NEW ISSUE — BOOK ENTRY ONLY

RATINGS:
Moody's: A2
Standard & Poor's: A-
Fitch: A
SEE "RATINGS" HEREIN

*The delivery of the 2012 PFC Bonds is subject to the opinions of Katten Muchin Rosenman LLP and Burke Burns & Pinelli, Ltd., Co-Bond Counsel, to the effect that under existing law, interest on the 2012 PFC Bonds is not includible in the gross income of the owners thereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the 2012 PFC Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, the following tax considerations apply to interest on the specific Series of 2012 PFC Bonds indicated: (i) Series A: not an item of tax preference for purpose of computing individual or corporate alternative minimum taxable income but includible in corporate earnings and profits; and (ii) Series B: an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income for purposes of the individual and corporate alternative minimum tax; not tax exempt when held by a "substantial user." Interest on the 2012 PFC Bonds is not exempt from present Illinois income taxes. See "*TAX MATTERS*" herein.*

$452,095,000
CITY OF CHICAGO
CHICAGO O'HARE INTERNATIONAL AIRPORT
PASSENGER FACILITY CHARGE REVENUE REFUNDING BONDS

$114,855,000	$337,240,000
SERIES 2012A	SERIES 2012B
(NON-AMT)	(AMT)

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

The 2012 PFC Bonds will be limited obligations of the City of Chicago (the "*City*") payable from and secured by a pledge of the PFC Revenues described herein, consisting of certain passenger facility charges imposed by the City at Chicago O'Hare International Airport ("*O'Hare*") and paid to the Trustee for deposit into the PFC Bond Fund described herein. The 2012 PFC Bonds will be secured on a parity basis as to the PFC Revenues with the City's PFC Obligations that may be outstanding from time to time, as more fully described herein. See "SECURITY FOR THE 2012 PFC BONDS."

Neither the faith and credit nor the taxing power of the City, the State of Illinois or any political subdivision of the State of Illinois will be pledged to the payment of the principal of or interest on the 2012 PFC Bonds. The 2012 PFC Bonds are not secured by any properties or improvements at O'Hare or any other revenues (other than passenger facility charges) derived by the City from the operation of O'Hare generally.

The 2012 PFC Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the 2012 PFC Bonds. Ownership by the beneficial owners of the 2012 PFC Bonds will be evidenced by book-entry only. Principal of and interest on the 2012 PFC Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee for the 2012 PFC Bonds, to DTC. DTC will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the 2012 PFC Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payments on the 2012 PFC 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 APPENDIX F—"DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM."

Interest on the 2012 PFC Bonds is payable January 1 and July 1 of each year, commencing January 1, 2013. The 2012 PFC Bonds are subject to redemption prior to maturity as described herein. See "THE 2012 PFC BONDS."

The proceeds from the sale of the 2012 PFC Bonds, together with other available funds, will be used to: (i) refund certain PFC Obligations; (ii) satisfy the Reserve Requirement for the 2012 PFC Bonds; and (iii) pay the costs of issuing the 2012 PFC Bonds. See "REFUNDING PLAN."

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

The 2012 PFC Bonds are offered when, as and if issued by the City and accepted by the Underwriters subject to the approval of their validity by Katten Muchin Rosenman LLP, Chicago, Illinois, and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by its Corporation Counsel and for the Underwriters by their co-counsel, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois, and Greene and Letts, Chicago, Illinois. It is expected that delivery of the 2012 PFC Bonds in book-entry form will be made through the facilities of DTC on or about September 12, 2012.

Citigroup

Wells Fargo Securities **Loop Capital Markets**

Backstrom McCarley Berry & Co. **BNY Mellon Capital Markets, LLC** **Cabrera Capital Markets, LLC** **JP Morgan**

M.R. Beal & Company **Oppenheimer & Co. Inc.** **Rockfleet** **Toussaint Capital Partners**

Dated: August 23, 2012

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

$452,095,000
CITY OF CHICAGO, CHICAGO O'HARE INTERNATIONAL AIRPORT

$114,855,000
PASSENGER FACILITY CHARGE REVENUE REFUNDING BONDS, SERIES 2012A (NON-AMT)

Maturity (January 1)	Amount	Interest Rate (%)	Yield (%)	CUSIP+
2014	$1,150,000	5.000	0.440	167593JH6
2017	3,345,000	5.000	1.150	167593JJ2
2018	3,515,000	5.000	1.630	167593JK9
2019	3,685,000	5.000	2.010	167593JL7
2020	2,000,000	3.000	2.340	167593JM5
2020	3,880,000	5.000	2.340	167593KA9
2021	350,000	3.000	2.600	167593JN3
2021	5,785,000	5.000	2.600	167593KB7
2022	1,480,000	4.000	2.770	167593JP8
2022	4,950,000	5.000	2.770	167593KC5
2023	6,740,000	5.000	2.900*	167593JQ6
2024	7,075,000	5.000	2.980*	167593JR4
2025	7,435,000	5.000	3.070*	167593JS2
2026	7,805,000	5.000	3.140*	167593JT0
2027	630,000	3.500	3.500	167593JU7
2027	7,560,000	5.000	3.210*	167593KD3
2028	8,590,000	5.000	3.250*	167593JW3
2029	9,020,000	5.000	3.320*	167593JX1
2030	9,470,000	5.000	3.380*	167593JY9
2031	9,950,000	5.000	3.440*	167593JZ6
2032	2,545,000	3.875	3.875	167593JV5
2032	7,895,000	5.000	3.480*	167593KE1

$337,240,000
PASSENGER FACILITY CHARGE REVENUE REFUNDING BONDS, SERIES 2012B (AMT)

Maturity (January 1)	Amount	Interest Rate (%)	Yield (%)	CUSIP+
2013	$ 3,845,000	2.500	0.450	167593KF8
2014	11,285,000	5.000	0.670	167593KG6
2015	7,505,000	5.000	0.970	167593KH4
2016	9,365,000	5.000	1.290	167593KJ0
2017	13,125,000	5.000	1.650	167593KK7
2018	13,780,000	5.000	2.110	167593KL5
2019	14,475,000	5.000	2.500	167593KM3
2020	15,190,000	4.000	2.810	167593KN1
2021	15,805,000	5.000	3.050	167593KP6
2022	16,595,000	5.000	3.220	167593KQ4
2023	17,420,000	5.000	3.330*	167593KR2
2024	18,295,000	5.000	3.440*	167593KS0
2025	19,205,000	5.000	3.540*	167593KT8
2026	20,165,000	5.000	3.630*	167593KU5
2027	21,180,000	4.000	4.070	167593KV3
2030	23,820,000	5.000	3.860*	167593KY7
2031	25,000,000	5.000	3.890*	167593KZ4
2032	26,260,000	5.000	3.930*	167593KW1

$44,925,000 4.000% Term Bonds due January 1, 2029 Price: 97.651 CUSIP+: 167593KX9

*Priced to the January 1, 2022 optional redemption date.

OFFICIAL STATEMENT SUMMARY

The following Summary is subject in all respects to more complete information contained in this Official Statement.

The Issuer...................................... City of Chicago, Illinois.

Issue and Date............................... The 2012 PFC Bonds will be limited obligations of the City payable solely from a pledge of PFC Revenues (consisting of all revenue received by the City from the passenger facility charges imposed by the City at O'Hare, including any interest earned thereon after such revenue has been remitted to the City as provided in the PFC Regulations). The 2012 PFC Bonds will be issued in two series: Series 2012A (Non-AMT) and Series 2012B (AMT). The 2012 PFC Bonds will be dated as of the date of delivery.

O'Hare... O'Hare is the primary airport for the City. Based on preliminary data, for the 12-month period ended December 2011, O'Hare ranked second both worldwide and in the United States in terms of aircraft operations, and fourth worldwide and second in the United States in terms of total passengers, with approximately 33.2 million enplaned passengers in both 2011 and 2010.

Purpose of Issue............................ To (i) refund certain PFC Obligations; (ii) satisfy the Reserve Requirement for the 2012 PFC Bonds; and (iii) pay the costs of issuing the 2012 PFC Bonds.

Amounts and Maturities .... See tables on facing page.

Interest Payment Dates................. January 1 and July 1 of each year commencing January 1, 2013.

Security for Payment..................... Upon their issuance, the 2012 PFC Bonds will be limited obligations payable, together with other PFC Obligations, solely from PFC Revenues and will have a valid claim only against the 2012 PFC Dedicated Sub-Fund (as defined under "SECURITY FOR THE 2012 PFC BONDS—Flow of Funds—*Application of PFC Revenues under the Eighth Supplemental Indenture*") including the 2012 PFC Debt Service Reserve Account created under the Eighth Supplemental Indenture securing the 2012 PFC Bonds. **The 2012 PFC Bonds are not payable from the general airport revenues at O'Hare**.

Covenant Against Other Pledges... The City covenants in the PFC Master Indenture that it will not create or cause to be created any lien or charge on PFC Revenues, or on any amounts pledged for the benefit of owners of PFC Obligations, other than the pledge of PFC Revenues contained in the PFC Master Indenture. See "SECURITY FOR THE 2012 PFC BONDS—Covenant Against Other Pledges of Trust Estate."

Additional PFC Obligations .... Prior to issuing Project Obligations, the City must (i) certify that PFC Revenues either (A) during the last fiscal year or (B) for any period of 12 consecutive months out of the 18 months preceding the date of issuance, were at least 130 percent of Maximum Annual Debt Service; or (ii) deliver a report of an Independent Airport Consultant estimating PFC Revenues for at least three years following the date of issuance and projecting that estimated PFC Revenues for each year will be at least 140 percent of Maximum Annual Debt Service (for a Project that will materially increase O'Hare capacity, PFC Revenues must be estimated for at least three years following the earlier of (A) the fifth anniversary of the date of issuance or (B) the date the last included Project will be completed). Prior to issuing Refunding Obligations, the City must either satisfy the test for Project Obligations or certify that resulting Pro Forma Annual Debt Service in each Bond Year will not exceed Pro Forma Annual Debt Service before issuance. See "SECURITY FOR THE 2012 PFC BONDS—Issuance of PFC Obligations."

Redemption..................................... The 2012A PFC Bonds are subject to optional redemption; the 2012B PFC Bonds are subject to optional and mandatory redemption. See "THE 2012 PFC BONDS–Redemption Provisions."

Paying Agent................................. Principal of and interest on the 2012 PFC Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee.

Tax Status of Interest..................... Under existing law and assuming continuing compliance with the applicable requirements of the Internal Revenue Code, interest on the 2012 PFC Bonds is not includible in, and will continue to be excluded from, the gross income of the owners thereof for federal income tax purposes; interest on the 2012A PFC Bonds is not an item of tax preference for purpose of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits; and interest on the 2012B PFC Bonds is an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income for purposes of the individual and corporate alternative minimum tax, but is not tax exempt when held by a "substantial user." Interest on the 2012 PFC Bonds is not exempt from present Illinois income taxes.

Legal Opinion................................ Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, will act as Co-Bond Counsel.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

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

This Official Statement is being used in connection with the sale of the 2012 PFC 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 at any time 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 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'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 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 accountants, 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 page hereof, nor shall there be any offer to sell, solicitation of an offer to buy or sale of, the 2012 PFC 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 O'Hare 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 2012 PFC 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, the foregoing authorities have not 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 2012 PFC BONDS. SPECIFICALLY, THE UNDERWRITERS MAY OVER ALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, THE 2012 PFC BONDS IN THE OPEN MARKET. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE 2012 PFC BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE 2012 PFC BONDS ARE RELEASED FOR SALE, AND THE 2012 PFC BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE 2012 PFC BONDS INTO INVESTMENT ACCOUNTS.

CITY OF CHICAGO
Chicago O'Hare International Airport

MAYOR
Rahm Emanuel

CITY CLERK
Susana Mendoza

CITY TREASURER
Stephanie D. Neely

CITY COUNCIL
COMMITTEE ON FINANCE
Edward M. Burke, Chairman

CHIEF FINANCIAL OFFICER
Lois A. Scott

CITY COMPTROLLER
Amer Ahmad

BUDGET DIRECTOR
Alexandra Holt

CORPORATION COUNSEL
Stephen R. Patton, Esq.

DEPARTMENT OF AVIATION
Rosemarie S. Andolino, Commissioner

CO-BOND COUNSEL
Katten Muchin Rosenman LLP
Burke Burns & Pinelli, Ltd.

AIRPORT CONSULTANT
Ricondo & Associates, Inc.

CO-FINANCIAL ADVISORS
D+G Consulting Group, LLC
Frasca & Associates, LLC

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

OFFICIAL STATEMENT

$452,095,000
CITY OF CHICAGO
CHICAGO O'HARE INTERNATIONAL AIRPORT
PASSENGER FACILITY CHARGE
REVENUE REFUNDING BONDS

$114,855,000 **Series 2012A** (Non-AMT)	$337,240,000 **Series 2012B** (AMT)

INTRODUCTION

This Official Statement is furnished to set forth certain information in connection with the offering and sale by the City of Chicago (the *"City"*) of its $114,855,000 aggregate principal amount Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (the "*2012A PFC Bonds*") and its $337,240,000 aggregate principal amount Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012B (the "*2012B PFC Bonds*" and, collectively with the 2012A PFC Bonds, the "*2012 PFC Bonds*"). The City has recently sold and currently plans to issue three series of its $728,895,000 aggregate principal amount Chicago O'Hare International Airport Senior Lien Revenue Refunding Bonds (collectively, the "*2012 Senior Lien GARBs*") at the same time as the issuance of the 2012 PFC Bonds. Certain other capitalized terms used in this Official Statement, unless otherwise defined herein, are defined in APPENDIX A—"GLOSSARY OF TERMS."

The 2012 PFC Bonds will be issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970.

The 2012 PFC Bonds will be issued pursuant to an ordinance adopted by the City Council on March 14, 2012 (the *"Bond Ordinance"*) and pursuant to a Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Obligations, dated as of January 1, 2008 (the *"PFC Master Indenture"*), from the City to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the *"Trustee"*), as supplemented by the Eighth Supplemental Indenture with respect to the 2012 PFC Bonds (the *"Eighth Supplemental Indenture"*), dated as of September 1, 2012 and from the City to the Trustee. The PFC Master Indenture as supplemented by the Eighth Supplemental Indenture, and as it may be amended and supplemented from time to time in accordance with its terms, is collectively herein referred to as the *"PFC Indenture."*

Pursuant to the PFC Master Indenture, the City has previously issued two series of its Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2011 (the "*2011 PFC Bonds*"), which are currently outstanding in the aggregate principal amount of $46,005,000; four series of its Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010 (the "*2010 PFC Bonds*"), which are currently outstanding in the aggregate principal amount of $137,385,000; its Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008A (the "*2008 PFC Bonds*"), which are currently outstanding in the aggregate principal amount of $91,215,000; and four series of its Chicago O'Hare International Airport Second Lien Passenger Facility Charge Revenue Bonds, Series 2001 (the "*2001 PFC Bonds*"), which are currently outstanding in the aggregate principal amount of $503,245,000. The City is refunding the entire aggregate principal amount of the outstanding 2001 PFC Bonds (the "*Refunded Bonds*") through the issuance of the 2012 PFC Bonds, with the result that none of the 2001 PFC Bonds will remain outstanding. A portion of the proceeds of the 2012 PFC Bonds together with moneys released by virtue of the defeasance of the Refunded Bonds will be used to refund the Refunded Bonds. See "REFUNDING PLAN" and APPENDIX G—"DESCRIPTION OF REFUNDED BONDS". The 2012 PFC Bonds will constitute PFC Obligations (as hereinafter defined) authorized to be issued pursuant to the PFC Indenture and will be secured on a parity with the 2011 PFC Bonds, the 2010 PFC Bonds, and the 2008 PFC Bonds by a pledge of the PFC Revenues. The 2012 PFC Bonds, the 2011 PFC Bonds, the 2010 PFC Bonds and the 2008 PFC Bonds, and any other PFC Bonds which are hereafter issued by the City pursuant to the PFC Master Indenture, together with any Section 208 and Section 209 Obligations (as hereinafter defined), are collectively referred to herein as the "*PFC Obligations*."

The City will use the proceeds from the sale of the 2012 PFC Bonds, together with other available funds, to: (i) refund the Refunded Bonds; (ii) satisfy the Reserve Requirement (as defined herein) for the 2012 PFC Bonds; and (iii) pay the costs of issuing the 2012 PFC Bonds. See "REFUNDING PLAN" herein.

The 2012 PFC Bonds are limited obligations of the City, payable solely from a pledge of "PFC Revenues." *"PFC Revenues"* consist of all revenue received by the City from the passenger facility charges imposed by the City at Chicago O'Hare International Airport (*"O'Hare"*) pursuant to the PFC Act, the PFC Regulations, the PFC Approvals and an ordinance adopted by the City Council on January 12, 1993 (each such passenger facility charge referred to as a *"PFC,"* and collectively, the *"PFCs"*), including any interest earned thereon after such revenue has been remitted to the City as provided in the PFC Regulations. See "SECURITY FOR THE 2012 PFC BONDS," "PFC PROGRAM AT O'HARE" and "USE OF PFC REVENUES" herein.

As of July 2012, the City had authority from the FAA to impose and use PFCs of $4.50 per eligible enplaned passenger up to an aggregate total of $6,535,699,985 to pay for certain Approved Projects (as hereinafter defined). See "PFC PROGRAM AT O'HARE" for a more detailed description of the City's PFC collection authority and the PFC approvals from the FAA.

LIMITED LIABILITY

The 2012 PFC Bonds will not be general obligations of the City and will 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 City or any other political subdivision of the State of Illinois will be pledged to the payment of the principal of or interest on the 2012 PFC Bonds. The 2012 PFC Bonds are not payable in any manner from revenues raised by taxation. No property of the City (including property located at

O'Hare) or revenues generated at O'Hare, other than PFC Revenues, are pledged as security for the 2012 PFC Bonds.

OTHER INDEBTEDNESS AT O'HARE

The City currently has outstanding the 2001 PFC Bonds, the 2008 PFC Bonds, the 2010 PFC Bonds and the 2011 PFC Bonds. Following the issuance of the 2012 PFC Bonds, the 2012 PFC Bonds will be on a parity with the outstanding 2008 PFC Bonds, the 2010 PFC Bonds and the 2011 PFC Bonds (the "*Outstanding PFC Bonds*"), all of which will be PFC Obligations. The City also has other O'Hare indebtedness outstanding or authorized to be issued that is secured by revenues separate and apart from the PFC Revenues. Such indebtedness consists of (i) General Airport Revenue Bonds (*"GARBs"*) and commercial paper notes (*"CP Notes"*) secured by general O'Hare revenues (other than PFC Revenues) including, but not limited to, payments made by airlines that are parties to the Amended and Restated Airport Use Agreements and Terminal Facilities Leases, which are currently scheduled to terminate May 11, 2018 (the *"Airport Use Agreements"*) with the City and (ii) Special Facility Revenue Bonds secured by payments made by individual airlines and other tenants and licensees pursuant to separate special facility agreements with the City. See "OUTSTANDING INDEBTEDNESS AT O'HARE" herein.

On May 15, 2012, the City of Chicago redeemed all of the issued and outstanding First Lien Bonds previously issued by the City pursuant to the General Airport Revenue Bond Ordinance, with the result that the pledges and liens created by the General Airport Revenue Bond Ordinance for such First Lien Bonds have been discharged and satisfied in accordance with the General Airport Bond Ordinance. Concurrently with the issuance of the 2012 Senior Lien GARBs, provision will be made for the payment of all outstanding Second Lien Obligations previously issued or incurred by the City pursuant to the Second Lien Indenture, with the result that the lien on Revenues created for such Second Lien Obligations under the Second Lien Indenture will be discharged and satisfied in accordance with the Second Lien Indenture. The 2012 Senior Lien GARBs will be issued and secured under the Master Indenture of Trust Securing Chicago O'Hare International Airport General Airport Revenue Senior Lien Obligations dated as of September 1, 2012 from the City to the Trustee (the "*Senior Lien Master Indenture*") which amends and restates the existing Third Lien Master Indenture for the purpose of granting to the trustee thereunder a first lien on and pledge of Revenues to secure (i) the 2012 Senior Lien GARBs, (ii) all of the previously issued and outstanding Third Lien Bonds (the "*Existing Senior Lien GARBs*" which, together with the 2012 Senior Lien GARBs, are herein referred to as the "*Senior Lien Bonds*"), and (iii) any other Senior Lien Obligations issued by the City in accordance with the Senior Lien Master Indenture.

ISSUANCE OF 2012 SENIOR LIEN GARBS

The City has sold and currently plans to issue its 2012 Senior Lien GARBs in the aggregate principal amount of $728,895,000 on the same date as the issuance of the 2012 PFC Bonds. A portion of the proceeds from the issuance of the 2012 Senior Lien GARBs, together with other available funds, will be used to: (i) redeem or defease certain outstanding Chicago O'Hare International Airport general airport revenue bonds, (ii) repay certain CP Notes; (iii) satisfy the related reserve requirement for the 2012 Senior Lien GARBs; (iv) fund capitalized interest on certain of the 2012 Senior Lien GARBs; and (v) pay the costs of issuing the 2012 Senior Lien GARBs.

CHICAGO O'HARE INTERNATIONAL AIRPORT

O'Hare is the primary commercial airport for the City. O'Hare occupies approximately 7,265 acres of land and is located 18 miles northwest of the City's central business district. Based on preliminary data from Airports Council International (*"ACI"*), for the 12-month period ended December 2011, O'Hare ranked second both worldwide and in the United States in total aircraft operations, and fourth worldwide and second in the United States in terms of total passengers. According to the Chicago Department of Aviation (*"CDA"*), O'Hare had approximately 33.2 million enplaned passengers in both 2011 and 2010. United Airlines and American Airlines each maintains a hub at O'Hare. United Airlines (including Continental Airlines with which United recently merged and United and Continental's regional/commuter partners operating as United Express) accounted for 47 percent of the enplaned passengers at O'Hare in 2011. American Airlines (including its regional/commuter subsidiary, American Eagle), accounted for 35 percent of the enplaned passengers at O'Hare in 2011. See "CHICAGO O'HARE INTERNATIONAL AIRPORT," "AIR TRAFFIC ACTIVITY AT O'HARE," "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AVIATION INDUSTRY, THE AIRLINES AND O'HARE," AND APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER."

AMERICAN AIRLINES BANKRUPTCY

American Airlines, Inc., AMR Corporation, American Eagle Holdings Corporation and American Eagle Airlines, Inc. filed for bankruptcy protection under Chapter 11 of the Federal Bankruptcy Code on November 29, 2011. American Airlines (including its affiliated carriers) is the second largest carrier, after United Airlines, operating at O'Hare. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Financial Condition of Airlines Serving O'Hare—*AMR Bankruptcy*."

CAPITAL DEVELOPMENT PROGRAMS

O'Hare Modernization Program. In 2001, the City announced the O'Hare Modernization Program (the "*OMP"*) to meet the future development needs at O'Hare. The OMP is designed to address flight delays and to increase capacity. The OMP is a comprehensive program providing for the reconfiguration of the airfield as well as construction of a new passenger terminal, accompanying access/circulation systems and necessary support facilities. The OMP is being developed to be implemented in phases over a multi-year period.

Major functional components of the OMP include adding one new runway, and relocating three and extending two of the seven existing runways. The OMP also includes constructing an airside concourse and a western terminal complex having approximately 1.5 million square feet of space and approximately 60 gates, parking facilities, a people mover system, access roads and other related projects as demand develops. In addition, the OMP provides for all necessary noise mitigation and land acquisition, as described herein. For additional information regarding the OMP and the funding thereof, see "CAPITAL DEVELOPMENT PROGRAMS."

