fiscal Year, the amount of money determined by the Chief Financial Officer to be transferred by the City for such Fiscal Year from sources other than Revenues to the First Lien Revenue Fund, the First Lien Debt Service Fund or any debt service fund for Second Lien Obligations.

"*Outstanding*" when used with reference to Second Lien Obligations means, as of any date, all Second Lien Obligations theretofore or thereupon being issued under the Second Lien Indenture or Section 208 Obligations except: (a) Second Lien Obligations cancelled by the

Second Lien Trustee or the owner of a Section 208 Obligation or Section 209 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Second Lien Trustee or the City, as the case may be, for cancellation; (b) Second Lien Obligations (or portions of Second Lien Obligations) for the payment or redemption of which there shall be held in trust and set aside for such payment or redemption (whether at, prior to or after the maturity or redemption date) moneys or Defeasance Obligations, the principal of an interest on which when due or payable will provide moneys, together with the moneys, if any, deposited with the Second Lien Trustee at the same time, in an amount sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, and, if such Second Lien Obligations are to be redeemed, for which notice of such redemption shall have been given as provided in the related Supplemental Indenture or provisions satisfactory to the Second Lien Trustee shall have been made for the giving of such notice; (c) Second Lien Obligations for the transfer or exchange or, in lieu of or in substitution for which other Second Lien Obligations shall have been authenticated and delivered pursuant to the Second Lien Indenture; and (d) Second Lien Obligations deemed to have been paid as described under "APPENDIX B–SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE—Defeasance."

"Parity CFC Airport Projects" means any project with respect to the Airport that may be financed with the issuance of Parity CFC Bonds in accordance with the CFC Statute.

"Parity CFC Bonds" means bonds secured by a pledge of CFC Revenues issued in accordance with Section 4.03 of the Twenty-Fifth Supplemental Indenture.

"*Participant*" when used with respect to any Securities Depository, means any participant of such Securities Depository.

"*Passenger Facility Charge*" or "*PFC*" means the passenger facility charge as authorized under Section 1113(e) of the Federal Aviation Act of 1958, as amended by Section 9110 of the Omnibus Budget Reconciliation Act of 1990, and as approved by the FAA from time to time with respect to the Airport.

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., or its successor.

"*Principal and Interest Account Requirement*" means an amount equal to (i) the interest due on such Bonds on the next succeeding Interest Payment Date based upon the aggregate principal amount of such Bonds Outstanding as of the first day of the current Bond Year plus (ii) one-half of the total Principal Installments due (A) when calculated with respect to a July 1 Deposit Date, on the next succeeding January 1 or (B) when calculated with respect to a January 1 Deposit Date, on such date.

"*Principal Installments*" means as of any particular date and with respect to Second Lien Bonds of a particular series or consisting of a particular Section 208 Obligation, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Second Lien Obligations of said series or Section 208 Obligation which matures on a single future date, reduced by the aggregate principal amount of such Outstanding Second Lien Obligations which

would at or before said future date be retired by reason of the payment when due and the application in accordance with the Second Lien Indenture and the Supplemental Indenture creating such series or the instrument creating such Section 208 Obligation of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Second Lien Obligations, plus (b) the amount of any Sinking Fund Payments payable on said future date for the retirement of such Outstanding Second Lien Obligations, and said future date shall, for all purposes of the Second Lien Indenture, be deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

"*Program Fees*" means:

(a) the fees, expenses and other charges payable to each fiduciary, including the Trustee, the Trustee's Agent and any Paying Agent, pursuant to the provisions of the Indenture; provided that if at any time there shall be any series of Second Lien Obligations Outstanding under the Indenture other than the Bonds, then *"Program Fees,"* for purposes of the Twenty-Fifth Supplemental Indenture, shall mean only such portion of such fees, expenses and other charges as shall be payable with respect to, or properly allocable to, the duties performed by each such fiduciary with respect to such Bonds; and

(b) any other fees, expenses and other charges of a similar nature payable by the City to any person under the applicable Supplemental Indenture or otherwise with respect to the Bonds.

"*Qualified Reserve Account Instrument*" means a letter of credit, surety bond or non-cancelable insurance policy issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated "Aa" or better by Moody's or "AA" or better by S&P as of the date of issuance thereof.

"*Qualified Swap Agreement*" means an agreement between the City and a Swap Provider under which the City agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the City for a specified period of time, an amount calculated at an agreed-upon rate or index based upon such notional amount, where (a) each Rating Agency (if such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) has assigned to the unsecured obligations of the Swap Provider or of the Person who guarantees the obligation of the Swap Provider to make its payments to the City, as of the date the swap agreement is entered into, a rating that is equal to or higher than the rating then assigned to the Second Lien Obligations by such Rating Agency (without regard to municipal bond insurance or any other credit facility), and (b) the City has notified each Rating Agency (whether or not such Rating Agency also rates the unsecured obligations of the Swap Provider or its guarantor) in writing, at least 15 days prior to executing and delivering the swap agreement, of its intention to enter into the swap agreement and has received from such Rating Agency a written indication that the entering into of the swap agreement by the City will not in and of itself cause a reduction or withdrawal by such Rating Agency of its unenhanced rating on the Second Lien Obligations.

"*Rating Agency*" means any rating agency that has an outstanding credit rating assigned to any Second Lien Obligations at the request of the City.

"*Record Date*" means June 15 and December 15 of each year.

"*Redemption Price*" means with respect to any series of Second Lien Obligations, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Second Lien Obligations or the Supplemental Indenture creating such series of Second Lien Obligations, or such other redemption price as may be specified in such Second Lien Obligations or Supplemental Indenture.

"*Refunding Obligations*" means all Second Lien Obligations, whether issued in one or more series, authenticated and delivered on original issuance for the purpose of the refunding of First Lien Bonds or Second Lien Obligations of any series.

"*Registered Owner*" or "*Owner*" means the person or persons in whose name or names a Bond shall be registered in the Bond Register.

"*Reserve Requirement*" an amount equal to the lesser of (a) the maximum amount of Annual Second Lien Debt Service payable on the Bonds in the current or any succeeding Bond Year, (b) 125% of the average Annual Second Lien Debt Service on the Bonds or (c) 10% of the original principal amount of the Bonds.

"*Revenues*" means, for any Fiscal Year, except to the extent hereinafter excluded, all revenues, payments, proceeds, fees, charges, rent and all other income of any nature, including investment income on moneys held under the First Lien Indenture or on other funds of the Airport, derived directly or indirectly by or for the City for such Fiscal Year for the use of, and for the services and facilities furnished by, or from the operation or ownership of, or with respect to the Airport, and any proceeds of business interruption insurance and any other insurance proceeds which are deemed to be revenues in accordance with generally accepted accounting principles; provided, however, the following shall not be included in Revenues: (a) the proceeds of any Passenger Facility Charge or similar charge levied by or on behalf of the City (and investment income thereon); (b) any grants, gifts, bequests, contributions or donations, including any such funds provided by any person or entity, including an airline, doing business at the Airport; (c) the proceeds from the sale, transfer or other disposition of title by the City to all or any part of the Airport; (d) the proceeds of any taxes collected at the Airport; (e) the proceeds of any condemnation award or insurance received by the City except condemnation awards and insurance proceeds which are deemed to be revenues in accordance with generally accepted accounting principles; (f) the proceeds of any court or arbitration award or settlement in lieu thereof received by the City except (i) awards or settlements which are deemed to be revenues in accordance with generally accepted accounting principles, or (ii) awards or settlements which constitute reimbursements for costs previously incurred as Operation and Maintenance Expenses (as defined in the Second Lien Indenture); (g) amounts derived by the City with respect to debt service on Special Facility Revenue Bonds; (h) the proceeds of any bonds or other indebtedness of the City; (i) payments to the City of the principal of and interest, if any, on any loan made by the City for Airport purposes; (j) investment income on moneys held in the Construction Fund, the Special Project Fund, the Emergency Reserve Fund and the Airport Development Fund (each as defined in the Indenture); and (k) any other amounts which are not deemed to be revenues in accordance with generally accepted accounting principles or which are restricted as to their use.

"*S&P*" or "*S&P Global Ratings*" means S&P Global Ratings, a division of The McGraw-Hill Companies, 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.

"*Second Lien Obligations*" means (a) any of the bonds, notes or evidences of indebtedness issued by the City under and pursuant to the Master Indenture, (b) any Section 208 Obligations, and (c) any Section 209 Obligations.

"*Second Lien Revenues*" means all Junior Lien Revenues paid to the Second Lien Trustee pursuant to the First Lien Indenture.

"*Second Lien Revenue Fund*" means the Revenue Fund created by the Second Lien Indenture.

"*Second Lien Trustee*" or "*Trustee*" means The Bank of New York Mellon Trust Company, N.A. (as successor to American National Bank and Trust Company of Chicago), as trustee under the Second Lien Indenture, or its successor as such trustee hereafter appointed in the manner provided in the Second Lien Indenture.

"*Section 208 Obligations*" means any obligations incurred by the City to reimburse the issuer or issuers of one or more letters of credit, lines of credit, standby bond purchase agreements, financial guaranty insurance policies or surety bonds (including Qualified Reserve Account Instruments) securing one or more series of Second Lien Obligations, including any fees or other amounts payable to the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy or surety bond, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination thereof.

"*Section 209 Obligations*" means any obligations incurred by the City to any one or more swap providers, including any fees or amounts payable by the City under each related Qualified Swap Agreement.

"*Securities Depository*" means DTC and its successors and assigns or 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 Bonds.

"*Series 2018A Bonds*" means the Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2018A (Taxable) authorized to be issued pursuant to the Twenty-Fifth Supplemental Indenture.

"Series 2018A CFC Coverage Account" means the account of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS–Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"Series 2018A CFC Revenue Account" means the account of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"*Series 2018A Costs of Issuance Account*" means the account of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"Series 2018A Debt Service Reserve Account" means the account of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"*Series 2018A Dedicated Sub-Fund*" means the Chicago Midway Airport Series 2018 Second Lien Bonds Dedicated Sub-Fund established in the Second Lien Revenue Fund as described in the Twenty-Fifth Supplemental Indenture.

"*Series 2018A Principal and Interest Account*" means the account of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"*Series 2018A Program Fee Account*" means the accounts of that name established in the Series 2018A Dedicated Sub-Fund as described under "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

"*Sinking Fund Payment*" means (a) as of any particular date of determination and with respect to the outstanding First Lien Bonds of any series, the amount required by a Supplemental First Lien Indenture to be paid in any event by the City on a single future date for the retirement of First Lien Bonds of such series which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a First Lien Bond, and (b) as of any particular date of determination and with respect to the Outstanding Second Lien Obligations of any Series or consisting of any Section 208 Obligation, the amount required by the Supplemental Indenture creating such Series or the instrument creating such Section 208 Obligation to be paid in any event by the City on a single future date for the retirement of such Second Lien Obligations which mature after said future date, but does not include any amount payable by the City by reason only of the maturity of a Second Lien Obligation.

"*Special Facility Revenue Bonds*" means bonds, notes or other evidences of indebtedness of the City, which bonds, notes or other evidences of indebtedness are not payable from Revenues or any other moneys or securities held under the First Lien Indenture or the Master Indenture, and for which the City has no taxing obligation.

"*State*" means the State of Illinois.

"*Supplemental Indenture*" means an indenture supplemental to or amendatory of the Indenture, executed and delivered by the City and the Second Lien Trustee in accordance with the provisions of the Master Indenture.

"*Swap Provider*" means any person with which the City enters into a Qualified Swap Agreement.

"*Tax Agreement*" means the Tax Compliance Exemption Certificate and Agreement of the City, dated the date of issuance of the Bonds.

"Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519)) that has become publicly available not more than 45 days and not less than four Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if such Statistical Release is not longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2018 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.

"*Trust Estate*" means the property conveyed to the Trustee pursuant to the Granting Clauses of the Twenty-Third Supplemental Indenture and the Twenty-Fourth Supplemental Indenture.

"*Trustee's Agent*" means any agent designated as Trustee's Agent by the Trustee and at the time serving in that capacity; *provided* that, in the event that a Trustee's Agent has not been designated or is no longer serving in such capacity, all references to the "Trustee's Agent" shall refer to the Trustee. Any agent so designated by the Trustee shall execute a written agreement with the Trustee assuming all obligations of the Trustee under the applicable Supplemental Indenture with respect to those duties of the Trustee such agent agrees to perform on behalf of the Trustee.

"*Twenty-Fifth Supplemental Indenture*" means the Twenty-Fifth Supplemental Indenture Securing Chicago Midway Airport Second Lien Revenue Refunding Bonds, Series 2018, dated as of July 1, 2018, from the City to the Trustee, pursuant to which the Series 2018 Bonds are to be issued.

APPENDIX B
SUMMARY OF CERTAIN PROVISIONS OF THE SECOND LIEN INDENTURE

*The following is a composite summary of certain provisions of the Master Indenture, the Nineteenth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture (collectively, the "*Second Lien Indenture*"), to which reference is made for a complete statement of the provisions and contents of each of such documents. Certain words and terms used in this Official Statement and in the Second Lien Indenture are defined in APPENDIX A–"GLOSSARY OF TERMS."*

Authorization of the Second Lien Bonds and Other Second Lien Obligations

The Master Indenture authorizes the issuance, from time to time, of Second Lien Obligations payable from Second Lien Revenues for the purpose of (a) the payment, or the reimbursement for the payment of, the costs of one or more Airport Projects, (b) the refunding of any First Lien Bonds, Second Lien Obligations or other obligations issued to finance or refinance one or more Airport Projects, including, but not limited to, the refunding of any Special Facility Revenue Bonds and any Junior Lien Obligations, or (c) the funding of any Fund or Account under the First Lien Indenture, or any Fund or Account under the Master Indenture or the Supplemental Indenture under which any Second Lien Obligations are issued; including, in each case, payment of Costs of Issuance. Second Lien Obligations may be issued under a Supplemental Indenture entered into in accordance with the terms of the Master Indenture, provided that, at the time of issuance of such Second Lien Obligations, certain conditions precedent are satisfied, including the receipt by the Second Lien Trustee of certain certificates and opinions of counsel relating to the validity of such Second Lien Obligations and the Supplemental Indenture under which they are issued, including:

(a) a copy of an ordinance adopted by the City Council, certified by the City Clerk, authorizing the execution and delivery of the Supplemental Indenture under which the Second Lien Obligations are issued;

(b) except in the case of Completion Obligations and Refunding Obligations, either (i) a certificate of an Independent Airport Consultant stating that, based upon reasonable assumptions set forth therein, Revenues and Other Available Moneys are projected to be not less than that required to satisfy the rate covenant set forth in the Master Indenture (disregarding any First Lien Bonds or Second Lien Obligations that have been paid or discharged or will be paid or discharged immediately after the issuance of the series proposed to be issued) for each of the next three Fiscal Years following the issuance of such Second Lien Obligations or, if later, for each Fiscal Year from the issuance of such series through the two Fiscal Years immediately following completion of the Airport Projects financed by such Second Lien Obligations; or (ii) a certificate of an authorized officer of the City stating that Revenues and Other Available Moneys in the most recent completed Fiscal Year for which audited financial statements have been prepared satisfied the rate covenant set forth in the Master Indenture assuming for such purpose that Aggregate Second Lien Debt Service for the Bond Year commencing during such Fiscal Year includes the maximum Annual Second Lien Debt Service on the Second Lien Obligations proposed to be issued; provided, however, that for purposes of the certificate described in clause

(i) above, Other Available Moneys shall be projected only to the extent such Other Available Moneys have been (x) paid over to the First Lien Trustee and deposited into the First Lien Revenue Fund or the First Lien Debt Service Fund or paid over to the Second Lien Trustee and deposited into a debt service fund for Second Lien Obligations, or (y) irrevocably pledged to the payment of debt service on First Lien Bonds or Second Lien Obligations;

(c) in the case of Completion Obligations, a certificate stating (i) that the series of Second Lien Obligations proposed to be issued are being issued to finance the costs of one or more Airport Projects initially financed, in whole or in part, by First Lien Bonds or Second Lien Obligations, and (ii) that the additional cost of the Airport Projects being financed by such series does not exceed 15% of the aggregate cost thereof previously financed. Prior to the delivery of any Completion Obligations, the City shall file with the Second Lien Trustee a certificate of a Consulting Engineer (i) stating that the Airport Projects have not materially changed from their description in the Supplemental Indenture creating the series of First Lien Bonds or series of Second Lien Obligations initially issued to finance the cost of such Airport Projects, (ii) estimating the revised aggregate cost of the Airport Projects, (iii) stating that the revised aggregate cost of such Airport Projects cannot be paid with available moneys, and (iv) stating that, in the opinion of the Consulting Engineer, the issuance of Completion Obligations is necessary to provide funds to complete the Airport Projects;

(d) in the case of Refunding Obligations, (i) irrevocable instructions to the Trustee to give due notice of redemption of all the Second Lien Obligations to be refunded and the redemption date or dates, if any, upon which such Second Lien Obligations are to be redeemed; (ii) if a redemption is scheduled to occur subsequent to the next succeeding 45 days, irrevocable instructions to the Trustee to publish as provided in the applicable Supplemental Indenture notice of redemption of such Second Lien Obligations on a specified date prior to their redemption date; and (iii) a certificate of an Independent Accountant stating the amount of either (x) moneys (which may include all or a portion of such series) in an amount sufficient to pay the Second Lien Obligations to be refunded at the applicable Redemption Price of the Second Lien Obligations to be refunded, together with accrued interest on such Second Lien Obligations to the redemption date or dates, or (y) Defeasance Obligations the principal of, and interest on, which when due (without reinvestment thereof), together with moneys (which may include all or a portion of the proceeds of the Second Lien Obligations to be issued), if any, which must be contemporaneously deposited with the Trustee, to be sufficient to pay when due the applicable Redemption Price of the Second Lien Obligations to be refunded, together with accrued interest on such Second Lien Obligations to the redemption date or dates or the date or dates of maturity thereof; and

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

The Bonds are Second Lien Obligations authorized and issued pursuant to the Master Indenture.

The City reserves the right under the Second Lien Indenture to provide one or more irrevocable letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies, or surety bonds (including Qualified Reserve Account Instruments), or a

combination thereof, to secure the payment of the principal of, premium, if any, and interest on one or more series of Second Lien Obligations, or in the event owners of such Second Lien Obligations have the right to require purchase thereof, to secure the payment of the purchase price of such Second Lien Obligations upon the demand of the owners thereof. Any obligation of the City to reimburse or otherwise make payments to the issuer of such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy, or surety bond constitutes a Second Lien Obligation under the Second Lien Indenture to the same extent as the series of Second Lien Obligations secured by such letter of credit, line of credit, standby purchase agreement, financial guaranty insurance policy, or surety bond and any and all amounts payable by the City to reimburse the issuer of any such letter of credit, line of credit, standby purchase agreement, financial guaranty, insurance policy or surety bond, together with the interest thereon, shall for purposes of the Second Lien Indenture constitute the payment of principal of, premium, if any, and interest on Second Lien Obligations.

(a) If the City shall enter into a Qualified Swap Agreement with a Swap Provider requiring the City to pay a fixed interest rate on a notional amount, or requiring the City to pay a variable interest rate on a notional amount, and if the City has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for Second Lien Obligations of a particular maturity or maturities in a principal amount equal to the notional amount of the Qualified Swap Agreement and so long as the swap provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement:

(i) for purposes of any calculation of Annual Second Lien Debt Service, the interest rate on the Second Lien Obligations of such maturity or maturities shall be determined as if such Second Lien Obligations bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the City under such Qualified Swap Agreement;

(ii) any net payments required to be made by the City to the Swap Provider pursuant to such Qualified Swap Agreement from Second Lien Revenues shall be made on a parity with payments due on other Second Lien Obligations solely from amounts on deposit to the credit of the Second Lien Revenue Fund; and

(iii) any net payments received by the City from the Swap Provider pursuant to such Qualified Swap Agreement shall be applied as directed by the City.

(b) If the City shall enter into a swap agreement that does not satisfy the requirements for qualification as a Qualified Swap Agreement, then:

(i) the interest rate adjustment or assumptions referred to above shall not be made;

(ii) any net payments required to be made by the City to the Swap Provider pursuant to such swap agreement from Second Lien Revenues shall be

made only from amounts available after the payment of all other Second Lien Obligations; and

(iii) any net payments received by the City from the Swap Provider pursuant to such swap agreement may be treated as Second Lien Revenues at the option of the City and applied as directed by the City.

Source of Payment; Pledge of Second Lien Revenues

The provisions of the Master Indenture and any Supplemental Indenture (including, but not limited to, the Nineteenth Supplemental Indenture and the Twenty-Fifth Supplemental Indenture) constitute a contract among the City, the Second Lien Trustee and the owners of the Second Lien Obligations. The Second Lien Obligations are limited obligations of the City payable solely from Second Lien Revenues and certain other moneys and securities held by the Second Lien Trustee under the Master Indenture, including, moneys deposited in the Series 2018A Dedicated Sub-Fund created pursuant to the Twenty-Fifth Supplemental Indenture. The Second Lien Obligations and the interest thereon do not constitute an indebtedness or a loan of credit of the City within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Second Lien Obligations. The Second Lien Obligations are secured by a pledge of the Second Lien Revenues and moneys and securities held by the Second Lien Trustee under the Second Lien Indenture.

The Common Debt Service Reserve Sub-Fund was established and is held and administered by the Trustee in accordance with the terms of the Nineteenth Supplemental Indenture. The Bonds are entitled to the benefit of the Common Debt Service Reserve Sub-Fund (also referred to as the "*Common Reserve Bonds*"). For more information on the Common Debt Service Reserve Sub-Fund, see "–Payment of Debt Service on the Bonds and Related Section 208 and Section 209 Obligations" below.

The Second Lien Indenture permits the City to issue additional First Lien Bonds in unlimited amounts (except as may be limited by law) pursuant to the First Lien Indenture, Airport Obligations consisting of reimbursement obligations to issuers of bond insurance, letters of credit, lines of credit, standby purchase agreements, financial guaranty insurance policies and surety bonds (including Qualified Reserve Account Instruments) relating to such First Lien Bonds and Airport Obligations having substantially the same first priority of lien on Revenues as is granted by the First Lien Indenture in favor of the First Lien Bonds, whether or not any First Lien Bonds are then outstanding under the First Lien Indenture. Any application of Revenues to such additional First Lien Obligations may not impair the lien on Revenues granted by the Second Lien Indenture in favor of Second Lien Obligations.

Covenant Against Pledge of Revenues

The City has covenanted in the Second Lien Indenture that it will not, other than in connection with the issuance of First Lien Bonds and Second Lien Obligations, issue any debt secured by a pledge of Second Lien Revenues or create or cause to be created any lien or charge on Revenues, or on any other amounts pledged for the benefit of owners of the Second Lien

Obligations under the Second Lien Indenture; except that the City has the right to issue debt payable or secured from Revenues to be derived after the discharge and satisfaction of all Second Lien Obligations and to issue debt payable from or secured by a pledge of amounts to be withdrawn from the Junior Lien Obligation Debt Service Fund held under the First Lien Indenture as long as such pledge is expressly junior and subordinate to the pledge described above.

Payment of Debt Service on the Bonds and Related Section 208 and Section 209 Obligations

The Master Indenture creates the Second Lien Revenue Fund to be held and administered by the Second Lien Trustee. The City is required to file with the First Lien Trustee, contemporaneously with the issuance of each series of Second Lien Obligations (including each series of the Bonds), an executed counterpart of the Supplemental Indenture creating such Series, duly certified by the Trustee and an Authorized Officer, an executed counterpart of any Qualified Swap Agreement or any instrument creating Section 208 or Section 209 Obligations with respect to such Series, duly certified by an Authorized Officer, and a certificate stating the dates on which amounts on deposit in the Junior Lien Obligation Debt Service Fund are to be withdrawn therefrom by the First Lien Trustee and paid to the Second Lien Trustee for deposit in the Second Lien Revenue Fund, and the amounts of such withdrawals, and containing a direction of the City to the First Lien Trustee to withdraw from the Junior Lien Obligation Debt Service Fund and pay to the Second Lien Trustee the amounts, and on the dates, specified in such certificate. Upon receipt of such payments, the Second Lien Trustee shall deposit the same in the Second Lien Revenue Fund. The moneys in the Second Lien Revenue Fund shall be disbursed and credited by the Second Lien Trustee in the amounts as required under the provisions of each Supplemental Indenture to pay the principal of and interest on the related series of Second Lien Obligations.

Series 2018A Bonds

The Twenty-Fifth Supplemental Indenture creates and establishes the Series 2018A Dedicated Sub-Fund with the Second Lien Trustee as a separate and segregated sub-fund within the Second Lien Revenue Fund. Moneys on deposit in the Series 2018A Dedicated Sub-Fund, and in each Account established therein are to be held in trust by the Second Lien Trustee for the sole and exclusive benefit of the Registered Owners of the Series 2018A Bonds. On January 1 and July 1 of each year, commencing January 1, 2019 (each such date referred to herein as the *"Deposit Date"*) there shall be deposited into the Series 2018A Dedicated Sub-Fund an amount equal to the aggregate of the following amounts which amounts are calculated on the preceding June 5 or December 5, as appropriate (such aggregate amount with respect to any Deposit Date being referred to herein as the *"Series 2018A Deposit Requirement"*):

(a) for deposit into the Series 2018A Principal and Interest Account, the amount, projected to be required as of the close of business on the applicable January 1 or July 1 next succeeding such date of calculation to restore the Series 2018A Principal and Interest Account to an amount equal to the Principal and Interest Account Requirement for the Series 2018A Bonds;

(b) for deposit into the Series 2018A Debt Service Reserve Account, the amount, if any, projected to be required as of the close of business on the applicable January 1 or July 1 next succeeding such date of calculation to restore the Series 2018A Debt Service Reserve Account to an amount equal to the Reserve Requirement; and

(c) for deposit into the Series 2018A Program Fee Account, the amount estimated by the City to be required as of the close of business on the related Deposit Date to pay all Program Fees payable from amounts in the Series 2018A Program Fee Account during the semi-annual period commencing on such related Deposit Date.

Upon calculation by the Trustee of each Series 2018A Deposit Requirement under this section, the Trustee shall notify the City of the Series 2018A 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.

In the event that on any Interest Payment Date, the Trustee determines that a shortfall will exist with respect to payments to be made from the Series 2018A Principal and Interest Account, the Trustee shall promptly notify the City of such shortfall so that additional funds may be deposited into the Series 2018A Principal and Interest Account in accordance with the First Lien Indenture to make timely payments of the amounts due on such Interest and Payment Date.