Capital Improvement Program. The Capital Improvement Program (the *"CIP"*) addresses O'Hare's facility needs and functions as an on-going repair and replacement program. O'Hare regularly updates and adopts a five-year CIP for budget and planning purposes. For additional information regarding the CIP and the funding thereof, see "CAPITAL DEVELOPMENT PROGRAMS."

REGIONAL AIRPORT OVERSIGHT

The City operates O'Hare and Chicago Midway International Airport (*"Midway"*) through the CDA as separate and distinct enterprises for financial purposes. The 2012 PFC Bonds are not secured by any revenues generated, or property located, at Midway. See "CHICAGO O'HARE INTERNATIONAL AIRPORT–Other Commercial Service Airports Serving the Chicago Region" herein. On April 15, 1995, the City and the City of Gary, Indiana entered into an interstate compact (the *"Compact"*) establishing the Chicago-Gary Regional Airport Authority (the *"Chicago-Gary Authority"*) with respect to the relationship among O'Hare, Midway, Merrill C. Meigs Field* (*"Meigs Field"*) and the Gary/Chicago International Airport (the *"Gary/Chicago International Airport"*). 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"*). See "CHICAGO O'HARE INTERNATIONAL AIRPORT–Regional Authority" herein.

CERTAIN INVESTMENT CONSIDERATIONS

The 2012 PFC Bonds may not be suitable for all investors. Prospective purchasers of the 2012 PFC Bonds should read this entire Official Statement for details of the 2012 PFC Bonds, the financial condition of the airlines and certain other factors that could adversely affect the airline industry, including specifically the information under the captions "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING" AND "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AVIATION INDUSTRY, THE AIRLINES AND O'HARE" herein.

THE AIRPORT CONSULTANT

The Letter of the Airport Consultant (the "*Airport Consultant's Letter*") prepared by Ricondo & Associates, Inc., the City's airport consultant (the "*Airport Consultant*"), included as APPENDIX E, updates certain information previously prepared by the Airport Consultant as part of its March 29, 2011 Report of the Airport Consultant (which is included as an Exhibit to the Airport Consultant's Letter), evaluates aviation activity at O'Hare and presents a financial feasibility analysis for O'Hare. The Airport Consultant's Letter is described more fully under the caption "AIRPORT CONSULTANT" herein.

As noted below under "—General—*Forward-Looking Statements*," any projection, including, but not limited to, any projection contained in the Airport Consultant's Letter, is subject to uncertainties, including the possibility that some of the assumptions used to develop

---

* Meigs Field was closed in 2003.

the projections will not be realized and that unanticipated events and circumstances will occur. Accordingly, there are likely to be differences between projections and actual results, which differences could be material. See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER."

GENERAL

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 O'Hare and of future financial performance at O'Hare (see "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues" and APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER"); (b) statements of the plans and objectives of the City in relation to the Capital Development Programs (as defined herein) (see "CHICAGO O'HARE INTERNATIONAL AIRPORT," "AIR TRAFFIC ACTIVITY AT O'HARE" and "CAPITAL DEVELOPMENT PROGRAMS"); and (c) assumptions relating to the statements described in clauses (a) and (b) above (collectively, the *"Forward-Looking Statements"*).

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.

The City has included the Airport Consultant's Letter, based upon the Airport Consultant's expertise in the aviation industry. The Airport Consultant believes that the expectations reflected in the Forward-Looking Statements are reasonable. However, there can be no assurance that the expectations contained in the Forward-Looking Statements, including those set forth in the Airport Consultant's Letter, will be achieved. Important factors that could cause actual results to differ materially from the current expectations of the Airport Consultant are discussed in this Official Statement.

Glossary of Terms; Document Summaries. This Official Statement contains summaries of the terms of and security for the 2012 PFC Bonds, together with descriptions of O'Hare and its operations. A Glossary of Terms is included as APPENDIX A and a summary of certain provisions of the PFC Indenture is included as APPENDIX B. 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 2012 PFC Bonds are further qualified by references to the information with respect to them contained in the PFC Indenture.

THE 2012 PFC BONDS

GENERAL

The 2012 PFC Bonds will mature on January 1 of the years and in the amounts shown on the inside front cover page hereof and will be dated as of their date of delivery. The 2012 PFC

Bonds will bear a fixed rate of interest until their final maturity payable on January 1 and July 1 in each year, commencing January 1, 2013, at the rates *per annum* set forth on the inside front cover page hereof.

The 2012 PFC Bonds will be subject to redemption as described below under the subcaption "—Redemption Provisions."

The 2012 PFC Bonds will be issued only as fully registered bonds. The 2012 PFC Bonds will be issued in denominations that are integral multiples of $5,000. The 2012 PFC 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 2012 PFC Bonds when in the book-entry form and the book-entry only system are in APPENDIX F—"DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM." Except as described in APPENDIX F—"DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM," beneficial owners of the 2012 PFC Bonds will not receive or have the right to receive physical delivery of 2012 PFC Bonds, and will not be or be considered under the PFC 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 2012 PFC 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 2012 PFC Bonds. As long as DTC or its nominee is the Registered Owner of 2012 PFC Bonds, references herein to Bondholders or Registered Owners of such 2012 PFC Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of such 2012 PFC Bonds.

REDEMPTION PROVISIONS

Optional Redemption

2012A PFC Bonds. The 2012A PFC Bonds maturing on or after January 1, 2023 are subject to redemption at the option of the City on or after January 1, 2022, as a whole or in part at any time, and if in part, from such maturities as the City shall determine and, with respect to 2012A PFC Bonds of the same maturity and interest rate, by lot, at a redemption price equal to the principal amount of each 2012A PFC Bond to be redeemed, plus accrued interest to the date of redemption.

2012B PFC Bonds. The 2012B PFC Bonds maturing on or after January 1, 2023 are subject to redemption at the option of the City on or after January 1, 2022, as a whole or in part at any time, and if in part, from such maturities as the City shall determine and within a maturity, by lot, at a redemption price equal to the principal amount of each 2012B PFC Bond to be redeemed, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

2012B PFC Bonds. The 2012B PFC Bonds maturing on January 1, 2029 are subject to mandatory redemption, in part by lot as provided in the Eighth Supplemental Indenture from a mandatory sinking fund payment, on January 1, 2028 in the principal amount of $22,025,000, at a Redemption Price equal to the principal amount thereof to be redeemed.

Redemption Procedures. Notice of the redemption of 2012 PFC Bonds which are subject to redemption or any portion thereof pursuant to the Eighth Supplemental Indenture identifying the 2012 PFC 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 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 2012 PFC Bond to be redeemed in whole or in part at the address of such Registered Owner shown on the registration books. Failure to mail any such notice to the Registered Owner of any 2012 PFC Bond which is subject to redemption or any defect therein shall not affect the validity of the proceedings for the redemption of such 2012 PFC Bonds for which notice has been validly given.

For the redemption of any of the 2012 PFC Bonds which are subject to redemption, the City shall establish a redemption account for the benefit of the owners of such 2012 PFC Bonds to be redeemed and shall cause to be deposited in such account moneys sufficient to pay when due the principal of and premium, if any, and interest on the redemption date.

If a 2012 PFC Bond which is subject to redemption is of a denomination larger than $5,000, all or a portion of such 2012 PFC Bond (in a denomination of $5,000 or any integral multiple thereof) may be redeemed, but such 2012 PFC Bond shall be redeemed only in a principal amount equal to $5,000 or any integral multiple thereof. Upon surrender of any 2012 PFC Bond for redemption in part only, the City shall execute and the Bond Registrar shall authenticate and deliver to the Registered Owner thereof, at the expense of the City, a new 2012 PFC Bond or 2012 PFC Bonds of $5,000 (or integral multiples thereof) in aggregate principal amount equal to the unredeemed portion of the 2012 PFC Bond surrendered.

If less than all of the 2012 PFC Bonds of the same Series, maturity and interest rate are called for redemption, the 2012 PFC Bonds (or portions thereof) to be redeemed shall be selected by lot by the Trustee.

For information on the book-entry system operated by DTC, see APPENDIX F—"DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM."

SECURITY FOR THE 2012 PFC BONDS

GENERAL

The 2012 PFC Bonds are not general obligations of the City but are limited obligations payable, together with other PFC Obligations, solely from the PFC Revenues described below (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the 2012 PFC Bonds or the income from the temporary investment thereof) and have a valid claim only against the 2012 PFC Dedicated Sub-Fund (as defined under "—Flow of Funds—

Application of PFC Revenues under the Eighth Supplemental Indenture," below) including the 2012 PFC Debt Service Reserve Account (as defined under "—Debt Service Reserve Account," below) created under the Eighth Supplemental Indenture securing the 2012 PFC Bonds, and other moneys held by the Trustee or otherwise pledged therefor. The 2012 PFC Bonds are not payable from the general airport revenues at O'Hare.

The 2012 PFC Bonds do not constitute an indebtedness of the City or a loan of credit thereof 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 City or any other political subdivision of the State of Illinois is pledged to the payment of the principal of or the interest on the 2012 PFC Bonds or other costs incident thereto. The 2012 PFC Bonds are not payable in any manner from revenues raised by taxation. The 2012 PFC Bonds are not secured by any properties or improvements at O'Hare or any other revenues (other than PFC Revenues) derived by the City from the operation of O'Hare generally.

The 2012 PFC Bonds, the Outstanding PFC Bonds, and any additional PFC Obligations that may be issued in the future pursuant to the PFC Master Indenture will be on a parity and rank equally, without preference, priority or distinction as to their pledge of and lien on the PFC Revenues.

For purposes of this Official Statement, the term *"PFC Obligations"* refers to all bonds, notes or evidences of indebtedness payable from PFC Revenues and issued by the City pursuant to Article II of the PFC Master Indenture, including, in each such case, any obligation of the City under a Qualified Swap Agreement and any obligation incurred by the City to reimburse the issuers of any letters of credit securing one or more Series of PFC Obligations; the term *"Subordinated PFC Obligations"* refers to all bonds, notes or evidences of indebtedness so designated and issued by the City payable out of or secured by the pledge of amounts withdrawn from the PFC Revenue Fund (as hereinafter defined), the PFC Bond Fund (as hereinafter defined) or the PFC Capital Fund (as hereinafter defined) which pledge is junior and subordinate to the pledge for the PFC Obligations; and the term *"Airport PFC Obligations"* refers to and includes all bonds, notes or other evidences of indebtedness of the City secured by a pledge of PFC Revenues, including PFC Obligations and Subordinated PFC Obligations.

Pursuant to the provisions of the PFC Master Indenture, the City is required to deposit the PFC Revenues upon receipt to the credit of the PFC Revenue Fund (the "*PFC Revenue Fund*"), which is held and administered by the City, except as described under the sub-heading "—Flow of Funds." Pursuant to the PFC Master Indenture, amounts on deposit in the PFC Revenue Fund are required to be applied first to the Trustee for deposit into the PFC Bond Fund (the "*PFC Bond Fund*") to make all of the sub-fund deposits and other required deposits in relation to PFC Obligations, next to make any payments required for the calendar month with respect to Subordinated PFC Obligations, and thereafter all moneys and securities remaining in the PFC Revenue Fund are to be transferred by the City (or the Trustee if it then holds the PFC Revenue Fund) to the PFC Capital Fund (the "*PFC Capital Fund*") as described under the subcaption "—Flow of Funds—*Application of PFC Revenues under the PFC Master Indenture*."

PFC REVENUES

PFC Revenues consist of all revenue received by the City from the PFCs imposed by the City at O'Hare pursuant to the PFC Act, the PFC Regulations, the PFC Approvals and an ordinance adopted by the City Council on January 12, 1993, including any interest earned thereon after such revenue has been remitted to the City as provided in the PFC Regulations.

For a description of the PFC program at O'Hare, the City's PFC collection authority and the City's use of PFCs at O'Hare, see "PFC PROGRAM AT O'HARE" and "USE OF PFC REVENUES" herein.

FLOW OF FUNDS

The PFC Master Indenture establishes the PFC Revenue Fund, the PFC Bond Fund and the PFC Capital Fund. Under the PFC Master Indenture, PFC Revenues are required to be promptly deposited into the PFC Revenue Fund. The PFC Revenue Fund is held and administered by the City, subject to the provisions of the PFC Indenture providing that the City is required to transfer all moneys and securities in the PFC Revenue Fund to the Trustee (i) upon an Event of Default under the PFC Indenture or (ii) to the extent and for the period of time required by the PFC Act, the PFC Regulations or the PFC Approvals.

Application of PFC Revenues under the PFC Master Indenture. Under the PFC Master Indenture, the City has covenanted and agreed to pay from the PFC Revenue Fund, not later than the 20th day of each calendar month, the following amounts in the following order of priority:

> *First*: to the Trustee for deposit into the PFC Bond Fund the sum required to make all of the sub-fund deposits and other required deposits to be disbursed from the PFC Bond Fund pursuant to a Supplemental Indenture creating a Series of PFC Obligations;
>
> *Second*: to make any payments required for the calendar month with respect to Subordinated PFC Obligations; and
>
> *Third*: all moneys and securities remaining in the PFC Revenue Fund will be transferred by the City (or the Trustee if it then holds such fund pursuant to the PFC Master Indenture) to the PFC Capital Fund.

PFC Capital Fund. The PFC Capital Fund is held and administered by the City, subject to the PFC Master Indenture providing that the PFC Capital Fund be held and administered by the Trustee (a) upon an Event of Default under the PFC Master Indenture or (b) to the extent and for the period of time required by the PFC Act, the PFC Regulations or the PFC Approvals. The City has covenanted that amounts in the PFC Capital Fund will be used whenever necessary to make the payments described in the first subparagraph under "—*Application of PFC Revenues under the PFC Master Indenture*" above, when amounts on deposit in the PFC Revenue Fund are insufficient to make such payments, and may be used for any lawful purposes as the City may from time to time determine and as shall be authorized by the FAA and permitted by the PFC

Act, the PFC Regulations and the PFC Approvals. See "—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals," below, for a description of certain limitations imposed on the expenditure of funds held in the PFC Capital Fund.

Payment of Debt Service on the 2012 PFC Bonds. The PFC Master Indenture provides that the Trustee will hold a separate and segregated fund which is designated the "Chicago O'Hare International Airport Passenger Facility Charge Bond Fund" (previously defined above as the "*PFC Bond Fund*"). On any date required by the provisions of a Supplemental Indenture creating a Series of PFC Obligations, or by an instrument creating Section 208 Obligations or Section 209 Obligations, the Trustee will segregate within the PFC Bond Fund and credit to such sub-funds, accounts and sub-accounts therein as may have been created for the benefit of such Series of PFC Obligations and such Section 208 Obligations or Section 209 Obligations such amounts on deposit in the PFC Bond Fund, as may be required to be so credited under the provisions of such Supplemental Indenture or instrument creating Section 208 Obligations or Section 209 Obligations to pay the principal of and interest on such PFC Obligations and the amounts required to be withdrawn and deposited by the provisions of such Supplemental Indenture or such instrument. Not later than the 20th day of each calendar month, the City covenants to pay to the Trustee for deposit into the PFC Bond Fund the aggregate amounts so required for disbursement.

Any moneys in the PFC Bond Fund in excess of the amounts required to be disbursed as described in the immediately preceding paragraph may be withdrawn by the City, free from the lien of the PFC Master Indenture, and used by the City for the payment of Subordinated PFC Obligations and for other lawful purposes pursuant to written direction of the City. Any such withdrawal by the City must be permitted by the PFC Act, the PFC Regulations and the PFC Approvals and be consistent with the provisions of the PFC Master Indenture as described herein under "—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals" below.

Application of PFC Revenues under the Eighth Supplemental Indenture. Pursuant to the Eighth Supplemental Indenture, the City will create and establish with the Trustee a separate and segregated sub-fund within the PFC Bond Fund to secure the 2012 PFC Bonds (the "*2012 PFC Dedicated Sub-Fund*") issued thereunder. Moneys on deposit in the 2012 PFC Dedicated Sub-Fund, and in each account and sub-account established therein, will be held by the Trustee for the sole and exclusive benefit of the Registered Owners of the 2012 PFC Bonds secured thereby, and are not to be used or available for the payment of any other Airport PFC Obligations.

Under the Eighth Supplemental Indenture authorizing the issuance of 2012 PFC Bonds, the Trustee is required, on the 25th day of each month, commencing September 25, 2012 (each such date referred to as the "*Deposit Date*") to deposit into the 2012 PFC Dedicated Sub-Fund from amounts on deposit in the PFC Bond Fund the following amounts in the following order of priority:

> *First:* for deposit into the 2012 PFC Interest Account, an amount equal to the lesser of (A) (i) prior to January 25, 2013, one-quarter of the interest due on the 2012 PFC Bonds on January 1, 2013, and (ii) on and after January 25, 2013, one-sixth of

the interest due on the 2012 PFC Bonds on the next Interest Payment Date; or (B) the amount required so that the sum held in the 2012 PFC Interest Account will equal the interest due on the 2012 PFC Bonds on the next Interest Payment Date;

Second: for deposit into the 2012 PFC Principal Account, an amount equal to the lesser of (A) (i) prior to January 25, 2013, one-quarter of the Principal Installments due on the 2012 PFC Bonds on January 1, 2013 and (ii) on and after January 25, 2013, one-twelfth of the Principal Installments due on the 2012 PFC Bonds on the first day of January next ensuing, or (B) the amount required so that the sum then held in the 2012 PFC Principal Account will equal the Principal Installments due on the 2012 PFC Bonds on the first day of January next ensuing;

Third: commencing on the first Deposit Date following any draw of moneys under any Qualified Reserve Account Credit Instrument, to the Credit Provider of such Qualified Reserve Account Credit Instrument as reimbursement for such draw, any amount specified by the City in a Certificate filed with the Trustee prior to such first Deposit Date, which Certificate will specify the monthly deposit amounts to be made as described pursuant to this clause in order to fully restore the coverage of the Qualified Reserve Account Credit Instrument within one year of the date of initial draw thereunder;

Fourth: for deposit into the 2012 PFC Debt Service Reserve Account (as defined under "—Debt Service Reserve Account" below), the amount, if any, required as of the close of business on such Deposit Date to restore the 2012 PFC Debt Service Reserve Account to an amount equal to the Reserve Requirement;

Fifth: for deposit into the 2012 PFC Rebate Account, any amount so specified by the City in a Certificate filed with the Trustee; and

Sixth: for deposit into the 2012 PFC Administrative Expense Account, the amount estimated by the City in writing to be required as of the close of business on such Deposit Date to pay all Administrative Expenses, with respect to the 2012 PFC Bonds during the 60-day period commencing on such Deposit Date.

The amounts established in the 2012 PFC Dedicated Sub-Fund and the deposit requirements for each such sub-fund, are more fully described in APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PFC INDENTURE—Payment of Debt Service on the 2012 PFC Bonds."

DEBT SERVICE RESERVE ACCOUNT

General. The 2012 PFC Bonds are secured by a debt service reserve account (the "*2012 PFC Debt Service Reserve Account*") established under the Eighth Supplemental Indenture authorizing their issuance.

The City is required to maintain the 2012 PFC Debt Service Reserve Account in an amount equal to the Reserve Requirement for the 2012 PFC Bonds, which requirement may be satisfied with (i) one or more Qualified Reserve Account Credit Instruments, (ii) Qualified Investments, (iii) cash, or (iv) a combination thereof. Any Qualified Reserve Account Credit Instrument shall be issued in the name of the Trustee and shall contain no restrictions on the ability of the Trustee to receive payment thereunder, other than a certification of the Trustee that the funds drawn thereunder are to be used for purposes for which moneys in the 2012 PFC Debt Service Reserve Account may be used under the Eighth Supplemental Indenture.

The *"Reserve Requirement"* means, with respect to the 2012 PFC Bonds, an amount equal to the lesser of: (i) $38,516,568.76 or (ii) the maximum amount of Annual Debt Service payable on the 2012 PFC Bonds for the current or any future Bond Year.

If at any time, the 2012 PFC Debt Service Reserve Account 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 the 2012 PFC Debt Service Reserve Account moneys may be applied under the Eighth Supplemental Indenture prior to any draw being made on the Qualified Reserve Account Credit Instruments. If the 2012 PFC Debt Service Reserve Account holds Qualified Reserve Account Credit Instruments issued by more than one issuer, draws shall be made under such credit instruments on a pro-rata basis to the extent of available funds.

Deficiencies in the 2012 PFC Debt Service Reserve Account are required to be satisfied from PFC Revenues. Amounts deposited into the 2012 PFC Dedicated Sub-Fund for the purpose of restoring amounts withdrawn from the 2012 PFC Debt Service Reserve Account shall be applied first to reimburse the Qualified Credit Provider and thereby reinstate the Qualified Reserve Account Credit Instrument and next to make deposits into the 2012 PFC Debt Service Reserve Account.

If on the Business Day prior to any Interest Payment Date for the 2012 PFC Bonds there shall not be a sufficient amount in the 2012 PFC Interest Account available to provide for the payment of the interest on the 2012 PFC Bonds due on such Interest Payment Date, the Trustee shall withdraw from the 2012 PFC Debt Service Reserve Account and pay into the 2012 PFC Interest Account the amount needed to cure such deficiency.

If on the Business Day prior to any January 1 Payment Date for the 2012 PFC Bonds there shall not be a sufficient amount in the 2012 PFC Principal Account to provide for the payment of the Principal Installments on the 2012 PFC Bonds due on such January 1 Payment Date, the Trustee, after making any withdrawal as described in the immediately preceding paragraph, shall withdraw from the 2012 PFC Debt Service Reserve Account and pay into the 2012 PFC Principal Account the amount needed to cure such deficiency.

If on any date all withdrawals or payments from the 2012 PFC Debt Service Reserve Account required by any other provision of the PFC Master Indenture or the Eighth Supplemental Indenture shall have been made, the Trustee, at the direction of the City expressed in a Certificate of an Authorized Officer filed with the Trustee, shall withdraw from the 2012 PFC Debt Service Reserve Account the amount of any excess therein over the Reserve Requirement and either (a) deposit such moneys into any one or more of the Funds and Accounts maintained under the PFC Master Indenture or the Eighth Supplemental Indenture or (b) pay such moneys to the City for deposit in the PFC Capital Fund.

At the direction of the City expressed in a Certificate of an Authorized Officer filed with the Trustee, moneys in the 2012 PFC Debt Service Reserve Account may be withdrawn from the 2012 PFC Debt Service Reserve Account and deposited with the Trustee for the payment of the principal or Redemption Price of or the interest on 2012 PFC Bonds in accordance with the PFC Master Indenture, *provided* that immediately after such withdrawal the amount held in the 2012 PFC Debt Service Reserve Account equals or exceeds the Reserve Requirement.

COVENANT AGAINST OTHER PLEDGES OF TRUST ESTATE

The City covenants in the PFC Master Indenture that it will not issue any bonds, notes or other evidences of indebtedness secured by the pledge of the Trust Estate contained in the PFC Master Indenture, other than PFC Obligations, and that it will not create or cause to be created any lien or charge on PFC Revenues, or on any amounts pledged for the benefit of owners of PFC Obligations under the PFC Master Indenture, other than the pledge of PFC Revenues contained in the PFC Master Indenture; *provided, however,* that nothing in the PFC Master Indenture will prevent the City from (a) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, PFC Revenues to be derived after the date on which the pledge to secure the PFC Obligations under the PFC Master Indenture is discharged and satisfied, or (b) from issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by, the pledge of amounts which may be withdrawn from (i) the PFC Revenue Fund pursuant to the PFC Master Indenture as described in the second clause under "—Flow of Funds—*Application of PFC Revenues under the PFC Master Indenture*" above, (ii) the PFC Bond Fund pursuant to the PFC Master Indenture as described in the second paragraph under "—Flow of Funds—*Payment of Debt Service on the 2012 PFC Bonds*" above, or (iii) the PFC Capital Fund, so long as such pledge is expressly junior and subordinate to the pledge of the PFC Revenues in the PFC Master Indenture.

ISSUANCE OF PFC OBLIGATIONS

The PFC Master Indenture provides that, in order to provide sufficient funds for the financing or refinancing of Projects (as defined in the PFC Indenture to include Approved Projects (as hereinafter defined under "PFC PROGRAM AT O'HARE")), PFC Obligations are authorized to be issued on a parity as to the lien on the PFC Revenues with PFC Obligations outstanding from time to time, without limitation as to amount except as may be limited by law and, subject to the satisfaction by the City of certain conditions regarding the issuance of additional PFC Obligations, for the purpose of (a) the payment, or the reimbursement for the payment of, the Costs of Projects, (b) the refunding of any PFC Obligations or other obligations issued to finance or refinance Costs of Projects, including, without limitation, any revenue bonds or commercial paper notes issued by the City to finance or refinance the Costs of Projects or (c) the funding of any Fund or Account as specified in the PFC Master Indenture or Supplemental Indenture, for the purposes set forth therein. Any PFC Obligations issued pursuant to the authorization described in this paragraph for the purpose of the refunding of PFC

Obligations are referred to herein as "*Refunding Obligations*" and any PFC Obligations issued for any other authorized purpose are referred to herein as "*Project Obligations*."

Project Obligations. Prior to issuing any Project Obligations, there must be delivered to the Trustee, among other things, either (i) a Certificate signed by an Authorized Officer, stating that PFC Revenues (adjusted as herein described) received either (A) during the last completed fiscal year of the City or (B) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series of PFC Obligations, were at least equal to 130 percent of Maximum Annual Debt Service as of the time immediately following the issuance of such Series of PFC Obligations; or (ii) a report of an Independent Airport Consultant estimating PFC Revenues for a forecast period of not less than three consecutive calendar years commencing with the calendar year next following the date of issuance of such Series of PFC Obligations and projecting that the estimated PFC Revenues for each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service as of the time immediately following the issuance of such Series of PFC Obligations, or (iii) in the case of a Series of PFC Obligations issued to finance a Project that in the opinion of an Independent Airport Consultant is expected to result in a material increase in the capacity of O'Hare, a report of an Independent Airport Consultant estimating PFC Revenues for a forecast period of not less than three consecutive calendar years commencing with the calendar year next following the earlier of (A) the fifth anniversary of the date of issuance of such Series of PFC Obligations or (B) the date the Independent Airport Consultant estimates that the capacity enhancing Project financed by such Series will be completed, or if there is more than one such Project, the Project scheduled to be the last completed, and projecting that the estimated PFC Revenues for each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service as of the time immediately following the issuance of such Series of PFC Obligations. In any computation of any test described in clause (i) of this paragraph as to whether or not a Series of PFC Obligations may be issued, the amount of the PFC Revenues for the computation period shall be decreased by the amount of any loss, and may be increased by the amount of any gain, conservatively estimated by an Authorized Officer, which loss or gain results from any change in the rate of the levy of passenger facility charges constituting a part of the PFC Revenues, which change took effect during the computation period or thereafter prior to the issuance of such Series (or will take effect after the issuance of such Series to the extent legislation has been enacted to permit an increase in passenger facility charges and the City has taken all action required to impose such charges at O'Hare pursuant to such legislation), as if such modified rate shall have been in effect during the entire computation period.

In any computation of any test described in clause (ii) or clause (iii) of the prior paragraph as to whether or not a Series of PFC Obligations may be issued, the Independent Airport Consultant shall assume that (a) the rate of the levy of passenger facility charges constituting a part of PFC Revenues in effect on the date of issuance of such Series will be in effect for the entire forecast period, *provided* that the Independent Airport Consultant may assume a higher rate to the extent legislation has been enacted to permit an increase in passenger facility charges and the City has taken all action required to impose such increased charges at O'Hare pursuant to such legislation and (b) the percentage of enplaned passengers subject to passenger facility charges during the forecast period will not exceed the average percentage during the three calendar years immediately preceding the year the report of the Independent

Airport Consultant is issued. In any computation of any test under clause (iii) of the prior paragraph as to whether or not a Series of PFC Obligations may be issued, the Independent Airport Consultant, in projecting future enplanements at O'Hare following the completion of the capacity enhancing Project, may assume that enplanements will increase at the average rate of growth experienced in the prior three consecutive calendar years, plus an additional increase of not more than four percent in any one calendar year, and not more than ten percent in the three consecutive calendar years next following the date of completion of the Project.

Refunding Obligations. Prior to issuing Refunding Obligations there must be delivered to the Trustee, among other things, a Certificate of an Authorized Officer providing the information described under "—*Project Obligations*" above or a Certificate of an Authorized Officer stating that, after giving effect to the issuance of such Series of Refunding Obligations, the Pro Forma Annual Debt Service in each Bond Year will not exceed the Pro Forma Annual Debt Service before the issuance of such Series of Refunding Obligations.

For a description of additional requirements regarding the use of PFC Revenues under the PFC Master Indenture, see "—Plan of Finance Compliance Certificate" below.

As described in APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PFC INDENTURE—Supplemental Indentures," the PFC Master Indenture may be amended without the consent of the Owners of the 2012 PFC Bonds or the Trustee to permit PFCs imposed by the City at one or more of the Airports other than O'Hare (the "*Other Airport PFC Revenues*") to be included in the pledge of PFC Revenues pursuant to the PFC Master Indenture and included in the same manner as PFC Revenues for purposes of determining compliance with the conditions to the issuance of Project Obligations or Refunding Obligations described above.

SUBORDINATED PLEDGE OF PFC REVENUES

The PFC Master Indenture provides that Subordinated PFC Obligations are authorized to be issued on a junior and subordinate basis as to the lien on the PFC Revenues with PFC Obligations. Subordinated PFC Obligations consist of bonds, notes or other evidences of indebtedness payable out of, or secured by, the pledge of amounts which may be withdrawn from the PFC Revenue Fund, the PFC Bond Fund or the PFC Capital Fund. See "OUTSTANDING INDEBTEDNESS AT O'HARE."

The 2008A GARBs, the 2010F GARBs and the 2011A GARBs do not constitute Subordinated PFC Obligations. The 2008A GARBs and the 2010F GARBs are secured by and payable from (a) a pledge of a senior lien on the general airport revenues of O'Hare and (b) a pledge of annual payment amounts for Fiscal Years 2010 to 2018, both inclusive, to be derived from a subordinate pledge of PFC Revenues. The 2011A GARBs are secured by and payable from (a) a pledge of a senior lien on the general airport revenues of O'Hare and (b) a pledge of annual payment amounts through maturity to be derived from a subordinate pledge of PFC Revenues. Said pledges of PFC Revenues are (i) subordinate and junior in right of payment to the PFC Obligations and Subordinated PFC Obligations, (ii) subject to the payments by the City to fund the costs of certain capital projects at the Gary/Chicago International Airport from PFC Revenues pursuant to the Compact, (iii) subject to the City's right to issue additional GARBs that are also secured by PFC Revenues, including moneys to be withdrawn from the PFC Capital Fund, and (iv) subject to the City's right to issue Subordinated PFC Obligations that are secured by a pledge of and lien on the PFC Revenues and the moneys in the PFC Capital Fund that are superior to the pledge and lien of the 2008A GARBs, the 2010F GARBs and the 2011A GARBs, respectively.

PROPOSED AMENDMENT TO PFC MASTER INDENTURE

Amendment to PFC Master Indenture. The City has proposed an amendment (the "*2010 Amendment*") to the PFC Master Indenture that, upon a determination by the City to present such amendment to the Trustee and compliance with the requirements for amending the PFC Master Indenture, would remove from the PFC Master Indenture the restrictions described under Caption 17 in APPENDIX B relating to the sale or transfer of O'Hare. The 2010 Amendment will not take effect unless and until (among other things) the 2010 Amendment is consented to by the Owners of a majority in principal amount of the then Outstanding PFC Obligations. The 2010 Amendment has previously been consented to by the holders of the 2010 PFC Bonds and the 2011 PFC Bonds. **Pursuant to the Eighth Supplemental Indenture, the Owners of the 2012 PFC Bonds shall be deemed to have consented to the 2010 Amendment by purchasing such 2012 PFC Bonds**. Such consent of any Owner may be revoked by such Owner in writing as provided in the PFC Master Indenture. After giving effect to the issuance of the 2012 PFC Bonds, owners of approximately 87% in principal amount of the Outstanding PFC Obligations will have consented to the 2010 Amendment. Having obtained the consent of Owners of more than 50% in principal amount of the then Outstanding PFC Obligations, the City will then decide whether to implement the 2010 Amendment and, if the City elects to implement it, the City would need to present the 2010 Amendment to the Trustee for execution.

COMPLIANCE WITH NOISE ACT, PFC ACT, PFC REGULATIONS AND PFC APPROVALS

The City covenants in the PFC Master Indenture that (i) it will comply with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals, and that it will not take any action or omit to take any action with respect to the PFC Revenues, the Projects or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination of the City's authority to impose PFCs or prevent the use of the PFC Revenues as contemplated by the PFC Master Indenture; (ii) it will not impose any noise or access restriction at O'Hare not in compliance with the Noise Act (as defined in "PFC PROGRAM AT O'HARE—Termination of Authority to Impose PFCs"), if the imposition of such restriction may result in the termination or suspension of the City's authority to impose or use PFCs at O'Hare prior to the charge expiration date or the date total approved passenger facility charge revenue has been collected; and (iii) all moneys in the PFC Revenue Fund and the PFC Capital Fund will be used in compliance with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals.

PLAN OF FINANCE COMPLIANCE CERTIFICATE

The City covenants in the PFC Master Indenture that it will use PFC Revenues to ensure that a Plan of Finance Compliance Certificate can be delivered annually. In order to deliver such Certificate, the City must be able to certify that PFC Revenues for which the City has impose and use authority in the PFC Capital Fund, when added to (i) the available moneys held pursuant to the PFC Master Indenture in the PFC Bond Fund and (ii) projected PFC Revenues based upon any period of 12 consecutive months out of the preceding 18 months at O'Hare, after giving effect to other projected uses of PFC Revenues through the date on which all Outstanding PFC Obligations (including any proposed Series of PFC Obligations being issued at the time of delivery of such Certificate) are expected to be paid in full, are equal to or greater than 105 percent of all Aggregate Debt Service (including any proposed Series of PFC Obligations being issued at the time of delivery of such Certificate) through the date of such payment. To date, the City has been in compliance with the covenants described within this paragraph.

See "PFC PROGRAM AT O'HARE—Termination of Authority to Impose PFCs" and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING."

REMEDIES

There is no provision for the acceleration of the maturity of the 2012 PFC Bonds if any default occurs in the payment of the principal of or interest on the 2012 PFC Bonds, if the City's authority to impose PFCs is reduced or terminated, if any default occurs in the performance of any other obligation of the City under the PFC Master Indenture, or if interest on the 2012 PFC Bonds becomes includible in the gross income of the owners for federal income tax purposes. See APPENDIX B—"SUMMARY OF CERTAIN PROVISIONS OF THE PFC INDENTURE—Remedies."

PFC PROGRAM AT O'HARE

GENERAL

The U.S. Congress enacted the PFC Act in 1990, authorizing a public agency, such as the City, which controls a commercial service airport to charge each paying passenger enplaning at such 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.

An eligible public agency must apply to and obtain the FAA's approval before imposing and using PFCs. FAA approval may be for "*impose only*" authority, "*impose and use*" authority, or "*use*" authority. Projects for which "*impose and use*" authority is granted must be implemented within two years after approval of the use of the PFCs. Implementation means that a notice to proceed has been issued by the eligible public agency to a contractor, in the case of a construction project; that a title search, survey or appraisal has commenced for a significant part of the property in the case of property acquisition; or that a contractor or public agency has started work in the case of any other non-construction project. Impose-only authority permits the eligible public agency to charge PFCs for approved projects but requires another application for authority to use such PFC revenues. Projects for which impose-only authority is granted must be implemented within five years after the effective date of such authority, and a use application (or, if the implementation schedule is delayed, a request for extension) must be submitted within three years after the effective date of the implementation. As described under "—The City's PFC Approvals" below, the FAA has granted the City "impose and use" authority for certain PFC-approved projects.

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. On September 1, 1993, pursuant to a PFC Approval (as hereinafter defined), the City began to impose PFCs at O'Hare at the rate of $3.00 per eligible enplaned passenger. On April 1, 2001, pursuant to authorization contained in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century ("*AIR 21*") and amended PFC Approvals received from the FAA, the City began imposing PFCs at O'Hare at the rate of $4.50 per eligible enplaned passenger. Eligible public agencies, such as the City, currently can collect a maximum of $4.50 from each eligible enplaning passenger.

Funds apportioned under the AIP to airports imposing a PFC and enplaning 0.25 percent or more of the total annual enplanements in the United States 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 percent of the projected revenues from the PFC in such fiscal year and (ii) for airports (such as O'Hare) imposing a PFC of more than $3.00, by 75 percent of the projected revenues from the PFC in such fiscal year. Such reduction will not exceed more than 50 percent or 75 percent, 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 percent of passenger boardings (such as O'Hare), 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 PFC Regulations require a public agency to initiate implementation of an approved project within two years of approval of use of the PFC. The aggregate amount of approved PFCs may be decreased or increased in an amount up to 15 percent of the approved amount of PFC revenue without approval of the FAA. The public agency must notify the Collecting Carriers and the FAA in writing of these changes. Increases in PFC revenue in excess of 15 percent require FAA concurrence. Any new charge will be effective on the first day of a month which is at least 60 days from the time the Collecting Carriers are notified.

COLLECTION OF THE PFCS

A PFC may be collected from a passenger for no more than two boardings (i) on a one-way trip or (ii) in each direction of a roundtrip. The public agency may request exemption from the requirement to collect PFCs for a class of air carriers if the number of passengers enplaned by the carriers in the class constitutes no more than one percent of the total enplaned passengers annually at the airport at which the PFC is imposed. The City has requested and received an exemption from the collection of PFCs for air taxi operators at O'Hare. Air taxi operators have historically accounted for less than one percent of all PFC eligible enplanements at O'Hare.

Certain passengers are not subject to collection of a PFC by Collecting Carriers. Among other limitations, PFCs may not be collected from a passenger enplaning at an airport if the passenger did not pay for the ticket (including tickets obtained with frequent flyer coupons).

The PFCs are collected by the Collecting Carriers on behalf of the City from each eligible enplaning passenger at O'Hare. The Collecting Carriers are authorized to withhold, as a collection fee, (i) effective as of May 2004, 11 cents per eligible enplaning passenger from whom a PFC is collected, and (ii) any investment income earned on the amount collected prior to the due date of the remittance.

The PFC Regulations require the Collecting Carriers to remit PFC collections (net of collection fees and not including any investment earnings) to the City no later than the last day of the calendar month following the month in which the PFC collections are recorded in the Collecting Carrier's accounting system.

A public agency's authority to collect PFCs expires when the charge expiration date as designated by the FAA is reached or when collections plus interest earned thereon equal the amount approved, whichever is earlier.

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 eligible passenger enplanements at O'Hare and no assurance can be given that the levels of eligible passenger enplanements set forth in the Airport Consultant's Letter will be realized, particularly in light of the current uncertainties in the airline industry. Furthermore, under the PFC Act, the FAA may terminate the City's authority to impose a PFC under the circumstances described below under "—Termination of Authority to Impose PFCs." See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—PFCS."

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 an airline 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. 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, bankruptcy courts had reached differing conclusions as to whether PFC revenues held by an airline in bankruptcy would be treated as a trust fund or would instead be subject to the general claims of the unsecured creditors of such airline.

To date at O'Hare, Collecting Carriers that have sought bankruptcy protection but have continued operations have paid all reported PFCs owed, and the amount of reported PFCs ultimately unpaid by Collecting Carriers in bankruptcy that have ceased operations has not been material to overall PFC collections at O'Hare. However, although under Vision 100 it is expected that PFCs held by a carrier would be treated as trust funds which are not property of the bankruptcy estate, 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 O'Hare 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. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AVIATION INDUSTRY, THE AIRLINES, AND O'HARE—Effect of Airline Bankruptcy."

THE CITY'S PFC APPROVALS

Since 1993, the FAA has approved several PFC applications and amendments submitted by the City authorizing the City to use PFCs to pay (i) allowable costs of projects approved by the FAA for PFC funding ("*Approved Projects*"), including those Approved Projects financed or refinanced by the issuance of the 2001 PFC Bonds, the 2008 PFC Bonds, the 2010 PFC Bonds, and the 2011 PFC Bonds, together with debt service on the 2001 PFC Bonds, the 2008 PFC Bonds, the 2010 PFC Bonds, and the 2011 PFC Bonds, and (ii) allowable costs of certain Approved Projects on a "pay as you go" basis.

As of July 2012, the City had authority to impose and use at O'Hare up to an aggregate total of $6,535,699,985 in PFCs. Based upon the City's current PFC authority, the FAA estimates the PFC collection expiration date to be January 1, 2039. See Table 9 in APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" for a description of PFC Revenues expected to be received by the City through 2020. Although the City expects that it will obtain new PFC Approvals before its current authority expires, no assurance can be given that the City will be able to do so. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—PFCs."

Use of PFCs at Gary/Chicago International Airport. In addition to the FAA Approvals described above, the FAA, since April 1998, has approved the use of PFCs collected at O'Hare in the amount of $17.9 million (collectively, the "*Gary PFC Approvals*") to fund capital projects at the Gary/Chicago International Airport (the "*Gary Projects*") that are compatible with its function as a reliever airport for the Chicago airports. The City expects to make additional applications to the FAA for approval to use additional amounts of PFC Revenues from O'Hare to fund the Gary Projects. The Compact provides that the City shall have the exclusive power to direct the planning, design, construction, financing and implementation of each Gary Project. The Compact limits the amount of the City's PFCs to be used for Gary Projects in any year to not more than one and one half percent of the aggregate PFCs collected by the City at O'Hare, Midway and Meigs Field.* The Compact also provides that (i) the City shall have all necessary powers to satisfy assurances made to the FAA in connection with any such PFC applications and (ii) the City and the Gary/Chicago Authority shall enter into all agreements and assurances and take all actions that may be necessary to obtain and maintain FAA approval for the PFC Revenues for the Gary Projects. See "—Termination of Authority to Impose PFCs" below. The payments made by the City to fund the Gary Projects are subordinate to the debt service payments made by the City on PFC Obligations, including the 2012 PFC Bonds. None of the proceeds of the 2012 PFC Bonds will be used to pay costs incurred at the Gary/Chicago International Airport, including the Gary Projects.

Termination of Authority to Impose PFCs

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 (the "*Noise Act*") relating to airport noise and access restrictions, (ii) PFC collections and investment income thereon are not being used for Approved Projects in accordance with the PFC Approvals or with the PFC Act and the PFC Regulations, (iii) implementation of the PFC Projects or any other Approved Projects does not commence within the time period specified in the PFC Act and the 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 and has no reason to believe that it is in violation of the PFC Act, the PFC Regulations or any PFC Approvals. See "SECURITY FOR THE 2012 PFC BONDS—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals."

Informal Resolution Process. The PFC Regulations require an informal resolution process for all public agencies, including the City, as a first step in addressing suspected violations of the PFC Act and the PFC Regulations.

Public agencies can also request from the FAA specific informal resolution procedures to be followed by the FAA in resolving any apparent violation of the PFC Act or PFC Regulations. In previous PFC Approvals, the City and the FAA agreed to a specific informal resolution process. In the PFC Approvals received by the City in 2001 for O'Hare (collectively, the "*2001 PFC Approvals*"), the City requested and the FAA agreed to a specific informal resolution process if it suspects the City has committed a violation of the PFC Act, PFC Regulations or PFC Approvals. This informal resolution process is provided pursuant to the provisions of the PFC Act and the PFC Regulations concerning termination of authority to impose a PFC. The City has never invoked the informal resolution process.

---

* Meigs Field was closed in 2003.

Formal Termination Process. Pursuant to the PFC Regulations, the formal termination proceedings are authorized only if the FAA determines that efforts to achieve an informal resolution with the public agency, including the City, are not successful. Thereafter, the formal termination process is initiated upon the filing with the City and the publication in the Federal Register of a notice by the FAA (the "*Initial Notice*"), followed by a 60-day period during which time the City may submit further comments and take corrective action as prescribed in the Initial Notice. If corrective action satisfactory to the FAA is not taken, the FAA will hold a public hearing at least 30 days after notifying the City and publishing a notice of the hearing in the Federal Register. The FAA will conduct a hearing and the City will be allowed 10 days after the publication in the Federal Register of the FAA's decision to terminate or reduce the City's PFC authority (the "*Notice of Intention to Terminate*") to advise the FAA in writing that it will complete any corrective action prescribed in the Notice of Intention to Terminate within 30 days, or provide the FAA with a list of Collecting Carriers, and the FAA will notify the carriers to terminate or modify the PFC accordingly. The formal termination process described herein takes at least 100 days.

Although under the PFC Regulations the FAA need not include corrective action in the Notice of Intention to Terminate, the FAA agreed in the 2001 PFC Approvals to include corrective actions which may be undertaken by the City in any Notice of Intention to Terminate. If, after receipt of a Notice of Intention to Terminate, the City completes the corrective actions prescribed therein, or otherwise cures the alleged violation to the satisfaction of the FAA, the FAA will rescind the termination or reduction of the City's authority to impose PFCs. If the City fails to take such corrective action within the 30-day period provided in the Notice of Intention to Terminate, the FAA will provide a notice to the Collecting Carriers and the City (the "*Final PFC Termination Notice*") that the City's PFC authority has been terminated and the Collecting Carriers are responsible for terminating or modifying PFC collections as described in the Final Termination Notice no later than 30 days after receipt of such notice.

The City has covenanted in the PFC Master Indenture that it will comply with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals, and that it will not take any action or omit to take any action with respect to the PFC Revenues, the Projects or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination of the City's authority to impose PFCs or prevent the use of the PFC Revenues as contemplated by the PFC Master Indenture. See "SECURITY FOR THE 2012 PFC BONDS—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals."

Noise Act Violation. If the City violates the provisions of the Noise Act, there are procedural safeguards to ensure that the City's authority to impose PFCs at O'Hare would not be summarily terminated. Most significantly, the City under any circumstance can prevent termination of its PFC authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the City's authority to impose PFCs at O'Hare, has been determined. The City has covenanted in the PFC Master Indenture not to impose any noise or access restriction at O'Hare not in compliance with the Noise Act if the imposition of any such restriction may result in the termination or suspension of the City's authority to impose or use PFCs at O'Hare prior to the PFC expiration date or the date the total approved PFC revenue has been collected. See "SECURITY FOR THE 2012 PFC BONDS—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals."