In addition to the Series 2018A Deposit Requirement, there shall be deposited into the Series 2018A Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the Indenture or the Twenty-Fifth Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Series 2018A Dedicated Sub-Fund and to one or more accounts therein. Pursuant to the Twenty-Fifth Supplemental Indenture, the City will: (i) impose and to cause all Customer Facility Charges to be collected on a monthly basis in accordance with the CFC Ordinance and the CFC Statute; and (ii) enforce the Consolidated Rental Car Facility Lease to collect Facility Rent as and when due in accordance with the Consolidated Rental Car Facility Lease. The City shall deliver or cause to be delivered all such CFC Revenues to the Trustee for deposit into the Series 2018A CFC Revenue Account. The Trustee will transfer such moneys deposited into the Series 2018A CFC Revenue Account upon receipt and no later than the first Business Day of each month. See "SECURITY FOR THE BONDS– Flow of Funds of CFC Revenues under Twenty-Fifth Supplemental Indenture."

Moneys in the Series 2018A Principal and Interest Account and the Series 2018A Debt Reserve Account shall be used solely for the payment of the principal of, premium (if any) and interest on the Series 2018A Bonds, for the redemption of the Series 2018A Bonds prior to maturity.

Funds for such payments shall be derived from the following source or sources but only in the following order of priority:

(i) for payment of principal of, premium (if any) and interest due on each Interest Payment Date with respect to the Series 2018A Bonds not otherwise provided

for, from moneys held in the Series 2018A Principal and Interest Account, ratably, without preference or priority of any kind;

(ii) for payment of principal of, premium (if any) and interest due on each Interest Payment Date with respect to the Series 2018A Bonds and not otherwise provided for from amounts held in the Series 2018A Debt Service Reserve Account, ratably, without preference or priority of any kind; and

(iii) for payment of principal of, premium, if any, and interest due on each Payment Date with respect to the Bonds and not otherwise provided for, from amounts held in the CFC Coverage Account, ratably, without preference or priority of any kind.

Common Debt Service Reserve Sub-Fund

(a) In accordance with the Nineteenth Supplemental Indenture, the City shall maintain the Common Debt Service Reserve Sub-Fund in an amount equal to the Reserve Requirement, which requirement may be satisfied with (i) one or more Qualified Reserve Account Credit Instruments, (ii) Qualified Investments, or (iii) a combination thereof. Any Qualified Investments held to the credit of the Common Debt Service Reserve Sub-Fund shall be valued in accordance with the provisions of the Second Lien Indenture. If on any valuation date, the amount on deposit in the Common Debt Service Reserve Sub-Fund is more than the Reserve Requirement, unless otherwise directed by the City as described in paragraph (f) below, the amount of such excess shall be transferred by the Trustee to the Second Lien Revenue Fund.

(b) If at any time the Common Debt Service Reserve Sub-Fund holds both a Qualified Reserve Account Credit Instrument and Qualified Investments, the Qualified Investments shall be liquidated and the proceeds applied for the purposes for which Common Debt Service Reserve Sub-Fund moneys may be applied prior to any draw being made on the Qualified Reserve Account Credit Instrument. If the Common Debt Service Reserve Sub-Fund holds Qualified Reserve Account Credit Instruments issued by more than one issuer, draws shall be made under such Qualified Reserve Account Credit Instruments on a *pro rata* basis to the extent of available funds. Amounts deposited in the Common Debt Service Reserve Sub-Fund for the purpose of restoring amounts withdrawn therefrom shall be applied first to reimburse the Qualified Reserve Account Credit Provider and thereby reinstate the Qualified Reserve Account Credit Instrument.

(c) The moneys in the Common Debt Service Reserve Sub-Fund are held for the benefit of all Common Reserve Bonds and are pledged and assigned for that purpose. On the date of initial issuance of any Second Lien Obligations intended to be Common Reserve Bonds, the City shall provide the Trustee a Certificate to that effect and setting forth the amount of the deposit to be made from bond proceeds to fund the Reserve Requirement.

(d) On the business day of the Trustee immediately preceding each January 1 and July 1, there shall be withdrawn from the Second Lien Revenue Fund for deposit into the Common Debt Service Reserve Sub-Fund, the amount, if any, required as of the close of business on such date to restore the amount held in the Common Debt Service Reserve Sub-Fund to the Reserve Requirement. Any amount so required shall constitute a Deposit Requirement to be funded from the Second Lien Revenue Fund. The City covenants in the Nineteenth

Supplemental Indenture to file with the First Lien Trustee the certificate required by the First Lien Indenture and the Second Lien Indenture with respect to such Deposit Requirement.

(e) If on any Payment Date for the payment of the Principal Installment of and interest on any Series of Common Reserve Bonds the amount held in the Dedicated Sub-Fund for that Series for the payment of such Principal Installment or interest due and payable on such Payment Date shall be less than the Principal Installment and interest then due and payable, then the Trustee shall withdraw from the Common Debt Service Reserve Sub-Fund and deposit into the Dedicated Sub-Fund for that Series the amount necessary to cure such deficiency. In the case of multiple deficiencies among Series, such withdrawal shall be made ratably among the various Series having a deficiency, without preference or priority of any kind.

(f) At the direction of the City expressed in a Certificate filed with the Trustee, moneys in the Common Debt Service Reserve Sub-Fund may be withdrawn and deposited in trust to pay or provide for the payment of Second Lien Obligations pursuant to the defeasance provisions of the Second Lien Indenture; provided, however, that immediately after such withdrawal the amount of deposit in the Common Debt Service Reserve Sub-Fund equals or exceeds the Reserve Requirement.

Investment of Moneys

Moneys held in the funds, accounts and sub-accounts established hereunder of each Supplemental Indenture shall be invested and reinvested in accordance with the provisions governing investments contained in the Indenture. All such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund, account or sub-account for which they were made.

The interest earned on any investment of moneys held hereunder of each Supplemental Indenture, any profit realized from such investment and any loss resulting from such investment shall be credited or charged to the fund, account or sub-account for which such investment was made; *provided, however,* that any interest earned on, and any profit resulting from, the investment of moneys on deposit in the Debt Service Reserve Account shall be transferred by the Trustee to the Second Lien Revenue Fund.

Other Covenants Relating to the Airport

The City has covenanted under the Second Lien Indenture to, among other things, maintain insurance, to furnish (within 210 days after the close of each Fiscal Year) the Second Lien Trustee a copy of the annual audit report for the Airport, and to not take, or allow any other person to take, any action which would cause suspension or revocation of the Airport's Federal Aviation Administration operating certificate.

Supplemental Indentures

A Supplemental Indenture may be authorized at any time by ordinance of 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, shall be fully effective in accordance with its terms for the following purposes: to prevent or limit the issuance

of Second Lien Obligations or other evidences of indebtedness; to add covenants and agreements to be observed by the City which are not contrary to, or inconsistent with, the Second Lien Indenture as theretofore in effect; to add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the City which are not contrary or inconsistent with the Indenture as theretofore in effect; to surrender any right, power or privilege conferred upon the City if not contrary to, or inconsistent with, the Second Lien Indenture; to authorize a series of Second Lien Obligations if not contrary to, or inconsistent with, the Second Lien Indenture as theretofore in effect or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance of such Second Lien Obligations; to confirm, as further assurance, the pledge of properties, Revenues or other collateral made under the Second Lien Indenture; and to otherwise modify any of the provisions of the Second Lien Indenture but only if such modification shall be effective only after all Second Lien Obligations outstanding at the date of the execution and delivery of such Supplemental Indenture shall cease to be Outstanding.

A Supplemental Indenture may be authorized at any time by ordinance of the City Council and shall be fully effective upon the consent of the Second Lien Trustee for the following purposes: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Second Lien Indenture; to clarify matters or questions if not contrary to or inconsistent with the Second Lien Indenture as theretofore in effect; or to provide additional duties of the Second Lien Trustee under the Second Lien Indenture.

Any other modification or amendment of the Second Lien Indenture may be made by a Supplemental Indenture authorized at any time by ordinance of the City Council, with the written consent given as provided in the Second Lien Indenture:

(a) of the owners of a majority in principal amount of the Second Lien Obligations Outstanding at the time such consent is given;

(b) in case less than all of the several series of then Outstanding Second Lien Obligations are affected by the modification or amendment, of the owners of a majority in principal amount of the then Outstanding Second Lien Obligations of each series so affected;

(c) in case any Section 208 Obligations or Section 209 Obligations are affected by the modification or amendment, of the owners of the Section 208 Obligations or Section 209 Obligations so affected; and

(d) in case any Swap Provider is affected by the modification or amendment, of the Swap Provider so affected.

If a modification or amendment will, by its terms, not take effect so long as any Second Lien Obligations of any specified like series and maturity or any specified like series or any specified Section 208 Obligations or Section 209 Obligations remain Outstanding, the consent of the owners of such Second Lien Obligations shall not be required and such Second Lien Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Second Lien Obligations for purposes of approving such modification or amendment.

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Second Lien Obligation 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 the terms of purchase or the purchase price thereof, without the consent of the owner of such Second Lien Obligation, or shall reduce the percentages or otherwise affect the classes of Second Lien Obligations, 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 Second Lien Trustee without its written assent thereto.

The City may at any time authorize a Supplemental Indenture making a modification or amendment permitted by the provisions of the Indenture described above, to take effect when and as provided in this paragraph. 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 Second Lien Obligations for their consent thereto in form satisfactory to the Trustee, shall be mailed by the City to the owners of the Second Lien Obligations (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as in this paragraph provided). Such Supplemental Indenture shall not be effective unless and until, and shall take effect in accordance with its terms when (a) there shall have been filed with the Trustee (1) the written consents of owners of the percentages of Outstanding Second Lien Obligations described above and (2) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully executed and delivered by the City and the Trustee in accordance with the provisions of the Indenture, is authorized or permitted thereby and is valid and binding upon the City and enforceable in accordance with its terms upon its becoming effective, and (b) a notice shall have been mailed as provided in the Indenture. Consents of owners of Second Lien Obligations are binding upon subsequent owners unless such consent is revoked in writing as provided in the Indenture prior to the effectiveness of the applicable Supplemental Indenture.

Amendment of a Supplemental Indenture

The Nineteenth Supplemental Indenture or the Twenty-Fifth Supplemental Indenture may be supplemented and amended in the manner described above under "–Supplemental Indentures."

Default and Remedies

Each of the following events constitutes an Event of Default under the Second Lien Indenture:

(a) payment of the principal or Redemption Price, if any, of any Second Lien Obligation 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 Second Lien Obligation shall not be made when the same shall become due;

(c) the City shall fail or refuse to comply with the provisions of the Second Lien Indenture, or shall default in the performance or observance of any of the covenants, agreements

or conditions on its part contained therein or in the Second Lien Obligations, which materially affects the rights of the owners of the Second Lien Obligations, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Second Lien Trustee or the owners of not less than 25% in principal amount of the Outstanding Second Lien Obligations; 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 due diligence; or

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

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) above, the Second Lien Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (c) or (d) above, the Second Lien Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding Second Lien Obligations, shall proceed, in its own name to protect and enforce its rights and the rights of the owners of the Second Lien Obligations by such of the following remedies or any additional remedies specified in one or more Supplemental Indentures with respect to a particular series as the Second Lien Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the Second Lien Obligations, including the right to require the City to receive and collect the Revenues adequate to carry out the covenants and agreements as to such Revenues and their pledge under the Second Lien Indenture and to require the City to carry out any other covenant or agreement with the owners of the Second Lien Obligations and to perform its duties under the Second Lien Indenture;

(b) by bringing suit upon the Second Lien Obligations;

(c) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the owners of the Second Lien Obligations; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Second Lien Obligations.

Except as otherwise described herein, the owners of the majority in principal amount of the Second Lien Obligations then outstanding shall have the right to direct the method of conducting all remedial proceedings to be taken by the Second Lien Trustee, except that such direction shall not be otherwise than in accordance with law or the provisions of the Second Lien Indenture, and the Second Lien Trustee shall have the right to decline to follow any such direction which in the opinion of the Second Lien Trustee would be unjustly prejudicial to owners of the Second Lien Obligations not parties to such direction.

No owner of any Second Lien Obligation shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Second Lien Indenture, or for the protection or enforcement of any right of remedy under the Second Lien Indenture or any right under law unless such owner shall have given to the Second Lien Trustee, written notice of the

Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than 25% in principal amount of the Second Lien Obligations then Outstanding shall have made written request of the Second Lien Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Second Lien Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Second Lien Indenture or granted under law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Second Lien Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Second Lien Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are in the Second Lien Indenture declared in every such case (except with respect to the enforcement of credit enhancement devices securing the Second Lien Obligations at the option of the Second Lien Trustee) to be conditions precedent to the execution of the powers under the Second Lien Indenture or for any other remedy under the Second Lien Indenture or under law.

Defeasance

(a) If the City shall pay or cause to be paid to the owners of all Second Lien Obligations, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein, in the Indenture, the Twenty-Fifth Supplemental Indenture creating the Bonds, then the pledge for the Bonds and all other rights granted thereby shall be discharged and satisfied, in such event the Trustee shall, upon the request of the City expressed in a Certificate, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the City all Accounts, Funds and other moneys or securities held by them pursuant to the Indenture and the Twenty-Fifth Supplemental Indenture which are not required for the payment or redemption of the Second Lien Obligations not theretofore surrendered for such payment or redemption.

(b) Any Second Lien Obligations or principal installments appertaining thereto, whether at or prior to maturity or the redemption date of such Second Lien Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in (a) above if:

(i) in case any of such Second Lien Obligations are to be redeemed prior to their maturity, there shall have been taken all action necessary to call such Second Lien Obligations for redemption and notice of such redemption shall have been duly given or provision satisfactory to the Second Lien Trustee shall have been made for the giving of such notice;

(ii) there shall have been deposited with the Second Lien Trustee either moneys in an amount which shall be sufficient or Defeasance Obligations, the principal of and the interest on which when due (without reinvestment thereof) will provide moneys which, together with the moneys, if any, on deposit with the Second Lien Trustee at the same time, shall be sufficient, to pay when due the principal and interest or Redemption Price, if any, to become due on said Second Lien Obligations on and prior to the redemption date or maturity date thereof, as the case may be; and

(iii) in the event said Second Lien Obligations are not by their terms subject to redemption within the next succeeding 45 days, the City shall have given the Second Lien Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the owners of such Second Lien Obligations that the deposit required by clause (b) above has been made with the Second Lien Trustee and that said Second Lien Obligations are deemed to have been paid as described in this paragraph and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of, and accrued interest on, said Second Lien Obligations.

(c) No defeasance of a Second Lien Obligation that is to be paid more than 90 days after the date of the deposit referred to in clause (ii) of paragraph (b) above shall be effective until the Trustee shall have received a verification report signed by an Independent Accountant that the Defeasance Obligations and moneys to be deposited for such purpose are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Obligations with respect to which provision for payment is to be made as described above by virtue of the deposit of such Defeasance Obligations and moneys.

(d) In the event that the principal of and interest on all Insured Obligations shall be paid by Bond Insurers pursuant to the terms of the Bond Insurance Policies, the pledge of revenues, securities and funds and all other covenants, agreements and other obligations of the City to the owners of the Insured Obligations shall continue to exist and each Bond Insurer shall be fully subrogated to the rights of such owners.

(e) Defeasance Obligations and moneys held as described above may be withdrawn by the City provided that there is substituted in place of such Defeasance Obligations and moneys other Defeasance Obligations and moneys sufficient for the purposes described above and, provided further that, prior to such substitution there is filed with the Trustee (i) a verification report signed by an Independent Accountant that the Defeasance Obligations and moneys, as substituted, are sufficient to pay the principal and Redemption Price of, and interest on, all Second Lien Obligations with respect to which provision for payment was made by deposit of such substituted Defeasance Obligations as described in this paragraph, and (ii) an opinion of Bond Counsel to the effect that such substitution has been duly authorized in accordance with the Indenture and will not affect adversely the tax-exempt status of any Second Lien Obligations previously authenticated and delivered under the Indenture.

Sale or Transfer of Airport

The City has proposed an amendment to the Second Lien Indenture to remove the provisions summarized below. The amendment will not take effect unless and until (among other things) the City satisfies each of the conditions required by the Second Lien Indenture as described below, including obtaining approval from the Owners of a majority in principal amount of the Outstanding Second Lien Bonds, approval from the providers of credit support for certain of the Outstanding Second Lien Bonds and filing a certificate of effectiveness with the Second Lien Trustee. After the issuance of the Bonds, 100% of all Owners of the Outstanding Second Lien Bonds will have consented to the amendment. However, the City has not to date elected to implement the amendment, requested consent from the providers of credit support for certain of the Outstanding Second Lien Bonds (e.g., bond insurers or letter of credit banks) to the

amendment, or certified its effectiveness to the Second Lien Trustee. See "SECURITY FOR THE BONDS–Proposed Amendment to Second Lien Indenture" and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND MIDWAY—Potential Privatization of Midway."

The Master Indenture provides that the sale, conveyance, mortgage, encumbrance or other disposition, directly or indirectly, of all or substantially all of the Airport or the transfer, directly or indirectly, of control, management or oversight, or any material aspect of control, management or oversight, of the Airport, whether of its properties, interests, operations, expenditures, revenues (including, without limit, Revenues, Junior Lien Revenues or the proceeds of any Passenger Facility Charge or similar charge) or otherwise (any of the foregoing being referred to as a *"transfer"*) shall not occur unless and until all of the following conditions shall have been met:

(a) such transfer shall have been approved in writing by the Mayor of the City and by the City Council at a meeting duly called for such purpose;

(b) evidence shall have been obtained in writing confirming that such transfer shall not adversely affect any rating on the Bonds issued by any Rating Agency;

(c) a certificate shall have been received from an Independent Airport Consultant, certifying that, in each calendar year during the five-year period commencing after the calendar year in which such transfer occurs, Revenues together with any cash balance held in the First Lien Revenue Fund on the first day of such calendar year not then required to be deposited in any Fund or Account (or sub-account thereof) other than the First Lien Revenue Fund, and investment earnings for each such calendar year on moneys held in the funds and accounts held pursuant to the Second Lien Indenture to the extent that such earnings are not required hereby to be transferred to any Construction Fund, shall equal an amount not less than the amount required to satisfy the rate covenant set forth in the Master Indenture; provided that for purposes of the certificate "150%" shall be substituted for "125%" and "110%" in such rate covenant (See "SECURITY FOR THE BONDS—Rate Covenant");

(d) written consent to such transfer shall have been received from the Owners of all First Lien Bonds and Second Lien Obligations then outstanding;

(e) written consent to such transfer shall have been received from the Second Lien Trustee;

(f) written consent to such transfer shall have been received from each Bond Insurer and each provider of any letter of credit or surety bond supporting Second Lien Obligations;

(g) written consent to such transfer shall have been received from the Chicago/Gary Regional Airport Authority pursuant to Section 10-20 of the Compact between the City and the City of Gary dated April 15, 1995 Relating to the Establishment of the Chicago/Gary Regional Airport Authority; and

(h) there shall be deposited with the Second Lien Trustee for the benefit of the Owners of all then outstanding First Lien Bonds and Second Lien Obligations a letter of credit,

surety bond or Investment Securities (as defined in the Master Indenture) in the full amount of the then Outstanding First Lien Bonds and Second Lien Obligations, such letter of credit or surety bond to have a credit rating of not less than "Aa" or "AA" or their equivalents by Moody's and S&P, or their successors; provided that no revenues (including, without limit, Revenues, Junior Lien Revenues or the proceeds of any Passenger Facility Charge or similar charge) shall be pledged, or in any way used, to secure any such letter of credit or surety bond.

For purposes of the default provisions of the Master Indenture, the performance of the foregoing covenant is expressly deemed to be material to the registered owners of the Bonds.

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APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT USE AGREEMENTS

The following is a summary of certain provisions of the Amended and Restated Airport Use Agreements and Facilities Leases dated as of January 1, 2013 (collectively, the "*Airport Use Agreements*"), between the City and each of the Signatory Airlines, to which reference is made for a complete statement of their provisions and contents. Certain words and terms used in this summary are defined in the Airport Use Agreements and have the same meanings in this summary, except as defined otherwise in this Official Statement. The Airport Use Agreements signed by the Signatory Airlines are substantially identical to each other except for provisions relating to the Leased Premises and assigned aircraft parking positions for each Signatory Airline. The Airport Use Agreements amend, supersede and terminate the Airport Use Agreements and Facilities Leases previously in effect between the City and such airlines (the "*1998 Use Agreements*"). The stated termination date of the Airport Use Agreements is December 31, 2027, subject to the right of the City or a Signatory Airline under certain circumstances to terminate its Airport Use Agreement prior to that date.

Term

Subject to certain earlier termination provisions, the Airport Use Agreements will terminate on December 31, 2027. Included in the earlier termination provisions is the right of a Signatory Airline to terminate its Airport Use Agreement on December 31, 2022, if a new commercial passenger service airport is operating in the Chicago Region which has a direct impact on the operations at the Airport. A "direct impact on the operations of the Airport" is defined to mean either the closure of the Airport or material limitations on operations at the Airport. In addition, if a new commercial passenger service airport which the City owns or controls, in whole or in substantial part, and having a level of annual operations at least equal to the Airport, is opened and operating within 50 miles of the Airport, a Signatory Airline has the right to terminate its Airport Use Agreement prior to the scheduled expiration date. See also "—Default and Termination," "—Assignment, Sublease and Other Transfers," and "—Change of Lease Term," below.

Cost Centers

The Airport Use Agreements group the Airport into functional areas (the "*Cost Centers*"). These are the Airfield Area, the Terminal Area, the Terminal Ramp Area, the Parking and Roadway Area, the Support Facilities Area, the Equipment Cost Center, the Fueling Cost Center, the FIS Cost Center and the Indirect Cost Center. The purpose of the Cost Centers is to allow for the calculation of Airline Fees and Charges in a manner that allocates such fees and charges among the Signatory Airlines based on their usage of the Airport.

Accordingly, each of the Cost Centers has allocated to it Non-Airline Revenues, Operation and Maintenance Expenses, Debt Service and Fund Deposit Requirements. Indirect (overhead) expenses are costs not directly attributable to specific Cost Centers and will be initially accumulated in the Indirect Cost Center. The costs of the Indirect Cost Center and the net revenues or net deficit of each of the Parking and Roadway Area and the Support Facilities Area will be allocated to other Cost Centers.

Leased Premises; Gate Management Provisions

Premises within the Terminal Area are either leased to the Signatory Airlines or retained by the City as City-Controlled Facilities. The City has the right, under certain circumstances, to impose shared use or temporary use arrangements on all or any designated portion of a Signatory Airline's Leased Premises to accommodate new or expanding carriers. The City, at its discretion, may also use any City-Controlled Facilities to accommodate the space requirements of Signatory Airlines or Non-Signatory Airlines. The Airport Use Agreements refer to whichever of the premises a Signatory Airline is leasing at any given time as the Signatory Airline's "*Leased Premises*."

Certain daily average utilization standards apply to the Signatory Airlines' Gates during the term of the Airport Use Agreement which, if not met by a Signatory Airline, give the City the right to terminate the Airport Use Agreement with respect to, and delete from, the Signatory Airline's Leased Premises the number of Gates as may be necessary to cause the Signatory Airline to meet the daily average utilization standard for its Gates.

Airline Fees and Charges

Terminal Rentals for Leased Premises (other than Joint Use Premises) are charged to each of the Signatory Airlines on a square footage basis. A Signatory Airline's Terminal Rentals for each Fiscal Year equal the product of the square footage of such Signatory Airline's Leased Premises and the Terminal Rental Rate for such Fiscal Year. The Terminal Rental Rate for each Fiscal Year is determined by dividing the Terminal Area requirement for such Fiscal Year by the total number of square feet of Leased Premises of all Signatory Airlines. The Terminal Area requirement for a Fiscal Year will equal the sum of O&M Expenses, Debt Service, Fund Deposit Requirements, Terminal Rentals unpaid when due by any Signatory Airline, the Equipment Cost Center requirement and net deficits of the Indirect Cost Center and the Parking and Roadway Area, in each case allocated to the Terminal Area for such Fiscal Year, minus the sum of Non-Airline Revenues and net surpluses of the Parking and Roadway Area, in each case allocated to the Terminal Area for such Fiscal Year. Terminal Rentals for Joint Use Premises are charged on a formulaic basis, where 10% of the Joint Use Premises requirement (determined by multiplying the number of square feet of Joint Use Premises by the Terminal Rental Rate) is divided equally between the Signatory Airlines and 90% of the Joint Use Premises requirement is divided between the Signatory Airlines on the basis of landed weight.

Terminal Ramp Fees are charged to each of the Signatory Airlines on the basis of square footage of Aircraft Parking Area assigned to a Signatory Airline. A Signatory Airline's Terminal Ramp Fee for each Fiscal Year is equal to the product of such Signatory Airline's square footage of Aircraft Parking Area and the Terminal Ramp Rate for such Fiscal Year. The Terminal Ramp Rate for each Fiscal Year is calculated by dividing the Terminal Ramp Area requirement for such Fiscal Year by the total square footage of Aircraft Parking Area assigned to all Signatory Airlines. The Terminal Ramp Area requirement for a Fiscal Year will equal the sum of O&M Expenses, Debt Service, Fund Deposit Requirements, Terminal Ramp Fees unpaid when due by a Signatory Airline and net deficits of the Indirect Cost Center and the Parking and Roadway Area, in each case allocated to the Terminal Ramp Area for such Fiscal Year, minus

the sum of Non-Airline Revenues and net surpluses of the Parking and Roadway Area, in each case allocated to the Terminal Ramp Area for such Fiscal Year.

Landing Fees are charged to the Signatory Airlines on the basis of landed weight of aircraft. The Landing Fee for each Fiscal Year for each Revenue Landing is equal to the product of the number of thousands of pounds of the Maximum Approved Gross Landing Weight of the Signatory Airline's aircraft involved in the Revenue Landing and the Landing Fee Rate for such Fiscal Year. The Landing Fee Rate for each Fiscal Year is determined by dividing the Airfield Area Requirement by the total Maximum Approved Gross Landing Weight in thousand-pound units of all aircraft of all Signatory Airlines landed in Revenue Landings during such Fiscal Year. The Airfield Area requirement for a Fiscal Year will equal the sum of O&M Expenses, Debt Service, Fund Deposit Requirements, Landing Fees unpaid when due by any Signatory Airline, the Fueling Cost Center requirement and net deficits of the Indirect Cost Center, the Parking and Roadway Area and the Support Facilities Area, in each case allocated to the Airfield Area for such Fiscal Year, minus the sum of Non-Airline Revenues and net surpluses of the Parking and Roadway Area and the Support Facilities Area, in each case allocated to the Airfield Area for such Fiscal Year.

Equipment Fees are charged to the Signatory Airlines on the basis of landed weight of aircraft. A Signatory Airline's Equipment Fee for each Fiscal Year is equal to the product of the number of thousands of pounds of the Maximum Approved Gross Landing Weight of each aircraft of the Airline involved in Revenue Landings during such Fiscal Year and the Equipment Fee Rate for such Fiscal Year. The Equipment Fee Rate for each Fiscal Year is determined by dividing the Equipment Cost Center requirement by the total Maximum Approved Gross Landing Weight in thousand-pound units of all aircraft of all Signatory Airlines landed in Revenue Landings during such Fiscal Year. The Equipment Cost Center requirement for a Fiscal Year will equal the sum of O&M Expenses, Debt Service and Fund Deposit Requirements, in each case allocated to the Equipment Cost Center, minus Non-Airline Revenues of the Equipment Cost Center.