Gary/Chicago International Airport Actions. Because the City has received authority from the FAA to use PFC Revenues at Gary/Chicago International Airport, violations by the Gary/Chicago Authority of the Noise Act, the PFC Act, the PFC Regulations or the Gary PFC Approval could lead to termination of the City's ability to impose any PFCs at O'Hare.

To satisfy the FAA that the City has sufficient control over the PFC Revenues used for the Gary Projects and to mitigate the risk of termination because of an action or violation by the Gary/Chicago Authority, the City has entered into an agreement with the Gary/Chicago Authority regarding the PFC Revenues to be used at Gary/Chicago International Airport (the "*Gary/Chicago PFC Agreement*"). The Gary/Chicago PFC Agreement sets forth specific actions the Gary/Chicago Authority will take and other actions that it will not take in order to reduce the risk of PFC termination, and a general obligation of the Gary/Chicago Authority to cooperate fully with the City to promptly cure any violation or potential violation or to take any action or avoid or cease taking any action as is necessary to avoid termination of the PFCs imposed by the City at O'Hare. The FAA is named as a third party beneficiary in the Gary/Chicago PFC Agreement for the purposes of enforcing compliance with federal requirements.

In the Gary/Chicago PFC Agreement, the Gary/Chicago Authority also covenants that it will not impose a noise or access restriction in violation of the Noise Act or its implementing regulations; that it will provide the City with copies of any noise or access restriction it is considering prior to taking any informal action to impose such restriction; that it will promptly apprise the City of the response of airport users and the FAA to any such restriction under consideration or proposed by the Gary/Chicago Authority; and, if requested by the City, it will provide the City with documentary evidence that the FAA has determined that the imposition of such noise or access restriction would not violate the Noise Act or its implementing regulations.

In the PFC Approval received by the City in June 1996 (the "*June 1996 PFC Approval*"), the FAA has agreed that it will not terminate the City's PFC authority for a violation by the Gary/Chicago Authority of the PFC Act, the PFC Regulations or the Gary PFC Approvals if the City (i) reimburses from non-PFC airport revenues the PFC Revenue Fund for the amount of PFC Revenues previously transferred to the Gary/Chicago Authority and (ii) commits to the FAA that it will not make any future transfers of PFC Revenues to the Gary/Chicago Authority without prior FAA approval.

In the event of a termination of PFCs by the FAA, the City's authority to impose PFCs for the payment of debt service on the 2012 PFC Bonds will terminate following completion of the formal termination proceedings, as described in "—*Formal Termination Process*," above. Following the FAA's termination of the City's authority to use PFCs to pay debt service on the 2012 PFC Bonds, PFC Revenues are not likely to be sufficient to pay current debt service on the 2012 PFC Bonds or provide sufficient amounts to permit the City to redeem or defease the 2012 PFC Bonds.

USE OF PFC REVENUES

PFC Revenues will be held by the City in the PFC Revenue Fund established under the PFC Master Indenture and will be applied first to the Trustee for deposit in the PFC Bond Fund, the sum required to make all of the sub-fund deposits established in connection therewith. See "SECURITY FOR THE 2012 PFC BONDS—Flow of Funds."

Any PFC Revenues not used to make required annual debt service payments on or fund the other sub-fund deposits required for the 2012 PFC Bonds, the Outstanding PFC Bonds, or any other PFC Obligations issued in the future will be (i) used to make any payments required with respect to Subordinated PFC Obligations, and (ii) thereafter, deposited in the PFC Capital Fund established under the PFC Master Indenture and held and administered by the City (or the Trustee if it then holds the PFC Revenue Fund). See "SECURITY FOR THE 2012 PFC BONDS—Flow of Funds." The PFC Master Indenture authorizes the use of the PFC Capital Fund for any lawful purposes determined by the City and permitted by the PFC Act, the PFC Regulations and the PFC Approvals, including (i) to pay the costs of any Approved Projects (including those costs paid on a "pay as you go basis") and (ii) to provide for the redemption of Outstanding PFC Obligations prior to their maturity. See "SECURITY FOR THE 2012 PFC BONDS—Compliance with Noise Act, PFC Act, PFC Regulations and PFC Approvals," for a description of certain limitations imposed on the expenditure of funds held in the PFC Capital Fund.

The FAA has authorized the use of PFC Revenues by the City for the following purposes:

- Certain Approved Projects at or related to O'Hare, including projects financed with PFC Revenues on a "pay as you go" basis and those financed with proceeds of PFC Obligations, including debt service payments on the Outstanding PFC Bonds and the 2012 PFC Bonds.

- Debt service payments on certain GARBs and CP Notes previously issued for Approved Projects.

- Certain Approved Projects at or related to Gary/Chicago International Airport.

In addition to the uses authorized by the existing PFC Approvals, the City may apply to the FAA for authorization to use PFC Revenues for any or all of the following purposes:

- Additional capital improvements at or related to O'Hare, including debt service payments on PFC Obligations, GARBs or CP Notes issued to finance such capital improvements.

- Additional capital improvements at or related to Gary/Chicago International Airport and Midway, including debt service payments on bonds issued to finance such capital improvements.

REFUNDING PLAN

ISSUANCE OF THE 2012 PFC BONDS

The City is issuing the 2012 PFC Bonds to: (i) refund the Refunded Bonds, (ii) satisfy the Reserve Requirement for the 2012 PFC Bonds; and (iii) pay costs of issuance of the 2012 PFC Bonds.

REFUNDING OF REFUNDED BONDS

A portion of the net proceeds of the 2012 PFC Bonds will be applied to the refunding of the Refunded Bonds listed in APPENDIX G–"DESCRIPTION OF REFUNDED BONDS." The series, maturities, principal amounts, interest rates, redemption dates, redemption price, and CUSIP numbers of the Refunded Bonds are also listed on APPENDIX G.

Pursuant to the terms of the 2001 Bonds Refunding Escrow Agreement (the "*Escrow Agreement*") to be entered into between the City and the Trustee, refunding of the Refunded Bonds will be effected by the City depositing in an irrevocable escrow fund in trust with the Trustee (the "*Escrow Fund*") certain proceeds of the 2012 PFC Bonds, together with moneys released by virtue of the defeasance of the Refunded Bonds, that will be used to purchase Defeasance Obligations (as defined in APPENDIX A). The Refunded Bonds will be redeemed on October 17, 2012. See APPENDIX G for a more detailed summary of the Refunded Bonds being refunded.

The Defeasance Obligations will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid in accordance with their respective terms, sufficient moneys will be available therefrom (together with any uninvested cash), to pay when due the redemption price, equal to 100% of the principal amount, of the Refunded Bonds to be redeemed on October 17, 2012, and the interest on the Refunded Bonds due and payable on the October 17, 2012 redemption date. Principal of and interest on the Defeasance Obligations will be held in trust and used solely for the payment of the principal of and interest on the Refunded Bonds subject only to the payment to the City in accordance with the Escrow Agreement of any cash not required for such purposes.

Neither the maturing principal of the Defeasance Obligations nor the interest to be earned thereon will serve as security for or be available for the payment of principal of or interest on the 2012 PFC Bonds.

SOURCES AND USES OF FUNDS[1]

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the 2012 PFC Bonds.

	Series 2012A PFC Bonds	Series 2012B PFC Bonds	Total
SOURCES OF FUNDS			
Par Amount	$114,855,000	$337,240,000	$452,095,000
Net Original Issue Premium	16,207,507	28,292,556	44,500,064
Series 2001 Debt Service Accounts	1,197,806	9,837,688	11,035,494
Series 2001 Reserve Accounts	13,197,777	31,693,136	44,890,913
Total Sources of Funds	$145,458,091	$407,063,380	$552,521,471
USES OF FUNDS			
Deposit to Escrow Fund	$134,530,885	$376,603,449	$511,134,334
Deposit to Debt Service Reserve Account	10,165,381	28,351,188	38,516,569
Costs of Issuance[2]	761,824	2,108,744	2,870,568
Total Uses of Funds	$145,458,091	$407,063,380	$552,521,471

(1) May not add due to rounding.
(2) Includes Underwriters' Discount and costs of issuance.

[*Remainder of Page Intentionally Left Blank*]

CHICAGO O'HARE INTERNATIONAL AIRPORT

GENERAL

O'Hare is the primary commercial airport for the City, as well as an important connecting point for numerous domestic and international flights. Located 18 miles northwest of the City's central business district, O'Hare occupies approximately 7,265 acres of land and is directly linked to the central business district by a rapid transit rail system. O'Hare is by far the busiest airport serving the Chicago Region (as hereinafter defined). O'Hare serves nearly all of the Chicago Region's international air traffic and is the predominant airport for nonstop/business travel to the Chicago Region's top 50 origin and destination ("*O&D*") markets.

Based on preliminary data from ACI, for the 12 months ended December 2011, O'Hare ranked second both worldwide and in the United States in total aircraft operations, and fourth worldwide and second in the United States in terms of total passengers. According to CDA, O'Hare had approximately 33.2 million enplaned passengers in both 2011 and 2010. See "AIR TRAFFIC ACTIVITY AT O'HARE." The strong origin-destination passenger demand and the geographic location of Chicago near the center of the United States and along the most heavily traveled east/west air routes make it a natural hub location.

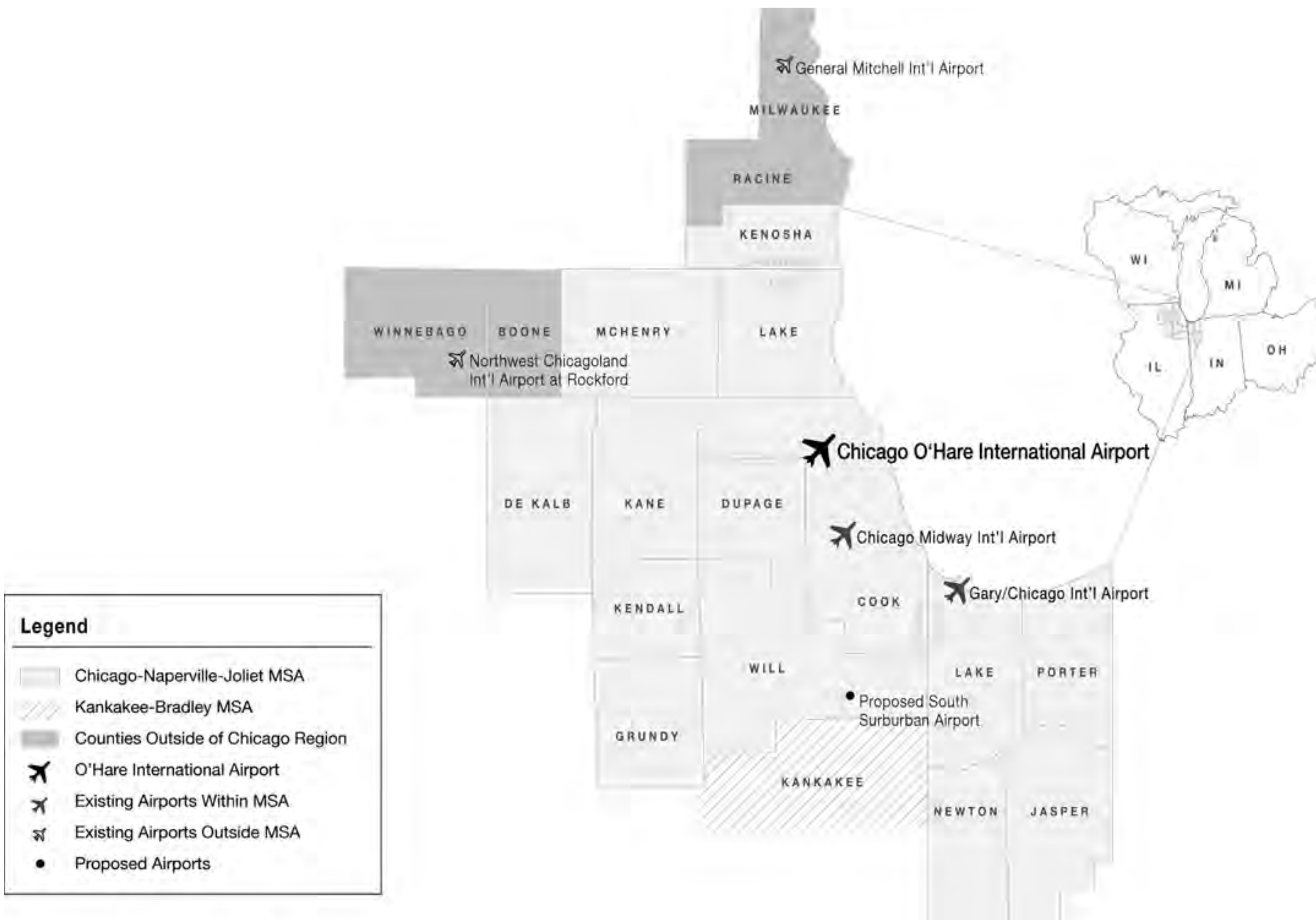
Both United Airlines and American Airlines, two of the world's four largest air carriers (in terms of revenue passenger miles), use O'Hare as one of their major hubs. United Airlines (including Continental Airlines, with which United recently merged, and United and Continental's regional/commuter affiliates operating as United Express) accounted for 47 percent of the enplaned passengers at O'Hare in 2011. American Airlines (including its regional/commuter subsidiary American Eagle) accounted for 35 percent of the enplaned passengers at O'Hare in 2011. See "AIR TRAFFIC ACTIVITY AT O'HARE—Airlines Providing Service at O'Hare," and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Financial Condition of Airlines Serving O'Hare."

American Airlines, Inc., AMR Corporation, American Eagle Holdings Corporation and American Eagle Airlines, Inc. filed for bankruptcy protection under Chapter 11 of the federal Bankruptcy Code on November 29, 2011. American Airlines (including its affiliated carriers) is the second largest carrier, after United Airlines, operating at O'Hare. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND O'HARE—Aviation Industry—*AMR Bankruptcy*."

THE AIR TRADE AREA

The primary air trade area that O'Hare 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 on the map on the following page.

MAP OF CHICAGO REGION



OTHER COMMERCIAL SERVICE AIRPORTS SERVING THE CHICAGO REGION

Midway. In addition to O'Hare, Midway is owned by the City and operated through the CDA. Midway, located 15 miles south of O'Hare and nine miles southwest of the central business district of the City, also provides scheduled commercial passenger service. Based upon CDA management records, total enplaned passengers at Midway were 9,458,810 for 2011, 8,856,025 for 2010, and 8,571,847 for 2009. Midway serves a distinct market segment in the Chicago Region as a lower-fare alternative. Midway has approximately 279 daily nonstop flights to 65 markets (five of which are international destinations) whereas O'Hare has approximately 1,175 daily nonstop flights to 194 markets (54 of which are international destinations). In 2011, Midway had 3,736,006 connecting enplanements and 5,722,804 originating enplanements; these enplanements represented approximately 26.3 percent of Chicago originating passenger traffic and approximately 17.9 percent of Chicago connecting passenger traffic, whereas O'Hare's originating and connecting percentages of Chicago passenger traffic for 2011 were approximately 73.7 percent and 82.1 percent, respectively.

O'Hare and Midway are operated as separate and distinct enterprises for financial purposes and the 2012 PFC Bonds are not secured by any revenues generated, or property located, at Midway, including any PFCs generated at Midway.

In June 2004, the City concluded a terminal development program for Midway that included the construction of a new terminal facility. The current Midway capital development program does not include any runway projects.

Proposal to Lease Midway to Private Operator. Congress established the Airport Privatization Pilot Program (the "*Pilot Program*"), which became effective in September 1997 and pursuant to which the FAA is authorized to permit up to ten public airport sponsors to sell or lease an airport. Only one of the ten airports can be a "large hub" airport (having enplanements that equal or exceed one percent of enplanements at all U.S. commercial airports). Pursuant to the Pilot Program, airport owners would be exempt from otherwise applicable legal and regulatory requirements, including obligations to repay federal grants, to return property acquired with federal assistance, and to use proceeds from the airport's sale or lease exclusively for airport purposes.

In September 2006, the City submitted a Preliminary Application under the Pilot Program for Midway. The FAA formally accepted this Preliminary Application, thereby awarding to Midway the "large hub airport slot" under the Pilot Program.

Following the acceptance of its Preliminary Application, the City issued a Request for Qualifications for private operators and commenced a bidding process for the long-term concession and lease of Midway. In September 2008, the City received a winning bid of $2.521 billion for a 99-year lease of Midway from MIDCo, a consortium comprising Citi Infrastructure Investors, an affiliate of the Vancouver Airport Authority and John Hancock Life Insurance Company, and executed a concession agreement with MIDCo. In October 2008, the City filed a Final Application with the FAA in connection with its execution of the concession agreement with MIDCo. In April 2009, the concession agreement with MIDCo was terminated because of its inability to finance and make the upfront rent payment required under the agreement.

On April 5, 2012, the FAA granted the City's request for additional time to submit a revised Preliminary Application to the FAA. To maintain the large hub airport slot under the Pilot Program, the City must submit to the FAA by no later than December 31, 2012, a revised Prliminary Application including an updated statement of the City's authority to lease Midway with a citation to legal authority as well as a reasonable and realistic timetable for transferring Midway and a copy of a request for qualifications with a distribution date no later than December 31, 2012. If the foregoing items are not submitted by the City to the FAA by December 31, 2012, the FAA has stated that the FAA will consider the City's application under the Pilot Program to be officially withdrawn, will remove Midway from the Pilot Program slot and will close its file on the Midway application.

Copies of the City's Preliminary Application and Final Application, including supplements, can be found at the following web site: www.regulations.gov/search/Regs/home.html#docketDetail?R=FAA-2006-25867.

General Mitchell International Airport. The nearest commercial service airport outside the Chicago Region is General Mitchell International Airport ("*Mitchell*"), located approximately 70 miles north of O'Hare. Mitchell serves the commercial air service needs of Milwaukee, southeast Wisconsin, and portions of northern Illinois. Total enplaned passengers at Mitchell were approximately 4.8 million for 2011, approximately 4.9 million for 2010, and approximately 4.0 million for 2009. Although Mitchell is in close proximity to O'Hare (their overlapping service areas include three counties in the northern Chicago Region area, which represent approximately 12 percent of the population in the Chicago Region), the higher-frequency nonstop service to top O&D markets from O'Hare attracts a greater portion of traffic in northern Illinois and southern Wisconsin to O'Hare. On average in 2011, Mitchell had approximately 191 daily nonstop flights to 55 markets.

Gary/Chicago International Airport. Gary/Chicago International Airport, which is owned by the City of Gary, Indiana and operated by the Gary/Chicago Airport Authority, is also located in the Chicago Region. Currently, limited service is provided at Gary/Chicago International Airport.

EXISTING AIRPORT FACILITIES

O'Hare currently has seven active runways that allow for operations in good and poor weather conditions. A network of aircraft taxiways, aprons and hold areas supports the runways. The runways range from 7,500 feet to 13,001 feet with one under construction that will be approximately 10,800 feet and meet Aircraft Design Group VI standards. All runways have electronic and other navigational aids that permit aircraft landings in most weather conditions. As part of OMP Phase 1, one runway and an extension to an existing runway were opened in 2008, and another runway is under construction and expected to be operational in 2013.

The airlines serving O'Hare operate out of four terminal buildings. Three terminal buildings, having a total of 169 aircraft gates, serve domestic flights and certain international departures. The International Terminal, with 20 aircraft gates and five hardstand positions, serves the remaining international departures and all international arrivals requiring customs clearance, as well as some domestic departures and arrivals. The Airport Transit System, an automated train system that travels on a dedicated guideway, serves the three domestic terminals, the International Terminal and the remote long-term parking areas.

Currently, of the 169 domestic gates and related facilities at O'Hare, six are common use gates and six are preferential use gates. The remaining 157 domestic gates and related facilities are exclusively leased by the City to the Airline Parties pursuant to the Airport Use Agreements. As part of their merger, Delta Air Lines and Northwest Airlines consolidated their activities at O'Hare on the gates at Terminal 2 previously used by Northwest. As a result, Delta vacated the eleven gates in Terminal 3, Concourse L previously used by it, which were under lease to Delta on an exclusive use basis until 2018. Effective October 1, 2011, the City bought Delta's remaining leasehold interest in those gates (along with support space and facilities and equipment), and is now operating those gates as preferential and common use gates. American leases six of the gates on a preferential use basis. The remaining five gates are being used as common use gates by the following carriers: Spirit (which uses two gates); JetBlue (which uses one gate); Virgin America (which uses one gate); and Air Choice One, which is an Essential Air Service carrier (which uses one gate). In addition, one gate in Terminal 2 continues to serve as a common use domestic gate. All international gates are operated on a common use basis.

A hotel, an elevated parking structure, and the heating and refrigeration plant serving O'Hare are located adjacent to the terminal buildings. The hotel, currently leased and operated by Hilton Hotels Corporation, provides 861 guest rooms as well as restaurants and meeting facilities. The six-story parking structure located next to the terminal has approximately 9,300 parking spaces and is supplemented by an adjacent surface lot with approximately 2,800 additional spaces. Public and employee ground level parking spaces located elsewhere at O'Hare total approximately 13,700 and 20,600 parking spaces, respectively.

With 16 air cargo buildings and nine aircraft maintenance hangars leased by airlines, O'Hare is a major center for other aviation-related activity such as aircraft maintenance and domestic and international air cargo shipment. In addition, two flight kitchens, three buildings used for airline ground equipment maintenance, three United States Postal Service facilities and an airport equipment maintenance complex that stores and services snow removal and other equipment are located at O'Hare.

AIRPORT MANAGEMENT

O'Hare is owned by the City and operated through the CDA, which oversees planning, operations, safety and security, and finance and administration. The CDA also independently oversees such activities at Midway. CDA is headed by the Commissioner of Aviation and as of December 31, 2011 had 1,262 employees.

REGIONAL AUTHORITY

In 1995, the City and the City of Gary, Indiana, entered into the Compact, which established the Chicago-Gary Regional Airport Authority to oversee and support Midway, O'Hare, 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. 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 on March 30, 2003. The City does not need to obtain the approval of the Chicago-Gary Authority in connection with the issuance of the 2012 PFC Bonds, but approval is required for implementation of certain components of the OMP. The City has obtained all required approvals from the Chicago-Gary Authority for the OMP.

O'Hare Noise Compatibility Commission

The O'Hare Noise Compatibility Commission (the "*O'Hare Noise Commission*") was formed to (i) determine certain noise compatibility projects to be implemented in a defined area surrounding O'Hare, (ii) oversee a noise monitoring system operated by the City, and (iii) advise the City concerning other O'Hare noise-related issues. As of May 15, 2012, the City had spent approximately $440.5 million on residential and school noise compatibility projects since the establishment of the O'Hare Noise Commission in 1997.

Budget Procedures

Financial transactions involving O'Hare are subject to the City's annual appropriation ordinance and follow the City's budget process. The City is required by law 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 O'Hare, 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. O'Hare's budget, as proposed by CDA, may be modified by the Budget Director, the Mayor or the City Council. On November 9, 2011, the Mayor submitted the proposed City budget for 2012 to the City Council. On November 16, 2011, the City Council adopted an appropriation ordinance for the City for 2012.

Air Traffic Activity at O'Hare

Recent O'Hare Operations

For over 40 years, O'Hare has been and continues to be one of the principal components in the national airspace system, providing not only the primary origin and destination service to the third largest metropolitan area in the United States, but also serving as an important connecting hub for two of the world's four largest air carriers (in terms of revenue passenger miles) – United Airlines and American Airlines. Preliminary statistics from ACI indicate that for 2011, O'Hare ranked second worldwide and in the United States in total aircraft operations with 875,798 takeoffs and landings, and fourth worldwide and second in the United States in total passengers, with 33,206,867 total enplaned passengers.