Fueling Fees are charged to the Signatory Airlines on the basis of total gallon usage of fuel. A Signatory Airline's Fueling Fees for each Fiscal Year equal the product of the number of gallons of fuel distributed from the Fuel System to such Signatory Airline during such Fiscal Year and the Fueling Fee Rate for such Fiscal Year. The Fueling Fee Rate for each Fiscal Year is determined by dividing the Fueling Cost Center requirement by the total number of gallons of fuel distributed to all Signatory Airlines from the Fuel System. The Fueling Cost Center requirement for a Fiscal Year will equal the sum of O&M Expenses, Debt Service and Fund Deposit Requirements, in each case allocated to the Fueling Cost Center, minus Non-Airline Revenues of the Fueling Cost Center.

Federal Inspection Service ("*FIS*") Fees are charged to each of the Signatory Airlines based on the number of deplaned passengers processed through the FIS Facility. The FIS Fees for each Fiscal Year are an aggregate amount equal to the number of the Signatory Airline's deplaned passengers processed through the FIS Facility during such Fiscal Year multiplied by the FIS Fee Rate for such Fiscal Year. The FIS Fee Rate for each Fiscal Year is determined by dividing the FIS Cost Center requirement for such Fiscal Year by the total number of deplaned passengers of all Signatory Airlines processed through the FIS Facility during such Fiscal Year.

The FIS Cost Center requirement for each Fiscal Year will equal the sum of O&M Expenses, Debt Service, FIS Facility Debt Service, Fund Deposit Requirements, FIS Fees unpaid when due by any Signatory Airline and the net deficit of the Indirect Cost Center, in each case allocated to the FIS Cost Center for such Fiscal Year minus the sum of Non-Airline Revenues allocated to the FIS Cost Center.

The foregoing notwithstanding, the Airport Use Agreements require the City, during the term of the MATCO Agreement, to charge the Signatory Airlines and Non-Signatory Airlines equipment fees and fueling fees calculated as set forth in the MATCO Agreement, which fees shall in any case be calculated in a manner sufficient to pay the Equipment Cost Center requirement and the Fueling Cost Center requirement for each Fiscal Year.

Deposits to the Airport Development Fund

If Non-Airline Revenues for any Fiscal Year exceed 105% of the average of Non-Airline Revenues for the three Fiscal Years immediately preceding such Fiscal Year, then an amount equal to such excess (being equal to (i) Non-Airline Revenues for such Fiscal Year minus (ii) the product of (A) 1.05 multiplied by (B) the average of Non-Airline Revenues for the three Fiscal Years immediately preceding such Fiscal Year), if any, but not to exceed $1,000,000 Adjusted for Inflation, shall be deposited in the Airport Development Fund; *provided* that such deposit may not be made until the City has provided to each Signatory Airline the Statement of Airline's Actual Annual Airline Fees and Charges for such Fiscal Year.

If actual O&M Expenses for any Fiscal Year are less than 95% of the amount of Budgeted O&M Expenses for such Fiscal Year, then an amount equal to such difference (being equal to (i) the product of (A) 0.95 multiplied by (B) the amount of Budgeted O&M Expenses for such Fiscal Year, minus (ii) actual O&M Expenses for such Fiscal Year), if any, but not to exceed $1,000,000 Adjusted for Inflation, shall be deposited in the Airport Development Fund; *provided* that such deposit may not be made until the City has provided to each Signatory Airline the Statement of Airline's Actual Annual Airline Fees and Charges for such Fiscal Year. "Budgeted O&M Expenses" for a Fiscal Year means the amount of O&M Expenses for the Airport for that Fiscal Year estimated by the City's Department of Aviation and used to prepare each Airline's Statement of Airline's Estimated Annual Airline Fees and Charges.

Notwithstanding the foregoing, the amounts to be deposited in the Airport Development Fund in accordance with the Airport Use Agreement and all other Airport Use Agreements shall not exceed $1,500,000 Adjusted for Inflation in aggregate for any Fiscal Year.

During the fifth and tenth years of this Agreement, the City, in consultation with the Signatory Airlines, shall determine whether additional increases to each of the foregoing dollar limits would be in the interests of the Airport. If so, the City may increase the dollar limits as of January 1, 2018 and January 1, 2023, respectively, to amounts reasonably determined by the City to be in the interests of the Airport (which amounts will be Adjusted for Inflation) so long as a Majority-in-Interest does not disapprove of such increase within thirty (30) days after the City has provided notice thereof.

Non-Signatory Fees and Charges

The City has agreed in the Airport Use Agreements to charge Non-Signatory Airlines Landing Fees, Terminal Rentals and Terminal Ramp Fees calculated to include at least a 25% surcharge above Signatory Airline rates. For purposes of establishing landing fees for Non-Signatory Airlines, the City has agreed to allocate a portion of the Airfield Area requirement to the Non-Signatory Airlines on the basis of the relative use of the Airfield Area by the Signatory Airlines and Non-Signatory Airlines, based on the respective landed weight of the Signatory Airlines and the Non-Signatory Airlines. If landing fees actually received from Non-Signatory Airlines in any Fiscal Year are more or less than the Airfield Area requirement allocated to the Non-Signatory Airlines, the respective excess or deficit will not be included in the determination of the amount of Revenues for that Fiscal Year, and instead will be taken into account in setting landing fees for Non-Signatory Airlines for the following Fiscal Year.

Security Deposits

The Airport Use Agreements require each of the Signatory Airlines to remit to the City a security deposit equal to the sum of such airline's (i) estimated Landing Fees for three months (as determined on the basis of the Signatory Airline's published schedule), (ii) estimated Terminal Rentals for three months, (iii) estimated Terminal Ramp Fee for three months, (iv) estimated Passenger Facility Charges for three months, (v) estimated Fueling Fees for three months, and (vi) estimated Equipment Fees for three months. Such deposit may be in the form of an irrevocable letter of credit, cash or other form of security acceptable to the City. At any time that a Signatory Airline's Airline Fees and Charges are more than 30 days past due or a Signatory Airline has failed to transmit to the City its Passenger Facility Charges or has failed to keep its Leased Premises free and clear of liens, the City, upon notice to such airline, is entitled to apply the security deposit to the payment of such unpaid amounts or to the costs of removal of such liens. In any such event, the Signatory Airline whose security deposit was so applied will be required to remit a replacement security deposit to the City.

The three-month security deposit for Landing Fees, Terminal Rentals, Terminal Ramp Fee and Fueling Fees will be reduced to two months for any Signatory Airline that has been operating at the Airport for at least one year and has been timely in all payments for the previous 12 months. The three-month security deposit for Landing Fees, Terminal Rentals, Terminal Ramp Fees and Fueling Fees will be reinstated for each such Signatory Airline that is thereafter delinquent in any payment to the City under its Airport Use Agreement or any payment to the City of Passenger Facility Charges. The security deposit related to a Signatory Airline's Passenger Facility Charges will be eliminated for any Signatory Airline that has been operating at the Airport for at least two years, that has been timely in all payments for the previous 24 months and that provides evidence to the City that the Passenger Facility Charges collected by the Signatory Airline at the Airport have been placed in a trust account for the benefit of the City. The three-month Passenger Facility Charge security deposit will be reinstated for each such Signatory Airline that is thereafter delinquent in any payment to the City under its Airport Use Agreement or any payment to the City of Passenger Facility Charges.

General Commitment to Pay Airline Fees and Charges

The Airport Use Agreements provide that the aggregate of Airline Fees and Charges payable by all Signatory Airlines, together with Non-Airline Revenues and amounts paid from the Airport Development Fund as described above under the caption "*–Airport Development Fund*" for each Fiscal Year shall be sufficient to pay for the cost of operating, maintaining and improving the Airport, and to satisfy all of the City's obligations to make all deposits and payments under the Airport Use Agreements and any Bond Ordinance (including the First Lien Indenture and the Second Lien Indenture).

Billing of Airline Fees and Charges

Not later than 60 days prior to the beginning of each Fiscal Year, the City shall furnish each of the Signatory Airlines with a preliminary calculation of the Terminal Rental Rate, the Terminal Ramp Rate, the Landing Fee Rate, the Equipment Fee Rate, the FIS Fee Rate and the Fueling Rate and such Signatory Airline's Terminal Rentals and Terminal Ramp Fee for such Fiscal Year, and not later than the last day of the prior Fiscal Year, the City shall furnish the Signatory Airlines with a revised estimated calculation of such amounts for such Fiscal Year. Such preliminary calculations will be based on the City's estimates for such Fiscal Year of O&M Expenses, Non-Airline Revenues and estimates of Landing Weight, the number of passengers at the Airport, the number of deplaned passengers processed through the FIS Facility, and the number of gallons of fuel to be distributed from the Fuel System for such Fiscal Year provided by the Signatory Airlines. By the 15th day of each month the Signatory Airlines must file with the City a statement setting forth, among other things, their aircraft landed weight, number of Revenue Landings and number of passengers at the Airport. Not later than the 1st day of each month, each Signatory Airline is obligated to pay, without invoice, all of its estimated Terminal Rentals and Terminal Ramp Fees for such month. Not later than the 15th day of each month, each Signatory Airline is obligated to pay its Landing Fees, Equipment Fees and Fueling Fees due for the preceding month, based on its actual number of aircraft arrivals and gallons of fuel distributed from the Fuel System during such month.

During any Fiscal Year, Airline Fees and Charges may be adjusted by the City for the remaining months of such Fiscal Year if there is a 5% or more discrepancy between actual revenues and expenses and projected revenues and expenses; provided, however, that such adjustments of Airline Fees and Charges may not occur more frequently than two times per year. Within 270 days after the close of each Fiscal Year, a final calculation of Airline Fees and Charges is prepared for such Fiscal Year based upon actual revenues and expenses. Each Signatory Airline is entitled to a credit for amounts paid in excess of those established in such final calculation, and is obligated to pay any deficiency.

No Abatement or Suspension of Payment

The Airport Use Agreements provide that the Signatory Airlines shall not abate, suspend, postpone, set-off or discontinue any payments of Airline Fees and Charges which they are obligated to pay thereunder. The payment by the Signatory Airlines to the City and the City's acceptance of any such amount shall not preclude either the Signatory Airlines or the City from making any claim against the other party in connection therewith.

Grant of Rights; Obligations of City and Signatory Airlines

Each Signatory Airline is granted the right to conduct an Air Transportation Business at the Airport, and to perform those operations and functions as are incidental or reasonably necessary thereto. The City has agreed not to enter into any lease, contract or other agreement with any other airline providing service at the Airport which contains any rates or charges more favorable to such airline than the rates and charges payable by the Signatory Airlines unless the City also makes those more favorable terms available to the Signatory Airlines.

Each of the Signatory Airlines and the City has certain specified obligations with respect to the maintenance and operation of the Airport. The Signatory Airlines and the City also have certain specified insurance obligations with respect to the Airport.

Approval of Capital Projects; Issuance of Bonds; Use of Passenger Facility Charges

The Airport Use Agreements contain as exhibits thereto lists of those capital projects approved by the Signatory Airlines. Such exhibits also indicate the budget for such capital projects. The Airport Use Agreements also contain as exhibits procedures for designing and constructing such capital projects.

These procedures outline the involvement of the Signatory Airlines and their representatives in the development of contract documents, the contract bid and award process, the construction process and project completion. Among other things, the Signatory Airlines have the right to approve the awarding of any contract if the award amount is greater than 5% over the budget for the project.

The City also agreed in the Airport Use Agreements, commencing on January 1, 1997, to use all Passenger Facility Charge revenue collected at the Airport to pay Debt Service on Bonds, the proceeds of which are used by the City to pay for capital projects approved by the FAA for the collection and use of a Passenger Facility Charge at the Airport, provided that the City may use Passenger Facility Charge revenue on a pay-as-you-go basis subject to a Majority-in-Interest approval by the Signatory Airlines.

After giving notice to the Signatory Airlines in accordance with the Airport Use Agreements, the City may issue Bonds and include the Debt Service thereon in the calculation of Airline Fees and Charges without further consent or approval of the Signatory Airlines if such Bonds are issued for one or more of the following purposes: (1) to fund all costs related to the projects described in the Airport Use Agreements; (2) to fund capital projects at the Airport (A) necessary to comply with any federal, state or local agency or any federal or state grant agreement or airport certification requirement, (B) for emergency or Airfield safety purposes, (C) which an Independent Airport Consultant has projected will not result in a net increase in Airline Fees and Charges on an average basis over a five-year period, (D) necessary to remedy any environmental concern or comply with Environmental Laws, or (E) having a cumulative net cost to the City in any five-Fiscal Year period of less than $2,500,000; (3) to fund any capital project approved by a Majority-in-Interest; (4) to fund insurance or condemnation award deficiencies; (5) to fund the costs of judgments or settlements, or compliance with judicial orders, against the City by reason of its ownership, operation, maintenance, development,

improvement or use of the Airport; (6) to fund the cost of tenant improvements in accordance with the Airport Use Agreements; (7) to fund capitalized interest on, and Fund Deposit Requirements with respect to, Bonds issued for any of the foregoing purposes; and (8) to fund costs of issuance of Bonds issued for any of the foregoing purposes.

An ordinance was introduced at a City Council meeting on November 13, 2013 that would authorize an amendment to the Airport Use Agreements to clarify and confirm that the provisions of the Airport Use Agreements with respect to the imposition or use of Passenger Facility Charges to fund Capital Projects is consistent with applicable FAA laws and regulations. The ordinance was considered by the Committee on Aviation at a meeting on November 22, 2013 and recommended for passage by the City Council. The ordinance was passed on November 26, 2013.

Additional Capital Projects

The City may issue Bonds to fund the cost of capital projects approved by a Majority-in Interest. A capital project is deemed approved if a Majority-in-Interest does not disapprove the capital project in writing to the City within 30 days of submission of a proposal with respect to such project to the Signatory Airlines.

The City may issue obligations (other than "Bonds" (as defined in the Airport Use Agreements)) and use the proceeds thereof to fund the cost of additional capital projects at the Airport or any other airports operated by the City without the consent of the Signatory Airlines or a Majority-in-Interest so long as the debt service thereon is not included in the calculation of Airline Fees and Charges. In addition, the City may fund the costs of additional capital projects at the Airport or any other airports owned, operated or controlled by the City from other sources available for such purpose, including: (1) amounts in the Repair and Replacement Fund and Emergency Reserve Fund (subject to limitations contained in the Airport Use Agreements); (2) amounts in the Airport Development Fund, or any other fund created pursuant to a Bond Ordinance; (3) government grants-in-aid; (4) proceeds of any gift, bequest, contribution or donation to the Airport, including any funds provided by an airline doing business at the Airport; (5) proceeds of any insurance or condemnation award subject to any restrictions on the use of such proceeds set forth in the Airport Use Agreements; and (6) proceeds of any Passenger Facility Charge, subject to the restrictions on the use of Passenger Facility Charge revenue noted above.

"*Majority-in-Interest*" means, during any Fiscal Year, any one or more Signatory Airlines which, in the aggregate (i) paid fifty-one percent (51%) or more of the Airline Fees and Charges charged to all Signatory Airlines for the prior Fiscal Year; and (ii) represent at least fifty-one percent (51%) in number of the Signatory Airlines. Solely for the purpose of determining a Majority-in-Interest, (A) no airline shall be deemed to be a Signatory Airline so long as an Event of Default with respect to such airline has occurred and is continuing or if such airline is no longer operating at the Airport (except if such airline's cessation of operations results from a temporary suspension by the FAA), and (B) only Signatory Airlines having Airport Use Agreements with terms expiring on December 31, 2027, shall be deemed to be Signatory Airlines.

Default and Termination

The following occurrences, among others, are defined as Events of Default under the Airport Use Agreements: (1) the insolvency, bankruptcy, receivership or dissolution of a Signatory Airline; (2) the failure of a Signatory Airline to punctually pay any Airline Fees and Charges; (3) the failure by a Signatory Airline to cure its default in the performance of any promise, covenant or other provision of the Airport Use Agreements upon 30 days' notice of such default or if impossible to cure within such time, the failure to institute corrective action within such time and diligently pursue such action until the default is remedied; or (4) the discontinuation by a Signatory Airline of its Air Transportation Business at the Airport. Whenever an Event of Default has occurred and is continuing, the City may terminate such Signatory Airline's Airport Use Agreement or may exclude such Signatory Airline from possession of its Leased Premises without termination and use its best efforts to lease such Leased Premises to another airline, and, in either case, may take such other action at law or in equity as appears necessary or desirable.

A Signatory Airline may terminate its Airport Use Agreement at any time upon the expiration of 60 days' advance written notice to the City and the occurrence of any one of the following events: (1) any action of the FAA or other agency refusing to permit such Signatory Airline to operate into, from or through the Airport for a period of at least 60 days; (2) such Signatory Airline is prevented from conducting its Air Transportation Business at the Airport for a period of 180 consecutive days for any reason other than its own fault; or (3) in the event (i) "slot controls," "noise mitigation" restrictions, FAA regulations or other similar governmental regulations are imposed upon such Signatory Airline or the Airport, substantially impairing such Signatory Airline's ability to operate at the Airport or (ii) a new commercial passenger service airport (not including the Gary/Chicago International Airport) which the City owns or controls, in whole or in substantial part, and having a level of operations at least equal to the Airport, is opened and operating within 50 miles of the Airport. A Signatory Airline may terminate its Airport Use Agreement and its obligations thereunder as to all or any portion of Leased Premises upon the occurrence of an event described in subparagraphs (1), (2) or (3)(ii) above, but, upon the occurrence of an event pursuant to subparagraph (3)(i) above, may terminate only such portion of its obligations under its Airport Use Agreement as are directly and substantially affected by such Signatory Airline's impaired ability to operate at the Airport. At any time that Bonds are not outstanding, a Signatory Airline may also terminate its Airport Use Agreement and its obligations thereunder as to all or any portion of Leased Premises upon the failure of the City to cure its default in the performance of any material promise, covenant or other provision in the Airport Use Agreement upon 30 days' notice of such default or if impossible to cure within such time, the failure to institute corrective action within such time and diligently pursue such action until the default is remedied.

A Signatory Airline may terminate its Airport Use Agreement effective December 31, 2022 in the event that a new commercial passenger service airport is opened and operating and such airport has a direct impact on the operations of the Airport. A direct impact on the operations of the Airport means either (i) the closure of the Airport; or (ii) material limitations on operations at the Airport. The Airline may exercise this termination right by giving the City 60 days' advance written notice by registered or certified mail.

A Signatory Airline may also terminate its Airport Use Agreement if the City violates the following City covenants included in the Airport Use Agreements. The City has covenanted to (i) make all reasonable efforts to ensure that the Airport's flight operations, passenger handling, cargo handling and other capacities germane to the operation of commercial air service at the Airport are not constrained, restricted, limited or reduced by action by the City and remain available to meet the demand for transportation to the region, (ii) not advocate or support any such constraints, restrictions, limitations or reductions on the Airport's flight operations, passenger handling, cargo handling or other capacities germane to the operation of the Airport by any other federal, state or local governments (other than by the Midway Noise Commission), (iii) not participate as an advocate in the planning or development, or participate in the funding, financing or operations of any commercial service passenger airport not either currently owned or operated by the City or under the authority and jurisdiction of the Chicago-Gary Compact, within a 50-mile radius of the Airport, and (iv) not voluntarily transfer its ownership, oversight or control of the Airport to any governmental entity other than to an entity controlled solely by the City. See also "–Term," above.

If an involuntary transfer of ownership, oversight or control of the Airport other than to an entity controlled solely by the City occurs, the Airport Use Agreements require such successor-in-interest to the City to purchase, upon petition by a Signatory Airline, such Signatory Airline's ownership or leasehold interest in all permanent improvements then located at the Airport, at a cost equal to the then-present replacement value. The Airport Use Agreements provide an appraisal process if the successor-in-interest and the Signatory Airline cannot agree as to the replacement value of the interest. If the Signatory Airline petitions for such purchase, it shall have the right to terminate any or all of its lease agreements for space or facilities at the Airport, and the right of specific performance to compel the successor-in-interest to comply with the purchase provision.

Assignment, Sublease and Other Transfers

Each Signatory Airline covenants in its Airport Use Agreement that it will not assign, sublet, transfer, convey, sell, mortgage, pledge or encumber (any of the foregoing events being referred to as a "*Transfer*") its Leased Premises or assigned aircraft parking positions or any part thereof, or any rights of the Signatory Airline under its Airport Use Agreement or any interest of the Signatory Airline in its Airport Use Agreement and that it will not allow the use of its Leased Premises or assigned aircraft parking positions under its Airport Use Agreement by any other person, except as otherwise provided in its Airport Use Agreement, without in each instance having first obtained the prior written consent of the City as described below. In determining whether or not to consent to a Transfer, the City will take into account, among other factors, the balanced utilization of the Airport facilities and operational considerations relating to the proposed transferee. The consent of the City Council of the City on behalf of the City shall be required for any Transfer of (i) all of a Signatory Airline's Leased Premises, (ii) all rights of a Signatory Airline under its Airport Use Agreement, or (iii) all of a Signatory Airline's interest in its Airport Use Agreement. The consent of the Commissioner of Aviation on behalf of the City shall be required for any other Transfer. As a condition to the City's consent to a proposed sublease of Leased Premises, the proposed sublessee shall be required to execute a license agreement between the sublessee and the City in a form acceptable to the City.

Notwithstanding any Transfer with or without City consent, the Signatory Airline shall remain fully liable for the payment of all of its Airline Fees and Charges and fully responsible for the performance of all of its other obligations under its Airport Use Agreement.

If any Transfer shall occur, whether or not prohibited by any provision of the Airport Use Agreement, the City may collect Airline Fees and Charges from any assignee, sublessee or other transferee of a Signatory Airline and in such event shall apply the net amount collected to the Airline Fees and Charges payable by the Signatory Airline under its Airport Use Agreement without such action by the City releasing the Signatory Airline from its Airport Use Agreement or any of its obligations under its Airport Use Agreement.

Any sublease or assignment shall require the sublessee or the assignee to be bound by all of the terms and provisions of the Airport Use Agreement and other applicable requirements external to the Airport Use Agreement imposed by the City on Signatory Airlines.

Change of Lease Term

Notwithstanding the provision of the Airport Use Agreement described above under the caption "*Term*," each Airport Use Agreement provides that automatically and immediately upon the occurrence of an Event of Default described below, the term of the Airport Use Agreement of the defaulting Signatory Airline shall convert to month-to-month, commencing on the date of the automatic conversion and shall terminate upon 30 days' written notice from the City to the Signatory Airline, or from the Signatory Airline to the City. The following are such Events of Default:

(i) The Signatory Airline shall become insolvent (as such term is defined under Section 101 of the Bankruptcy Code); or shall fail to pay its debts generally as they mature; or shall take the benefit of any present or future federal or state insolvency statute; or shall make a general assignment for the benefit of its creditors;

(ii) Any lien shall be filed against the Signatory Airline's Leased Premises or any portion thereof resulting from any act or omission of the Signatory Airline, and shall not be discharged within 30 days, unless the Signatory Airline shall within such 30 days furnish the City such security as the Commissioner of Aviation in his or her discretion determines to be adequate to protect the interests of the City;

(iii) The Signatory Airline shall discontinue its Air Transportation Business (as defined in the Airport Use Agreement) at the Airport for a period of 30 consecutive days or for a period of 60 nonconsecutive days whenever occurring in the aggregate in any Fiscal Year or, after exhausting or abandoning any further appeals, the Signatory Airline shall be prevented for a period of 30 consecutive days by action of any governmental agency other than the City from conducting its Air Transportation Business at the Airport;

(iv) The Signatory Airline shall cease using or abandon substantially all of its Leased Premises for a period of 30 days;

(v) The Signatory Airline shall make any purported Transfer without the consent of the City, as described above under the caption "*Assignment, Sublease and Other Transfer*";

(vi) The Signatory Airline shall fail to maintain its corporate existence or to remain duly qualified to do business in the State or the Signatory Airline shall dissolve or otherwise dispose of all or substantially all of its assets or shall consolidate with or merge into another corporation; provided, however, that it shall not be an Event of Default if the Signatory Airline consolidates with or merges into a wholly-owned subsidiary of the Signatory Airline;

(vii) The Signatory Airline shall default in the payment, when due, of any amounts now or hereafter owing by the Signatory Airline under any special facility agreement executed in accordance with the provisions of the Airport Use Agreement relating to special facility financings;

(viii) The Signatory Airline shall fail to meet any of the security deposit requirements set forth in the Airport Use Agreement; or

(ix) The Signatory Airline shall fail to transmit to the City PFCs on a timely basis in accordance with the PFC Regulations or shall fail to comply with the provisions of the Airport Use Agreement relating to PFCs.

The Airport Use Agreement provides that any conversion of the term of an Airport Use Agreement as described above shall not discharge any of the Signatory Airline's obligations under its Airport Use Agreement nor affect any of the City's other remedies set forth in such Airport Use Agreement.

APPENDIX D
AUDITED FINANCIAL STATEMENTS

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City of Chicago, Illinois
Chicago Midway International Airport

Basic Financial Statements as of and for the
Years Ended December 31, 2017 and 2016
Required Supplementary Information,
Additional Information, Statistical Information, and
Independent Auditors' Report

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

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Deloitte.

Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Midway International Airport ("Midway"), an enterprise fund of the City of Chicago, Illinois (the "City"), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Midway's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Midway International Airport, as of December 31, 2017 and 2016, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, the basic financial statements referred to above present only Chicago Midway International Airport, an enterprise fund of the City, and do not purport to, and do not, present the financial position of the City as of December 31, 2017 and 2016, changes in its financial position, or, where applicable, its cash flows, thereof, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Midway's basic financial statements. The additional supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

June 29, 2018

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Dollars in thousands)

This following discussion and analysis of the Chicago Midway International Airport's (the "Airport" or "Midway") performance provides an introduction and overview of the Airport's financial activities for the years ended December 31, 2017 and 2016. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements following this section.

FINANCIAL HIGHLIGHTS

2017

Operating revenues for 2017 increased by $12,832 compared to 2016 operating revenue primarily due to increases in the landing fees and terminal rental rates to pay for capital development of the airport, increases in concessions revenues (primarily food & beverage and retail) due to a new concessions management contract which the Airport entered into in May 2017 with Midway Partnership LLC, and parking revenues due to a new rate structure implemented in January 2017.

Operating expenses before depreciation and amortization decreased by $11,640 compared to 2016 primarily due to a decrease in pension expenses as a result of the changes under Public Act 100-0023 (P.A. 100-0023), which requires increased future contributions to the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees') and the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers') Plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and decreased the current year pension expense. This was offset by an increase in professional and engineering services for pre-construction (planning) related services associated with the Midway Modernization Program.