During a typical week in July 2012 (July 15, 2012 through July 21, 2012), non-stop service was provided from O'Hare to each of O'Hare's top 50 domestic O&D markets. In the same week, non-stop service was available from O'Hare to 23 of the top 25 international O&D markets. Scheduled service for the week of July 15, 2012 through July 21, 2012 included

8,901 non-stop departures from O'Hare, including 7,977 domestic departures and 924 international departures.

PASSENGER ACTIVITY AT O'HARE

The following table shows the total enplaned passenger activity for a ten year period from 2002 through 2011. Total enplaned passengers at O'Hare remained relatively flat with a compounded annual growth rate of 0.1 percent from 2002 to 2011, but this period included a record high of approximately 37.9 million total enplaned passengers in 2005. The decrease in activity since 2005 was most pronounced in 2008 and 2009. These decreases, which were similar to those experienced nationally, were primarily due to cutbacks in capacity by the airlines in response to record high fuel costs and a nationwide economic recession that impacted demand for air travel. In 2010 and 2011, O'Hare has experienced relatively stable activity, with only a 0.06 percent decrease in 2011 in total enplaned passengers from 2010 levels. Enplaned passenger activity from January through June 2012 is up 3.8% over the same period in 2011. As set forth in the following table, O'Hare supports substantial international service. From 2002 to 2011 the percent of international enplaned passengers ranged from 13.2 to 16.2 percent of total enplaned passengers.

TOTAL ENPLANED PASSENGERS
CHICAGO O'HARE INTERNATIONAL AIRPORT
2002-2011(1)

YEAR	TOTAL DOMESTIC ENPLANED PASSENGERS	ANNUAL GROWTH %	PERCENT OF TOTAL ENPLANED PASSENGERS	TOTAL INTERNATIONAL ENPLANED PASSENGERS	ANNUAL GROWTH %	PERCENT OF TOTAL ENPLANED PASSENGERS	TOTAL ENPLANED PASSENGERS	ANNUAL GROWTH %
2002	28,560,357	–	86.8	4,358,579	–	13.2	32,918,936	–
2003	29,889,369	4.7	86.8	4,544,163	4.3	13.2	34,433,532	4.6
2004	32,172,058	7.6	85.9	5,272,490	16.0	14.1	37,444,548	8.7
2005	32,404,271	0.7	85.4	5,543,716	5.1	14.6	37,947,987	1.3
2006	32,116,629	(0.9)	85.0	5,647,815	1.9	15.0	37,764,444	(0.5)
2007	32,109,607	(0.0)	85.0	5,653,455	0.1	15.0	37,763,062	(0.0)
2008	29,097,252	(9.3)	83.8	5,632,655	(0.4)	16.2	34,729,907	(8.0)
2009	26,851,150	(7.7)	83.8	5,184,005	(8.0)	16.2	32,035,155	(7.8)
2010	28,087,534	4.6	84.6	5,131,768	(1.0)	15.4	33,219,302	3.7
2011(2)	28,293,579	0.7	85.2	4,901,129	(4.5)	14.8	33,194,708	(0.1)
Compounded Annual Growth Rates, 2002-2011								
		0.1%			(0.2)%			0.1%

Source: CDA Management Records, April 2012.

(1) Excludes general aviation, military, helicopter, and miscellaneous passengers included in the City of Chicago's Airport Activity Statistics.

(2) Varies from Financial Statements due to the re-classification of certain domestic enplanements as international.

Enplaned passenger traffic at O'Hare can be divided into two primary components: O&D and connecting. O&D enplaned passengers consist of two groups. The first group includes those travelers whose residence and/or place of employment are in the Chicago Region and surrounding communities and whose air trips originate at O'Hare. The second group includes travelers who are not residents of or employed within the Chicago Region and surrounding communities, but who visit for business, personal or pleasure-related activity. Connecting passengers include those passengers traveling from a destination outside the Chicago Region to a destination outside the Chicago Region, who board one aircraft at O'Hare after having arrived on another aircraft at O'Hare. The number of connecting enplaned passengers at O'Hare reflects airline operating decisions, which are in part dictated by the size of the local air passenger market, and the geographic location of O'Hare relative to heavily traveled air routes.

The following table shows total enplaned passengers, total originating enplaned passengers and total connecting enplaned passengers at O'Hare for a ten year period from 2002 through 2011 (the most recent year for which comprehensive O&D statistics are available). As shown, O'Hare has a strong O&D market, with originating passengers ranging from 43.4% to 50.1% of total enplaned passengers over the ten year period.

ORIGINATING AND CONNECTING ENPLANEMENTS
CHICAGO O'HARE INTERNATIONAL AIRPORT
2002-2011

Year	Originating Enplanements	Originating Enplanement Annual Growth %	Connecting Enplanements	Connecting Enplanement Annual Growth %	Total Enplaned Passengers[1]	Total Enplanement Annual Growth %	Originating Enplanement Percentage
2002	15,260,093	-	17,658,843	-	32,918,936	-	46.4
2003	15,310,104	0.3	19,123,428	8.3	34,433,532	4.6	44.5
2004	16,778,179	9.6	20,666,369	8.1	37,444,548	8.7	44.8
2005	17,548,038	4.6	20,399,949	(1.3)	37,947,987	1.3	46.2
2006	17,808,474	1.5	19,955,970	(2.2)	37,764,444	(0.5)	47.2
2007	18,223,460	2.3	19,539,602	(2.1)	37,763,062	(0.0)	48.3
2008	17,399,683	(4.5)	17,330,224	(11.3)	34,729,907	(8.0)	50.1
2009	15,696,349	(9.7)	16,338,806	(5.7)	32,035,155	(7.8)	49.0
2010	15,605,731	(0.6)	17,613,571	7.8	33,219,302	3.7	47.0
2011	16,070,002	3.0	17,124,706	(2.8)	33,194,708	(0.1)	48.4
Compounded Annual Growth Rates, 2002 – 2011		0.6%		(0.3)%		0.1%	

Sources: U.S. DOT Origin & Destination Survey of Airline Passenger Traffic
CDA Management Records

(1) Excludes general aviation, military, helicopter, and miscellaneous passengers included in CDA Management Records.

AIRCRAFT OPERATIONS

The following table shows total aircraft operations at O'Hare for the ten year period 2002 through 2011. Total passenger airline aircraft operations increased from 922,817 in 2002 to 992,427 in 2004, the highest number of aircraft operations in O'Hare's history. From 2004 through 2009, the number of aircraft operations steadily decreased, to 827,899 aircraft operations in 2009. After increasing to 882,617 in 2010, the number of aircraft operations decreased to 878,798 in 2011. United and American have continued to shift domestic passenger service from their mainline service to their regional/commuter partners. System-wide cutbacks in passenger airline activity in response to high fuel costs and the national economic recession were the primary cause of total operations at O'Hare decreasing from 926,973 in 2007 to 878,798 in 2011.

TOTAL AIRCRAFT OPERATIONS
CHICAGO O'HARE INTERNATIONAL AIRPORT
2002-2011

	Domestic		International					
Year	Majors/ Nationals	Regionals/ Commuters	U.S. Flag Carriers	Foreign Flag Carriers	Total Passenger Airlines	General Aviation[1]	All-Cargo	Total
2002	539,269	262,345	36,412	33,691	871,717	30,310	20,790	922,817
2003	489,822	312,910	40,733	35,722	879,187	28,247	21,257	928,691
2004	492,469	367,227	46,698	35,696	942,090	28,749	21,588	992,427
2005	430,183	405,231	51,271	33,507	920,192	30,077	21,979	972,248
2006	398,633	422,953	49,230	34,750	905,566	31,912	21,165	958,643
2007	387,663	415,270	51,531	35,512	889,976	16,295	20,702	926,973
2008	366,143	396,848	45,378	35,833	844,202	19,802	17,562	881,566
2009	318,513	402,656	42,074	32,768	796,011	17,900	13,988	827,899
2010	283,194	488,376	41,452	30,702	843,724	21,645	17,248	882,617
2011	279,466	493,249	41,492	28,212	842,419	19,230	17,149	878,798
Compounded Annual Growth Rates, 2002-2011:								
	(7.0)%	7.3%	1.5%	(1.9)%	(0.4)%	(4.9)%	(2.1)%	(0.5)%

Source: CDA Management Records.
(1) Includes general aviation, helicopter and other miscellaneous operations.

AIRLINES PROVIDING SERVICE AT O'HARE

As of July 2012, O'Hare had scheduled air service by 23 U.S. flag carriers and 28 foreign flag carriers, non-scheduled air service by four charter airlines and scheduled cargo service by 25 all-cargo carriers. The following tables show the airlines that currently provide service at O'Hare and the respective airline shares of enplaned passengers at O'Hare from 2007 to 2011. In addition to those carriers listed in the following table, Hainan Airlines and airberlin have announced service to Beijing and Berlin, respectively, beginning in 2013.

AIRLINES SERVING O'HARE [1]

SCHEDULED U.S. CARRIERS — 23

Air Choice One
Alaska Airlines
*American Airlines [2]
*American Eagle [2]
Chautauqua Airlines (American Connection & Continental Express)
Comair (Delta Connection)
Compass (Delta Connection)
*Continental Airlines [3]
*Delta Air Lines [4]
ExpressJet Airlines (United Express)
Frontier
GoJet (United Express)
jetBlue Airways
Mesa Airlines (United Express)
Pinnacle (Delta Connection) [5]
Republic (US Airways Express)
Shuttle America (United Express & Delta Connection)
SkyWest Airlines (United Express)
Spirit Airlines
Trans States Airlines (United Express)
*United Airlines [3]
*US Airways
Virgin America

FOREIGN FLAG CARRIERS — 28

Aer Lingus
Aeromexico
AeroMexico Connect
*Air Canada
Air France
Air India
Alitalia
All Nippon Airways
Asiana Airlines
British Airways
Cathay Pacific
Cayman Airways [6]
Copa
Etihad
Iberia Airlines
Japan Airlines
KLM Royal Dutch Airlines
Korean Air
LACSA [6]
LOT Polish Airlines
Lufthansa German Airlines
Royal Jordanian Airlines
Scandinavian Airlines System (SAS)
Swiss International
TACA
Turkish Airlines
Virgin Atlantic [6]
WestJet

OTHER/NONSCHEDULED CARRIERS — 4

Casino Express
Gold Transportation
Miami Air International
Ryan International Airlines [7]

ALL-CARGO CARRIERS — 25

ABX
Aerologic
Aerounion
Air Bridge Cargo
Air Cargo Germany
Air China
Atlas Air
Cargolux Airlines International
Cathay Pacific Cargo
China Airlines
China Cargo Eastern Airlines
China Southern
Eva Airways
Evergreen International Airlines
*FedEx
Kalitta Air
Lufthansa Cargo
Nippon Cargo Airlines
Qantas Airways
Qatar
Singapore Cargo
Southern Air
*United Parcel Service
World
Yangtze River

Sources: Airlines for America (A4A); City of Chicago, Department of Aviation Management Records; Official Airline Guide (OAG), June 2012.
Prepared by: Ricondo & Associates, Inc., July 2012.

(1) As of July 2012 for scheduled U.S. and foreign flag carriers. As of May 2012 for all-cargo carriers.
(2) AMR Corporation filed for reorganization under Chapter 11 of the Bankruptcy Code on November 29, 2011. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND O'HARE–AMR Bankruptcy."
(3) On March 5, 2012, United and Continental merged their separate operations.
(4) On January 1, 2010, Delta and Northwest Airlines merged their separate operations.
(5) Pinnacle filed for reorganization under Chapter 11 of the Bankruptcy Code on April 1, 2012.
(6) Provides seasonal service at O'Hare.
(7) Ryan International filed for reorganization under Chapter 11 of the Bankruptcy Code on March 6, 2012.
* Denotes airline that is obligated under an Airport Use Agreement as an Airline Party.

AIRLINE SHARES OF ENPLANED PASSENGERS
CHICAGO O'HARE INTERNATIONAL AIRPORT
(2007-2011)(1)

	2007		2008		2009		2010		2011	
AIRLINES	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE
1. United(2)	12,798,917	33.9%	11,818,081	34.0%	10,304,138	32.2%	9,655,258	29.1%	8,763,788	26.4%
2. American(3)	10,227,846	27.1%	9,291,364	26.8%	8,050,514	25.1%	8,115,301	24.4%	7,629,479	23.0%
3. American Eagle(3)	3,424,753	9.1%	3,145,183	9.1%	3,128,488	9.8%	3,278,628	9.9%	3,500,279	10.5%
4. Express Jet	97,444	0.3%	70,422	0.2%	157,800	0.5%	960,098	3.2%	1,920,154	5.8%
5. SkyWest	2,231,622	5.9%	2,010,239	5.8%	1,763,788	5.5%	1,932,478	5.8%	1,375,929	4.1%
6. Shuttle America	729,184	1.9%	689,619	2.0%	941,226	2.9%	1,172,651	3.5%	1,176,252	3.5%
7. US Airways	578,879	1.5%	892,225	2.6%	923,729	2.9%	865,420	2.6%	947,868	2.9%
8. Continental(2)	584,908	1.5%	519,567	1.5%	514,528	1.6%	542,760	1.6%	926,447	2.8%
9. GoJet	449,979	1.2%	399,076	1.1%	567,601	1.8%	787,343	2.4%	695,580	2.1%
10. Delta(4)	443,342	1.2%	430,985	1.2%	311,533	1.0%	572,588	1.7%	692,244	2.1%
11. Chatauqua	41,296	0.1%	66,962	0.2%	52,176	0.2%	558,308	1.7%	636,533	1.9%
12. Spirit	141,049	0.4%	127,608	0.4%	190,794	0.6%	230,298	0.7%	565,117	1.7%
13. Mesa	1,227,446	3.3%	1,032,402	3.0%	1,327,751	4.1%	703,936	2.1%	553,439	1.7%
14. Trans States	390,640	1.0%	464,624	1.3%	450,469	1.4%	428,504	1.3%	347,997	1.0%
15. Lufthansa German	262,556	0.7%	295,871	0.9%	277,629	0.9%	274,595	0.8%	287,892	0.9%
16. Northwest Airlines(4)	680,695	1.8%	586,600	1.7%	439,517	1.4%	0	0.0%	0	0.0%
Other	3,452,506	9.1%	2,889,079	8.3%	2,633,474	8.2%	3,141,136	9.2%	3,175,710	9.6%
AIRPORT TOTAL(5)	37,763,062	100.0%	34,729,907	100.0%	32,035,155	100.00%	33,219,302	100.0%	33,194,708	100.0%
United Carriers Combined	17,868,046	47.3%	15,695,180	46.1%	15,423,138	48.1%	15,534,655	46.8%	15,628,649	47.1%
American Carriers Combined	13,702,599	36.3%	12,436,547	36.6%	11,179,002	34.9%	11,909,043	35.8%	11,762,771	35.4%

Source: City of Chicago, Department of Aviation Management Records, February 2012.
Prepared by Ricondo & Associates, Inc., July 2012.

(1) Most recent available data. Historic activity based on City of Chicago statistics and may vary from Financial Statements due to the timing of accessing data and the exclusion of General Aviation and Miscellaneous enplanements.
(2) On March 5, 2012, United and Continental merged their separate operations.
(3) On November 29, 2011, American Airlines, together with its parent, AMR Corporation, and American Eagle, filed for bankruptcy protection under Chapter 11 of the federal bankruptcy code. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AIRLINES, THE AIRLINE INDUSTRY, AND O'HARE–AMR Bankruptcy."
(4) On January 1, 2010, Delta and Northwest Airlines merged their separate operations.
(5) Columns may not add to totals shown because of rounding.

United Airlines. United (now including Continental) currently operates 615 daily departures from O'Hare. In terms of enplanements, United is the largest carrier (including affiliates and Continental) at O'Hare, with a 47 percent share of enplaned passengers in 2011. In October 2010, United Airlines and Continental Airlines merged to create the world's largest airline, in terms of operating revenue and revenue passenger miles. On March 5, 2012, United and Continental formally combined and ceased separate operations, and retired the Continental Airlines brand. The merger has not had a material impact, positively or negatively, on enplanements and operations at O'Hare.

Information regarding United Airlines can be obtained directly from the website of the United States Securities and Exchange Commission (the *"SEC"*), at www.sec.gov. *Neither the City nor any of the Underwriters undertakes any responsibility for, or makes any representations as to the accuracy or completeness of, or the content of information available from, the SEC including, but not limited to, updates of such information or links to other internet sites accessed through the SEC web site.*

American Airlines. Based on enplanements, American Airlines (including its affiliated carriers) is the second largest operator at O'Hare. Including its regional/commuter partner, American Eagle, American's share of total enplanements was 35 percent in 2011. On November 29, 2011, American Airlines, Inc., AMR Corporation, American Eagle Holdings Corporation and American Eagle Airlines, Inc. (collectively, "*AMR*") filed for bankruptcy protection under Chapter 11 of the federal Bankruptcy Code. For additional information, see "AIR TRAFFIC ACTIVITY AT O'HARE—Airlines Providing Service at O'Hare," and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Financial Condition of the Airlines Serving O'Hare—*AMR Bankruptcy*."

Information regarding the financial condition of American Airlines and AMR Corporation (*"AMR"*), the parent company of American Airlines, can be obtained directly from the website of the SEC, at www.sec.gov. Information regarding the American Airlines bankruptcy filing can be obtained from the web site of American Airlines at aa.com/restructuring and from the web site of the U.S. Bankruptcy Court for the Southern District of New York at www.nysb.uscourts.gov. *Neither the City nor any of the Underwriters undertakes any responsibility for, or makes any representations as to the accuracy or completeness of or the content of information available from American Airlines, the SEC or the Bankruptcy Court, including, but not limited to, updates of such information or links to other internet sites accessed through the American Airlines, SEC or Bankruptcy Court web sites.*

Additional Airline Information. The Airline Parties (including the corporate parents of United Airlines and American Airlines) and certain other airlines operating at O'Hare (or their respective parent corporations) file reports and other information (collectively, the *"SEC Reports"*) with the SEC. Certain information, including financial information, as of particular dates concerning each of the Airline Parties (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 web site at www.sec.gov. Each Airline Party and certain other airlines are required to file periodic reports of financial and operating statistics with the U.S. 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.

OUTSTANDING INDEBTEDNESS AT O'HARE

GENERAL

The City has financed capital improvements at O'Hare through the issuance of Airport Obligations, Airport PFC Obligations, International Terminal Special Revenue Bonds, and Special Facility Revenue Bonds, as well as federal grants, LOIs, PFCs, airline contributions and other Airport funds.

The City has other O'Hare indebtedness outstanding that is secured by revenues separate and apart from the PFC Revenues consisting of (i) GARBs and CP Notes secured by general airport revenues at O'Hare (other than PFC Revenues) including, but not limited to, payments made by airlines that are parties to the Airport Use Agreements with the City and (ii) Special Facility Revenue Bonds secured by payments made by individual airlines and other tenants and licensees pursuant to separate special facility agreements with the City. See also APPENDIX C—"AUDITED FINANCIAL STATEMENTS–Note 4."

AIRPORT PFC OBLIGATIONS

The City currently has outstanding $503,245,000 aggregate principal amount of 2001 PFC Bonds (all of which are being refunded through the issuance of the 2012 PFC Bonds), $91,215,000 aggregate principal amount of 2008 PFC Bonds, $137,385,000 aggregate principal amount of 2010 PFC Bonds, and $46,005,000 aggregate principal amount of 2011 PFC Bonds, all of which, along with the 2012 PFC Bonds to be issued as described in this Official Statement, are secured solely by PFCs imposed by the City at O'Hare. PFC Obligations are secured separately from GARBs.

Obligations Subordinate to Pledge of PFC Revenues. As described under "SECURITY FOR THE 2012 PFC BONDS—Subordinated Pledge of PFC Revenues" and "—Covenant Against Other Pledges of Trust Estate," the City has the right to issue debt payable or secured from PFC Revenues remaining after the discharge and satisfaction of all PFC Obligations and to issue debt payable from, or secured by a pledge of amounts to be withdrawn from the PFC Revenue Fund, PFC Bond Fund or the PFC Capital Fund so long as such pledge is expressly junior and subordinate to the pledge of PFC Revenues to the payment of PFC Obligations. Indebtedness of the type described in the preceding sentence can be issued without limit as to nature or amount.

The City has previously authorized a program (the "*Commercial Paper Program*") that provides for the issuance, from time to time, of Chicago O'Hare International Airport Commercial Paper Notes in an aggregate principal amount outstanding at any one time of not to exceed $600,000,000 (the *"CP Notes"*). The CP Notes are authorized to be issued for the financing and refinancing of a portion of the cost of planning, design, acquisition, construction and equipping of various projects at O'Hare. The CP Notes are Junior Lien Obligations and are subordinate to the 2012 Senior Lien GARBs and all other Senior Lien Obligations, with respect to their claim on Revenues. There are currently approximately $50,553,000 of CP Notes issued and outstanding. The City intends to issue approximately $85,141,000 of CP Notes to redeem certain of the Second Lien Obligations prior to issuance of the 2012 Senior Lien GARBs, which CP Notes, plus interest, will be repaid with a portion of the proceeds of the 2012 Senior Lien GARBs.

The City has recently authorized a program (the "*Line of Credit Program*") that provides for the issuance, from time to time, of Chicago O'Hare International Airport Credit Agreement Notes in an aggregate principal amount outstanding at any one time of not to exceed $600,000,000 (the "*Credit Agreement Notes*"); provided, however, that in establishing the Line of Credit Program, the City has stipulated that at no time may the combined maximum aggregate principal amount of indebtedness outstanding under the Commercial Paper Program described above and the Line of Credit Program exceed $600,000,000. The Credit Agreement Notes are authorized to be issued for the payment or reimbursement of the City for capital projects at or near or for the benefit of O'Hare, the payment or reimbursement of the City for Operation and Maintenance Expenses of O'Hare, the refunding of Outstanding Airport Obligations and the payment of principal and interest on maturing Credit Agreement Notes. Credit Agreement Notes will be Junior Lien Obligations and will be subordinate to the 2012 Senior Lien GARBs and all other Senior Lien Obligations, with respect to their claim on Revenues. There are currently no Credit Agreement Notes outstanding under the Line of Credit Program.

Issuance of Additional PFC Obligations. In connection with the funding of OMP Phase 2B, the City plans to issue additional PFC Obligations following the receipt of approval from the FAA to impose and use PFCs for OMP Completion Phase runway construction, as described under "CAPITAL DEVELOPMENT PROGRAMS." The PFC application for OMP Completion Phase runway construction was approved by the FAA in a Final Agency Decision issued November 24, 2010. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Issuance of Future Indebtedness to Fund OMP Phase 2B."

Previously the City has issued its 2008A GARBs, its 2010F GARBs and its 2011A GARBs, each of which was secured by and payable, in part, from a pledge of Pledged Other Available Moneys for a specified and limited duration of time, which pledge is subordinate and junior in right of payment to the 2012 PFC Bonds, the 2011 PFC Bonds, the 2010 PFC Bonds and the 2008 PFC Bonds, and subject to such other obligations and rights of the City as described under "SECURITY FOR THE 2012 PFC BONDS—Subordinated Pledge of PFC Revenues." For purposes of this Official Statement, GARBs (including the 2008A GARBs and the 2010F GARBs, in each case until 2018, and the 2011A GARBs) which are payable from

(i) PFC Revenues on a junior and subordinate basis to PFC Obligations and Subordinated PFC Obligations and subject to such other obligations and rights of the City as described under "SECURITY FOR THE 2012 PFC BONDS—Subordinated Pledge of PFC Revenues" and, (ii) if PFC Revenues are insufficient, from general airport revenues, are referred to herein as *"PFC Secured GARBs."*

Subject to the satisfaction of certain covenants regarding the issuance of additional GARBs, the City may issue additional PFC Secured GARBs, on a junior and subordinate basis to the Airport PFC Obligations, to complete the funding of the OMP as described under "CAPITAL DEVELOPMENT PROGRAMS."

GARBS

As discussed under the subheading "—Issuance of Additional Senior Lien Bonds," the City has recently sold its 2012 Senior Lien GARBs in an aggregate principal amount of $728,895,000. The City currently plans to issue the 2012 Senior Lien GARBs on the same date as the 2012 PFC Bonds. Upon issuance of the 2012 Senior Lien GARBs, the City will have outstanding $6,355,245,000 aggregate principal amount of GARBs. The GARBs are payable from sources and secured by revenues separate and apart from the PFC Revenues that secure PFC Obligations. However, the City has received FAA approval to use PFC Revenues to pay a portion of the debt service on the PFC Secured GARBs that were issued to fund certain Approved Projects. See "USE OF PFC REVENUES."

Issuance of Additional Senior Lien GARBs. The City will need to issue additional Airport Obligations to fund additional projects under the CIP and to fund OMP Completion Phase (including the OMP Completion Phase Noise Program), all as described under "CAPITAL DEVELOPMENT Programs." Such additional Airport Obligations may include, without limitation, Senior Lien GARBs and PFC Secured GARBs.

Issuance of any such Airport Obligations would require compliance with the requirements of the General Airport Revenue Bond Ordinance for the issuance of additional debt.

The Airport Consultant's Letter assumes that the remainder of the OMP Completion Phase runway projects will be funded with Senior Lien Bonds. Such additional debt, based on the Airport Consultant's Letter, may have a significant impact on the cost per enplaned passenger at O'Hare. Final determination of the amount of additional bond financing will be based on continuing bond structure refinements and potential legislative changes to the PFC Program.

SPECIAL FACILITY REVENUE BONDS

The City has previously issued Special Facility Revenue Bonds on behalf of numerous airlines, as well as certain non-airline parties, to finance or refinance a portion of the capital improvements at O'Hare. These Special Facility Revenue Bonds are secured solely by amounts received from such airlines and non-airline parties pursuant to the terms of related Special Facility Financing Arrangements, and are secured separately from the Senior Lien Bonds, CP Notes, Outstanding PFC Obligations and the 2012 PFC Bonds. See "INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Financial Condition of Airlines Serving O'Hare."

HISTORICAL AND FORECAST PFC REVENUES

The table on the following page sets forth (i) the PFC Revenues collected at O'Hare in the Fiscal Years 2003 through 2011, (ii) the PFC Revenue forecast prepared by the City for each of the Fiscal Years 2012 through 2020, (iii) the actual and estimated (as applicable) debt service on the then Outstanding PFC Obligations, and (iv) the actual and estimated (as applicable) debt service coverage on PFC Obligations during said timeframe. The PFC Revenue forecast in the following table is based on the forecast of enplanements for O'Hare that was prepared by the City's Airport Consultant. See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER—5. FINANCIAL ANALYSIS." The City and the Airport Consultant believe that the forecast of enplanements for O'Hare contained in the following table are reasonable.

[*Remainder of Page Intentionally Left Blank*]

HISTORICAL AND FORECAST PFC REVENUES

	FISCAL YEAR	TOTAL ENPLANEMENTS	PFC ENPLANEMENTS(1)	PFC REVENUES (NET OF AIRLINE COLLECTION FEES)(2) (DOLLARS IN THOUSANDS)	PFC INTEREST INCOME (3) (DOLLARS IN THOUSANDS)	TOTAL PFC REVENUES (DOLLARS IN THOUSANDS)	TOTAL DEBT SERVICE ON PFC OBLIGATIONS (4) (DOLLARS IN THOUSANDS)	DEBT SERVICE COVERAGE ON PFC OBLIGATIONS (5)
ACTUAL	2003	34,454,921	28,993,623	$128,152	$1,667	$129,819	$73,498	1.77
	2004	37,464,632	30,810,007	136,180	2,548	138,728	73,512	1.89
	2005	37,970,886	32,546,469	143,855	5,662	149,517	73,502	2.03
	2006	37,784,336	33,765,769	148,232	10,052	158,284	73,502	2.15
	2007	37,779,576	34,243,364	150,329	18,922	169,251	74,498	2.30
	2008	34,744,030	30,720,227	130,922	3,940	134,862	50,048	2.69
	2009	32,047,097	27,533,048	117,103	3,767	120,870	49,411	2.45
	2010	33,232,412	29,493,621	129,477	2,596	132,073	59,077	2.24
	2011	33,206,867	28,503,338	125,130	2,631	127,761	77,497	1.65
FORECAST(6)	2012	33,383,000	28,412,000	124,728	624	125,351	69,715	1.80
	2013	34,112,000	29,032,000	127,451	637	128,088	72,491	1.77
	2014	34,856,000	29,666,000	130,234	651	130,885	70,390	1.86
	2015	35,618,000	30,314,000	133,079	665	133,745	71,871	1.86
	2016	36,377,000	30,960,000	135,915	680	136,595	71,877	1.90
	2017	37,190,000	31,652,000	138,953	695	139,648	71,878	1.94
	2018	38,010,000	32,350,000	142,017	710	142,727	55,814	2.56
	2019	38,832,000	33,050,000	145,088	725	145,813	54,055	2.70
	2020	39,680,000	33,771,000	148,255	741	148,997	54,057	2.76

Prepared by Ricondo and Associates, Inc., April 2012.
Source: Actual-Chicago Department of Aviation Management Records
Forecast-Ricondo and Associates, Inc.

(1) Forecast assumes that 85.1 percent of total enplanements at O'Hare will be PFC eligible. The actual annual PFC eligible enplanements at O'Hare from 2003-2011 were 86.8 percent.

(2) For Fiscal Years 2012 through and including 2020, this amount assumes the imposition of PFCs at O'Hare at the rate of $4.50 and is net of the airline collection fee of $0.11 per enplaned passenger.

(3) Reflects actual interest income through Fiscal Year 2011. The forecast estimates assume interest income of 2 percent *per annum* on 25 percent of the current year's PFC Revenues.

(4) Includes the following: (i) the debt service on the 2001 PFC Bonds prior to their refunding with proceeds of the 2012 PFC Bonds; (ii) the debt service on the 2008 PFC Bonds; (iii) the debt service on the 2010 PFC Bonds; and (iv) the debt service on the 2011 PFC Bonds. Estimated savings from the 2012 PFC Bonds are not included in the analysis. For a discussion of assumptions underlying the forecast, see APPENDIX E–"THE AIRPORT CONSULTANT'S LETTER–Table 9." The Additional Bonds Test for Project Obligations in the PFC Master Indenture states that PFC Revenues of each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service.

(5) For purposes of the above table, "PFC Obligations" includes the following: (i) the 2001 PFC Bonds; (ii) the 2008 PFC Bonds; (iii) the 2010 PFC Bonds, and (iv) the 2011 PFC Bonds. Estimated savings from the 2012 PFC Bonds are not included in the analysis.

(6) Forecast excludes general aviation, military, helicopter and miscellaneous passenger enplanements.

DEBT SERVICE SCHEDULE FOR OUTSTANDING PFC OBLIGATIONS AND 2012 PFC BONDS

The following table sets forth the debt service on the Outstanding PFC Obligations and the 2012 PFC Bonds.

DEBT SERVICE SCHEDULE FOR OUTSTANDING PFC OBLIGATIONS AND THE 2012 PFC BONDS[1]

	Outstanding PFC Obligations[2]		2012 PFC Bonds		
Bond Year Ending Jan. 1	Total Debt Service	Capitalized Interest	Principal	Interest	Total Debt Service
2013	$ 36,922,721	$ (3,823,275)	$ 3,845,000	$ 6,538,726	$ 43,483,173
2014	36,925,221	(3,823,275)	12,435,000	21,499,669	67,036,615
2015	36,924,221	–	7,505,000	20,877,919	65,307,140
2016	36,923,221	–	9,365,000	20,502,669	66,790,890
2017	29,920,721	–	16,470,000	20,034,419	66,425,140
2018	29,919,471	–	17,295,000	19,210,919	66,425,390
2019	13,851,971	–	18,160,000	18,346,169	50,358,140
2020	9,785,150	–	21,070,000	17,438,169	48,293,319
2021	9,781,978	–	21,940,000	16,576,569	48,298,547
2022	9,782,699	–	23,025,000	15,486,569	48,294,268
2023	9,779,598	–	24,160,000	14,350,119	48,289,717
2024	9,783,256	–	25,370,000	13,142,119	48,295,375
2025	13,002,149	–	26,640,000	11,873,619	51,515,768
2026	12,997,432	–	27,970,000	10,541,619	51,509,050
2027	12,992,531	–	29,370,000	9,143,119	51,505,650
2028	12,995,512	–	30,615,000	7,895,869	51,506,381
2029	12,993,882	–	31,920,000	6,585,369	51,499,251
2030	12,997,083	–	33,290,000	5,218,369	51,505,451
2031	12,995,373	–	34,950,000	3,553,869	51,499,242
2032	8,837,950	–	36,700,000	1,806,369	47,344,319
2033	10,400,450	–	–	–	10,400,450
2034	7,042,000	–	–	–	7,042,000
2035	7,041,750	–	–	–	7,041,750
2036	7,039,000	–	–	–	7,039,000
2037	7,043,250	–	–	–	7,043,250
2038	7,038,500	–	–	–	7,038,500
2039	7,039,500	–	–	–	7,039,500
2040	7,040,250	–	–	–	7,040,250
Total	$429,796,842	$(7,646,550)	$452,095,000	$260,622,233	$1,134,867,525

(1) Totals may not add due to rounding.

(2) Includes oustanding 2008 PFC Bonds, outstanding 2010 PFC Bonds and outstanding 2011 PFC Bonds.

CAPITAL DEVELOPMENT PROGRAMS

GENERAL

The City's current plans for capital development at O'Hare are organized into the OMP and the CIP. For purposes of this Official Statement, the OMP and CIP are collectively referred to herein as the *"Capital Development Programs*."

In addition to the Capital Development Programs, the City, in accordance with criteria established by the O'Hare Noise Commission, participates in an ongoing program of providing sound insulation to eligible schools and residences in the vicinity of O'Hare (the *"OMP Phase 1 Noise Program"* and the *"OMP Completion Phase Noise Program"*). See "CHICAGO O'HARE INTERNATIONAL AIRPORT—O'Hare Noise Compatibility Commission," "—OMP Phase 1 Noise Program," below and "—OMP Completion Phase Noise Program," below.

OMP

General. In 2001, the City announced the OMP to meet the future development needs at O'Hare. The OMP is designed to address flight delays and to increase capacity. The OMP is a comprehensive program providing for the reconfiguration of the airfield at O'Hare, as well as construction of a passenger terminal, access/circulation systems and necessary support facilities, and is being implemented over a multi-year period, in phases. The major functional components of the OMP include the addition of one new runway, the relocation of three existing runways, and the extension of two existing runways, while maintaining the use of two existing runways. The OMP also includes an airside concourse and a western terminal having approximately 1.5 million square feet of space and approximately 60 gates, parking facilities, a people mover system, access roads and other enabling projects. In addition, the OMP provides for all necessary noise mitigation and land acquisition.

The City has received all regulatory approvals to proceed with the OMP.

BENEFITS FROM THE OMP

The OMP is designed to enhance both O'Hare and system wide airport capacity. The FAA's final Environmental Impact Statement (*"EIS"*) defines the purpose and the need of the OMP development as addressing the projected needs of the Chicago Region by reducing delays at O'Hare, thereby enhancing capacity of the National Airspace System (*"NAS"*), and ensuring that existing and future terminal facilities and supporting infrastructure can efficiently accommodate airport users. See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" for a more detailed discussion of the OMP.

Under the OMP, the airfield is being reconfigured into a modern parallel runway system, allowing for more efficient operations. The overriding physical characteristic of the OMP is the reconfiguration of the airfield from sets of converging parallel runways in three main directional orientations (northeast/southwest, east/west, and northwest/southeast) to six parallel runways in the east/west direction and two runways in the northeast/southwest direction.

From an airfield capacity standpoint, the OMP provides the capacity to operate triple independent simultaneous approaches in poor weather conditions, and quadruple independent simultaneous approaches in clear weather. The OMP will provide two runways designed for Airplane Design Group VI aircraft, as classified by the FAA, with wingspans exceeding 214 feet, which includes the Airbus A380 and Boeing 747-8.

The major benefits expected through development of the OMP are as follows:

- *Delay Reduction*: The OMP will ultimately reduce delays by over 70 percent at existing demand levels with greater delay reduction expected during periods of higher demand. The planned runway layout will ultimately provide balanced arrival and departure capabilities to address delay during all weather conditions and peak periods.

- *Capacity Increase:* The capacity increases achieved through the OMP are expected to meet aviation demand in the Chicago Region beyond year 2030.

In addition to airfield modifications, the OMP will enhance other areas of O'Hare. The OMP also includes the expansion of terminal facilities to the west and development of a western access road to O'Hare. New navigational aids will be added and existing navigational aids will be upgraded. A new north airport traffic control tower was commissioned in 2008 and a new south airport traffic control tower will be constructed to ensure full air traffic control coverage of the expanded airfield. Public and employee parking facilities will be expanded to meet demand and a new secure automated people mover system will link a future west terminal to the existing terminal core.

Each phase of the OMP provides distinct benefits. The City currently estimates that upon completion of OMP Phase 1, at a level of 974,000 annual operations and 2,750 peak month average daily operations, estimated flight delays at O'Hare will be reduced from 16.9 minutes per operation before OMP Phase 1 to an average of 7.9 minutes per operation. At this same demand level, the full OMP would produce an average per operation delay of approximately three minutes. This operational level is slightly lower than the 992,000 operations handled by O'Hare in 2004 with its existing terminal facilities; thus, these delay reduction benefits are achievable with only the airfield elements of the OMP. The OMP also provides significant capacity benefits; and as the market demands grow, new terminal and support facilities will be built to accommodate such additional operations and passengers.

OMP Completion Phase also includes on-airport circulation which would be provided in the form of an automated people mover system linking the western terminal and concourse to the existing terminal.

OMP PHASE 1

The OMP is being implemented in phases over several years. "*OMP Phase 1*" is the initial phase of development and includes the completion of physical and operational planning (including environmental permitting and preliminary engineering), property acquisition and relocation services, wetlands mitigation, one new runway, one relocated runway and the extension of one existing runway.

Major project components of OMP Phase 1 include:

- Program administration for OMP Phase 1;
- Preliminary engineering for the full OMP;
- Wetlands mitigation, land acquisition and relocation services for the full OMP, including approximately 433 acres of land near the northwest and southeast quadrants of airport property, and a cemetery;
- Noise mitigation; and
- Construction of a new runway and reconfiguration and relocation of certain existing runways consisting of:
  - Construction of Runway 9L-27R (new runway)–Complete;
  - Extension of Runway 10L-28R–Complete; and
  - Construction of Runway 10C-28C (relocated runway)–under construction.

Runway 9L-27R, including associated taxiways and other support development, was commissioned on November 20, 2008. The purpose of this runway is to reduce aircraft delay during poor weather conditions, as it allows for a third stream of simultaneous independent arriving aircraft. Construction of this runway was dependent on the relocation and/or reconfiguration of various facilities, roads, waterways, and the acquisition of land near the northwest quadrant of O'Hare.

An approximate 2,859-foot westward extension to Runway 10L-28R, associated taxiways, and other support facilities was commissioned on September 25, 2008. This extension increased the runway's available length to 13,000 feet. The relocation of navigational aids and runway approach light systems were the major enabling projects required as part of this runway extension.

Future Runway 10C-28C, associated taxiways, and required support facilities are also being developed as part of OMP Phase 1 and are currently estimated to be completed in 2013.

See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" for more details regarding Runway 9L-27R, Future Runway 10L-28R and Future Runway 10C-28C.

As necessary, various improvements are also being implemented to relocate and expand existing utilities and infrastructure. Anticipated improvements include, but are not limited to, utilities (*e.g.,* stormwater collection and detention, water supply lines, electrical, sanitary sewer system), vehicle service road segments, and perimeter fencing.

OMP PHASE 1 NOISE PROGRAM

In accordance with criteria established by the O'Hare Noise Commission, O'Hare continues to provide sound insulating to eligible schools and homes. Sound insulation includes, but is not limited to, the following: installation of heating and air conditioning systems, replacement of existing windows and exterior doors with sound insulating windows and doors, the addition of insulation to exterior walls and ceilings, and the addition of baffling devices to exterior vents. The OMP Phase 1 Noise Program includes the portion of the noise program approved by the Airline Parties as part of the airline funding approval for OMP Phase 1.

OMP COMPLETION PHASE

"*OMP Completion Phase*" is the final phase of development. The OMP Completion Phase airfield projects have been divided into OMP Phase 2A and OMP Phase 2B. The City began design work on the OMP Phase 2A in 2009 and construction in 2011.

Major project components of OMP Phase 2A include:

- Construction of Runway 10R-28L (relocated runway);
- Noise mitigation;
- OMP portion of the Airport Transit System;
- OMP portion of a new economy parking structure; and
- Associated enabling projects.

Major project components of OMP Phase 2B include:

- Construction of Runway 9C-27C (relocated runway);
- Extension of Runway 9R-27L;
- On Airport circulation;
- Relocation of tenant facilities; and
- Noise mitigation.

Future Runway 10R-28L, which is being developed as part of OMP Phase 2A, will allow for a fourth simultaneous arrival stream in good weather.

Future Runway 9C-27C, which is part of OMP Phase 2B, will be 11,245 feet long and is dependent on the relocation and/or reconfiguration of various facilities, roads, waterways, and the acquisition of land near the northwest quadrant of O'Hare.

Construction of a proposed approximate 3,593-foot westward extension to Runway 9R-27L, which is part of OMP Phase 2B, will increase the runway's available length to 11,260 feet. The relocation of navigational aids and runway approach light systems are the major enabling projects required as part of this planned runway extension.

OMP Completion Phase also includes the construction of a western terminal complex on the western side of O'Hare, consisting of a terminal, concourse, parking structure and western airport access.

OMP Completion Phase also includes on-airport circulation which would be provided in the form of an automated people mover system linking the western terminal complex to the existing terminal complex.

See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" for more details regarding Future Runway 9C-27C, Runway 9R-27L, Future Runway 10R-28L, the western terminal complex and on-airport circulation.

OMP COMPLETION PHASE NOISE PROGRAM

The OMP Completion Phase Noise Program, similar to the OMP Phase 1 Noise Program, provides for the sound insulation of eligible schools and houses. See "—OMP Phase 1 Noise Program" above.

OMP FUNDING

Airline Funding Approvals. OMP Phase 1 and OMP Phase 2A have both received funding approval from a Majority-in-Interest (*"MII"*) of the Airline Parties. The OMP Phase 1 funding agreement was entered into in May 2003 (the "*Original Funding Agreement*"). The OMP Phase 1 budget, as revised over time in accordance with the provisions of the Original Funding Agreement, is approximately $3.28 billion and includes funding sources shown in the table on page 52. OMP Phase 1 is scheduled to be complete in the fourth quarter of 2013. The City anticipates the project will be completed under budget based on expenses to date and the issuance of all major construction contracts.

On March 11, 2011, the City, United Airlines and American Airlines entered into a revised OMP funding agreement (the "*Revised Funding Agreement*"). Under the terms of the Revised Funding Agreement, the OMP Completion Phase airfield projects were split into separate phases: Phase 2A and Phase 2B (known collectively as the "*OMP Completion Phase Airfield Projects*"). The City and United Airlines and American Airlines agreed to an OMP Phase 2A budget of approximately $943 million. To date, substantial design work has been completed for OMP Phase 2A and construction began in the spring of 2011. OMP Phase 2A is anticipated to be complete in 2015.

As part of the Revised Funding Agreement for OMP Phase 2A, the City, United Airlines and American Airlines settled litigation filed in January 2011 by United Airlines and American Airlines against the City seeking a declaratory judgment and an injunction to prevent the City from making capital expenditures for the OMP Completion Phase or issuing GARBs to finance it. As part of the settlement, the City, United Airlines, and American Airlines also agreed to begin negotiations for OMP Phase 2B, no later than March 1, 2013. Although the exact timing of OMP Phase 2B is not known at this time, for purposes of the Airport Consultant's Letter included as APPENDIX E to this Official Statement, it is assumed that construction of the OMP Phase 2B projects will begin in 2015 and be complete by the end of 2020. Accordingly, the Airport Consultant's Letter reflects the incremental airline rates and charges impact of OMP Phase 2B beginning in 2020 with debt service on future GARBs and minimal O&M increases related to OMP Phase 2B.

See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Issuance of Future Indebtedness to Fund OMP Phase 2B."

Projected Sources and Uses of Funds for OMP Completion Phase. The City expects to use a combination of (i) Senior Lien Bonds, (ii) PFC secured Senior Lien Bonds, (iii) FAA Letters of Intent ("*LOI*") on a "pay as you go" basis, (iv) Net Grant Receipts secured Senior Lien bonds, (v) PFCs on a "pay as you go" basis, and (vi) federal entitlement and discretionary AIP grants, all as described and shown in the table on the following page, to fund OMP Completion Phase runway projects.

The City has received PFC authority to impose and use PFC funds for the OMP Completion Phase Noise Program for approximately $113 million; for the design of the OMP Completion Phase runway projects for approximately $177 million; and for the construction of the OMP Completion Phase airfield projects for approximately $700.4 million.

On April 21, 2010, the U.S. Department of Transportation issued an LOI (LOI AGL-10-01) for $410 million for OMP Completion Phase airfield projects. LOI AGL-10-01 was subsequently amended to increase the amount available for the OMP Completion Phase airfield projects to $565 million, with $280 million being allocated to Phase 2A and $285 million being allocated to OMP Phase 2B.

[Remainder of Page Intentionally Left Blank]

The sources and uses of funds for OMP Phase 1, and the projected sources and uses of funds for OMP Phase 2A and for the OMP Phase 2B Airfield Projects are shown in the following tables.

SOURCES AND USES FOR OMP PHASE 1[(1)]
(IN THOUSANDS) (EXCLUDING OMP PHASE 1 COMPLETION COSTS)

SOURCES	
AIP Entitlement/Discretionary Funds	$ 91,898
Previous FAA Letter of Intent Grant Receipts	100,000
Series 2011B Grant Receipts-Backed GARBs	193,000
AIP LOI PAYGO	40,000
NATCT Revenues Pay-As-You-Go	4,000
PFC Pay-As-You-Go	292,375
Previously Issued GARBs	1,869,393
Previously Issued PFC-Secured GARBs	571,875
Previously Issued PFC Stand-Alone Bonds	30,100
Additional Funding Sources [(2)]	87,359
Total Estimated Funding Sources	$3,280,000
USES	
Land Acquisition and Wetlands Mitigation	$ 695,871
Extension of Runway 10L-28R	208,197
New Runway 9L-27R Construction	463,951
Runway 10C-28C Construction	1,289,480
Phase 1 Sound Insulation Program	122,300
Preliminary Engineering and Administrative Program Costs (including contingency) [(2)]	500,201
Total Estimated Uses	$3,280,000

(1) Includes OMP Phase 1 Noise Program.
(2) $87.4 million is not anticipated to be needed based on current working estimates.