The Airport's total net deficit at December 31, 2017, was $(307,001). This is a decrease of $3,148 compared to total net deficit at December 31, 2016, primarily due to the non cash portion of pension expense (recorded as an operating expense) that is not collected in rates and charges.

Capital asset additions for 2017 were $35,889, principally due to land acquisition, runway rehabilitation and parking and security improvements. Completed projects totaling, $14,174 were transferred from construction in progress to applicable buildings and other facilities capital account.

2016

Operating revenues for 2016 increased by $6,074 compared to 2015 operating revenue primarily due to increases in the landing fee and terminal rental rates and increase in concession revenues (parking, auto rental and restaurants).

Operating expenses before depreciation and amortization decreased by $1,271 compared to 2015, primarily due to a decrease in pension expenses calculated under the Governmental

Accounting Standards Board ("GASB") Statement No. 68 "*Accounting of Financial Reporting for Pensions—an amendment of GASB Statement No. 27*" ("GASB 68"), offset by increases in salaries and wages and repairs and maintenance.

The Airport's total net deficit at December 31, 2016, was $(303,853). This is a decrease of $60,377 compared to total net deficit at December 31, 2015, primarily due to the increase in net pension liability and revenue bonds payable (due to the issuance of revenue bonds in 2016), partially offset by the increase in restricted cash, cash equivalents and investments.

Capital asset additions for 2016 were $62,680, principally due to land acquisition, runway rehabilitation and parking improvements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Airport's basic financial statements. The Airport is included in the City of Chicago, Illinois's (the "City") reporting entity as an enterprise fund. The Airport's basic financial statements are composed of the basic financial statements and the notes to basic financial statements. In addition to the basic financial statements, this report also presents additional and statistical information after the notes to basic financial statements.

The Statements of Net Position present all of the Airport's assets and liabilities using the accrual basis of accounting. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position. The increase or decrease in net position may serve as an indicator, over time, whether the Airport's financial position is improving or deteriorating. However, the consideration of other non-financial factors, such as changes within the airline industry, may be necessary in the assessment of the overall financial position and health of the Airport.

The Statements of Revenues, Expenses, and Changes in Net Position present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net position.

The Statements of Cash Flows report how cash and cash equivalents are provided and used by the Airport's operating, capital financing, noncapital financing and investing activities. These statements present the cash received and disbursed, the net increase or decrease in cash and cash equivalents for the year and the cash and cash equivalents balance at year-end.

The Notes to Basic Financial Statements are an integral part of the basic financial statements; accordingly, such disclosures are essential to a full understanding of the information provided in the basic financial statements.

In addition to the basic financial statements, this report includes Additional Supplementary and Statistical Information. The Additional Supplementary Information section presents debt service coverage calculations and the Statistical Information section includes certain unaudited information related to the Airport's historical financial and non-financial operating results and capital activities.

FINANCIAL ANALYSIS

Landing fees and terminal area use charges and fueling system charges are assessed to the various airlines throughout each year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain operating expenses and required debt

service and fund deposits as determined under provisions of the Airport Use Agreement and Facilities Lease ("Use Agreement"). Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in amounts to be billed. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in billings over amounts earned. The termination date of the Use Agreement is December 31, 2027.

At December 31, 2017, the Airport's financial position included total assets and deferred outflows of $2,086,276 total liabilities and deferred inflows of $2,393,277 and net deficit of $(307,001). A comparative condensed summary of the Airport's net position at December 31, 2017, 2016, and 2015, is as follows:

	Net Position		
	2017	**2016**	**2015**
Current unrestricted assets	$ 72,095	$ 61,717	$ 54,246
Restricted and other assets—noncurrent	692,585	705,534	410,313
Capital assets—net	1,167,134	1,182,688	1,169,550
Total assets	1,931,814	1,949,939	1,634,109
Deferred outflows	154,462	114,005	134,926
Total assets and deferred outflows	$ 2,086,276	$ 2,063,944	$ 1,769,035
Current liabilities	$ 39,668	$ 34,711	$ 31,022
Liabilities payable from restricted assets and noncurrent liabilities	2,244,835	2,324,682	1,979,745
Total liabilities	2,284,503	2,359,393	2,010,767
Deferred inflows	108,774	8,404	1,744
Total liabilities and deferred inflows	$ 2,393,277	$ 2,367,797	$ 2,012,511
Net position:			
Net investment in capital assets	$ (180,803)	$ (152,026)	$ (150,431)
Restricted	127,476	83,048	97,980
Unrestricted	(253,674)	(234,875)	(191,025)
Total net deficit	$ (307,001)	$ (303,853)	$ (243,476)

2017

Current unrestricted assets increased by $10,378 (16.8%) primarily due to an increase in cash and cash equivalents from increased revenues. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2017 and 2016, was 1.82:1 and 1.78:1, respectively. Noncurrent restricted and other assets decreased by $12,949 (1.8%) mainly due to decreases in construction funds of $32,119 related to increased activity in the Midway Modernization capital improvement plan during 2017. Net capital assets decreased by $15,554 (1.3%) due principally to projects continually being completed, therefore an overall increase in depreciation.

The increase in current liabilities of $4,957 (14.3%) is mainly related to the increase in advances for terminal rent of $2,013. Pension liability in the amount of $290,610 decreased $26,137 (8.25%) compared to 2016 as a result of the changes under P.A. 100-0023 which requires increased future contributions to the Municipal Employees' and Laborers' plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and therefore decreased the net pension liability.

Liabilities payable from restricted assets and noncurrent liabilities decreased by $79,847 (3.4%) in 2017 mainly due to a decrease in revenue bonds payable from restricted funds of $36,793, which was offset by a decrease in net pension liability as a result of the changes under P.A. 100-0023, which impacted the Municipal Employees' and Laborers' plans. At December 31, 2017, total net deficit was $(307,001), a decrease of $3,148 (1.0%).

Deferred outflows increased by $40.457 million (35.5%) and deferred inflows increased by $100.4 million (1,194.3%) during 2017 due to changes in the required future pension contributions as discussed above in the financial highlights.

2016

Current unrestricted assets increased by $7,471 (13.8%) primarily due to an increase in cash and cash equivalents. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2016 and 2015, was 1.78:1 and 1.75:1, respectively. Noncurrent restricted investments and other assets increased by $295,221 (72.0%) mainly due to increases in construction funds of $258,696 (due to the issuance of revenue bonds during 2016) and an increase in capitalized interest of $30,080 from bond proceeds. Net capital assets increased by $13,138 (1.13%) due principally to increased completed construction. Deferred outflows decreased by $20,921 (15.5%) primarily due to the refunding of bonds and changes in the fair value of derivative instruments.

The increase in current liabilities of $3,689 (11.9%) is mainly related to the increase in accounts payable and accrued liabilities of $5,600. Liabilities payable from restricted assets and noncurrent liabilities increased by $344,937 (17.4%) in 2016 mainly due to an increase in revenue bonds payable from restricted funds of $317,020 and an increase in net pension liability of $20,722. At December 31, 2016, total net deficit was $(303,853), a decrease of $60,377 (24.8%).

A comparative condensed summary of the Airport's changes in net position for the years ended December 31, 2017, 2016, and 2015 is as follows (dollars in thousands):

	Changes in Net Position		
	2017	**2016**	**2015**
Operating revenues:			
Landing fees and terminal area use charges	$ 95,416	$ 87,425	$ 84,623
Rents, concessions and other	99,609	94,768	91,496
Total operating revenues	195,025	182,193	176,119
Operating expenses:			
Salaries and wages	48,185	48,548	43,343
Pension expense	40,211	47,879	60,767
Repairs and maintenance	44,506	48,277	44,095
Professional and engineering	24,344	20,851	20,954
Other operating expenses	13,719	17,050	14,717
Depreciation and amortization	51,443	49,118	47,719
Total operating expenses	222,408	231,723	231,595
Operating (loss) income	(27,383)	(49,530)	(55,476)
Nonoperating revenue (expenses):			
Nonoperating revenues	55,245	49,560	53,163
Nonoperating expenses	(62,566)	(88,310)	(84,129)
Total nonoperating revenues/expenses	(7,321)	(38,750)	(30,966)
(Loss) before capital grants	(34,704)	(88,280)	(86,442)
Capital grants	31,556	27,903	9,279
Change in net position	(3,148)	(60,377)	(77,163)
Net deficit beginning of year (*as restated in 2015)	(303,853)	(243,476)	(166,313)
Net deficit end of year	$(307,001)	$(303,853)	$(243,476)

2017

Landing fees and terminal area use charges for the years 2017 and 2016 were $95,416 and $87,425, respectively. Rents, concessions, and other revenues were $99,609 and $94,768 for 2017 and 2016, respectively. The increase in 2017 operating revenues of $12,832 (7.0%) from 2016 was due to increased landing fees and terminal area use charges of $7,991 and rents and other concession revenue of $4,841 due to a new concessions management contract which the Airport entered into in May 2017 with Midway Partnership LLC, and due to a new parking rate structure implemented in January 2017.

Salaries and wages decreased by $363 (0.7%) in 2017 compared to 2016 due to a decrease in the payment of overtime and medical care premiums as well as a retroactive salary adjustment in 2016 that was not applicable in 2017. Professional and engineering expenses increased $3,493 (16.8%) compared to 2017 primarily due to increases in contractor costs associated with public parking facilities and pre-construction planning related to Midway Modernization.

Pension expense decreased $7,668 (16%) from $47,879 in 2016 to $40,211 in 2017 as a result of the changes under P.A. 100-0023, which requires increased future contributions to the Municipal Employees' and Laborers' plans. The increase in future required contributions increased the discount rate used to determine the total pension liability and decreased the current year pension expense. During 2017, $9,548 of the $40,211 was paid under statutory requirements.

The 2017 nonoperating revenues of $55,245 are comprised of Passenger Facility Charges (PFC) revenue of $40,918, Customer Facility Charges (CFC) revenue of $8,130, investment income of $5,722 and other nonoperating revenues of $475. During 2017, nonoperating revenues increased by $5,685 primarily due to fair value changes in investment income resulting from better long-term investment management.

Nonoperating expenses of $62,566 and $88,310 for the years 2017 and 2016, respectively, were primarily comprised of bond interest expense and noise mitigation costs.

Capital grants increased $3,653 in 2017, mainly as a result of when associated capital expenditures became eligible for grant reimbursement from the federal government and increase in the allotment of Airport Improvement Program grant funding from the FAA.

2016

Landing fees and terminal area use charges for the years 2016 and 2015 were $87,425 and $84,623, respectively. Rents, concessions, and other revenues were $94,768 and $91,496 for 2016 and 2015, respectively. The increase in 2016 operating revenues of $6,074 (3.4%) from 2015 was due to increased landing fees and terminal area use charges of $2,802 and rents and other concession revenue (from parking, auto rentals and restaurants) of $3,272.

Salaries and wages increased by $5,205 (12.0%) in 2016 compared to 2015 due to payment of retroactive salary adjustments and contractual salary increases. Professional and engineering expenses decreased $103 (0.5%) compared to 2016 primarily due to decreases in contractor costs associated with public parking facilities.

Pension expense for 2016 was $47,879 as calculated under GASB 68, of which $6,691 was paid under statutory requirements.

The 2016 nonoperating revenues of $49,560 are comprised of Passenger Facility Charges (PFC) revenue of $41,665, Customer Facility Charges (CFC) revenue of $8,625, investment loss of $(1,094) and other nonoperating revenues of $364. During 2016, nonoperating revenues decreased by $3,603 primarily due to fair value changes in investment income.

Nonoperating expenses of $88,310 and $84,129 for the years 2016 and 2015, respectively, were primarily comprised of bond interest expense, bond issuance costs and noise mitigation costs.

Capital grants increased $18,624 in 2016, mainly as a result of when associated capital expenditures became eligible for grant reimbursement from the federal government.

A comparative summary of the Airport's cash flows for the years ended December 31, 2017, 2016, and 2015, is as follows:

	Cash Flows		
	2017	**2016**	**2015**
Cash provided by (used in) activities:			
Operating	$ 56,535	$ 41,960	$ 44,089
Capital and related financing	(98,141)	287,614	(63,085)
Noncapital financing	(814)	(26,725)	(21,921)
Investing	74,775	(243,563)	75,055
Net change in cash and cash equivalents	32,355	59,286	34,138
Cash and cash equivalents:			
Beginning of year	228,038	168,752	134,614
End of year	$260,393	$ 228,038	$168,752

2017

As of December 31, 2017, the Airport's available cash and cash equivalents of $260,393 increased by $32,355 compared to $228,038 at December 31, 2016, due to operating activities of $56,535 and investing activities of $74,775 offset by capital and related financing of $98,141 and noncapital financing of $814. Total cash and cash equivalents at December 31, 2017, were comprised of unrestricted and restricted cash and cash equivalents of $46,037 and $214,356, respectively.

2016

As of December 31, 2016, the Airport's available cash and cash equivalents of $228,038 increased by $59,286 compared to $168,752 at December 31, 2015, due to operating activities of $41,960 and capital and related financing of $287,614 offset by noncapital financing of $26,725 and investing activities of $243,563. Total cash and cash equivalents at December 31, 2016, were comprised of unrestricted and restricted cash and cash equivalents of $12,615 and $215,423, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017 and 2016, the Airport had $1,167,134 and $1,182,688, respectively, invested in net capital assets. During 2017, the Airport had additions of $35,889 related to capital activities. This included $838 for land acquisition and the balance of $35,051 for construction projects relating to runway rehabilitation and parking and security improvements.

During 2017, completed projects totaling $14,174 were transferred from construction in progress to applicable buildings and other facilities capital account. These major completed projects were related to runway and taxi improvements and road and sidewalks.

The Airport's capital assets at December 31, 2017, 2016, and 2015, are summarized as follows:

	Capital Assets at Year-End		
	2017	**2016**	**2015**
Capital assets not depreciated:			
Land	$ 116,475	$ 115,637	$ 115,165
Construction in progress	32,427	11,550	19,126
Total capital assets not depreciated	148,902	127,187	134,291
Capital assets depreciated:			
Buildings and other facilities	1,685,956	1,671,782	1,602,470
Less accumulated depreciation for:			
Buildings and other facilities	(667,724)	(616,281)	(567,211)
Total capital assets depreciated—net	1,018,232	1,055,501	1,035,259
Total property and facilities—net	$1,167,134	$1,182,688	$1,169,550

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, PFC and CFC revenue. Additional information on the Airport's capital assets is presented in Note 5 of the notes to the basic financial statements.

During 2016, the Airport sold $342,395 of Chicago Midway International Airport Second Lien Revenue Bonds, Series 2016 A-B and having interest rates ranging from 2.0% to 5.0% with maturity dates ranging from January 1, 2017, to January 1, 2046. Certain net proceeds will be used to finance certain special projects. Certain net proceeds were used to refund certain maturities of outstanding bonds, to fund debt service reserve deposit requirement and to pay the cost of issuance of bonds.

The Airport's outstanding debt at December 31, 2017, 2016, and 2015, is summarized as follows (dollars in thousands):

	Outstanding Debt at Year-End		
	2017	**2016**	**2015**
Revenue bonds and notes	$1,755,835	$1,781,605	$1,506,325
Unamortized:			
Bond premium (discount)	114,270	123,133	79,093
Total revenue bonds payable—net of unamortized premium discount	1,870,105	1,904,738	1,585,418
Current bonds payable	(27,930)	(25,770)	(23,470)
Total long-term revenue bonds and notes payable—net	$1,842,175	$1,878,968	$1,561,948

Additional information on the Airport's long-term debt is presented in Note 4 of the notes to basic financial statements and in the Statistical Information section of this report.

The Airport's revenue bonds at December 31, 2017, had credit ratings with each of the four major rating agencies as follows:

	Moody's Investor Services	**Standard & Poor's**	**Fitch Ratings**	**Kroll Ratings**
First Lien Chicago Midway Revenue Bonds	A2	A	NR	NR
Second Lien Chicago Midway Revenue Bonds	A3	A	A	A

At December 31, 2017 and 2016, the Airport believes it was in compliance with the debt covenants as stated within the Master Trust Indentures.

ECONOMIC FACTORS AND NEXT YEAR RATES AND CHARGES

The airlines using the Airport generally provide low fare, point-to-point origination and destination passenger service. During 2017 and 2016, Southwest Airlines accounted for 92.7% and 92.7%, respectively, of total enplanements at the Airport.

Based on the Airport's rates and charges for 2018, total budgeted operating and maintenance expenses are projected at $161,692 and total net debt service and fund deposit requirements are projected at $61,672. Additionally, 2018 nonairline and nonsignatory revenues are budgeted for $84,883, resulting in a net airline requirement of $138,481 that will be funded through landing fees, terminal area use charges, and fueling system charges.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Airport's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Chicago Department of Finance.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2017 AND 2016
($ in thousands)

ASSETS	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 46,037	$ 12,615
Cash and cash equivalents—restricted (Note 2)	85,740	100,918
Investments (Note 2)	5,009	31,164
Accounts receivable—net of allowance for doubtful accounts of approximately $178 in 2017 and $61 in 2016	11,232	7,949
Amounts to be billed	7,747	7,421
Due from other City funds	1,583	2,026
Prepaid expenses	390	218
Interest receivable	97	324
Total current assets	157,835	162,635
NONCURRENT ASSETS:		
Cash and cash equivalents (Note 2)—restricted	128,616	114,505
Investments (Note 2)—restricted	442,809	481,629
Due from other governments—restricted	29,707	1,298
Accounts receivable (Note 1)—restricted	3,068	4,533
Interest receivable—restricted	2,033	1,999
Other assets	612	652
Property and facilities (Note 5):		
Land	116,475	115,637
Buildings and other facilities	1,685,956	1,671,782
Construction in progress	32,427	11,550
Total property and facilities	1,834,858	1,798,969
Less accumulated depreciation	(667,724)	(616,281)
Property and facilities—net	1,167,134	1,182,688
Total noncurrent assets	1,773,979	1,787,304
Total assets	1,931,814	1,949,939
DEFERRED OUTFLOWS (Note 11)	154,462	114,005
TOTAL ASSETS AND DEFERRED OUTFLOWS	$2,086,276	$2,063,944

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2017	2016
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 23,867	$ 25,900
Due to other City funds	9,185	8,081
Advances for terminal and hangar rent	2,743	730
Billings over amounts earned	3,874	-
Liabilities payable from restricted assets:		
Accounts payable	19,289	36,724
Due to other City funds	352	135
Interest payable	38,168	38,289
Current portion of revenue bond payable (Note 4)	27,930	25,770
Total current liabilities	125,408	135,629
NONCURRENT LIABILITIES:		
Revenue bonds payable—net of current maturities (Note 4)	1,842,175	1,878,968
Net pension liability (Note 7)	290,610	316,747
Derivative instrument (Note 4)	24,319	26,034
Performance deposits	1,991	2,015
Total noncurrent liabilities	2,159,095	2,223,764
Total liabilities	2,284,503	2,359,393
DEFERRED INFLOWS (Note 11)	108,774	8,404
NET POSITION (Note 1):		
Net investment in capital assets (deficit)	(180,803)	(152,026)
Restricted net position:		
Debt service	8,750	-
Capital projects	41,292	10,703
Passenger facility charges	4,035	6,867
Airport use agreement	34,541	31,232
Customer facility charges	31,573	25,850
Other assets	7,285	8,396
Total restricted net position	127,476	83,048
Unrestricted net (deficit) position	(253,674)	(234,875)
Total net (deficit) position	(307,001)	(303,853)
TOTAL	$2,086,276	$2,063,944

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
OPERATING REVENUES:		
Landing fees and terminal area use charges	$ 95,416	$ 87,425
Rents, concessions and other (Note 6)	99,609	94,768
Total operating revenues	195,025	182,193
OPERATING EXPENSES:		
Salaries and wages and pension costs	48,185	48,548
Pension expense (Note 7)	40,211	47,879
Repairs and maintenance	44,506	48,277
Professional and engineering services	24,344	20,851
Other operating expenses	13,719	17,050
Total operating expenses before depreciation and amortization	170,965	182,605
Depreciation and amortization	51,443	49,118
Total operating expenses	222,408	231,723
OPERATING LOSS	(27,383)	(49,530)
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charges revenues	40,918	41,665
Customer facility charges revenues	8,130	8,625
Investment income (loss)	5,722	(1,094)
Interest expense (Note 4)	(61,277)	(58,220)
Noise mitigation costs	(1,289)	(27,089)
Costs of issuance	-	(3,001)
Other nonoperating revenues	475	364
Total nonoperating (expenses) revenues	(7,321)	(38,750)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(34,704)	(88,280)
CAPITAL GRANTS	31,556	27,903
CHANGE IN NET POSITION	(3,148)	(60,377)
TOTAL NET DEFICIT—Beginning of year	(303,853)	(243,476)
TOTAL NET DEFICIT—End of year	$(307,001)	$(303,853)

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 95,565	$ 85,060
Rents, concessions and other	101,778	92,176
Payments to vendors	(83,615)	(76,572)
Payments to employees	(44,479)	(46,822)
Transactions with other City funds (used in)	(13,157)	(12,532)
Transactions with other City funds provided by	443	650
Cash flows provided by operating activities	56,535	41,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	-	394,848
Principal paid on bonds	(25,770)	(23,470)
Cash paid to refund bonds	-	(41,713)
Bond issuance costs	(4,061)	(3,002)
Interest paid	(82,336)	(59,681)
Acquisition and construction of capital assets	(39,634)	(58,504)
Grant receipts	3,147	30,314
Passenger Facility Charges revenues	40,700	40,197
Customer Facility Charges revenues	9,813	8,625
Cash flows provided by (used in) capital and related financing activities	(98,141)	287,614
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from settlement agreement	475	364
Cash paid for noise mitigation program	(1,289)	(27,089)
Cash flows (used in) noncapital financing activities	(814)	(26,725)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchases) of investments—net	66,305	(245,356)
Investment interest	8,470	1,793
Cash flows (provided by) used in investing activities	74,775	(243,563)
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,355	59,286
CASH AND CASH EQUIVALENTS—Beginning of year	228,038	168,752
CASH AND CASH EQUIVALENTS—End of year	$ 260,393	$ 228,038

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET POSITION:		
Unrestricted	$ 46,037	$ 12,615
Restricted:		
Current	85,740	100,918
Noncurrent	128,616	114,505
TOTAL	$260,393	$228,038
RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$ (27,383)	$ (49,530)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	51,443	49,118
Pension expense other than contributions	30,663	41,188
Provision for uncollectible accounts	41	(390)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(3,324)	1,255
Decrease in due from other City funds	443	650
Increase in prepaid expenses	(171)	(63)
Increase (decrease) in due to other City funds	1,320	(119)
Decrease in amounts to be billed	(327)	(2,411)
Increase (decrease) in billings over amounts earned	3,874	(2,993)
Increase (decrease) in advances for terminal and hangar rent	2,013	(28)
(Decrease) increase in accounts payable and accrued liabilities	(2,057)	5,283
CASH FLOWS FROM OPERATING ACTIVITIES	$ 56,535	$ 41,960

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2017 and 2016 of $18,330 and $33,335 respectively, are included in accounts payable.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Chicago Midway International Airport (the "Airport") is operated by the City of Chicago, Illinois (the "City") Department of Aviation. The Airport is included in the City's reporting entity as an enterprise fund. The City is a member of the Chicago-Gary Regional Airport Authority, which was created in 1995 to address the air transportation needs of the Chicago-Northwest Indiana Region. The Airport operated subject to the provisions of the Airport Use Agreement and Facilities Lease ("Use Agreement") commencing January 1, 2013, which is a residual Use Agreement that is scheduled to terminate on December 31, 2027.

Basis of Accounting and Measurement Focus—The accounting policies of the Airport are based upon accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airport are reported using the flow of economic resources measurement focus.

The Airport uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred.

Annual Appropriated Budget—The Airport has a legally adopted annual budget, which is not required to be reported.

Management's Use of Estimates—The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash, Cash Equivalents and Investments—Cash, cash equivalents, and investments generally are held with the City treasurer as required by the Municipal Code of Chicago (the "Code"). Interest earned on pooled investments is allocated to participating funds based upon their average combined cash and investment balances. Due to contractual agreements or legal restrictions, the cash and investments of certain funds are segregated and earn and receive interest directly.

The Code permits deposits only to City Council-approved depositories, which must be 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, the State of Illinois (the "State"), and the U.S. government; U.S. Treasury bills and other non-interest-bearing general obligations of the U.S. government purchased in the

open market below face value; domestic money market mutual funds regulated by, 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 Airport values its investments at fair value or amortized cost as applicable. U.S. government securities purchased at a price other than par with a maturity of less than one year are reported at amortized cost. The fair value of U.S. agency securities, corporate bonds and municipal bonds are estimated using recently executed transactions, market price quotations (where observable), or bond spreads.

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

Investments generally may not have a maturity in excess of 30 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of applicable bond ordinances.

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

Accounts Receivable Allowance—Management has provided an allowance based on amounts recorded at year-end, which may be uncollectible.

Revenues and Expenses—Revenues from landing fees, terminal area use charges, fueling system charges, parking revenue, and concessions are reported as operating revenues. Revenues that are related to financing, investing, PFCs, and CFCs are reported as nonoperating revenues. Salaries and wages, repair and maintenance, pension expense, professional and engineering services, and other expenses that relate to Airport operations are reported as operating expenses. Interest expense, financing costs, and noise mitigation costs are reported as nonoperating expenses.

Transactions with the City—The City's general fund provides services to the Airport. The amounts allocated to the Airport for these services are treated as operating expenses and consist mainly of employee benefits, self-insured risks, and administrative expenses.

Property and Facilities—Property and facilities are recorded at cost or, for donated assets, at fair value at the date of acquisition. Expenditures greater than $5,000 for the acquisition, construction, or equipping of capital projects, together with related design, architectural, and engineering fees, are capitalized. Expenditures for vehicles and other movable equipment are expensed as incurred.

Depreciation and amortization are provided using the straight-line method and begin in the year following the year of acquisition or completion. Estimated useful lives are as follows:

Facilities and structures	40 years
Runways, aprons, tunnels, taxiways, and paved roads	30 years
Other	10–30 years

Deferred Outflows—Deferred outflows represent the unamortized loss on bond refundings, fair value of derivative instruments that are deemed to be effective hedges and differences between estimated and actual investment earnings related to pensions, and changes in actuarial assumptions related to pensions.

Deferred Inflows—Deferred inflows represent the differences between projected and actual actuarial experience related to pensions.

Net Position—Net position comprises the net earnings from operating and nonoperating revenues, expenses, and capital grants. Net position is displayed in three components—net investment in capital assets; restricted for debt service, capital projects, PFC, Airport Use Agreement requirements, CFC, and other assets; and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve, and unspent construction funds. Restricted net position consists of net position for which constraints are placed thereon by external parties (such as lenders and grantors) and laws, regulations, and enabling legislation. Unrestricted net position consists of all other net position not categorized as either of the above.