Estimated Sources and Uses for OMP Phase 2A [(1)]
(In thousands) (Excluding OMP Phase 1 Completion Costs)

Sources	
FAA LOI Pay-As-You-Go	$235,000
Series 2011A Senior Lien GARBs	365,000
Series 2011B Senior Lien GARBs	45,100
Series 2011C Senior Lien GARBs	203,900
Future Senior Lien Bonds	94,300
Total Estimated Funding Sources	$943,300
Uses	
Runway 10R-28L	$516,500
2011 North Airfield Enabling Projects	231,400
OMP ATS & Parking	158,000
OMP Phase 2A Noise Program	34,500
Contingency/Scope Deferral Projects [(2)]	2,900
Total Estimated Uses	$943,300

Estimated Sources and Uses for OMP Phase 2B Airfield Projects [(1)]
(In thousands)

Sources	
Future PFC Bonds	$ 200,000
OMP Phase 2B AIP LOI	285,000
Future Senior Lien GARBs	1,833,190
Total Estimated Funding Sources	$2,318,190
Uses	
Runway 9R-27L Extension	$ 516,006
Runway 9C-27C & Remaining Enabling Projects	1,130,356
Scope Deferral Projects [(3)]	41,069
Taxiway LL	528,598
OMP Phase 2B Noise Program	102,161
Total Estimated Uses	$2,318,190

(1) Preliminary, subject to change. Includes OMP Completion Phase Noise Program.

(2) The approved OMP Phase 2A funding is $2.9 million higher than estimated Phase 2A cost. The City can use this $2.9 million of funding together with savings on OMP Phase 2A to fund any costs associated with the FAA South Air Traffic Control Tower ("*SATCT*") not already funded by the FAA, or, if the SATCT is already fully funded, then Scope Deferral Projects, which include Bensenville Ditch East, RTR-U and ASR-9, and Taxiway WQ, but in either case only to the extent the total GARB amount does not exceed the $298.3 million approved in the financing plan.

(3) Assumes the full cost of Scope Deferral Projects is funded in OMP Phase 2B.

OMP MANAGEMENT APPROACH

As part of the Original Funding Agreement, United Airlines and American Airlines and the City agreed to establish a tiered management structure with each tier having specific review and approval authority. The OMP Executive Working Group (*"EWG"*), comprised of three City representatives and two airline representatives, meets to review and discuss program scope, schedule, budgets and funding. A committee of the Airline Parties retains the right to approve increases in project component scope and budget of more than 10 percent, any financial commitment of over $5 million, and project delivery methods if construction value is greater than $20 million.

The City has assembled a team with extensive experience in large, complex aviation development programs. DMJM Aviation Partners, a joint venture led by DMJM Aviation, is the Program Manager and Parsons Brinckerhoff Construction Services is the lead construction manager for the OMP.

The City is managing costs of the OMP by completing design prior to award of construction contracts so that bids are based on 100 percent complete designs. Substantial construction has been completed for OMP Phase 1. As of May 2012, construction has been completed on 36 projects and three other projects are under construction, out of a total of 41 projects. There are two remaining OMP Phase 1 projects that have an approximate value of $6 million. Based on the total dollar amount of construction contracts awarded to date and the approximate value of remaining contracts, CDA anticipates OMP Phase 1 to be completed under budget.

Construction has also commenced on OMP Phase 2A. As of May 2012, construction has been completed on one OMP Phase 2A project and six other OMP Phase 2A projects are under construction, out of a total of 12 projects. The total dollar amount of OMP Phase 2A construction contracts awarded to date is below the engineers' estimates.

CAPITAL IMPROVEMENT PROGRAM

The CIP addresses O'Hare's non-OMP facility needs and is essentially an on-going repair and replacement program. The City uses a combination of Senior Lien Bonds, PFCs, and other sources including federal grants and the City's Airport Development Fund to fund the CIP projects.

The financial analysis included in the Airport Consultant's Letter, attached hereto as APPENDIX E, assumes an estimated $60 million of annual CIP project costs funded with GARBs in 2012, and then $90 million per year from 2013 through 2020, which reflects an approximate peak of historic GARB spending over the last 5 years and does not represent actual projects.

FEDERAL LEGISLATION, STATE ACTIONS AND PROPOSED SOUTH SUBURBAN AIRPORT

FEDERAL LEGISLATION

On February 14, 2012, President Obama signed the "FAA Reauthorization and Reform Act of 2012" into law. The law reauthorizes the Federal Aviation Administration (FAA) operations and programs for federal fiscal years 2012 through 2015. The law provides for $13.4 billion in Airport Improvement Program (AIP) funding for the four year period, or $3.35 billion annually. The law maintains the maximum rate of the passenger facility charge (PFC) at $4.50.

The administration's federal fiscal year 2013 budget, introduced in February 2012, calls for the reduction in AIP funding to $2.4 billion, or $926 million less than enacted in federal fiscal year 2012 and approximately $950 million less than provided for in the "FAA Reauthorization and Reform Act of 2012". The administration proposes to eliminate AIP entitlement funding for large and medium hub airports, including O'Hare. Instead, the administration proposes to allow large and medium hub airports to increase the PFC.

It is uncertain, at this time, whether, the administration's budget proposals will be enacted, or how airports will be affected. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—PFCS."

STATE ACTIONS

O'Hare Modernization Act. The O'Hare Modernization Act, 620 ILCS 65/1 *et seq*., which became law in August 2003, was created to expedite and facilitate the OMP. Specifically, the O'Hare Modernization Act states the Illinois General Assembly's intent that "all agencies of this State and its subdivisions shall facilitate the efficient and expeditious completion" of the OMP. Among other things, the O'Hare Modernization Act eliminates duplicative aeronautics review of the OMP under the Illinois Aeronautics Act and grants quick-take authority to the City for land acquisition associated with the OMP. The O'Hare Modernization Act also amends other laws to facilitate the OMP.

State Approval of Federal Grants. Under the Illinois Aeronautics Act, the City is generally required to obtain the approval of Illinois Department of Transportation ("*IDOT*") for all AIP grant applications that the City submits to the FAA. The O'Hare Modernization Act provides that this requirement does not apply to AIP grant applications related to the OMP and further provides that the City may directly accept, receive and disburse AIP grant funds related to the OMP.

Future Legislation. O'Hare is subject to various laws, rules and regulations adopted by the 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 O'Hare.

PROPOSED SOUTH SUBURBAN AIRPORT

Plans to build a third airport in the Chicago Region have been discussed 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).

In 2001, the FAA published notice of a public comment period for a Tier I Draft Environmental Impact Statement ("*EIS*") for Site Approval and Land Acquisition by the State at the Peotone site, to preserve the site as a potential option for a commercial service airport for the Chicago area. The draft EIS was approved by the FAA in July 2002 in a Record of Decision by the FAA which found that the Peotone site was technically and environmentally feasible for a new airport to serve the region. Approximately 2,471 acres of the 4,200 acre area required for the inaugural site have been purchased by the State.

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 O'Hare.

CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING

The purchase of 2012 PFC Bonds involves certain investment risks and considerations. Prospective investors should read this Official Statement in its entirety. The factors set forth below, among others, may affect the security for the 2012 PFC Bonds.

LEVEL OF AIRLINE TRAFFIC

The 2012 PFC Bonds are payable solely from and secured by a pledge of PFC Revenues and certain Funds and Accounts held under the PFC Indenture. PFC Revenues are dependent primarily on the level of aviation activity and enplaned passenger traffic at O'Hare. Key factors affecting airline traffic at O'Hare include, among others, economic and political conditions, aviation security concerns, 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 of O'Hare, and various other local, regional, national and international economic, political and other factors. Many of these factors, most which are outside of the City's control, are discussed in detail in APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER." If aviation activity at O'Hare does not meet forecast levels, as included in the table under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues," a corresponding reduction may occur in forecast PFC Revenues.

FINANCIAL CONDITION OF AIRLINES SERVING O'HARE

The financial strength and stability of the airlines serving O'Hare are key determinants of future airline traffic and of the City's ability to generate PFCs from operations at O'Hare.

Many of the airlines serving O'Hare have been impacted by the economic downtown of the last several years. Most major domestic airlines have suffered recent financial losses. Current and future financial and operational difficulties encountered by the airlines serving O'Hare, most notably United Airlines (including Continental Airlines) and American Airlines, which along with their regional/commuter partners, collectively accounted for 82 percent of the total enplaned passengers at O'Hare in 2011, could have a material adverse effect on operations at, and the financial condition of, O'Hare. If either United Airlines or American Airlines were to cease operations at O'Hare for any reason, the current level of activity of such airline may not be replaced by other airlines.

AMR Bankruptcy. On November 29, 2011, American Airlines, Inc., AMR Corporation, American Eagle Holdings Corporation and American Eagle Airlines, Inc. (collectively, "*AMR*") filed for bankruptcy protection under Chapter 11 of the federal bankruptcy code in the United States Bankruptcy Court for the Southern District of New York. According to AMR, the Chapter 11 filings permit AMR to continue operations while developing a plan of reorganization to address existing debt and cost structures. In light of the bankruptcy filings, the City directs potential purchasers of the 2012 PFC Bonds to review AMR's filing with the SEC at www.sec.gov, its press releases at www.aa.com, the bankruptcy court docket, an information site at www.amrcaseinfo.com, and other information regarding the bankruptcy proceedings. Neither the City nor any of the Underwriters makes any representation as to AMR and its future plans generally, or with regard to O'Hare in particular. None of the City, the CDA nor the Underwriters was involved in the preparation of and does not in any manner endorse the information provided by the links. No assurances can be given as to whether AMR's efforts to reorganize will be successful, or with regard to AMR's future level of activity at O'Hare.

On March 22, 2012, the court granted a motion filed by AMR with the bankruptcy court seeking to extend the initial 120-day period within which it is required to assume or reject leases of nonresidential real property (including, but not limited to, leases entered into with the City with respect to O'Hare) by an additional ninety (90) days, from March 28, 2012 until June 26, 2012 (which deadline has been extended, by consent, to September 26, 2012). At present, the CDA is not aware of whether AMR will reject in bankruptcy any contracts or agreements for O'Hare that could have a material impact on O'Hare PFC collections; however, prospective purchasers should be aware that such actions by AMR can occur in bankruptcy at any time and that such actions could have a material adverse impact on the ability of the City to pay debt service on Airport Obligations, including the Bonds. AMR filed a motion to assume the bulk of its agreements related to O'Hare, including the Airport Use Agreement of American Airlines, Inc. with the City, but indicated it would not agree that payment of its O'Hare special facility bond debt is a prerequisite to assumption of its Airport Use Agreement. See "—*American Special Facility Bonds*" below. That motion was withdrawn and the assumption deadline was extended to September 26, 2012, by agreement, to permit further discussion on this issue.

Any significant financial or operational difficulties incurred by American Airlines, or the elimination or reduction of O'Hare's status as a connecting hub for American Airlines, could have a material adverse effect on Revenues. See "—Level of Airline Traffic," above. In the event American Airlines discontinues or reduces its operations at O'Hare, American Airlines' current level of activity may not be replaced by other carriers, which in turn could result in higher airline fees to use O'Hare's facilities and lower PFCs and concessions revenue. See APPENDIX E–"THE AIRPORT CONSULTANT'S LETTER."

American Special Facility Bonds. Approximately $108 million in aggregate principal amount of Chicago O'Hare International Airport Special Facility Revenue Refunding Bonds, Series 2007 (American Airlines, Inc. Project) issued by the City to refinance certain capital projects at O'Hare for American Airlines ("*American Special Facility Bonds*") are currently outstanding. Since its bankruptcy filing, American Airlines has failed to pay debt service on the American Special Facility Bonds. American Airlines has asserted that the American Special Facility Bonds (as well as certain special facility revenue bonds relating to other airports) constitute unsecured pre-petition debt of American Airlines and that performance on the American Special Facility Bonds cannot be required in the bankruptcy proceedings as cure from American Airlines or AMR in order for American Airlines to assume its Airport Use Agreement.

The Airport Use Agreement between the City and American Airlines contains a provision to the effect that American Airlines' continued rights to use and occupy its exclusive use premises (including passenger gates, hold rooms, ticket counters, baggage handling facilities and office and other space) at O'Hare shall be conditioned upon the performance and observance by American Airlines of its covenants and agreements in the special facility agreement related to the American Special Facility Bonds ("*American Special Facility Agreement*"). The American Special Facility Agreement requires American Airlines to pay debt service on the American Special Facility Bonds.

The indenture related to the American Special Facility Bonds provides that the City shall fully cooperate with the Trustee and with the owners of the American Special Facility Bonds to the end of fully protecting the rights and security of the owners of any American Special Facility Bonds.

The trustee under the indenture for the American Special Facility Bonds has asserted that American Airlines may not assume its Airport Use Agreement without complying with its obligations under the American Special Facility Agreement. The deadline by which American Airlines must assume or reject its Airport Use Agreement has been extended to September 26, 2012, to permit further discussion and, perhaps, litigation on this issue. The City is unable to predict the outcome of any such litigation.

ISSUANCE OF FUTURE INDEBTEDNESS TO FUND OMP PHASE 2B

As described under "CAPITAL DEVELOPMENT PROGRAMS—OMP Funding," the City anticipates incurring substantial indebtedness in the upcoming years to finance OMP Phase 2B through the issuance of Senior Lien Bonds and PFC Obligations. Such additional debt may have a significant impact on the cost per enplaned passenger at O'Hare. The cost per enplaned passenger is generally used as a test of reasonableness for airport user fees. For a general description as to calculating the cost per enplaned passenger at O'Hare, see APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER—Table V-14—Airline Cost per Enplanement."

The Airport Consultant's Letter assumes that the remainder of the OMP Phase 2B runway projects will be funded with Senior Lien Bonds. Such additional debt, based on the Airport Consultant's Letter, may have a significant impact on the cost per enplaned passenger at O'Hare. Final determination of the amount of additional bond financing will be based on continuing bond structure refinements and potential legislative changes to the PFC Program.

AVAILABILITY OF VARIOUS SOURCES OF FUNDING

The plan of financing for the Capital Development Programs payable from PFC Revenues and the Airport Consultant's Letter assume that 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 PFC Obligations. See APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER." No assurance can be given that these sources of funding will actually be available in the amounts or on the schedule assumed.

The amount of PFC Revenues collected by the City in future years will vary based upon the factors as discussed under "—PFCs," below. No assurance can be given that the authority to impose PFCs will continue or that the levels of enplanements set forth in the Airport Consultant's Letter will be realized.

Uncertainties in Funding the Capital Development Programs. The amounts presented in this Official Statement for the funding of the OMP, as well as the CIP, are preliminary and based on numerous assumptions which are subject to change. Changes in various assumptions could cause an increase in the amount of additional Airport PFC Obligations and Senior Lien Bonds which are projected to be required to complete the funding of any of the elements of the Capital Development Programs described herein, including, but not limited to, OMP Phase 1 and OMP Completion Phase. The estimated costs of, and the projected schedule for, the projects included in the Capital Development Programs are subject to a number of uncertainties including, but not limited to: 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. There can be no assurance that the cost of construction of the projects included in the Capital Development Programs, including, but not limited to, OMP Phase 1 and OMP Completion Phase, 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 Senior Lien Bonds, which may result in increased costs per enplaned passenger to the airlines serving O'Hare.

PFCs

General. The principal of and interest on the Outstanding PFC Bonds, the 2012 PFC Bonds, and any additional PFC Obligations issued in the future are payable pursuant to the PFC Master Indenture, solely from the PFC Revenues described herein. The PFC Revenues are pledged by the City to the Trustee pursuant to the PFC Master Indenture as security for the Outstanding PFC Bonds, the 2012 PFC Bonds, and any additional PFC Obligations issued in the future. The properties forming a part of O'Hare and the general revenues derived from the operation of O'Hare have not been pledged as security for the 2012 PFC Bonds, and no mortgage or security interest has been granted or lien created thereon for the benefit of the 2012 PFC Bonds. PFC Revenues include PFCs collected at O'Hare, and do not include any PFCs collected at Midway or Gary/Chicago International Airport, except as described under "—Collection of the PFCs," below. See "SECURITY FOR THE 2012 PFC BONDS" and "PFC PROGRAM AT O'HARE."

The City's ability to pay debt service on the 2012 PFC Bonds will be dependent upon the receipt of sufficient PFC Revenues for deposit to the PFC Bond Fund and amounts on deposit in the 2012 PFC Dedicated Sub-Fund. See "SECURITY FOR THE 2012 PFC BONDS—Flow of Funds."

Furthermore, as described under the headings "SECURITY FOR THE 2012 PFC BONDS—Issuance of PFC Obligations," the City is authorized to issue additional Airport PFC Obligations, without limit as to amount except as may be limited by law, and subject to the satisfaction by the City of certain conditions regarding the issuance of such additional Airport PFC Obligations. The PFC Master Indenture requires that the City satisfy an additional bonds test prior to the issuance of any future Series of PFC Obligations to protect bondholders of Outstanding PFC Obligations from dilution of the pledged revenue stream. The PFC Master Indenture, however, does not contain a rate covenant with which the City must comply, and the City and O'Hare have no way to directly control the level of PFCs collected or the amounts remitted by the Collecting Carriers. As described under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Airport PFC Obligations," the City has previously issued indebtedness payable from PFC Revenues.

O'Hare is currently authorized to impose a $4.50 PFC per eligible enplaned passenger until the maximum PFC Revenues authorized by the FAA are collected. Previously, legislation was introduced in the 111th Congress that would, as previously proposed by the House of Representatives, allow for an increase in the maximum PFC collection level for eligible public agencies (such as the City) to $7.00; such legislation, however, was not adopted by the Senate. The Senate version of the reauthorization bill kept the maximum PFC collection level unchanged at $4.50. It is uncertain, at this time, as to whether or not the new legislation that has been passed separately by both houses of the 112th Congress, but not yet reconciled or enacted into law, will provide for an increase in the maximum PFC collection level. See "PFC PROGRAM AT O'HARE" and "FEDERAL LEGISLATION, STATE ACTIONS AND PROPOSED SOUTH SUBURBAN AIRPORT—Federal Legislation."

Termination of PFCs. The City's authority to impose and use PFCs is subject to certain terms and conditions as provided in the PFC Act, the PFC Regulations and the PFC Approvals. Failure to comply with certain requirements set out in the PFC Act, the PFC Regulations and the PFC Approvals may cause the FAA to take action to terminate or reduce the City's authority to impose PFCs. In addition, failure to comply with the provisions of the Noise Act may lead to termination of the City's authority to impose PFCs. If the FAA terminates the City's authority to impose PFCs, such action may adversely affect the timely payment of principal of and interest on the 2012 PFC Bonds. Violation by the Gary/Chicago Authority of the PFC Act, the PFC Regulations, the Gary PFC Approval or the Noise Act may lead to termination of the City's authority to impose PFCs. See "PFC PROGRAM AT O'HARE—Termination of Authority to Impose PFCs."

THERE IS NO ASSURANCE THAT THE PFC ACT WILL NOT BE REPEALED OR AMENDED, OR THAT THE PFC REGULATIONS WILL NOT BE AMENDED IN A MANNER WHICH ADVERSELY AFFECTS THE CITY'S ABILITY TO COLLECT PFC REVENUES FOR DEPOSIT TO THE PFC BOND FUND IN AMOUNTS SUFFICIENT TO MAKE TIMELY PAYMENTS OF PRINCIPAL AND INTEREST ON THE 2012 PFC BONDS.

Collection of the PFCs. The ability of the City to collect PFC Revenues will depend upon a number of factors including the following: the operation of O'Hare by the City; the use of O'Hare by Collecting Carriers; and the number of enplanements at O'Hare (including the level of O&D and connecting traffic). See "PFC PROGRAM AT O'HARE".

If the number of enplaned passengers at O'Hare is significantly below assumptions used by the Airport Consultant to project annual PFC Revenues contained within the table under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues" and in APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER," if the collection fees retained by the Collecting Carriers are increased, or if the PFC Act is amended, to decrease the amount of PFC charges that may be collected, the actual PFC Revenues will fall short of projections therefor, which could have an adverse effect upon the timely payment of principal of and interest on the 2012 PFC Bonds. Alternatively, if the number of annual enplanements is higher than initially projected or if the base of PFCs is increased above $4.50, the City will collect PFC Revenues faster than initially forecasted. The City will have to manage its PFC program carefully in such event and balance its expenditures with its new collecting rates to ensure that sufficient moneys will be available in later years to pay debt service on the Outstanding PFC Bonds and the 2012 PFC Bonds and to allow the City to be able to deliver its annual Plan of Finance Compliance Certificate. See "PFC PROGRAM AT O'HARE" and "SECURITY FOR THE 2012 PFC BONDS—Plan of Finance Compliance Certificate."

The treatment of PFCs held by a Collecting Carrier involved in a bankruptcy proceeding could also have an adverse effect upon the timely payments of the principal of and interest on the 2012 PFC Bonds. 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 agencies entitled to such revenue. Prior to the amendments made by Vision 100 to allow 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. While Vision 100 should provide some protection for airports 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. See "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AVIATION INDUSTRY, THE AIRLINES AND O'HARE—Effect of Airline Bankruptcy" and "PFC PROGRAM AT O'HARE—Collection of the PFCs—*Treatment of PFCs in Airline Bankruptcies.*"

Other PFC Revenues. Furthermore, as described under the heading "SECURITY FOR THE 2012 PFC BONDS—Issuance of PFC Obligations," the PFC Indenture may be amended without the consent of the Owners of the 2012 PFC Bonds or the Trustee to permit Other Airport PFC Revenues to be included in the pledge of PFC Revenues pursuant to the PFC Indenture and, further, to include such Other Airport PFC Revenues in the same manner as PFC Revenues for the purposes of any computational tests under the PFC Indenture, including those established to determine authorization to issue additional PFC Obligations and to ensure that the City is able to annually deliver its required Plan of Finance Compliance Certificate. Any such amendment would subject the collection of the Other Airport PFC Revenues to similar risks as those described herein for the collection of PFC Revenues at O'Hare.

Factors Affecting Future PFC Revenues. The amount of PFC Revenues collected by the City in future years will vary based upon the factors as discussed above. No assurance can be given that the authority to impose PFCs will continue or that the levels of enplanements projected by the Airport Consultant and set forth in the table under caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues" and in APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" will be realized. No assurance can be given that these sources of funding will actually be available in the amounts or on the schedules assumed.

The City's authority to collect PFCs expires when the charge expiration date as designated by the FAA is reached or when collections plus interest earned thereon equal the amount approved, whichever is earlier. It is currently estimated, based upon the PFC Approvals received to date, that the City's authority to collect PFCs at O'Hare will expire on December 1, 2038. Although the City expects that it will obtain new PFC Approvals before its current authority expires, no assurance can be given that the City will be able to do so.

To the extent that any portion of the funding assumed in the plan of financing for the Capital Development Programs is not available as anticipated, the City may be required to issue additional Airport PFC Obligations and Airport Obligations to pay the costs of the Capital Development Programs.