Employee Benefits—Employee benefits are granted for vacation and sick leave, workers' compensation, and health care. Unused vacation leave is accrued and may be carried over for up to one year. Sick leave is accumulated at the rate of one day for each month worked, up to a maximum of 200 days. Severance of employment terminates all rights to receive compensation for any unused sick leave. Sick leave pay is not accrued. Employee benefit claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities. The Airport maintains insurance from a commercial carrier for workers' compensation claims. Settlements in each of the past three years have been less than insurance coverage maintained.

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

The City is subject to the State 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.

Bond Insurance Costs, and Bond Premiums, and Discounts—Bond insurance costs and bond premiums and discounts are deferred and amortized over the term of the related debt. Other debt issuance costs are expensed in the period incurred.

Capitalized Interest—Interest expense on construction bond proceeds are capitalized during construction on those capital projects paid from the bond proceeds and are being amortized over the depreciable lives of the related assets on a straight-line basis.

Capital Grants—The Airport reports capital grants as capital contribution on the statements of revenues, expenses, and changes in net position. Capital grants are on a reimbursement basis and revenues are recognized when associated capital expenditures become eligible for grant reimbursement.

Noise Mitigation Costs—Funds expended for the Noise Mitigation Program are recorded as nonoperating expenses in the period they are incurred.

Revenue Recognition—Landing fees and terminal area use charges and fueling system charges are assessed to the various airlines throughout each year based on estimated rates. Such rates are designed to yield collections from airlines adequate to cover certain expenses and required debt service and fund deposits as determined under provisions of the previously defined Use Agreement. Incremental amounts due from the airlines arise when amounts assessed, based on the estimated rates used during the year, are less than actual expenses and required deposits for the year. Such incremental amounts due from airlines are included in amounts to be billed. Incremental amounts due to the airlines arise when amounts assessed, based on the estimated rates used during the year, exceed actual expenses and required deposits for the year. Such incremental amounts due to airlines are included in billings over amounts earned.

Passenger Facility Charge (PFC) Revenue—The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2017 and 2016, respectively. PFCs are available, subject to Federal Aviation Administration regulation and approval, to finance specific eligible capital projects. The City reports PFC revenue as nonoperating revenue and related noncapital expenses as nonoperating expenses in conformity with industry practice.

Customer Facility Charge (CFC) Revenue—Airport imposed a CFC of $4.75 per contract day on each customer for motor vehicle rentals at the Airport for the years ended December 31, 2017 and 2016, respectively. The CFC rate was increased to $4.75 on July 1, 2015. CFCs are available to finance-specific eligible capital projects. The City reports CFC revenue as nonoperating revenue and related noncapital expenses as nonoperating expenses in conformity with industry practice.

Adopted Accounting Standards—GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14* ("GASB 80"), amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 was effective for Midway for its year ended December 31, 2017. The adoption of this Statement had no impact on the Airport's financial statements.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73* ("GASB 82"), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 80 was effective for Midway for its year ended December 31, 2017. The adoption of this Statement adjusted the presentation of payroll-related measures in the required supplementary information, but did not have an impact on the Airport's financial statements.

Upcoming Accounting Standards—Other accounting standards that Midway is currently reviewing for applicability and potential impact on the basic financial statements include:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. GASB 75 will be effective for the Airport beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 83, *Certain Asset Retirement Obligations*—("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets will have to recognize a liability based on the guidance in this statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be effective for the Airport beginning with its year ending December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*—("GASB 84") will improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the Airport beginning with its year ending December 31, 2019.

GASB Statement No. 85, *Omnibus*—("GASB 85") the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses various miscellaneous issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). GASB 85 will be effective for the Airport beginning with its year ending December 31, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*—("GASB 86") establishes accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB 86 will be effective for the Airport beginning with its year ending December 31, 2018.

GASB Statement No. 87, *Leases*—("GASB 87") will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that are currently not reported. GASB 87 will be effective for the Airport beginning with its year ending December 31, 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*—("GASB 88") will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB 88 will be effective for the Airport beginning with its year ending December 31, 2019.

2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Equivalents and Investments—U.S. agencies include investments in government-sponsored enterprises such as Federal National Mortgage Association, Federal Home Loan Banks, and Federal Home Loan Mortgage Corp. As of December 31, 2017, the Airport had the following investments (dollars in thousands):

	Maturities (In Years)				
Investment Type	**Less than 1**	**1–5**	**6–10**	**More than 10**	**Fair Value**
U.S. agencies	$219,922	$135,621	$ -	$ -	$355,543
U.S. treasuries	11,970	-	-	-	11,970
Municipal bonds	17,507	77,640	9,616	11,474	116,237
Corporate bonds	-	-	-	-	-
Certificates of deposits and other short-term	225,997	-	-	-	225,997
Subtotal	$475,396	$213,261	$ 9,616	$11,474	709,747
Share of City's pooled funds					-
Total					$709,747

As of December 31, 2016, the Airport had the following investments (dollars in thousands):

	Maturities (In Years)				
Investment Type	**Less than 1**	**1–5**	**6–10**	**More than 10**	**Fair Value**
U.S. agencies	$122,432	$200,747	$ -	$ -	$323,179
Municipal bonds	42,952	86,743	22,620	10,512	162,827
Corporate bonds	4,014	498	-	-	4,512
Certificates of deposits and other short-term	233,517	-	-	-	233,517
Subtotal	$402,915	$287,988	$22,620	$10,512	$724,035
Share of City's pooled funds					51,290
Total					$775,325

Investments Fair Value Measurements—The City categorizes the fair value measurements of its investments based the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation techniques used to measure fair value.

***Level 1*—**Inputs are unadjusted quoted prices in active markets for identical assets

***Level 2*—**Observable inputs other than quoted market prices, and

Level 3—Unobservable Inputs

The investments measured at fair value as of December 31, 2017 and 2016 were (dollars in thousands):

	2017			2016		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
U.S. treasuries	$ -	$ 5,985	$ -	$ -	$ -	$ -
U.S. agencies	-	292,530	-	-	261,318	-
Corporate bonds	-	-	-	-	498	-
Municipal bonds	-	112,237	-	-	130,937	-
Total investments at fair value	$ -	$410,752	$ -	$ -	$392,753	$ -

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

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than the external investment pools are measured at amortized cost and are not reflected in the table above. The total of these investments at amortized cost for Midway are $298.9 million and $331.3 million at December 31, 2017 and 2016, respectively.

The Airport's share in the City's pooled funds of $0 million and $51.3 million as of December 31, 2017 and 2016, respectively, is categorized as Level 2 in the fair value hierarchy; however, pooled funds are not reflected in the table above.

Interest Rate Risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that investments generally may not have a maturity date in excess of 30 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk—With regard to credit risk, the Code limits the investments in securities to:

(1) Interest-bearing general obligations of the United States and the State of Illinois;

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

(3) Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;

(4) Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; and (2) matures not more than 270 days after the date of purchase;

(5) Reverse repurchase agreement if: (1) the term does not exceed 90 days; and (2) the maturity of the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement; Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided that the City has on file a master repurchase agreement;

(6) Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be collateralized as noted in Custodial Credit Risk—Cash and Certificates of Deposit below;

(7) Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in either the AAA or AA rating categories by at least two accredited ratings agencies;

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

(9) Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market mutual funds' portfolios are limited to investments authorized by this section;

(10) Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;

(11) Except where otherwise restricted or prohibited, a non-interest-bearing savings account, non-interest-bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;

(12) Bonds of companies organized in the United States with assets exceeding $500.0 million that, at the time of purchase, are rated not less than A-, or equivalent rating, by at least two accredited ratings agencies;

(13) Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating, or equivalent rating. The maturity of investments authorized in this subsection shall not exceed 10 years. For purposes of this subsection, an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

(14) United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A-rating or equivalent rating;

(15) Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the city or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions;

(16) Bonds registered and regulated by the Securities and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A-rating or above or equivalent rating by at least two accredited ratings agencies;

(17) Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.

Total holdings across all funds held by the Treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies. The Airport's exposure to credit risk at December 31, 2017 and 2016, was as follows (dollars in thousands):

Quality Rating	**2017**	**2016**
Moody's/S&P:		
Aaa/AAA*	$190,794	$193,996
Aa/AA	441,972	378,484
P1/A1	47,571	15,000
MIG1/SP-1+	5,502	22,713
MIG2/SP-1	-	999
Not rated*	23,908	112,843
Total funds	$709,747	$724,035

* The Airport was able to obtain quality ratings for a portion of money market mutual funds as of December 31, 2017 that were previously classified as not rated as of December 31, 2016. The remaining investments that are not rated are primarily composed of money market mutual funds.

The Airport participates in the City's pooled cash and investments account, which includes amounts from other City funds and is maintained by the City Treasurer. Individual cash or investments are not specifically identifiable to any participant in the pool. The City Treasurer's pooled fund is included in the City's Comprehensive Annual Financial Statements.

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 public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

For certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance, any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan

Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

The bank balance of cash and certificates of deposit with the City's various municipal depositories was $902.3 million as of December 31, 2017. Of the bank balance, 96.6% was either insured or collateralized with securities held by City agents in the City's name. An amount of $30.6 million was uncollateralized at December 31, 2017, and thus was subject to custodial credit risk.

The investments reported in the basic financial statements at December 31, 2017 and 2016, are summarized as follows (dollars in thousands):

	2017	**2016**
Per Note 2:		
Investments—airport	$709,747	$724,035
Investments—City Treasurer Pooled Fund	-	51,290
	$709,747	$775,325
Per basic financial statements:		
Restricted investments	$442,809	$481,629
Unrestricted investments	5,009	31,164
Investments classified as cash and cash equivalents on the statements of net position	261,929	262,532
	$709,747	$775,325

3. RESTRICTED ASSETS

There are various limitations and restrictions contained in the Master Indenture of Trust securing the Chicago Midway Airport Revenue Bonds ("First Lien Master Indenture") and the Master Indenture of Trust securing the Chicago Midway Airport Second Lien Obligation ("Second Lien Master Indenture") and together with the First Lien Master Indenture ("Master Indentures"), the Use Agreement and federal regulations contain various limitations and restrictions, which, among other things, require the creation and maintenance of separate accounts, certain of which must be held by a trustee and into which required deposits are made by the Airport on a periodic basis to fund construction, debt retirement, operation and maintenance, and contingencies.

Restricted cash, cash equivalents, and investment balances in accordance with the Master Indenture requirements at December 31, 2017 and 2016, were as follows (dollars in thousands):

Account	**2017**	**2016**
Construction	$363,263	$395,382
Capitalized interest	14,941	37,612
Debt service	74,387	62,682
Debt service reserve	128,237	130,120
Operation and maintenance reserve	25,812	23,884
Repair and replacement	8,086	8,218
Emergency reserve	416	405
Customer Facility Charge (CFC)	31,796	26,037
Other	9,265	10,338
Subtotal—master indentures and use agreement accounts	656,203	694,678
Passenger Facility Charges (PFC)	965	2,374
Total	$657,168	$697,052

Construction and capitalized interest accounts, which are funded with bond proceeds, are restricted to pay authorized capital improvements and related interest costs during construction.

Required deposits are made by the Airport from revenues collected after funding deposits to an operation and maintenance account in the following priority on a monthly basis:

- The debt service account, which is restricted for the payment of debt service.
- The operation and maintenance reserve account, which is restricted to make loans to the operation and maintenance account, as needed, and are to be repaid as the funds become available.

The debt service reserve account requirement was funded upon issuance of, the Series 2004 second lien bonds, the Series 2010 second lien bonds, the Series 2013 second lien bonds, the Series 2016 second lien bonds and the Series 2014 second lien bonds with a cash deposit. The debt service reserve account is restricted to the payment of debt service in the event that the balance in the debt service account is insufficient.

The repair and replacement account must be used for paying the cost of maintenance expenditures, such as costs incurred for major repairs, renewals, and replacements at the Airport whether caused by normal wear and tear or by unusual and extraordinary occurrences.

The emergency reserve account is restricted to make payments for certain purposes, including terminal area use charges, landing fees, and certain other charges that are deemed uncollectible and also for any judgments or settlements against the Airport.

The CFC funds are restricted for permitted costs and purposes related to the consolidated rental car facility. The PFC account is restricted to fund eligible and approved PFC projects.

Other funds include the federal and state grant funds, the security for payment fund, and the Airport development fund.

At December 31, 2017 and 2016, the Airport believes it was in compliance with the funding requirements and restrictions as stated in the Master Indentures.

4. LONG-TERM DEBT

Long-term debt at December 31, 2017 and 2016, consisted of the following (dollars in thousands):

	2017	2016
First lien bonds:		
$54,210 Series 1998 C Chicago Midway Airport Revenue Bonds, issued September 10, 1998, due through 2024, interest at 5.25%–5.50%	$ 25,775	$ 28,730
Subtotal—first lien bonds	25,775	28,730
Second lien bonds:		
$152,150 Series 2004 C and D Chicago Midway Airport Second Lien Revenue Bonds, issued December 14, 2004, due through 2035, variable floating interest rate (1.74% and 1.70% at December 31, 2017, respectively)	127,625	132,200
$63,470 Series 2010 C Chicago Midway Airport Second Lien Revenue Bonds, issued October 26, 2010, due through 2041, interest rate at 3.782%–7.168%	61,260	62,385
$118,600 Series 2013 A Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2033, interest rate at 5.375%–5.500%	118,600	118,600
$150,365 Series 2013 B Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2035, interest rate at 4.125%–5.250%	150,365	150,365
$64,995 Series 2013 C Chicago Midway Airport Second Lien Revenue Bonds, issued December 5, 2013, due through 2020, interest rate at 0.740%–3.655%	39,420	50,410
$484,200 Series 2014 A Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2041, interest rate at 5.000%	484,200	484,200
$287,610 Series 2014 B Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2036, interest rate at 4.000%–5.000%	287,610	287,610
$124,710 Series 2014 C Chicago Midway Airport Second Lien Revenue Bonds, issued June 11, 2014, due through 2044 variable floating interest rate (1.71% at December 31, 2017)	124,710	124,710
$121,265 Series 2016 A Chicago Midway Airport Second Lien Revenue Bonds, issued June 1, 2016, due through 2033, interest rate at 2.000%–5.000%	120,070	121,265
$221,130 Series 2016 B Chicago Midway Airport Second Lien Revenue Bonds, issued June 1, 2016, due through 2046, interest rate at 2.000%–5.000%	216,200	221,130
Subtotal—second lien bonds	1,730,060	1,752,875
Total revenue bonds and notes	1,755,835	1,781,605
Unamortized premium (discount)	114,270	123,133
Total revenue bonds payable—net of unamortized premium (discount)	1,870,105	1,904,738
Current portion	(27,930)	(25,770)
Total long-term revenue bonds payable	$ 1,842,175	$ 1,878,968

Long-term debt during the years ended December 31, 2017 and 2016, changed as follows (dollars in thousands):

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due within One Year
Revenue bonds and notes	$1,781,605	$ -	$(25,770)	$1,755,835	$27,930
Unamortized premium (discount)	123,133	-	(8,863)	114,270	-
Total long-term debt	$1,904,738	$ -	$(34,633)	$1,870,105	$27,930

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due within One Year
Revenue bonds and notes	$1,506,325	$342,395	$(67,115)	$1,781,605	$25,770
Unamortized premium (discount)	79,093	52,453	(8,413)	123,133	-
Total long-term debt	$1,585,418	$394,848	$(75,528)	$1,904,738	$25,770

Interest expense capitalized for 2017 and 2016 totaled $17.6 million and $15.5 million, respectively. Interest income capitalized for 2017 and 2016 totaled $3.9 million and $1.9 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2017 and 2016 of $1.4 million and $1.4 million, and amortization of $8.9 million of premium, net and $7.6 million of premium, net, respectively.

Issuance of Debt—The Airport Commercial Paper Notes, Series A, B, C, and D ($150 million maximum aggregated authorized by City Council) outstanding at December 31, 2017 and 2016, were $0. Note proceeds may be used to finance portions of the costs of authorized airport projects and to repay the expenses of issuing the notes. An irrevocable letter of credit (LOC) ($94.6 million) provided for the timely payment of principal and interest on the notes until July 10, 2020. Amounts paid by drawing on the LOC shall be reimbursed by the Airport on said day; any amounts not reimbursed shall constitute an advance and will bear interest at the greater of the most recent prime rate, plus 1.50% or the federal funds rate, plus 2.0% and 7.5% (Base Rate). Advances outstanding greater than 90 days will bear interest at the Base Rate, plus 1.0% beginning on the 90-first day after such advance is made. At December 31, 2017, there were no outstanding LOC advances.

In June 2016, the Airport sold $121.3 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2016A (AMT) at a premium of $19.4 million. The Bonds have interest rates of 2.0% to 5.0%. The bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2017, through January 1, 2033. Certain proceeds of $9.2 million together with $1.5 million transferred from the debt service and debt service reserve account were deposited into an escrow account to fully defease the Series 2004A Second Lien Bonds ($10.5 million of principal and $0.2 million of interest). Certain proceeds of $113.4 million will be used to finance the costs of the various airport projects; certain proceeds of $12.5 million were used to fund the capitalized interest deposit requirement; certain proceeds of $4.6 million were used to fund the debt service reserve requirement and certain proceeds of $1.0 million were used to pay the cost of issuance of the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debts of $0.08 million that will be charged to operation over 9 years using the

straight-line method. The current refunding decreased the Airport's total debt service by $2.6 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $1.1 million.

In June 2016, the Airport sold $221.1 million of Chicago Midway Airport Second Lien Revenue Bonds, Series 2016B (Non-AMT) at a premium of $33.0 million. The Bonds have interest rates of 2.0% to 5.0%. The Bonds are subject to mandatory and optional redemption and have maturity dates from January 1, 2017, to January 1, 2046. Certain proceeds of $27.7 million together with $6.3 million transferred from the debt service and debt service reserve account were deposited into an escrow account to fully defease the Series 2004B Second Lien Bonds ($33.2 million of principal and $0.8 million of interest). Certain proceeds of $192.3 million will be used to finance the costs of the various airport projects; certain proceeds of $23.8 million were used to fund the capitalized interest deposit requirement; certain proceeds of $8.3 million were used to fund the debt service reserve requirement and certain proceeds of $2.0 million were used to pay the cost of issuance of the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debts of $0.45 million that will be charged to operation over 7 years using the straight-line method. The current refunding decreased the Airport's total debt service by $9.3 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $3.2 million.

Defeased Bonds—Defeased bonds have been removed from the balance sheet because the related assets have been placed in irrevocable trusts, together with interest earned thereon, will provide amount sufficient for payment of all principal and interest. The Airport has no outstanding defeased bonds as of December 31, 2017.

Debt Redemption—Following is a schedule of debt service requirements to maturity of the first lien bonds (dollars in thousands):

Years Ending December 31	Principal	Interest	Total
2018	$ 3,115	$1,332	$ 4,447
2019	3,290	1,156	4,446
2020	3,470	970	4,440
2021	3,660	774	4,434
2022	3,860	567	4,427
2023–2024	8,380	467	8,847
Total	$25,775	$5,266	$31,041

Following is a schedule of debt service requirements to maturity of the second lien bonds. For issues with variable rates, interest is imputed at the percent rate effective at December 31, 2017 (dollars in thousands):

Years Ending December 31	Principal	Interest	Total
2018	$ 24,815	$ 78,279	$ 103,094
2019	31,800	77,397	109,197
2020	42,185	75,959	118,144
2021	47,655	73,948	121,603
2022	53,645	71,588	125,233
2023–2027	348,470	312,445	660,915
2028–2032	428,420	218,716	647,136
2033–2037	372,645	113,177	485,822
2038–2042	232,055	48,533	280,588
2043–2046	148,370	8,329	156,699
Total	$1,730,060	$1,078,371	$2,808,431

The Airport's second lien 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 from time to time by the remarketing agent, in consultation with the City. At December 31, 2017, the Series 2004 C&D bonds and the Series 2014C bonds were in a weekly rate interest mode. Irrevocable LOC ($142.3 million) provides for the timely payment of principal and interest on the Series 2004 C&D bonds until November 25, 2019.

Irrevocable LOC ($126.1 million) provides for the timely payment of principal and interest on the Series 2014C bonds until July 17, 2020.

In the event the bonds are put back to the bank and not successfully remarketed, or if the LOC expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Debt Covenants— The Master Indenture of Trust securing Chicago Midway Airport Revenue Bonds requires in each year that the City fix and establish and revise from time to time whenever necessary, such rates and other charges for the use and operation of Midway and for services rendered by the City in the operation of Midway in order that, in each Fiscal year, Revenues, together with any Other Available Monies deposited with the Trustee with respect to such Fiscal Year and any 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 make the Deposits required during such Fiscal Year into the Debt Service Funds, the Operations & Maintenance Reserve Account, the Working Capital Account, the Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund, and the Special Project Fund and (ii) an amount not less than 125 percent of the Aggregate Debt Service for the Bond Year commencing during such Fiscal Year reduced by an amount equal to the sum of any amount held in any Capitalized Interest Account for disbursement during such Fiscal Year to pay interest on First Lien Bonds. These requirements were met at December 31, 2017.

The Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations requires that the City fix and establish and revise from time to time whenever necessary, such 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, 2017.

Hedging Derivatives—In April 2011, the Airport novated its $60.9 million notional amount swap associated with the Midway Airport Series 2004 C&D variable rate bonds with J.P. Morgan to Wells Fargo Bank, N.A. The fixed rate the Airport pays increased from 4.174% to 4.247%, and the Airport signed a one-way credit support agreement (CSA) that no longer requires the Airport to post collateral if the mark-to-market exceeds the threshold, previously defined in the J.P. Morgan agreement. A Goldman Sachs swap covers the 60% balance of the bonds, with a current notional amount of $81.9 million, which does not have a two-way CSA and remains unchanged.

Objective of the Swaps—In order to protect against the potential of rising interest rates, the Airport has entered into a separate pay-fixed, receive-variable interest rate swap at a cost less than what the Airport would have paid to issue fixed-rate debt (dollars in thousands).

	Changes in Fair Value		Fair Value at December 31, 2017		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges—pay-fixed interest rate swaps	Deferred outflow of resources	$1,715	Deferred outflow of resources	$(24,319)	$127,625

	Changes in Fair Value		Fair Value at December 31, 2016		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Cash flow hedges—pay-fixed interest rate swaps	Deferred outflow of resources	$5,326	Deferred outflow of resources	$(26,034)	$136,475

Pay-Fixed, Receive-Variable Interest Rate Swaps—The swap counterparties are Goldman Sachs and Wells Fargo, with notional amounts as of December 31, 2017, of $76.6 million and $51.1 million, respectively, and as of December 31, 2016, of $79.3 million and $52.3 million, respectively.

Terms, Fair Values, and Credit Risk—The terms, including the fair value and credit ratings of the outstanding swaps as of December 31, 2017 and 2016, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Airport's swap agreements contained scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category (dollars in thousands).

2017 Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2017	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bonds	$ 76,575	December 14, 2004	4.174 %	SIFMA +.05%	$(14,256)	January 1, 2035	A1/A+
Series 2004 C&D Bonds	51,050	April 21, 2011	4.247	SIFMA +.05%	(10,063)	January 1, 2035	Aa2/AA-
Total	$ 127,625				$(24,319)		

2016 Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value 2016	Swap Termination Date	Counterparty Credit Rating
Series 2004 C&D Bonds	$ 79,320	December 14, 2004	4.174 %	SIFMA +.05%	$(15,213)	January 1, 2035	A1/A+
Series 2004 C&D Bonds	52,280	April 21, 2011	4.247	SIFMA +.05%	(10,821)	January 1, 2035	Aa2/AA-
Total	$ 131,600				$(26,034)		

Fair Value—As per industry convention, the fair value of the Airport's outstanding swaps was estimated using the zero-coupon method. This method calculates the future net settlement payment required by the swap, assuming that the forward rates implied the yield curve correctly anticipates 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 of the swap. Because interest rates declined subsequent to the date of execution, the Airport's swaps had negative values. Derivative instruments are valued in the market using regression analysis. Significant inputs to the derivative valuation for interest rate swaps are observable in active markets and are classified as Level 2 in the fair value hierarchy.

Credit Risk—The Airport 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 Airport 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.

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 Securities Industry and Financial Markets Associations (SIFMA) ratios. Credit may create basis risk because the Airport's bonds may trade differently than the swap index as a result of a credit change in the Airport. SIFMA ratios (or spreads) may create basis risk if SIFMA swaps of the Airport's bonds trade higher than the SIFMA received on the swap. This can occur due to many

factors including, without limitations, changes in marginal tax rates, tax-exempt status of bonds, and supply and demand for variable rate bonds. The Airport is exposed to basis risk on the swaps if the rate paid on the bonds is higher than the rate received. The Airport is liable for the difference. The difference would need to be available on the debt service payment date and would add additional underlying cost to the transaction.

Tax Risk—The swap exposes the Airport 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 exception of municipal debt is eliminated or its value reduced. There have been no tax law changes since the execution of this swap agreement.

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.

Swap Payments and Associated Debt—As of December 31, 2017, debt service requirements for the Airport'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):

Years Ending December 31	Variable-Rate Bonds with Swaps		Interest Rate Swaps—Net	Total
	Principal	Interest		
2018	$ 4,775	$ 2,140	$ 3,041	$ 9,956
2019	5,000	2,053	2,918	9,971
2020	5,225	1,963	2,789	9,977
2021	5,350	1,870	2,658	9,878
2022	5,675	1,772	2,518	9,965
2023–2027	32,400	7,227	10,270	49,897
2028–2032	40,375	4,024	5,719	50,118
2033–2035	28,825	557	792	30,174
Total	$127,625	$21,606	$30,705	$179,936

5. CHANGES IN CAPITAL ASSETS

During the years ended December 31, 2017 and 2016, capital assets changed as follows (dollars in thousands):

	Balance January 1, 2017	Additions	Disposals and Transfers	Balance December 31, 2017
Capital assets not depreciated:				
Land	$ 115,637	$ 838	$ -	$ 116,475
Construction in progress[1]	11,550	35,051	(14,174)	32,427
Total capital assets not depreciated	127,187	35,889	(14,174)	148,902
Capital assets depreciated—buildings and other facilities	1,671,782	14,174	-	1,685,956
Less accumulated depreciation for—buildings and other facilities	(616,281)	(51,443)	-	(667,724)
Total capital assets depreciated—net	1,055,501	(37,269)	-	1,018,232
Total property and facilities—net	$1,182,688	$ (1,380)	$(14,174)	$1,167,134

[1] Includes net capitalized interest of $9,530

	Balance January 1, 2016	Additions	Disposals and Transfers	Balance December 31, 2016
Capital assets not depreciated:				
Land	$ 115,165	$ 472	$ -	$ 115,637
Construction in progress[1]	19,126	62,208	(69,784)	11,550
Total capital assets not depreciated	134,291	62,680	(69,784)	127,187
Capital assets depreciated—buildings and other facilities	1,602,470	69,312	-	1,671,782
Less accumulated depreciation for—buildings and other facilities	(567,211)	(49,070)	-	(616,281)
Total capital assets depreciated—net	1,035,259	20,242	-	1,055,501
Total property and facilities—net	$1,169,550	$ 82,922	$(69,784)	$1,182,688

[1] Includes net capitalized interest of $2,715

6. LEASING ARRANGEMENTS

With Tenants—Most of the Airport's 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, 2017 (dollars in thousands):

Years Ending December 31	Amount
2018	$ 53,004
2019	27,569
2020	27,569
2021	27,569
2022	27,569
2023–2027	137,845
Total future minimum rental income	$301,125

Contingent rentals that may be received under certain leases, based on the tenants' revenues, are not included in minimum future rental income.

Rental income, consisting of all rental and concession revenues except aircraft parking fees and certain departure fees (turns) and automobile parking, amounted to $103.5 million and $95.3 million in 2017 and 2016, respectively. Contingent rentals included in the totals were approximately $40.2 million and $41.5 million for 2017 and 2016, respectively.

7. PENSION PLANS

General Information about the Pension Plan

Plan Description—Eligible Midway Fund employees participate in one of four single-employer defined benefit pension plans (Plans). These Plans are: the Municipal Employees' Annuity and Benefit Fund of Chicago (Municipal Employees'); the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (Laborers'); the Policemen's Annuity and Benefit Fund of Chicago (Policemen's); and the Firemen's Annuity and Benefit Fund of Chicago (Firemen's). The plans are administered by individual retirement boards of trustees comprised of City officials or their designees and of trustees elected by Plan members. Certain employees of the Chicago Board of Education participate in Municipal Employees' or Laborers'. Each Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.meabf.org, www.labfchicago.org, www.chipabf.org, and www.fabf.org.

Benefits provided—The Plans provide retirement, disability, and death benefits as established by State law. Benefits generally vest after 10 years of credited service. Employees qualify for an unreduced retirement age minimum formula annuity based on a combination of years of service and age of retirement. Employees may also receive a reduced retirement age minimum formula annuity if they do not meet the age and service requirements for the unreduced retirement age annuity. The requirements of age and service are different for employees depending on when they first became members of their respective Plans. For all four Plans, employees who became members before January 1, 2011 are considered Tier 1 Employees. For Policemen's and Firemen's, those employees

who became members on or after January 1, 2011 are considered Tier 2 Employees. For Municipal Employees' and Laborers', those employees who became members on or after January 1, 2011 but before July 6, 2017 are considered Tier 2 Employees. For Municipal Employees' and Laborers', those employees who became members on or after July 6, 2017 are considered Tier 3 Employees. Public Act 100-0023 (P.A. 100-0023), which established the requirements for Tier 3 employees, includes a provision for Tier 2 employees to elect to be considered as Tier 3 employees. The annuity is computed by multiplying the final average salary by a percentage ranging from 2.2 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 for participants who are Tier 1 Employees and any eight consecutive years within the last 10 years of credited service for participants who are Tier 2 Employees or Tier 3 Employees.

Benefit terms provide for annual adjustments to each employee's retirement allowance subsequent to the employees' retirement date. For Tier 1 Employees, the annual adjustments for Municipal Employees' and Laborers' are 3.0 percent, compounded, and for Policemen's and the majority of participants in Firemen's 3.0 percent, simple, for annuitants born before January 1, 1966 and 1.5 percent, simple, born after January 1, 1966 or later. For Tier 2 Employees and Tier 3 Employees, the annual adjustments are equal to the lesser of 3.0 percent and 50 percent of CPI-U of the original benefit.

Employees Covered by Benefit Terms—At December 31, 2017, the following employees were covered by the benefit terms:

	Municipal Employees'	Laborers'	Policemen's	Firemen's	Total
Inactive employees or beneficiaries currently receiving benefits	25,383	3,703	13,628	4,878	47,592
Inactive employees entitled to but not yet receiving benefits	17,549	1,469	640	77	19,735
Active employees	30,922	2,794	12,633	4,613	50,962
	73,854	7,966	26,901	9,568	118,289

Contributions—Historically State law required City contributions at statutorily, not actuarially, determined rates. State law also requires covered employees to contribute a percentage of their salaries. The City's contribution for payment year 2017 for Municipal Employees' and Laborers' was calculated based on the total amount of contributions by employees to the respective Plans made in the calendar year two years prior, multiplied by 1.25 for Municipal Employees', and 1.00 for Laborers'.

For the Municipal Employees' and Laborers' Plans, P.A. 100-0023 was enacted on July 6, 2017. P.A. 100-0023 requires the City to contribute specific amounts to the Municipal Employees' and the Laborers' Plans in the aggregate amounts as follows: in payment year 2018, $302.0 million; in payment year 2019, $392.0 million; in payment year 2020, $481.0 million; in payment year 2021, $571.0 million; and in payment year 2022, $660.0 million. Additionally, P.A. 100-0023 requires that the City's contributions are at actuarially determined rates beginning in payment year 2023 and future funding be sufficient to produce a funding level of 90% by the year end of 2058.

For Policemen's and Firemen's, Public Act 99-0506 (P.A. 99-0506) was enacted on May 31, 2016. P.A. 99- 0506 requires the City to contribute specific amounts to Policemen's and

Firemen's Plans in the aggregate amounts as follows: in payment year 2017, $672.0 million; in payment year 2018, $727.0 million; in payment year 2019, $792.0 million; and in payment year 2020, $824.0 million. Additionally, P.A. 99-0506 requires that the City's contributions are at actuarially determined rates beginning in payment year 2021 and future funding be sufficient to produce a funding level of 90% by the year end of 2055.

The City's contributions are budgeted in the same year as the applicable levy year for the property taxes funding the contributions. The City's contributions are then paid to the pension funds in the following year (which is when the levied property taxes are collected and paid to the City by the Cook County Treasurer).

The contribution to all four pension plans from the Airport was $9.5 million and $6.7 million for the years ended December 31, 2017 and 2016, respectively.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2017 and 2016, the Airport reported a liability of $290.6 million and $316.7 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in Actuarial Assumptions—Changes under P.A. 100-0023 resulted in an increase in future required contributions to the Municipal Employees' and Laborers' pension plans resulting in an increase in the discount rate for the Municipal Employees' and Laborers' Pension Plans as discussed in the discount rate section below.

The change in the discount rate and other assumptions decreased the net pension liability by $101.4 million for Municipal Employees' and $16.0 million for Laborers'. This change is being amortized into expense over a 5 year period for Municipal Employees' and 4 year period for Laborers'.

The Airport's proportion of the net pension liability was determined based on the rates of the Airport's salaries within each corresponding pension plan to the total budgeted salaries for 2017 and 2016. At December 31, 2017 and 2016, the Airport's proportion was 1.4 percent and 0.9 percent, respectively, of the Municipal Employees' Plan, 1.5 percent and 1.5 percent, respectively, of the Laborer's Plan, 0.5 percent and 0.4 percent, respectively, of the Policemen's Plan and 1.3 percent and 1.4 percent, respectively, of the Firemen's Plan.

For the years ended December 31, 2017 and 2016, the Airport recognized pension expense of $40.2 million and $47.9 million, respectively.

At December 31, 2017 and 2016, the reported deferred outflows of resources of $59.6 million and $63.3 million, respectively, and deferred inflows of resources of $108.8 million and $8.4 million, respectively, related to pensions from the following sources:

Municipal Employees' (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 3,582	$ -	$1,556
Changes of assumptions	47,561	85,881	48,533	4,300
Net difference between projected and actual earnings on pension plan investments	-	1,499	1,728	-
Total	$47,561	$90,962	$50,261	$5,856

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Municipal Employees' pensions will be recognized in pension expense/(benefit) as follows:

Years Ending December 31	
2018	$ 779
2019	779
2020	(23,379)
2021	(21,580)
Total	$(43,401)

Laborers' (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 940	$ -	$ 625
Changes of assumptions	2,255	11,795	7,515	683
Net difference between projected and actual earnings on pension plan investments	993	1,479	1,481	-
Total	$3,248	$14,214	$8,996	$1,308

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Laborers' pensions will be recognized in pension benefit as follows:

Years Ending December 31	
2018	$ (2,989)
2019	(4,947)
2020	(2,660)
2021	(370)
Total	$(10,966)

Policemen's (dollars in thousands):

	2017		**2016**	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 5	$1,399	$ 7	$312
Changes of assumptions	1,268	-	418	-
Net difference between projected and actual earnings on pension plan investments	646	783	899	-
Total	$1,919	$2,182	$1,324	$312

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Policemen's pensions will be recognized in pension expense/(benefit) as follows:

Years Ending December 31	
2018	$ 51
2019	51
2020	(153)
2021	(171)
2022	(41)
Total	$(263)

Firemen's (dollars in thousands):

	2017		2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 516	$ 54	$ 277	$ 74
Changes of assumptions	5,825	659	1,627	855
Net difference between projected and actual earnings on pension plan investments	521	703	785	-
Total	$6,862	$1,416	$2,689	$929

Amounts reported as deferred outflows of resources and deferred inflows of resources related to Firemen's pensions will be recognized in pension expense as follows:

Years Ending December 31	
2018	$1,317
2019	1,317
2020	1,111
2021	714
2022	987
Total	$5,446

Deferred Outflows Related to Changes in Proportionate Share of Contributions—For the years ended December 31, 2017 and 2016, the Airport reported pension (charge)/benefit of $(13.6) million and $(1.6) million, respectively, related to changes in its proportionate share of contributions. As of December 31, 2017 and 2016, the airport reported deferred inflows of $0, and deferred outflows of $53.7 million and $6.4 million, respectively, related to changes in its proportionate share of contributions. This deferred amount will be recognized as pension benefit/(charge) over a period of four years.

Actuarial Assumptions—The total pension liability in the December 31, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Municipal Employees'	**Laborers'**	**Policemen's**	**Firemen's**
Inflation	2.50 %	2.25 %	2.75 %	2.50 %
Salary increases	3.50–7.75 (a)	3.00 (b)	3.75 (c)	3.75 (d)
Investment rate of return	7.00 (e)	7.25 (f)	7.25	7.50

(a) (1.50%–6.50% for 2018-2022), varying by years of service

(b) Plus a service—based increase in the first 9 years

(c) Plus additional percentage related to service

(d) Plus additional service based increases

(e) Net of investment expense

(f) Net of investment expense, including inflation

Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table (Blue Collar mortality table for Laborers' and Firemen's) for males or females, as appropriate. Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table (Blue Collar mortality table for Laborers' and Firemen's). Disabled mortality rates were based on the RP-2014 Healthy Annuitant mortality table for Policemen's and Blue Collar mortality table for Firemen's. The actuarial assumptions used in the December 31, 2017 valuation were adjusted based on the results of actuarial experience study for the following periods:

Municipal Employees'	January 1, 2012 - December 31, 2016
Laborers'	January 1, 2012 - December 31, 2016
Policemen's	January 1, 2009 - December 31, 2013
Firemen's	January 1, 2012 - December 31, 2016

The long term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 and 2016 are summarized in the following tables:

	Target Allocation				Long-Term Expected Real Rate of Return			
2017	**Municipal Employees'**	**Laborers'**	**Policemen's**	**Firemen's**	**Municipal Employees'**	**Laborers'**	**Policemen's**	**Firemen's**
Asset Class:								
Equity	- %	- %	- %	60.0 %	- %	- %	- %	7.25 %
Domestic equity	26.0	-	-	-	5.6	-	-	-
U.S. equity	-	25.0	21.0	-	-	5.8	6.1	-
Non U.S. equity	-	20.0	21.0	-	-	5.7	7.7	-
Global low volatility equity	-	5.0	-	-	-	5.0	-	-
International equity	22.0	-	-	-	5.7	-	-	-
Fixed income	27.0	20.0	22.0	20.0	1.0	(0.2)	1.9	7.34
Hedge funds	10.0	10.0	5.0	-	3.6	3.6	4.0	-
Private debt	-	3.0	-	-	-	8.2	-	-
Private equity	5.0	4.0	-	-	9.4	9.4	-	-
Private markets	-	-	17.0	-	-	-	7.4	-
Global asset allocation	-	-	5.0	-	-	-	4.4	-
Real estate	10.0	10.0	5.0	8.0	5.4	5.4	4.6	7.62
Real assets	-	-	4.0	-	-	-	4.4	-
Private real assets	-	3.0	-	-	-	5.8	-	-
Other investments	-	-	-	12.0	-	-	-	7.70
Total	100.0 %	100.0 %	100.0 %	100.0 %				

2016	Target Allocation				Long-Term Expected Real Rate of Return			
	Municipal Employees'	Laborers'	Policemen's	Firemen's	Municipal Employees'	Laborers'	Policemen's	Firemen's
Asset Class:								
Domestic equity	26.0 %	- %	- %	- %	4.8 %	- %	- %	- %
Domestic large cap equity	-	-	-	24.0	-	-	-	7.5
Domestic small cap equity	-	-	-	16.0	-	-	-	7.9
U.S. equity	-	12.0	21.0	-	-	6.4	6.1	-
Non U.S. equity	-	18.0	20.0	-	-	8.0	7.6	-
Global equity	-	20.0	-	-	-	6.8	-	-
International equity	22.0	-	-	25.0	5.0	-	-	7.5
Domestic fixed income	-	-	-	21.0	-	-	-	3.0
Fixed income	27.0	16.0	22.0	-	0.5	2.6	1.8	-
Hedge funds	10.0	8.0	7.0	-	2.8	3.9	3.7	-
Private equity	5.0	-	-	3.0	8.6	-	-	8.5
Private markets	-	7.0	11.0	-	-	7.2	7.8	-
GAA	-	7.0	10.0	-	-	4.3	5.0	-
Real estate	10.0	8.0	5.0	2.0	5.2	4.6	4.6	6.2
Alternative investments	-	-	-	2.0	-	-	-	5.3
Commodities	-	-	-	3.0	-	-	-	2.8
Cash deposits and short-term investments	-	-	-	4.0	-	-	-	2.3
Real assets	-	-	4.0	-	-	-	4.8	-
Private real assets	-	4.0	-	-	-	-	-	-
Total	100.0 %	100.0 %	100.0 %	100.0 %				

Discount Rate

Municipal Employees'—The discount rate used to measure the total pension liability as of December 31, 2017 was 7.0 percent, which is an increase from the discount rate of 3.91 percent used to measure the total pension liability as of December 31, 2016. The increase in the discount rate was mainly a result of the increased projected contributions as specified by P.A. 100-0023. This Single Discount Rate for December 31, 2017, was based on an expected rate of return on pension plan investments of 7.0 percent. The Single Discount Rate for December 31, 2016 was based on an expected rate of return of 7.5 percent and a municipal bond rate of 3.78 percent (based on the Bond Buyer 20- Bond Index of general obligation municipal bonds). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made according to the contribution rate applicable for each member's tier and that employer contributions will be made as specified by P.A.100-0023. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions and contributions from future plan members that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The valuation as of December 31, 2016, projected that the pension plan's fiduciary net position would be available to make payments through 2023. As a result of the increase in projected contributions, the pension plan's fiduciary net position is now projected to be available to make all projected future benefit payments of current plan members.

Laborers'— A Single Discount Rate of 7.07 percent was used to measure the total pension liability as of December 31, 2017, which is an increase from the discount rate of 4.17 percent used to measure the total pension liability as of December 31, 2016. The increase in the discount rate was mainly a result of the increased projected contributions as

specified by P.A.100-0023. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25 percent and 7.5 percent as of December 31, 2017 and 2016, respectively, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at under the statutory funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments only through the year 2071. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2071, and the municipal bond rate was applied to all benefit payments after that date. The valuation as of December 31, 2016, projected that the pension plan's fiduciary net position would be available to make payments through 2027. As a result of the increase in projected contributions, the pension plan's fiduciary net position is now projected to be available to make all projected future benefit payments of current plan members through 2071.

Policemen's—A Single Discount Rate of 7.0 percent and 7.07 percent, as of December 31, 2017 and 2016, respectively, was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.25 percent for December 31, 2017 and 2016, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions and employer contributions are made in accordance with the statutory requirements. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2070 (for the 2017 valuation) and the year 2068 (for the 2016 valuation). As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2070 (for the 2017 valuation) and the year 2068 (for the 2016 valuation), and the municipal bond rate was applied to all benefit payments after that date.

Firemen's—A Single Discount Rate of 7.23 percent and 7.30 percent, as of December 31, 2017 and 2016, respectively, was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 7.5 percent for December 31, 2017 and 2016, and a municipal bond rate of 3.31 percent and 3.78 percent as of December 31, 2017 and 2016, respectively (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2070 (for the 2017 valuation) and 2066 (for the 2016 valuation). As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2070 (for the 2017 valuation) and 2066 (for the 2016 valuation), and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Airport's Net Pension Liability to Changes in the Discount Rate

Municipal Employees'—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.00 percent and 3.91 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

		Current	
Net Pension Liability December 31, 2017	**1% Decrease**	**Discount Rate**	**1% Increase**
Municipal Employees' discount rate	6.00 %	7.00 %	8.00 %
Municipal Employees' net pension liability	$188,457	$160,076	$136,569

		Current	
Net pension Liability December 31, 2016	**1% Decrease**	**Discount Rate**	**1% Increase**
Municipal Employees' discount rate	2.91 %	3.91 %	4.91 %
Municipal Employees' net pension liability	$207,531	$175,069	$148,410

Laborers'—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.07 percent and 4.17 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

		Current	
Net Pension Liability December 31, 2017	**1% Decrease**	**Discount Rate**	**1% Increase**
Laborers' discount rate	6.07 %	7.07 %	8.07 %
Laborers' net pension liability	$24,973	$20,249	$16,298

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Laborers' discount rate	3.17 %	4.17 %	5.17 %
Laborers' net pension liability	$46,549	$38,495	$31,873

Policemen's—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.0 percent and 7.07 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Policemen's discount rate	6.00 %	7.00 %	8.00 %
Policemen's net pension liability	$55,663	$48,149	$41,838

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Policemen's discount rate	6.07 %	7.07 %	8.07 %
Policemen's net pension liability	$53,075	$45,971	$40,005

Firemen's—The following presents the allocated share of the net pension liability to the Airport as of December 31, 2017 and 2016, calculated using the discount rate of 7.23 percent and 7.30 percent, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (dollars in thousands):

Net Pension Liability December 31, 2017	1% Decrease	Current Discount Rate	1% Increase
Firemen's discount rate	6.23 %	7.23 %	8.23 %
Firemen's net pension liability	$71,334	$62,136	$54,423

Net Pension Liability December 31, 2016	1% Decrease	Current Discount Rate	1% Increase
Firemen's discount rate	6.30 %	7.30 %	8.30 %
Firemen's net pension liability	$65,118	$57,212	$50,488

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued Pension Plans financial report.

8. OTHER POSTEMPLOYMENT BENEFITS

Other Post Employment Benefits—Pension Funds

Applicable state law authorized the four respective Pension Funds (Policemen's, Firemen's, Municipal Employees', and Laborers') to provide a fixed monthly dollar subsidy to each

annuitant who had elected coverage under any City health plan through December 31, 2016. After that date, no Pension Fund subsidies were authorized by state law.

Underwood litigation - In 2017, the Illinois Appellate Court held that current and future annuitants hired prior to the execution of a court approved settlement agreement in 2003 in the City of Chicago v. Korshak (those who retired prior to August 23, 1989 and their dependents, Korshak group) litigation, and subject to certain eligibility requirements, are entitled to receive lifetime fixed rate monthly subsidies equal to the subsidy amounts provided in the 1983 and 1985 amendments to the Pension Code. Those subsidies range from $21 - $55 per month, depending on the retiree's Pension Fund and Medicare eligibility. The issue of whether the Pension Funds or the City is obligated to make the subsidy payments to the annuitants is still subject to litigation. The 1983 and 1985 statutes state that the Pension Funds are obligated to make the payments but none of the Pension Funds included the liabilities for the monthly subsidies in their respective actuarial valuation reports under GASB 43. For that reason, the City has included the liabilities for the monthly fixed subsidies for this limited group under GASB 45 and is reported together with the Retirees' Settlement Health Plan liability.

Other Post Employment Benefits—City Obligation

Retirees' Settlement Health Plan— As of January 1, 2014, the City of Chicago agreed to provide a healthcare plan with a subsidy of 55% of the cost of that plan to those City annuitants who retired prior to August 23, 1989, for their lifetimes. 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. The net expense to the City in 2017 for providing these benefits was $22.7 million. Of that amount, $14.8 million was attributed to runoff claims for the retirees who no longer received subsidized healthcare from the City after December 31, 2016, and $7.9 million was attributed to the class of retirees and their dependents (those who retired prior to August 23, 1989), who will continue to receive lifetime subsidized healthcare from the City. The average number of annuitants in this latter group is 2,978 and a total of 3,378 covered lives including dependents. Duty Disabled retirees who have statutory pre-63/65 coverage will continue to have fully subsidized coverage under the active health plan until age 65.

Special Benefits under the Collective Bargaining Agreements (CBA) —Under the terms of the latest collective bargaining agreements for the Fraternal Order of Police and the International Association of Fire Fighters, certain employees who retire after attaining age 55 with the required years of service are permitted to enroll themselves and their dependents in the healthcare benefit program offered to actively employed members. They may keep this coverage until they reach the age of Medicare eligibility. CBA special early retirement benefits cease at Medicare eligibility age.

An extension of the CBA was negotiated (and finalized in 2014) governing the contract period (through June 30, 2016 for Police Captains, Sergeants and Lieutenants and June 30, 2017 for remaining Police and Fire). As of the date of this report, negotiations are ongoing regarding new agreements which cover the retiree health benefits. Under the "maintenance of effort" protocols, the provisions of the prior agreement are honored until a new agreement is signed. It is not known whether the CBA special health benefits will be specifically eliminated, modified, or extended at this time. Therefore this valuation assumes the expiration of the early retirement special benefits as of the December of the contract expiration year, but includes the liabilities for continuation of payments to those members who would have already retired under the CBA as of December 31 of that year. Based upon prior history, the negotiations are assumed to be executed by December 31,

2019. CBA retirees were required to contribute 2% of their pension for health care coverage beginning at the end of 2017.

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 "ARC" of the employer. The ARC 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 2017 is the annual OPEB cost (expense).

Annual OPEB Cost and Contributions Made
(Dollars in thousands)

	Retiree Settlement Health Plan	CBA Special Benefits	Total
Contribution rates:			
City	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A	N/A
Annual required contribution	$50,871	$ 66,091	$116,962
Interest on net OPEB obligation	81	4,935	5,016
Adjustment to annual required contribution	(307)	(18,724)	(19,031)
Annual OPEB cost	50,645	52,302	102,947
Contributions made	38,967	43,548	82,515
Decrease in Net OPEB obligation	11,678	8,754	20,432
Net OPEB obligation, beginning of year	2,698	164,511	167,209
Net OPEB obligation, end of year	$14,376	$173,265	$187,641

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 are as follows (dollars in thousands):

Schedule of Contributions, OPEB Costs and Net Obligations

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Settlement plan			
12/31/2017	$ 50,645	76.9 %	$ 14,376
12/31/2016	38,469	130.1	2,698
12/31/2015	43,645	133.5	14,280
CBA Special Benefits			
12/31/2017	$ 52,302	83.3 %	$173,265
12/31/2016	45,560	87.0	164,511
12/31/2015	48,195	79.4	158,571
Total			
12/31/2017	$102,947	80.2 %	$187,641
12/31/2016	84,029	106.7	167,209
12/31/2015	91,840	105.1	172,851

Funded Status and Funding Progress—- As of January 1, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $842.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,627.7 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.1 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, (unaudited) supplementary information following the notes to the financial statements.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (AAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Schedule of Funding Progress (Dollars in thousands)					
Settlement plan 12/31/2016	$ -	$ 331,496	$ 331,496	0 %	$ 2,627,662	12.6 %
CBA Special Benefits 12/31/2016	$ -	$ 511,429	$ 511,429	0 %	$ 1,547,102	33.1 %
Total 12/31/2016	$ -	$ 842,925	$ 842,925	0 %		32.1 %

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 Retirees' Health Plan Benefits, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.0% for 2018, reduced by decrements to an ultimate rate of 5.0% in 2029. 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 lifetime benefits for the class of retirees (those who retired prior to August 23, 1989, Korshak group) and their dependents, lifetime fixed subsidy benefits for the annuitant category (except Korshak) hired prior to 2003, Non-CBA health benefits provided to duty disability participants under the active health plan payable to age 63/65.

For the Special Benefits under the CBA for Police and Fire, the contracts expiration dates are of June 30, 2016 (for Police Captains, Sergeants and Lieutenants) and June 30, 2017 for all other Police and Fire. The expectations consistent with the City's posture on sunsetting retiree health benefits, was that the CBA benefits would expire at the end of the current contract period and not be renewed. Negotiations are ongoing and expected to continue, based upon prior history, for two to three years. Since the City is required to honor the provisions of the existing contract until a new agreement is negotiated under the "Maintenance of Effort" protocol, the valuation has included liabilities for CBA benefits as if the actual expiration of the contracts was extended to 12/31/2019. This would mean liabilities are included only for payments on behalf of early retired, already retired and in pay status as of December 31 of the assumed expiration year of the contract (2019). The entry age normal method was selected. The actuarial assumptions included an annual health care cost trend rate of 8.0% in 2018, reduced by decrements to an ultimate rate of 5.0% in 2029. 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.

	Summary of Assumptions and Methods	
	Settlement Health Plan	**CBA Special Benefits**
Actuarial valuation date	December 31, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	10 years	10 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	3.0%	3.0%
Projected salary increases	2.5%	2.5%
Healthcare inflation rate	1.9% for 2017 then 8.0% to 5.0% in 2029	1.9% for 2017 then 8.0% to 5.0% in 2029

9. RELATED-PARTY TRANSACTIONS

Included in operating expenses are reimbursements to the general fund of the City for services provided by other City departments, employee fringe benefits, and self-insured risks. Such reimbursements were $22.0 million in 2017 and $20.5 million in 2016.

10. COMMITMENTS AND CONTINGENCIES

The Airport has certain contingent liabilities resulting from litigation, claims, and commitments incident to the ordinary course of business. Management expects that the final resolution of these contingencies will not have a material adverse effect on the financial position or results of operations of the Airport.

The Airport provides employee health benefits under a self-insurance program, administered by the City. Such claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the financial statements.

Uninsured claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the claims liability amount for the years ended December 31, 2017 and 2016, are as follows (dollars in thousands):

	2017	**2016**
Beginning balance—January 1	$ 620	$ 507
Total claims incurred	4,141	4,955
Claims paid	(4,250)	(4,842)
Claims liability—December 31	$ 511	$ 620

The City's property and liability insurance premiums are approximately $10 million per year. The City maintains property and liability insurance coverage for both O'Hare and Midway and allocates the cost of the premiums between the two airports. The property

coverage was renewed on December 31, 2017 with a limit of $3.5 billion and includes $3.5 billion in terrorism coverage, and the liability coverage was renewed May 15, 2018 with a limit of $1 billion and includes $1 billion in war and terrorism liability coverage. Claims have not exceeded the purchased insurance coverage in the past 12 years.

At December 31, 2017 and 2016, the Airport had commitments in the amount of approximately $116.3 million and $44.7 million, respectively, in connection with contracts entered into for construction projects.

11. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

	2017	2016
Deferred outflows of resources:		
Deferred outflows from pension activities accumulated	$ 59,589	$ 63,269
Changes in proportionate share of pension contribution	53,694	6,444
Unamortized deferred bond refunding costs	16,860	18,258
Derivatives	24,319	26,034
Total deferred outflows of resources	$ 154,462	$114,005
Deferred inflows of resources deferred inflows from pension activities	$(108,774)	$ (8,404)

12. SUBSEQUENT EVENTS

Midway has evaluated subsequent events through June 29, 2018, the date the financial statements were available to be issued and concluded no subsequent events have occurred that would require recognition that have not already been recognized or that require disclosure that have not already been disclosed.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
MUNICIPAL EMPLOYEES':			
Total pension liability:			
Service cost	$ 572,534	$ 619,743	$ 226,816
Interest	915,711	878,369	909,067
Benefit changes	-	-	2,140,009
Differences between expected and actual experience	(177,755)	(127,119)	(109,865)
Assumption changes	(7,431,191)	(578,920)	8,711,755
Benefit payments including refunds	(888,174)	(859,672)	(826,036)
Net change in total pension liability	(7,008,875)	(67,599)	11,051,746
Total pension liability—beginning	23,291,271	23,358,870	12,307,094
Total pension liability—ending (a)	16,282,396	23,291,271	23,358,840
Plan fiduciary net position:			
Contributions—employer	261,764	149,718	149,225
Contributions—employee	134,765	130,391	131,428
Net investment income	610,515	281,419	114,025
Benefit payments including refunds of employee contribution	(888,174)	(859,672)	(826,036)
Administrative expenses	(6,473)	(7,056)	(6,701)
Other	5,394	-	-
Net change in plan fiduciary net position	117,791	(305,200)	(438,059)
Plan fiduciary net position—beginning	4,436,227	4,741,427	5,179,486
Plan fiduciary net position—ending (b)	4,554,018	4,436,227	4,741,427
NET PENSION LIABILITY—Ending (a)-(b)	$ 11,728,378	$ 18,855,044	$ 18,617,413
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	27.97 %	19.05 %	20.30 %
COVERED PAYROLL*	$ 1,686,533	$ 1,646,939	$ 1,643,481
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	695.41 %	1,144.85 %	1,132.81 %
ALLOCATED NET PENSION LIABILITY	$ 160,076	$ 175,069	$ 171,485
ALLOCATED PERCENTAGE	1.36 %	0.93 %	0.92 %

* Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
LABORERS':			
Total pension liability:			
Service cost*	$ 80,232	$ 82,960	$ 38,389
Interest	154,047	150,166	153,812
Benefit changes	150	-	384,033
Differences between expected and actual experience	(62,178)	(30,428)	(46,085)
Assumption changes	(1,074,754)	(62,905)	1,175,935
Benefit payments including refunds	(157,050)	(154,683)	(152,530)
Pension plan administrative expense	(3,985)	(4,080)	(3,844)
Net change in total pension liability	(1,063,538)	(18,970)	1,549,710
Total pension liability—beginning	3,693,645	3,712,615	2,162,905
Total pension liability—ending (a)	2,630,107	3,693,645	3,712,615
Plan fiduciary net position:			
Contributions—employer	35,457	12,603	12,412
Contributions—employee	17,411	17,246	16,844
Net investment income	207,981	57,997	(22,318)
Benefit payments including refunds of employee contribution	(157,050)	(154,683)	(152,530)
Administrative expenses	(3,985)	(4,080)	(3,844)
Net change in plan fiduciary net position	99,814	(70,917)	(149,436)
Plan fiduciary net position—beginning	1,167,740	1,238,657	1,388,093
Plan fiduciary net position—ending (b)	1,267,554	1,167,740	1,238,657
NET PENSION LIABILITY—Ending (a)-(b)	$ 1,362,553	$ 2,525,905	$ 2,473,958
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	48.19 %	31.61 %	33.36 %
COVERED PAYROLL**	$ 208,442	$ 208,155	$ 204,773
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	653.68 %	1,213.47 %	1,208.15 %
ALLOCATED NET PENSION LIABILITY	$ 20,249	$ 38,495	$ 36,973
ALLOCATED PERCENTAGE	1.49 %	1.52 %	1.50 %

* Includes pension plan administrative expense.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
POLICEMEN'S:			
Total pension liability:			
Service cost*	$ 237,333	$ 220,570	$ 213,585
Interest	917,720	851,098	832,972
Benefit changes	-	606,250	-
Differences between expected and actual experience	(299,923)	1,801	(105,969)
Assumption changes	238,975	112,585	-
Benefit payments including refunds	(747,891)	(707,196)	(676,777)
Pension plan administrative expense	(4,843)	(4,750)	(4,508)
Net change in total pension liability	341,371	1,080,358	259,303
Total pension liability—beginning	13,113,091	12,032,733	11,773,430
Total pension liability—ending (a)	13,454,462	13,113,091	12,032,733
Plan fiduciary net position:			
Contributions—employer	494,483	272,428	572,836
Contributions—employee	103,011	101,476	107,626
Net investment income	412,190	142,699	(5,334)
Benefit payments including refunds of employee contribution	(747,891)	(707,196)	(676,777)
Administrative expenses	(4,843)	(4,750)	(4,508)
Other	97	1,413	3,092
Net change in plan fiduciary net position	257,047	(193,930)	(3,065)
Plan fiduciary net position—beginning	2,865,019	3,058,949	3,062,014
Plan fiduciary net position—ending (b)	3,122,066	2,865,019	3,058,949
NET PENSION LIABILITY—Ending (a)-(b)	$ 10,332,396	$ 10,248,072	$ 8,973,784
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	23.20 %	21.85 %	25.42 %
COVERED PAYROLL**	$ 1,150,406	$ 1,119,527	$ 1,086,608
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	898.15 %	915.39 %	825.85 %
ALLOCATED NET PENSION LIABILITY	$ 48,149	$ 45,971	$ 36,344
ALLOCATED PERCENTAGE	0.47 %	0.45 %	0.41 %

* Includes pension plan administrative expense

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS
(Dollars are in thousands)

	2017	2016	2015
FIREMEN'S:			
Total pension liability:			
Service cost	$ 93,367	$ 94,115	$ 87,203
Interest	371,622	342,085	338,986
Benefit changes	-	227,213	-
Differences between expected and actual experience	26,954	24,110	(7,981)
Assumption changes	414,219	(74,373)	176,282
Benefit payments including refunds	(306,098)	(286,759)	(278,017)
Pension plan administrative expense	(3,172)	(3,217)	(3,149)
Net change in total pension liability	596,892	323,174	313,324
Total pension liability—beginning	5,149,258	4,826,084	4,512,760
Total pension liability—ending (a)	5,746,150	5,149,258	4,826,084
Plan fiduciary net position:			
Contributions—employer	228,453	154,101	236,104
Contributions—employee	47,364	48,960	46,552
Net investment income	140,570	60,881	7,596
Benefit payments including refunds of employee contribution	(306,098)	(286,759)	(278,017)
Administrative expenses	(3,172)	(3,217)	(3,149)
Other	22	(53)	7
Net change in plan fiduciary net position	107,139	(26,087)	9,093
Plan fiduciary net position—beginning	1,019,014	1,045,101	1,036,008
Plan fiduciary net position—ending (b)	1,126,153	1,019,014	1,045,101
NET PENSION LIABILITY—Ending (a)-(b)	$ 4,619,997	$ 4,130,244	$ 3,780,983
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	19.60 %	19.79 %	21.66 %
COVERED PAYROLL*	$ 469,407	$ 478,471	$ 465,232
EMPLOYER'S NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	984.22 %	863.22 %	812.71 %
ALLOCATED NET PENSION LIABILITY	$ 62,136	$ 57,212	$ 51,244
ALLOCATED PERCENTAGE	1.34 %	1.39 %	1.36 %

* Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Ten year information will be provided prospectively starting with year 2015. (Concluded)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS
(Dollars are in thousands)

Municipal Employees'

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 360,387	$ 146,803	$ 213,584	$ 1,543,977	9.51 %
2009	413,509	148,047	265,462	1,551,973	9.54
2010	483,948	154,752	329,196	1,541,388	10.04
2011	611,756	147,009	464,747	1,605,993	9.15
2012	690,823	148,859	541,964	1,590,794	9.36
2013	820,023	148,197	671,826	1,580,289	9.38
2014	839,039	149,747	689,292	1,602,978	9.34
2015	677,200	149,225	527,975	1,643,481	9.08
2016	961,770	149,718	812,052	1,646,939	9.09
2017	1,005,457	261,764	743,693	1,686,533	15.52

* The funding method mandated by the Illinois Pension Code is insufficient to avoid insolvency, and without a change, the Fund is projected to become insolvent within the next 10 years (during 2025). Therefore, the actuarially determined contribution is comprised of an employer normal cost payment and a 30-year, level dollar amortization payment on the unfunded actuarial accrued liability.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Laborers'

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 17,652	$ 15,233	$ 2,419	$ 216,744	7.03 %
2009	33,518	14,627	18,891	208,626	7.01
2010	46,665	15,352	31,313	199,863	7.68
2011	57,259	12,779	44,480	195,238	6.55
2012	77,566	11,853	65,713	198,790	5.96
2013	106,199	11,583	94,616	200,352	5.78
2014	106,019	12,161	93,858	202,673	6.00
2015	79,851	12,412	67,439	204,773	6.06
2016	117,033	12,603	104,430	208,155	6.05
2017	124,226	35,457	88,769	208,442	17.01

* The LABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the actuarially determined contribution is equal to the normal cost plus an amount to amortize the unfunded liability using dollar payments and a 30 year open amortization period.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS
(Dollars are in thousands)

Policemen's:

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 318,235	$ 172,836	$ 145,399	$ 1,023,581	16.89 %
2009	339,488	172,044	167,444	1,011,205	17.01
2010	363,625	174,501	189,124	1,048,084	16.65
2011	402,752	174,035	228,717	1,034,404	16.82
2012	431,010	197,885	233,125	1,015,171	19.49
2013	474,177	179,521	294,656	1,015,426	17.68
2014	491,651	178,158	313,493	1,074,333	16.58
2015	785,501	575,928	209,573	1,086,608	53.00
2016	785,695	273,840	511,855	1,119,527	24.46
2017	910,938	494,580	416,358	1,150,406	42.99

* The PABF Statutory Funding does not conform to Actuarial Standards of Practice; therefore, the 2015 and after, the actuarially determined contribution is equal to the normal cost plus a 30-year dollar amortization of the unfunded actuarial liability. Prior to 2015 the actuarially determined contribution was equal to the "ARC" which was equal to normal cost plus a 30-year open level percent amortization of the unfunded actuarial liability.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

Firemen's:

Years Ended December 31	Actuarially Determined Contributions*	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll**	Contributions as a Percentage of Covered Payroll
2008	$ 189,941	$ 81,258	$ 108,683	$ 396,182	20.51 %
2009	203,867	89,212	114,655	400,912	22.25
2010	218,388	80,947	137,441	400,404	20.22
2011	250,056	82,870	167,186	425,385	19.48
2012	271,506	81,522	189,984	418,965	19.46
2013	294,878	103,669	191,209	416,492	24.89
2014	304,265	107,334	196,931	460,190	23.32
2015	323,545	236,104	87,441	465,232	50.75
2016	333,952	154,101	179,851	478,471	32.21
2017	372,845	228,453	144,392	469,407	48.67

* The FABF Statutory Funding does not conform to Actuarial Standards of Practice, therefore, the Actuarially Determined Contribution is equal to the normal cost plus an amount to amortize the unfunded liability using level dollar payments and a 30 year open amortization period. Amounts for fiscal years prior to 2015 were based on the "ARC" which was equal to normal cost plus an amount to amortize the unfunded liability using a 30-year open period level dollar amortization.

** Covered payroll is the amount in force as of the actuarial valuation date and likely differs from actual payroll paid during fiscal year.

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF CONTRIBUTIONS

Actuarial Methods and Assumptions	Municipal Employees'		Laborers'		Policemen's		Firemen's	
Actuarial valuation date	12/31/2017	(a)	12/31/2017	(b)	12/31/2017		12/31/2017	
Actuarial cost method	Entry age normal		Entry age normal		Entry age normal		Entry age normal	
Asset valuation method	5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market		5-yr. Smoothed Market	
Actuarial assumptions:								
Inflation	2.50 %		2.25%		2.75%		2.50%	
Salary increases	3.50%–7.75%	(c)	3.00%	(d)	3.75%	(e)	3.75%	(e)
Investment rate of return	7.0%	(f)	7.25%	(g)	7.25%		7.50%	
Retirement age	(h)		(i)		(j)		(i)	
Mortality	(k)		(l)		(m)		(n)	
Other information	(o)		(p)		(q)		(q)	

(a) Actuarially determined contribution amount is determined as of December 31, with appropriate interest to the middle of the year.
(b) Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the end of the fiscal year in which contributions are reported.
(c) (1.50%–6.50% for 2018-2022), varying by years of service.
(d) Plus a service-based increase in the first 9 years.
(e) Salary increase rates based on age-related productivity and merit rates plus inflation.
(f) Net of investment expense.
(g) Net of investment expense, including inflation.
(h) For employees first hired prior to January 1, 2011, rates of retirement are based on the recent experience of the Fund (effective December 31, 2017).
For employees first hired on or after January 1, 2011 and before July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective Decemebr 31, 2011).
For employees first hired on or after July 6, 2017, rates of retirement for each age from 62 to 80 were used (effective Decemebr 31, 2017).
(i) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2017, valuation pursuant to an experience study of the period January 1, 2012, through December 31, 2016.
(j) Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2014, actuarial valuation pursuant to an experience study of the period January 1, 2009, through December 31, 2013.
(k) Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Tables, set forward two years for males and one year for females, and projected generationally using scale MP-2016. Pre-retirement mortality rates were based on 120% of the RP-2014 Employee Mortality Tables projected generationally using scale MP-2016.
(l) Post Retirement Mortality: Scaling factors of 117% for males, and 102% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales. No adjustment is made for post-disabled mortality.
Pre Retirement Mortality: Scaling factors of 109% for males, and 103% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
(m) Post-Retirement Healthy mortality rates: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 108% for males and 97% for females.
Pre-Retirement mortality rates: Sex distinct Retirement Plans 2014 Total Employee mortality table weighted 85% for males and 115% for females. Disabled Mortality: Sex distinct Retirement Plans 2014 Healthy Annuitant mortality table weighted 115% for males and 115% for females
(n) Post Retirement Mortality: Scaling factors of 106% for males, and 98% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Disabled Mortality: Scaling factors of 107% for males, and 99% for females of the RP-2014 Blue Collar Healthy Annuitant mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Pre-Retirement Mortality: Scaling factors of 92% for males, and 100% for females of the RP-2014 Blue Collar Employee mortality table, sex distinct, with generational mortality improvement using MP-2017 2-dimensional mortality improvement scales.
Future mortality improvements in pre- and post-retirement mortality are reflected by projecting the base mortality tables back from the year 2014 to the year 2006 using the MP-2014 projection scale and projecting from 2006 using the MP-2017 projection scale.
(o) Other assumptions: Same as those used in the December 31, 2017, actuarial funding valuations.
(p) The actuarial valuation is based on the statutes in effect as of December 31, 2017. Benefit changes as a result of Public Act 100-0023 were recognized in the Total Pension Liability as of December 31, 2017.
(q) The actuarial valuation is based on the statutes in effect as of Decemebr 31, 2017.

(Concluded)

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS FUNDING PROGRESS
LAST THREE YEARS
(Dollars are in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded (Surplus) AAL as a Percentage of Covered Payroll ((b-a)/c)
Municipal Employees'							
2015	12/31/2014	$ -	$ 17,495	$ 17,495	- %	$1,602,978	0.01 %
2016	12/31/2015	-	8,147	8,147	-	1,643,481	0.50
2017	12/31/2016	-	-	-	-	-	-
Laborers'							
2015	12/31/2014	$ -	$ 4,593	$ 4,593	- %	$ 202,673	2.27 %
2016	12/31/2015	-	2,133	2,133	-	204,773	1.04
2017	12/31/2016	-	-	-	-	-	-
Policemen's							
2015	12/31/2014	$ -	$ 18,762	$ 18,762	- %	$1,074,333	1.75 %
2016	12/31/2015	-	9,255	9,255	-	1,086,608	0.85
2017	12/31/2016	-	-	-	-	-	-
Firemen's							
2015	12/31/2014	$ -	$ 4,995	$ 4,995	- %	$ 460,190	1.09 %
2016	12/31/2015	-	2,399	2,399	-	465,232	0.52
2017	12/31/2016	-	-	-	-	-	-
City of Chicago							
2015	12/31/2014	$ -	$964,626	$964,626	- %	$2,425,000	39.78 %
2016	12/31/2015	-	780,637	780,637	-	2,487,787	31.38
2017	12/31/2016	-	-	-	-	-	-

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
REVENUES:		
Total revenues—as defined	$198,510	$185,014
Other available moneys (passenger facility charges and letter of intent)	40,918	41,666
Revenue Fund balance on first day of fiscal year (Note 2)	8,427	13,437
TOTAL REVENUES	$247,855	$240,117
COVERAGE REQUIREMENT—Required deposits from revenues:		
Debt Service Fund	$ 4,526	$ 4,533
Operation and maintenance reserve account	2,682	1,771
Second/Junior Lien Obligation Debt Service Fund	85,380	77,692
Second Lien Obligation Program Fee Fund	2,364	3,843
Repair and Maintenance Fund	1,017	1,017
TOTAL FUND DEPOSIT REQUIREMENTS	$ 95,969	$ 88,856
AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR	$ 4,526	$ 4,533
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS	$ -	$ -
NET AGGREGATE DEBT SERVICE	$ 4,526	$ 4,533
	1.25	1.25
NET DEBT SERVICE REQUIRED COVERAGE	$ 5,658	$ 5,666
OPERATION AND MAINTENANCE EXPENSES	$140,303	$141,417
COVERAGE REQUIRED (Greater of total fund deposit requirements or 125% of aggregate debt service)	95,969	88,856
TOTAL COVERAGE REQUIRED	$236,272	$230,273
TOTAL REVENUES	$247,855	$240,117
COVERAGE RATIO	1.05	1.04

See notes to debt service coverage calculations.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016

1. RATE COVENANT

The Master Indenture of Trust ("Master Indenture") securing the Chicago Midway Airport Revenue Bonds ("Bonds") requires that revenues, together with other available moneys deposited with the trustee and any balance held in the revenue fund on the first day of the calendar 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 year and (ii) to provide for the greater of (a) the amounts, if any, needed to make required deposits into the Debt Service Fund, the Operating and Maintenance Reserve Account, the Working Capital Account, the Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund, and the Special Project Fund; and (b) an amount not less than 125% of the aggregate debt service for the Bond year commencing during such fiscal year.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017, $30.7 million, is recognized on the income statement of Midway Airport for 2017 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

2. REVENUE FUND BALANCE

The revenue fund balance includes all cash, cash equivalents, and investments, which were available to the revenue fund to satisfy the coverage requirement under the terms of the Master Indenture.

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CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016
($ in thousands)

	2017	2016
REVENUES:		
Total revenues—as defined	$198,510	$185,014
Other available moneys (passenger facility charges and letter of intent)	40,918	41,666
Revenue fund balance on first day of fiscal year (Note 2)	8,427	13,437
TOTAL REVENUES FOR CALCULATION OF COVERAGE	$247,855	$240,117
COVERAGE REQUIREMENT—Required deposits from revenues:		
First Lien Debt Service Fund	$ 4,526	$ 4,533
Operation and maintenance reserve account	2,682	1,771
Second Lien Obligation Debt Service Fund	85,380	77,692
Second Lien Obligation Program Fee Fund	2,364	3,843
Repair and Replacement Fund	1,017	1,017
TOTAL FUND DEPOSIT REQUIREMENTS	$ 95,969	$ 88,856
125% OF AGGREGATE FIRST LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 4,526	$ 4,533
Net aggregate First Lien Debt Service	4,526	4,533
	1.25	1.25
125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 5,658	$ 5,666
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF AGGREGATE FIRST LIEN DEBT SERVICE	$ 95,969	$ 88,856
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE FOR THE BOND YEAR:		
Aggregate First Lien Debt Service	$ 4,526	$ 4,533
Aggregate Second Lien Debt Service	98,930	90,663
Less amounts transferred from Junior Lien Capitalized Interest Accounts	(13,495)	(14,397)
Net aggregate First and Second Lien Debt Service	89,961	80,799
	1.10	1.10
110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,957	$ 88,879
GREATER OF FUND DEPOSIT REQUIREMENTS OR 110% OF AGGREGATE FIRST AND SECOND LIEN DEBT SERVICE	$ 98,957	$ 88,879
GREATER OF FUND DEPOSIT REQUIREMENTS OR 125% OF FIRST LIEN DEBT OR 110% OF AGGREGATE DEBT SERVICE	$ 98,957	$ 88,879
COVERAGE CALCULATION:		
Operation and maintenance expenses	$140,303	$141,417
110% of aggregate First and Second Lien Debt Service	98,957	88,879
TOTAL COVERAGE REQUIRED	$239,260	$230,296
TOTAL REVENUES	$247,855	$240,117
REVENUES IN EXCESS OF COVERAGE REQUIREMENT	$ 8,595	$ 9,821
COVERAGE RATIO	1.04	1.04

See notes to debt service coverage calculations.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
CHICAGO MIDWAY AIRPORT SECOND LIEN REVENUE BONDS
NOTES TO DEBT SERVICE COVERAGE CALCULATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016

1. RATE COVENANT

The Master Indenture of Trust ("Master Indenture") securing the Chicago Midway Airport Second Lien Revenue Bonds ("Bonds") requires that revenues, together with other available moneys deposited with the first lien trustee or the second lien trustee and any balance held in the first lien revenue fund or the second lien revenue fund on the first day of the year not then required to be deposited in any fund or account under the first lien indenture or the second lien indenture, will be at least sufficient (a) to provide for the payment of operation and maintenance expenses for the year and (b) to provide for: (i) the greater of the amounts needed to make the deposits required under the first lien indenture during such calendar year into the first lien debt service fund, the Operating and Maintenance (O&M) Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 125% of the Aggregate First Lien Debt Service for the Bond year commencing during such year, reduced by any amount held in any capitalized interest account for disbursement during such Bond year to pay interest on first lien bonds; or (ii) the greater of the amounts needed to make the deposits required under the first lien indenture during such year into the First Lien Debt Service Fund, the O&M Reserve Account, the Working Capital Account, the First Lien Debt Service Reserve Fund, the Junior Lien Obligation Debt Service Fund, the Repair and Replacement Fund and the Special Project Fund, or an amount not less than 110% of the sum of Aggregate First Lien Debt Service and Aggregate Second Lien Debt Service for the Bond year commencing during such year, reduced by (a) any amount held in any capitalized interest account for disbursement during such Bond year to pay interest on any first lien bonds, and (b) any amount held in any capitalized interest account established pursuant to a supplemental indenture for disbursement during such Bond year to pay interest on second lien obligations.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017, $30.7 million, is recognized on the income statement of Midway Airport for 2017 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

2. REVENUE FUND BALANCE

The revenue fund balance includes all cash, cash equivalents, and investments, which were available to the revenue fund to satisfy the coverage requirement under the terms of the Master Indenture.

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STATISTICAL INFORMATION
(UNAUDITED)

STATISTICAL INFORMATION
(UNAUDITED)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the Airport's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Airport's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Airport's most significant revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Airport's current levels of outstanding debt and the Airport's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the Environment within which the Airport's financial activities takes place.

Operating Information

These schedules contains data to help the reader understand how the information in the Airport's financial report relates to the services the Airport provides and the activities it performs.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING REVENUES:										
Landing fees	$ 28,901	$ 21,939	$ 35,299	$ 38,583	$ 32,143	$ 42,516	$ 42,539	$ 48,350	$ 49,186	$ 54,165
Rental revenues:										
Terminal area use charges	26,084	30,701	42,895	40,862	38,769	47,486	40,916	36,273	38,239	41,251
Other rentals and fueling system fees	15,683	20,367	21,488	24,978	32,202	26,004	24,197	25,945	26,396	27,912
Subtotal rental revenues	41,767	51,068	64,383	65,840	70,971	73,490	65,113	62,218	64,635	69,163
Concessions:										
Auto parking	31,561	27,902	27,849	29,112	30,830	32,721	34,226	35,772	36,665	38,317
Auto rentals	8,355	8,505	8,182	8,776	9,021	10,255	10,743	11,104	11,390	11,287
Restaurant	8,099	7,396	8,151	8,875	9,686	10,179	11,090	12,150	13,019	14,912
News and gifts	3,816	3,437	3,488	3,551	3,486	3,619	3,761	4,128	4,471	4,729
Other	2,486	2,054	1,704	2,634	1,696	2,409	2,787	2,397	2,827	2,452
Subtotal concessions	54,317	49,294	49,374	52,948	54,719	59,183	62,607	65,551	68,372	71,697
Reimbursements	-	-	-	-	-	-	-	-	-	-
Total operating revenues[1]	124,985	122,301	149,056	157,371	157,833	175,189	170,259	176,119	182,193	195,025
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages[2]	36,931	39,521	42,105	43,554	44,463	43,998	47,836	43,343	48,548	48,185
Pension expense	-	-	-	-	-	-	-	60,767	47,879	40,211
Repairs and maintenance	37,399	37,967	31,942	40,732	37,990	39,606	44,160	44,095	48,277	44,506
Energy	7,228	8,245	6,724	6,415	7,258	7,205	7,060	6,868	7,221	6,984
Materials and supplies	2,377	1,252	1,522	1,418	1,318	1,927	1,971	2,522	2,016	1,932
Professional and engineering services	19,775	6,727	15,832	15,650	15,011	19,144	23,255	20,954	20,851	24,344
Other operating expenses	5,942	5,929	10,211	2,320	8,257	9,236	5,314	5,327	7,813	4,803
Total operating and maintenance expenses before depreciation and amortization[3]	109,652	99,641	108,336	110,089	114,297	121,116	129,596	183,876	182,605	170,965
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION[4]	$ 15,333	$ 22,660	$ 40,720	$ 47,282	$ 43,536	$ 54,073	$ 40,663	$ (7,757)	$ (412)	$ 24,060
DEBT SERVICE COVERAGE RATIO[5]	1.08	1.08	1.10	1.07	1.07	1.06	1.09	1.11	1.04	1.05

[1] Average annual compound growth rate for 2007–2016 for Total operating revenues is 5.1%.

[2] Salaries and wages includes charges for pension, health care and other employee benefits for years 2008–2017.

[3] Average annual compound growth rate for 2007–2016 for Total operating and maintenance expenses before depreciation and amortization is 2.8%.

[4] Amount for 2017 may be reconciled to operating income of $3,281 reported in the 2017 Statement of Revenues, Expenses and Changes in Net Position by deducting depreciation and amortization of $51,443. Amount for prior years may be reconciled through similar calculations.

[5] Represents debt service coverage ratio on first and second lien bonds.

Of the $40.2 million of pension expense for 2017, $9.5 million is the portion of the City's pension contribution payable in 2017 to the pension funds and allocable to Midway Airport. The remaining portion of the pension expense for 2017 $30.7 million is recognized on the income statement of Midway Airport for 2017 pursuant to GASB 68 but is not due and payable by the City during 2017; accordingly, that portion is not included in Operating Expenses for purposes of calculation of the debt service coverage ratios.

Source: Chicago Midway Airport Audited Financial Statements and City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
($ in thousands)

The following table sets forth aggregate annual debt service of principal and interest for outstanding Midway Airport Revenue Bonds:

Year Ending December 31	Debt Service Series 1998 First Lien Bonds	(First Lien) Total Debt Service	Debt Service Series 2004 Second Lien Bonds	Debt Service 2010 Second Lien Bonds	Debt Service Series 2013 Second Lien Bonds	Debt Service Series 2014 Second Lien Bonds	Debt Service Series 2016 Second Lien Bonds	(Second Lien) Total Debt Service[1]	Total Debt Service
2018	$ 4,447	$ 4,447	$ 6,914	$ 5,320	$ 29,150	$ 40,717	$ 20,993	$ 103,094	$ 107,541
2019	4,446	4,446	7,053	5,318	30,321	45,524	20,981	109,197	113,643
2020	4,440	4,440	7,188	5,316	33,611	45,462	26,567	118,144	122,584
2021	4,434	4,434	7,220	5,313	24,462	58,052	26,556	121,603	126,037
2022	4,427	4,427	7,447	5,308	24,812	61,115	26,551	125,233	129,660
2023	4,429	4,429	7,595	5,305	28,030	67,865	21,778	130,573	135,002
2024	4,418	4,418	7,762	5,302	27,561	67,732	21,772	130,129	134,547
2025	-	-	7,925	5,300	27,218	73,485	20,523	134,451	134,451
2026	-	-	8,108	5,287	26,111	73,377	20,516	133,399	133,399
2027	-	-	8,237	5,282	25,230	73,110	20,504	132,363	132,363
2028	-	-	8,459	5,277	23,775	73,331	20,494	131,336	131,336
2029	-	-	8,651	5,273	22,759	73,191	20,483	130,357	130,357
2030	-	-	8,886	5,268	24,479	70,290	20,474	129,397	129,397
2031	-	-	9,090	5,261	27,944	65,696	20,463	128,454	128,454
2032	-	-	9,313	5,252	24,260	68,267	20,500	127,592	127,592
2033	-	-	9,529	5,249	23,329	68,116	20,498	126,721	126,721
2034	-	-	9,788	5,242	22,384	67,966	20,485	125,865	125,865
2035	-	-	10,066	5,230	18,826	70,445	20,473	125,040	125,040
2036	-	-	-	5,221	-	26,494	20,403	52,118	52,118
2037	-	-	-	5,214	-	30,472	20,392	56,078	56,078
2038	-	-	-	5,203	-	30,447	20,376	56,026	56,026
2039	-	-	-	5,192	-	30,416	20,356	55,964	55,964
2040	-	-	-	5,180	-	30,388	20,338	55,906	55,906
2041	-	-	-	5,169	-	30,555	20,319	56,043	56,043
2042	-	-	-	-	-	36,347	20,302	56,649	56,649
2043	-	-	-	-	-	37,337	20,280	57,617	57,617
2044	-	-	-	-	-	38,366	20,262	58,628	58,628
2045	-	-	-	-	-	-	20,241	20,241	20,241
2046	-	-	-	-	-	-	20,213	20,213	20,213
	-	-	-	-	-	-	-	-	-
	$ 31,041	$ 31,041	$ 149,231	$ 126,282	$ 464,262	$ 1,454,563	$ 614,093	$ 2,808,431	$ 2,839,472

[1] Assumes an interest rate effective at December 31, 2017, on $232,335 of Second Lien Bonds that are variable-rate demand obligations.

Note: The annual debt service tables in the Official Statements for the above debt were presented with a year ended January 1. The information above is presented with a year ended December 31. The change has been made to facilitate reconciliation to revenue bonds payable at December 31, 2017.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

MIDWAY AIRPORT REVENUE BONDS
SERIES 1996 ESTIMATED BOND-FUNDED COSTS
AS OF DECEMBER 31, 2017 (UNAUDITED)
($ in thousands)

	Estimated Bond-Funded Costs[1]
Airfield	$ 20,808
Terminal	36,173
Terminal ramp	2,374
Parking and roadways	90,551
Noise	28,984
Land acquisition	23,563
Fuel storage facilities	17,392
Total	$219,845

[1] Includes estimated costs to be funded from investment earnings.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CAPITAL IMPROVEMENT PROGRAM 2018–2024
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2017 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP—entitlements	$ 33,921
Other Airport Funds	4,388
Series 2010 Bonds	13,773
Series 2014 Bonds	66,074
Series 2016 Bonds	280,804
Future Bonds	102,155
TOTAL ESTIMATED SOURCES	$501,115
ESTIMATED USES:	
Terminal area projects	$150,246
Land acquisition	8,020
Airfield projects	75,820
Parking/roadway projects	177,567
Noise projects	52,304
Safety and security	6,997
Implementation	30,161
TOTAL ESTIMATED USES	$501,115

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

TERMINAL DEVELOPMENT PROGRAM
ESTIMATED SOURCES AND USES OF FUNDS
AS OF DECEMBER 31, 2017 (UNAUDITED)
($ in thousands)

ESTIMATED SOURCES:	
AIP—entitlements	$ 19,600
AIP—discretionary	2,700
Airport development fund	6,200
Federal Highway Grant	6,500
Series 1996 Bonds	156,000
Series 1998 Bonds	359,000
Series 2001 Bonds	68,500
Series 2004 Bonds	40,800
TOTAL ESTIMATED SOURCES[1]	$659,300
ESTIMATED USES:	
Terminal projects	$340,100
Terminal ramp projects[2]	24,900
Airfield projects	28,600
Parking/roadway projects	149,600
Development of FIS	22,500
Implementation costs	93,600
TOTAL ESTIMATED USES	$659,300

[1] The estimated sources and uses of the Terminal Development Program include approximately $631 million of funds expended through December 31, 2017.

[2] Terminal ramp of a reclassification of projects, which were previously included in Airfield and airfield and Terminal projects.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

Years	Domestic Air Carrier	Domestic Commuter[1]	Total Domestic	International Enplanements	Total Enplanements	Percent Change
2008	8,310,041	31,771	8,341,812	16,475	8,358,287	(11.2)
2009	8,541,786	158	8,541,944	29,903	8,571,847	2.6
2010	8,792,557	14,156	8,806,713	49,312	8,856,025	3.3
2011	9,288,332	50,489	9,338,821	119,989	9,458,810	6.8
2012	9,573,226	36,968	9,610,194	169,415	9,779,609	3.4
2013	10,003,167	-	10,003,167	264,314	10,267,481	5.0
2014	10,315,089	-	10,315,089	292,907	10,607,996	3.3
2015	10,731,246	-	10,731,246	386,977	11,118,223	4.8
2016	10,953,566	-	10,953,566	392,182	11,345,748	2.0
2017	10,825,564	-	10,825,564	406,708	11,232,272	(1.0)
Average Annual Compound Growth Rates						
2008–2017	3.0 %	(100.0)%	2.9 %	42.8 %	3.3 %	

[1] "Domestic Air Carrier" includes General Aviation.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

	2008		2009		2010		2011		2012		2013		2014		2015		2016		2017	
	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	6,941,870	83.1 %	7,188,750	83.9 %	7,561,053	85.4 %	8,196,402	86.7 %	8,515,527	87.1 %	8,885,118	86.5 %	9,262,733	87.3 %	10,281,189	92.5 %	10,520,571	92.7 %	10,415,087	92.7 %
American Trans Air[1]	54,650	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AirTran	512,429	6.1	487,087	5.7	465,237	5.3	413,717	4.4	387,114	4.0	462,680	4.5	383,443	3.6	-	-	-	-	-	-
Northwest Airlines	237,969	2.8	267,433	3.1	14,726	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Frontier	207,674	2.5	164,749	1.9	151,440	1.7	158,405	1.7	144,496	1.5	161,456	1.6	157,835	1.5	8,658	0.1	-	-	-	-
Shuttle America (Delta Express)	223,153	2.7	181,356	2.0	90,544	1.0	8,874	0.1	6,085	-	4,281	0.1	7,830	0.1	640	-	3,535	0.0	-	-
Atlantic Southeast	882	-	3,715	0.1	29,314	0.3	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
Continental Airlines	6,601	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Continental Express	4,372	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comair	21,135	0.1	-	-	14,156	-	-	-	36,968	-	-	-	-	-	-	-	-	-	-	-
Delta	-	-	144,037	1.7	176,231	2.0	239,357	2.5	231,644	2.5	239,361	2.3	265,134	2.5	278,356	2.5	266,281	2.3	247,076	2.2
All other airlines	147,552	1.8	134,720	1.6	353,324	3.9	442,055	4.6	457,775	4.8	514,585	5.0	531,021	5.0	549,380	4.9	555,361	4.9	570,109	5.1
Total	8,358,287	100.0 %	8,571,847	100.0 %	8,856,025	100.0 %	9,458,810	100.0 %	9,779,609	100.0 %	10,267,481	100.0 %	10,607,996	100.0 %	11,118,223	100.0 %	11,345,748	100.0 %	11,232,272	100.0 %

[1] American Trans Air ceased operations at Midway on April 3, 2008.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL ENPLANED PASSENGERS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total Enplanements	Percent of Total Chicago	Total Enplanements	Percent of Total Chicago	Total Enplanements
2008	8,358,287	19.4 %	34,744,030	80.6 %	43,102,317
2009	8,571,847	21.1	32,047,097	78.9	40,618,944
2010	8,856,025	21.0	33,232,412	79.0	42,088,437
2011	9,458,810	22.2	33,207,302	77.8	42,666,112
2012	9,779,609	22.7	33,244,515	77.3	43,024,124
2013	10,267,481	23.6	33,297,578	76.4	43,565,059
2014	10,607,996	23.4	34,646,832	76.6	45,254,828
2015	11,118,223	22.5	38,395,905	77.5	49,514,128
2016	11,345,748	22.6	38,872,669	77.4	50,218,417
2017	11,232,272	22.0	39,815,888	78.0	51,048,160
Average Annual Compound Growth Rates					
2008–2017	3.3 %		1.5 %		1.9 %

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

	Chicago Midway International Airport		Chicago O'Hare International Airport		
Years	Total O&D Enplanements[1]	Percent of Total Chicago	Total O&D Enplanements	Percent of Total Chicago	Total O&D Enplanements
2008	5,910,045	25.0 %	17,685,020	75.0 %	23,595,065
2009	5,647,591	26.4	15,708,291	73.6	21,355,882
2010	5,485,191	23.9	17,419,794	76.1	22,904,985
2011	5,693,938	26.3	15,972,745	73.7	21,666,683
2012	6,308,718	27.2	16,867,283	72.8	23,176,001
2013	6,505,206	27.6	17,044,643	72.4	23,549,849
2014	6,446,497	27.4	17,115,535	72.6	23,562,032
2015	6,890,633	25.5	20,096,191	74.5	26,986,824
2016	7,181,858	25.5	20,991,241	74.5	28,173,099
2017	7,446,996	24.9	22,429,433	75.1	29,876,429
Average Annual Compound Growth Rates					
2008–2017	2.6%		2.7%		2.7%

[1] Originating enplanements, resulting connecting enplanements and percentages have been recalculated based on updated information.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

Years	Aircraft Operations Domestic Air Carrier	International Air Carrier	Total Air Carrier	Domestic Commuter	General Aviation	Total
2008	186,840	557	187,397	1,351	77,593	266,341
2009	180,391	3,354	183,745	7	61,057	244,809
2010	175,812	3,403	179,215	572	65,746	245,533
2011	178,640	4,332	182,972	2,622	69,633	255,227
2012	188,628	5,250	193,878	1,890	54,145	249,913
2013	182,643	7,046	189,689	8,401	54,036	252,126
2014	178,518	7,299	185,817	10,013	53,422	249,252
2015	177,658	8,474	186,132	11,857	55,530	253,519
2016	178,346	8,220	186,566	9,822	56,658	253,046
2017	185,471	8,374	193,845	-	57,496	251,341
Average Annual Compound Growth Rates						
2008–2017	(0.1)%	35.1 %	0.4 %	(100.0)%	(3.3)%	

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

NET POSITION BY COMPONENT
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NET POSITION:										
Net investment in capital assets	$ 40,352	$ (1,936)	$ (39,755)	$ (70,876)	$ (87,279)	$ (131,057)	$ (115,080)	$ (150,431)	$ (152,026)	$ (180,803)
Restricted	184,019	201,158	190,641	208,100	80,507	99,427	86,526	97,980	83,048	127,476
Unrestricted	19,614	5,792	20,040	37,224	36,572	46,613	21,856	(191,025)	(234,875)	(253,674)
TOTAL NET POSITION	$ 243,985	$ 205,014	$ 170,926	$ 174,448 *	$ 29,800 *	$ 14,983	$ (6,698)	$ (243,476) **	$ (303,853)	$ (307,001)

* Amounts were restated due to the implementation of GASB 65.

** Amounts were restated due to the implementation of GASB 68.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

CHANGE IN NET POSITION
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OPERATING REVENUES	$ 124,985	$ 122,301	$ 149,056	$ 157,371	$ 157,833	$ 175,189	$ 170,259	$ 176,119	$ 182,193	$ 195,025
OPERATING EXPENSES	155,596	147,308	161,103	161,156	159,530	162,654	175,759	231,595	231,723	222,408
OPERATING (LOSS) GAIN	(30,611)	(25,007)	(12,047)	(3,785)	(1,697)	12,535	(5,500)	(55,476)	(49,530)	(27,383)
NONOPERATING (EXPENSES) REVENUES	(14,571)	(13,964)	(24,502)	4,246	(31,708)	(32,327)	(21,007)	(30,966)	(38,750)	(7,321)
(LOSS) GAIN BEFORE CAPITAL GRANTS	(45,182)	(38,971)	(36,549)	461	(33,405)	(19,792)	(26,507)	(86,442)	(88,280)	(34,704)
CAPITAL GRANTS	6,777	-	2,461	3,061	4,681	4,975	4,826	9,279	27,903	31,556
CHANGE IN NET POSITION	$ (38,405)	$ (38,971)	$ (34,088)	$ 3,522 *	$ (28,724) *	$ (14,817)	$ (21,681)	$ (77,163) **	$ (60,377)	$ (3,148)

* Amounts were restated due to the implementation of GASB 65.

** Amounts were restated due to the implementation of GASB 68.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

LONG-TERM DEBT
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)
($ in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
First lien bonds	$ 821,275	$ 806,015	$ 783,595	$ 780,205	$ 758,560	$ 624,545	$ 34,180	$ 31,530	$ 28,730	$ 25,775
Second lien bonds	422,715	399,140	685,780	681,285	648,130	812,750	1,489,410	1,474,795	1,752,875	1,730,060
Commercial paper notes	10,674	61,360	4,005	-	34,639	57,713	-	-	-	-
Total revenue bonds and notes	1,254,664	1,266,515	1,473,380	1,461,490	1,441,329	1,495,008	1,523,590	1,506,325	1,781,605	1,755,835
Unamortized premium	(9,411)	(8,812)	8	(281)	160	4,325	84,609	79,093	123,133	114,270
Total revenue bonds payable, net of unamortized premium (discount)	1,245,253	1,257,703	1,473,388	1,461,209	1,441,489	1,499,333	1,608,199	1,585,418	1,904,738	1,870,105
Enplanements[1]	8,358,287	8,571,847	8,856,025	9,458,810	9,779,609	10,267,481	10,607,996	11,118,223	11,345,748	11,232,272
Total debt per enplanements	$ 150	$ 148	$ 166	$ 155	$ 147	$ 146	$ 144	$ 135	$ 157	$ 156

[1] Enplaned Commercial Passengers by Airline Schedule as shown on page 52.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

FULL-TIME EQUIVALENT CHICAGO MIDWAY AIRPORT EMPLOYEES BY FUNCTION
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017 (UNAUDITED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business communication	6	-	-	-	-	-	-	-	-	-
Capital development	-	-	-	-	-	-	-	-	-	-
Airfield operations	59	75	75	75	70	70	85	88	94	127
Landside operations	-	-	-	-	-	-	21	20	21	21
Security management	61	60	60	60	60	60	69	62	62	63
Facility management	32	28	32	35	33	35	14	15	15	15
Midway administration	12	11	10	10	10	10	10	10	10	12
Safety management	2	2	2	2	2	2	-	-	-	-
Total	172	176	179	182	175	177	199	195	202	238

Source: City of Chicago's Program and Budget Summary.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
PRINCIPAL EMPLOYERS (NONGOVERNMENT)
CURRENT YEAR AND NINE YEARS AGO (NOTE AT THE END OF THIS PAGE)
(Unaudited)

	2017[1]			2008[3]		
Employer	**Number of Employees**	**Rank**	**Percentage of Total City Employment**	**Number of Employees**	**Rank**	**Percentage of Total City Employment**
Advocate Health Care	19,049	1	1.48 %	-		- %
Northwestern Memorial Healthcare	16,667	2	1.29	-		-
University of Chicago	16,583	3	1.29	-		-
JP Morgan Chase & Co.	15,701	4	1.22	8,865	1	0.81
Amazon.com Inc.	13,240	5	1.03	-		-
United Continental Holdings Inc.[2]	12,994	6	1.01	6,403	2	0.58
Walgreen Boots Alliance Inc.	12,751	7	0.99	-		-
Northwestern University	10,847	8	0.84	-		-
Presence Health	10,225	9	0.79	-		-
Wal-mart Stores Inc.	10,220	10	0.79	-		-
Jewel Food Stores, Inc	-		-	5,977	3	0.55
Northern Trust	-		-	5,084	4	0.46
Accenture LLP	-		-	4,532	5	0.41
American Airlines	-		-	3,582	6	0.33
SBC/AT&T	-		-	3,459	7	0.32
Ford Motor Company	-		-	3,325	8	0.30
CVS Corporation	-		-	3,161	9	0.29
Bonded Maintenance Company	-		-	2,955	10	0.27

NOTES:

[1] Source: Reprinted with permission from the January 15, 2018 issue of Crain's Chicago Business.

[2] United Continental Holdings Inc. formerly known as United Airlines.

[3] Source: City of Chicago, Department of Revenue, Employer's Expense Tax Returns.
Prior to 2014, the source information was the City of Chicago, Bureau of Revenue-Tax Division Report which is no longer available.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
POPULATION AND INCOME STATISTICS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2008–2017
(Unaudited)

Year	Population[1]	Median Age[2]	Number of Households[2]	City Employment	Unemployment Rate[3]	Per Capita Income[4]	Total Income
2008	2,896,016	34.1	1,032,746	1,237,856	6.4	45,328	131,270,613,248
2009	2,896,016	34.5	1,037,069	1,171,841	10.0	43,727	126,634,091,632
2010	2,695,598	34.8	1,045,666	1,116,830	10.1	45,957	123,881,597,286
2011	2,695,598	33.2	1,048,222	1,120,402	9.3	45,977	123,935,509,246
2012	2,695,598	33.0	1,054,488	1,144,896	8.9	48,305	130,210,861,390
2013	2,695,598	33.5	1,062,029	1,153,725	8.3	49,071	132,275,689,458
2014	2,695,598	33.9	1,031,672	1,264,234	5.7	50,690	136,639,862,620
2015	2,695,598	34.2	1,053,229	1,273,733	5.7	53,886	145,254,993,828
2016	2,695,598	34.4	1,053,986	1,282,117	5.4	55,621	149,931,856,358
2017	2,695,598	N/A [5]	N/A [5]	1,289,325	4.7	N/A [5]	N/A [5]

Notes:

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

[2] Source: American Fact Finder—United States Census Bureau data estimates.
Data not available for 2017.

[3] Source: Bureau of Labor Statistics 2017, Unemployment rate for Chicago-Naperville-Illinois Metropolitan Area.

[4] Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income for Chicago-Naperville-Illinois Metropolitan Area.

[5] N/A means not available at time of publication.

CITY OF CHICAGO, ILLINOIS
CHICAGO MIDWAY INTERNATIONAL AIRPORT

STATISTICAL DATA
LANDING FEES AND TERMINAL AREA USE CHARGES
RATES AS OF JULY 1, 2017
(Unaudited)

Landing Fees and Terminal Area Use Charges	**2017**
Signatory landing fee (rate/1000 lbs)	$ 4.283
Non-signatory landing fee (rate/1000 lbs)	5.354
Signatory joint use fee (base usage/1000 lbs)	1.351
Non-signatory joint use fee (base usage/1000 lbs)	1.689
Signatory joint use fee (per capita/annual)	356,378
Non-signatory joint use fee (per capita/annual)	445,473
Signatory terminal rental rate	120.29
Non-signatory terminal rental rate	150.36
Terminal ramp rate	3.66
Signatory FIS fee per deplaned passenger	2.40
Non-signatory F/S fee per deplaned passenger	3.00
Cost per departure rate[1]	123.04

[1] The cost per departure is for Gates A1, A2, A3, A4A, A4B, A10, A12 and B25

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APPENDIX E
FORM OF OPINION OF BOND COUNSEL

August 1, 2018

City of Chicago
Chicago, Illinois

The Bank of New York Mellon Trust Company, N.A.
Chicago, Illinois

Re: City of Chicago
Chicago Midway Airport Second Lien Revenue
Bonds, Series 2018A (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Chicago, Illinois (the "City"), in connection with the issuance of $45,670,000 aggregate principal amount Chicago Midway Airport Second Lien Revenue Bonds, Series 2018A (Taxable) (the "Bonds"), of the City. We have examined a record of proceedings relating to the issuance of the Bonds. The Bonds are limited obligations of the City issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and by virtue of an ordinance adopted by the City Council of the City on January 13, 2016 authorizing the Bonds (the "Bond Ordinance"). Terms used herein that are defined in the Indenture and the Twenty-Fifth Supplemental Indenture (each as hereinafter defined) shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the purpose of providing funds to refund prior to maturity or pay at maturity the Prior Airport Obligations and to pay Costs of Issuance of the Bonds. The Prior Airport Obligations are the outstanding Chicago Midway Airport Second Lien Revenue Bonds, Series 2010C.

The Bonds are being issued pursuant to a Master Indenture of Trust Securing Chicago Midway Airport Second Lien Obligations dated as of September 1, 1998, as amended (the "Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A. (as successor trustee to American National Bank and Trust Company of Chicago), as trustee (the "Trustee"), and a Twenty-Fifth Supplemental Indenture dated as of July 1, 2018 (the "Twenty-Fifth Supplemental Indenture") relating to the Bonds. The Bonds are Second Lien Obligations of the City permitted to be issued under the Master Indenture of Trust Securing Chicago Midway Airport Revenue Bonds dated as of April 1, 1994, as amended and supplemented (the "First Lien Indenture"), between the City and the Trustee and Second Lien Obligations authorized under the Indenture and are payable from and secured by pledges of Second Lien Revenues as, and to the extent, provided in the Indenture and the Twenty-Fifth Supplemental Indenture.

Under the terms of the First Lien Indenture, the City has previously issued First Lien Bonds that are presently outstanding and the City may hereafter authorize and issue additional First Lien Bonds. First Lien Bonds are entitled to the benefit and security of the First Lien Indenture,

including the pledge of Revenues and other funds maintained for the benefit of the First Lien Bonds by the Trustee. The Bonds and all other Second Lien Obligations are junior in right of payment and security to the First Lien Bonds, as and to the extent provided in the First Lien Indenture and the Indenture.

The Bonds, together with any Parity CFC Bonds as may be issued in the future in accordance with the Twenty-Fifth Supplemental Indenture, are further payable from and secured by a pledge of CFC Revenues (to the extent authorized by the CFC Ordinance and the CFC Statute), as and to the extent provided in the Twenty-Fifth Supplemental Indenture.

The Bonds are issuable only as fully registered bonds without coupons in Authorized Denominations. The Bonds are dated the date hereof, mature, and bear interest from their date as provided in the Twenty-Fifth Supplemental Indenture.

The Bonds are subject to optional redemption at the times, in the manner and upon the terms specified in the Twenty-Fifth Supplemental Indenture. In connection with the issuance of the Bonds we have examined the following:

(a) certified copies of the Bond Ordinance and the CFC Ordinance;

(b) executed or certified counterparts of the Indenture and the Twenty-Fifth Supplemental Indenture; and

(c) such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based upon our examination of the foregoing, we are of the opinion that:

1. The City is a municipal corporation duly existing under the laws of the State of Illinois and is a home rule unit of local government within the meaning of Section 6(a) of Article VII of the 1970 Illinois Constitution. The City has all requisite power and authority under the Constitution and the laws of the State of Illinois, the First Lien Indenture, the Bond Ordinance and the CFC Ordinance (i) to enter into the Indenture and the Twenty-Fifth Supplemental Indenture with the Trustee and to issue the Bonds thereunder, and (ii) to improve, maintain and operate the Airport and to charge and collect rents, fees and other charges for the use and services of the Airport and to perform all of its obligations under the First Lien Indenture, the Indenture and the Twenty-Fifth Supplemental Indenture in those respects.

2. The Bond Ordinance and the CFC Ordinance are in full force and effect and are valid and binding upon the City in accordance with their respective terms. The Indenture and the Twenty-Fifth Supplemental Indenture have been duly authorized, executed and delivered by the City, constitute valid and binding obligations of the City and are legally enforceable in accordance with their respective terms.

3. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are entitled to the benefits and security of the Indenture and the Twenty-Fifth Supplemental Indenture, as appropriate, and are enforceable in accordance with their terms.

4. The Bonds are payable solely from the Second Lien Revenues deposited in the dedicated sub-fund maintained by the Trustee under the Twenty-Fifth Supplemental Indenture, the CFC Revenues and certain other amounts as provided in the Indenture and the Twenty-Fifth Supplemental Indenture. The Bonds and the interest thereon are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any state constitutional or statutory limitation or give rise to a charge against its general credit or taxing powers. Neither the faith and credit nor the taxing power of the State of Illinois, the City or any political subdivision of the State of Illinois is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

5. The Indenture and the Twenty-Fifth Supplemental Indenture create the valid and binding pledge of Second Lien Revenues, the CFC Revenues and the moneys and securities which they purport to create.

6. Interest on the Bonds is includible in the gross income of the owners thereof for Federal income tax purposes. Interest on the Bonds is not exempt from present Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Indenture and the Twenty-Fifth Supplemental Indenture (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Sincerely,

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