Use of PFCs at Gary/Chicago International Airport. Since April 1998, the FAA has approved the use of a portion of PFCs collected at O'Hare to fund the Gary Projects at the Gary/Chicago International Airport that are compatible with its function as a reliever airport for the Chicago airports. The City expects to make additional applications to the FAA for approval to use additional amounts of PFC Revenues from O'Hare to fund the Gary Projects. The

Compact provides that the City shall have the exclusive power to direct the planning, design, construction, financing and implementation of each Gary Project. See "PFC PROGRAM AT O'HARE—The City's PFC Approvals—*Use of PFCs at Gary/Chicago International Airport*" and "—Termination of Authority to Impose PFCs—*Gary/Chicago International Airport Actions*."

CERTAIN INVESTMENT CONSIDERATIONS RELATING TO THE AVIATION INDUSTRY, THE AIRLINES AND O'HARE

The purchase of 2012 PFC Bonds involves certain investment risks and considerations. Prospective investors should read this Official Statement in its entirety. The factors set forth below, among others, may affect the security for the 2012 PFC Bonds.

AVIATION INDUSTRY

Overall. The City's ability to collect PFC Revenues is affected by the dynamics of the airline industry.

Historically, the financial performance of the airline industry generally has correlated with the strength of the national economy. Certain factors that may materially affect O'Hare and the airlines include, but are not limited to, growth of population and the economic health of the region and the nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, bankruptcy and insolvency laws, acts of war or terrorism and other risks. As a result of these and other factors, many airlines have operated at a loss in the past and many 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.

According to U.S. Bureau of Transportation Statistics data, air travel demand began to rebound in late 2009. In 2010, scheduled passenger enplanements continued to increase over 2009 levels. For 2011, scheduled passenger enplanements on U.S. carriers increased 1.3 percent over 2010 levels. Although modest, the projected trend of GDP growth suggests the upward trend in nationwide air travel should continue. However, should the economy stall, or again trend downward, aviation demand nationwide would likely be negatively impacted.

Currently, fluctuating fuel prices continue to impact the ability of carriers to be profitable. If jet fuel prices approach or surpass their mid-2008 peak (July 2008's average price was $3.82), aviation demand nationwide may be negatively impacted due to potential route reductions the airlines might make or higher ticket prices the airlines might impose in efforts to remain profitable. According to the U.S. DOT's Bureau of Transportation Statistics, the average price of jet fuel in April 2012 was $3.13 per gallon, a 4.7 percent increase over the April 2011 average price. North American airlines' profits are projected to be $1.4 billion in 2012 compared to $4.1 billion profit in 2010 and $1.3 billion profit in 2011. Fluctuation of industry profitability is primarily due to rising oil prices offset by adjustments in capacity.

Airline Scheduled Seat Capacity. The airlines continue to restrain growth in seat capacity by keeping in place reductions they implemented beginning in 2008 in response to record fuel prices. The largest quarterly decline occurred in the first quarter of 2009, as domestic seat capacity fell by 10.3 percent versus the first quarter of 2008. Demand for domestic air travel, as measured by revenue passengers, slipped at a rate of 11 percent during this period. Domestic capacity continued to decline through the second quarter of 2010. As demand recovered, capacity grew between the third quarter of 2010 and the second quarter of 2011 until airlines, reacting to increased fuel prices, reduced their capacity once again. Domestic capacity for the four quarters ending third quarter 2012 is projected to be at a level equal to the similar period ending second quarter 2010.

Airline Mergers and Acquisitions. In recent years airlines have experienced increased costs and industry competition, both domestically and internationally. As a result, 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 fully completed its merger with Northwest Airlines, which led a wave of airline mergers and acquisitions within the U.S. That same year, Republic Airways Holdings, a regional airline, bought Frontier Airlines and Midwest Airlines. In October 2010, United Airlines and Continental Airlines merged, creating the world's largest airline in terms of operating revenue and revenue passenger miles.

On May 2, 2011, Southwest announced the closing of its acquisition of AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc. (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 provides Southwest with access to international leisure markets in the Caribbean and Mexico. Southwest plans to integrate AirTran into the Southwest brand by transitioning the AirTran fleet to Southwest's livery and consolidating corporate functions into its Dallas headquarters. The FAA granted the airline a single operating certificate on March 1, 2012, allowing Southwest to work toward full integration of AirTran.

AMR Bankruptcy. On November 29, 2011, American Airlines, Inc., AMR Corporation, American Eagle Holdings Corporation and American Eagle Airlines, Inc. filed voluntary petitions for Chapter 11 reorganization in the U.S. Bankruptcy Court for the Southern District of New York. AMR has stated that its aim is to achieve a cost and debt structure that would be industry-competitive and assure its long-term viability. This filing followed a decade during which American attempted to restructure its operations outside of bankruptcy after the events of September 11, 2001, while other large legacy airline competitors, such as United, Delta, and US Airways, restructured through Chapter 11. In explaining American's Chapter 11 filing, Chief

Financial Officer Isabella Goren noted that American's financial performance since 2009 lagged behind that of its major network competitors which had completed Chapter 11 proceedings prior to 2009.*

AMR's future has been the subject of intense speculation, including the possibility of an acquisition by US Airways, Delta Air Lines, or TPG, as well as statements by AMR that it would emerge from bankruptcy independently with plans to grow its capacity by 20% over five years in its "cornerstone" markets (Dallas/Fort Worth, Chicago, New York, Los Angeles, and Miami). At present, AMR has exclusive rights until December 28, 2012 to file a plan of reorganization.

Also in 2012, Pinnacle Airlines and its subsidiaries filed voluntary petitions for Chapter 11 reorganization, and Japan Air Lines resumed operations as a signatory airline at O'Hare following the prior rejection of its O'Hare airport use agreement during its bankruptcy case.

Airport Security. With enactment of the Aviation and Transportation Security Act (*"ATSA"*) in November 2001, the Transportation Security Administration (*"TSA"*) was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act 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. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

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 during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

EFFECT OF AIRLINE BANKRUPTCY

As discussed above, United Airlines and other airlines have emerged from reorganization. Other U.S. airlines may file for bankruptcy protection in the future. See "—Aviation Industry" above and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—Financial Condition of Airlines Serving O'Hare". The cessation of operations by an Airline Party with significant operations at O'Hare, such as United Airlines or American Airlines, could have a material adverse effect on operations, PFC Revenues (with the resultant effect on repayment of the 2012 PFC Bonds) and the cost to the other airlines of operating at O'Hare.

* Available online at: www.amrcaseinfo.com/pdflib/4_15463.pdf.

In the event of bankruptcy proceedings involving an Airline Party, 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 Airline Party 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. After application of certain reserve funds, the amounts unpaid by the Airline Party as a result of its rejection of an Airport Use Agreement in bankruptcy would be included in the calculation of the fees and charges of the remaining Airlines Parties under their Airport Use Agreements, and has the potential to make it more expensive for the remaining Airline Parties under their Airport Use Agreements to operate at O'Hare.

At this point there has been no substantial change in American Airlines' activity at O'Hare while American has been operating in bankruptcy, but it is not possible to predict whether or not American's activity at O'Hare will change in the future. It is also not possible to predict the effect on activity at O'Hare due to the bankruptcy of any other Airline Party. Decreased air carrier activity could have a material adverse effect on operations at O'Hare, PFC Revenues (with the resultant effect on repayment of the 2012 PFC Bonds) and on the cost to the airlines of operating at O'Hare.

For a discussion of the treatment of PFCs in the context of airline bankruptcies, see "PFC PROGRAM AT O'HARE—Collection of the PFCs—*Treatment of PFCs in Airline Bankruptcies*" and "CERTAIN INVESTMENT CONSIDERATIONS RELATING TO PFCS AND FUNDING—PFCs—*Collection of the PFCs*".

LIMITED LIABILITY

THE 2012 PFC 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 OF ILLINOIS, 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 2012 PFC BONDS. THE 2012 PFC BONDS ARE NOT PAYABLE IN ANY MANNER FROM REVENUES RAISED BY TAXATION. THE 2012 PFC BONDS ARE NOT SECURED BY ANY PROPERTIES OR IMPROVEMENTS AT O'HARE OR ANY OTHER REVENUES (OTHER THAN PFCS) DERIVED BY THE CITY FROM THE OPERATION OF O'HARE GENERALLY.

ASSUMPTIONS IN THE AIRPORT CONSULTANT'S LETTER

In connection with the City's issuance of its 2011 Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series A and B, the Airport Consultant prepared its Report dated as of March 29, 2011 (the "*2011 Report*"). In connection with the offering of the 2012 PFC Bonds described in this Official Statement, the Airport Consultant has prepared the Airport Consultant's Letter which updates and confirms certain of the information contained in its 2011 Report, a copy of which is included as an Exhibit to the Airport Consultant's Letter included as APPENDIX E to this Official Statement. The Airport Consultant's Letter contains numerous assumptions as to the utilization of O'Hare and other matters and reviews certain projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions may not be realized and unanticipated events and circumstances may occur. Actual results are likely to differ, perhaps materially, from those projected. Accordingly, the projections contained in APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER" (collectively, the *"Projections"*) are not necessarily indicative of future performance, and neither the Airport Consultant nor the City assumes any responsibility for the accuracy of such Projections. See "AIRPORT CONSULTANT" and APPENDIX E—"THE AIRPORT CONSULTANT'S LETTER."

The Projections are based, in part, on historic data from sources considered by the Airport Consultant to be reliable, but the accuracy of these data has not been independently verified. The Projections are based on assumptions made by the Airport Consultant concerning future events and circumstances which the Airport Consultant believes are significant to the Projections but which cannot be assured. Therefore, the actual results achieved may vary from the Projections, and such variations could be material.

FINANCIAL CONDITION OF THE MONOLINE FINANCIAL GUARANTORS

In connection with the issuance of the Outstanding PFC Bonds, separate debt service reserve accounts were established in an amount equal to the reserve requirement to be used for each such series. Upon the issuance of the 2008 PFC Bonds, Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.) delivered a Qualified Reserve Account Credit Instrument surety policy in the amount of $12,122,173 to satisfy the reserve requirement for the 2008 PFC Bonds. As a result of the widespread losses in the mortgage market and overall credit market challenges, the credit ratings for these sureties have subsequently been downgraded; however, the financing documents do not require that these surety bonds be replaced upon a downgrade of the sureties. Currently Assured Guaranty Municipal Corp. has a rating of Aa3 (on review for possible downgrade) from Moody's and AA— (stable) from S&P. The reserve requirements for the 2010 PFC Bonds and 2011 PFC Bonds were satisfied by a cash deposit at the time of issuance.

The Outstanding PFC Bonds are not entitled to the benefit of, and have no claim on, the 2012 PFC Debt Service Reserve Account.

Except as may be required by the Undertaking described below under the heading "SECONDARY MARKET DISCLOSURE," neither the City nor the Underwriters undertake responsibility to bring to the attention of the owners of the 2012 PFC Bonds any proposed change in or withdrawal of the ratings of any Qualified Credit Provider for the Outstanding PFC Bonds, or to oppose any such revision or withdrawal.

ENFORCEABILITY OF REMEDIES

The rights of the owners of the 2012 PFC Bonds and the enforceability of the City's obligation to make payments on the 2012 PFC 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 opinions of Co-Bond Counsel and the City's Corporation Counsel as to the enforceability of the City's obligations will be 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.

LITIGATION RISK FACTORS

General. As with many major public projects of similar scope and complexity, some aspects of the OMP, particularly those relating to the acquisition of additional property for the modernization of O'Hare and the alteration of flight patterns, have generated opposition and litigation since the announcement of the OMP. The modernization of O'Hare as proposed in the OMP has required the acquisition of certain property adjacent to O'Hare, which has necessitated the on-going relocation of residents, businesses, and a cemetery. The City is acquiring some of this property voluntarily and some through the exercise of eminent domain condemnation powers.

Previous Claims. Certain parties opposed to the OMP have vigorously contested the implementation of the OMP and have filed numerous lawsuits over a period of several years challenging various aspects of the OMP and the City's activities relating to land acquisition and other aspects of the OMP. Except as described under the heading "LITIGATION," all of these claims have been rejected based on legislation confirming the City's authority to implement the OMP, and on procedural and other grounds.

Potential Challenges and Risks Relating to AIP Funding. Federal AIP discretionary grants are subject to annual appropriation and thus may not be awarded. If any AIP grant is unavailable for any reason, the City could make use of other sources of funding that are available to it, including, but not limited to, PFC Revenues, to fund the OMP. While the absence of a grant would not prevent the City from proceeding with the OMP, it could delay or hinder implementation of the OMP. In addition, if the City is required to use alternative sources of funding for OMP, any funds derived from such sources would no longer be available to pay for other capital development projects at O'Hare, including, but not limited to, the remainder of the OMP, the Five-Year CIP, or other capital improvements.

Inability to Predict Nature of Litigation Challenges. As the City continues with the implementation of the OMP, it is possible that those opposed to the modernization of O'Hare may file additional litigation to contest aspects of the funding or implementation of the OMP, or challenging other actions taken or proposed by the FAA, the City, or other parties. The City cannot predict the claims or legal theories that may be raised by potential litigants, or whether any such actions would result in the delay of, or necessitate modifications to, the OMP. Although the City does not currently expect that those opposed to the City's implementation of the OMP will prevail, were they to prevail, the OMP could be delayed or the City could be required to modify the OMP. Either outcome could be expected to reduce certain of the benefits that the City expects to obtain from the OMP, including, but not limited to, reducing the projected increase in airfield capacity. Reduced capacity could be expected to result in lower aggregate revenue and/or higher cost per enplaned passenger for Airline Parties, which in turn could reduce the general airport revenues and PFC Revenues generated at O'Hare for repayment of Airport Obligations and Airport PFC Obligations, including, but not limited to, the 2012 PFC Bonds.

Storm Water Runoff. A significant portion of the storm water collected by the O'Hare airfield storm water collection system is conveyed to the Metropolitan Water Reclamation District of Greater Chicago ("*MWRDGC*") for treatment and subsequent discharge to surface waters. The MWRDGC has requested that CDA develop the capacity to reduce the amount of storm water conveyed from O'Hare to the MWRDGC system during summer months. CDA is initiating a process to study potential options to achieve this objective. It is not possible at this time to estimate the cost of implementing any options that may result from the study.

LITIGATION

Other than the matter described below, there is no litigation pending or threatened against the City relating to the City's operation of O'Hare, the issuance, sale, or delivery of the 2012 PFC Bonds, the validity or enforceability thereof, or the implementation, construction or operation of the OMP, other than various legal proceedings (pending or threatened) which may have arisen or may arise out of the ordinary course of business of O'Hare. 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 O'Hare.

City of Chicago v. FEMA, No. 08-cv-4234. The City filed a complaint for administrative review of the Federal Emergency Management Agency's ("*FEMA*") decision to de-obligate (recover) $5,933,683.98 of funds awarded to the City as reimbursement for the extraordinary costs of clearing snow at O'Hare International Airport and Midway International Airport (collectively, the "*Airports*") during the 1999 and 2000 snow disasters. The lawsuit is the result of an audit conducted by the Office of the Inspector General of the U.S. Department of Homeland Security that concluded that the funds awarded to the City for snow removal at the airports should be returned to FEMA because the Airports' Airport Use Agreements require the airlines using the Airports to pay all operating and maintenance expenses, including snow removal during a declared snow disaster. If the City does not prevail in this appeal, the entire amount of the previously awarded funds will have to be repaid to FEMA from the operating accounts of the Airports. The City's defenses are that: (a) FEMA arbitrarily decided that the extraordinary snow disasters costs were the responsibility of the O'Hare and Midway airlines, even though shutdowns of the Airports would have national ramifications; (b) the manner in which FEMA calculated and documented its decision is flawed; and (c) FEMA did not follow its own time deadlines in responding to Chicago's administrative appeals. The major airlines operating at the Airports were granted leave to intervene in the case by the 7th Circuit Court of

Appeals and the airlines (except for AMR, which has withdrawn from the case) have filed their complaint in intervention. A briefing schedule is in place on cross motions for summary judgment, with all briefs to be filed by September 14, 2012.

There are, from time to time, lawsuits that arise out of the various construction contracts entered into in connection with construction projects at O'Hare. The City, however, does not believe that any sums that may be recovered would have a material adverse impact on the financial condition of O'Hare.

TAX MATTERS

Summary of Co-Bond Counsel Opinion. Katten Muchin Rosenman LLP and Burke Burns & Pinelli, Ltd., Co-Bond Counsel, are of the opinion that under existing law, interest on the 2012 PFC Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the *"Code"*), Co-Bond Counsel are of the opinion that interest on the 2012 PFC Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, (i) interest on the 2012A PFC Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax, and (ii) interest on the 2012B PFC Bonds constitutes an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income for purposes of the individual and corporate alternative minimum tax. Co-Bond Counsel express no opinion as to the exclusion from gross income for federal income tax purposes of interest on any 2012B PFC Bond for any period during which it is held by a person who is a "substantial user" of the facilities financed or refinanced with the proceeds of the 2012B PFC Bonds or a "related person" (each as defined in Section 147(a) of the Code). Interest on the 2012 PFC Bonds is not exempt from present Illinois income taxes.

Exclusion from Gross Income: Requirements. The Code contains certain requirements that must be satisfied from and after the date of issuance of the 2012 PFC Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the 2012 PFC Bonds. These requirements relate to the use and investment of the proceeds of the 2012 PFC Bonds, the payment of certain amounts to the United States, the security and source of payment of the 2012 PFC Bonds and the use of the property financed with the proceeds of the 2012 PFC Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the 2012 PFC Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the 2012 PFC Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the 2012 PFC Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the 2012 PFC Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the 2012 PFC Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the 2012 PFC Bonds.

(c) *Restrictions on Ownership and Use*. The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the 2012 PFC Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the 2012 PFC Bonds.

Covenants to Comply. The City covenants in the PFC Indenture to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the 2012 PFC Bonds.

Risk of Non-Compliance. In the event that the City fails to comply with the requirements of the Code, interest on the 2012 PFC Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the PFC Indenture does not require acceleration of payment of principal of or interest on the 2012 PFC Bonds or payment of any additional interest or penalties to the owners of the 2012 PFC Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the 2012 PFC Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the 2012 PFC Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE 2012 PFC BONDS.

(a) *Cost of Carry*. Owners of the 2012 PFC Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the 2012 PFC Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the 2012 PFC Bonds.

(b) *Corporate Owners*. As set forth in "-Summary of Co-Bond Counsel Opinion" above, interest on the 2012 PFC Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the 2012 PFC Bonds is taken into account in computing corporate alternative minimum taxable income, the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) *Individual Owners.* Receipt of interest on the 2012 PFC Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

(d) *Certain Blue Cross or Blue Shield Organizations*. Receipt of interest on the 2012 PFC Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) *Property or Casualty Insurance Companies*. Receipt of interest on the 2012 PFC Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) *Foreign Personal Holding Company Income*. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the 2012 PFC Bonds held by such a company is properly allocable to the shareholder.

2012 PFC Bonds Purchased at a Premium or at a Discount. The difference (if any) between the initial price at which a substantial amount of each maturity of each Series of the 2012 PFC Bonds is sold to the public (the *"Offering Price"*) and the principal amount payable at maturity of such 2012 PFC Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a 2012 PFC Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a 2012 PFC Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a 2012 PFC Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the 2012 PFC Bond and is subtracted from the owner's tax basis in the 2012 PFC Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such 2012 PFC Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the 2012 PFC Bond. A 2012 PFC Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the 2012 PFC Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the 2012 PFC Bonds).

Owners who purchase 2012 PFC Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the 2012 PFC Bonds. In addition, owners of 2012 PFC Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the 2012 PFC Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Change of Law. The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the 2012 PFC Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the 2012 PFC Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2012 PFC Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale by the City of the 2012 PFC Bonds are subject to the approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and Burke Burns & Pinelli, Ltd., Chicago, Illinois, Co-Bond Counsel. The proposed forms of the opinions of Co-Bond Counsel are included as APPENDIX D.

Certain legal matters will be passed upon for the City by its Corporation Counsel and for the Underwriters by their co-counsel, Burke, Warren, MacKay & Serritella, P.C., Chicago, Illinois and Greene and Letts, Chicago, Illinois.

UNDERWRITING

A group of underwriters, represented by Citigroup Global Markets, Inc. ("*Citigroup*"), has agreed, jointly and severally, to purchase the 2012 PFC Bonds subject to certain conditions set forth in the Contract of Purchase with the City. The Contract of Purchase provides that the obligations of the Underwriters to accept delivery of the 2012 PFC Bonds are subject to various conditions of the Contract of Purchase, but the Underwriters will be obligated to purchase all the 2012 PFC Bonds if any 2012 PFC Bonds are purchased. The Underwriters have agreed to purchase the 2012 PFC Bonds at an aggregate purchase price of $494,333,097.85 (reflecting an Underwriters' discount of $2,261,965.80 and a net original issue premium of $44,500,063.65).

The 2012 PFC Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such 2012 PFC Bonds into investment accounts.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2012 PFC Bonds to the public.

Citigroup Global Markets Inc. and its parent company, Citigroup, Inc., have entered into a distribution agreement dated May 31, 2009, as amended, with Morgan Stanley Smith Barney LLC ("*MSSB*") and its parent company, Morgan Stanley Smith Barney Holdings LLC, whereby Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on

June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate MSSB for its selling efforts with respect to the 2012 PFC Bonds.

Additionally, Citigroup has entered into a master distribution agreement (the "*Master Distribution Agreement*") with TheMuniCenter L.L.C. ("*TMC*"), for the distribution to retail investors of certain municipal securities offerings at their original issue prices. TMC has established an electronic primary offering application platform through which certain TMC approved users that are also broker-dealers or municipal securities dealers can submit orders for and receive allocations of new issue municipal securities at the original issue price for their retail customers. Pursuant to the Master Distribution Agreement (if applicable for this transaction), Citigroup may share with TMC a portion of its underwriting compensation with respect to any 2012 PFC Bonds that are allocated to a TMC user. The TMC users permitted to participate in the offering of the 2012 PFC Bonds may also share a portion of the underwriting compensation received by Citigroup with respect to any 2012 PFC Bonds allocated to such TMC user pursuant to the terms of a Member Addendum to the TMC user's Trading Authorization User Agreement with TMC. Citigroup Financial Products Inc., an affiliate of Citigroup, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC ("*JPMS*"), one of the Underwriters of the 2012 PFC Bonds, has entered into negotiated dealer agreements (each, a "*Dealer Agreement*") with each of UBS Financial Services Inc. ("*UBSFS*") and Charles Schwab & Co., Inc. ("*CS&Co.*") for the retail distribution of certain securities offerings, including the 2012 PFC Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2012 PFC Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2012 PFC Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("*WFBNA*"), one of the underwriters of the 2012 PFC Bonds, has entered into an agreement (the "*Distribution Agreement*") with Wells Fargo Advisors, LLC ("*WFA*") for the retail distribution of certain municipal securities offerings, including the 2012 PFC Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2012 PFC Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

SECONDARY MARKET DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the 2012 PFC Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the 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 PFC Indenture, and beneficial owners of the 2012 PFC Bonds are limited to the remedies described in the Undertaking. See "—Consequences of Failure of the City to Provide Information" under this caption. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2012 PFC Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2012 PFC 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 from the City upon request.

ANNUAL FINANCIAL INFORMATION DISCLOSURE

The City covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB. The City is required to deliver such information so that the MSRB receives the information by the dates specified in the Undertaking.

"Annual Financial Information" means (a) financial information generally consistent with that contained in this Official Statement in the columns headed "Bond Year Ending January 1" and "Total Debt Service" in the table contained under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Debt Service Schedule for Outstanding PFC Obligations and 2012 PFC Bonds" and (b) the actual amount of Total Enplanements, PFC Enplanements, PFC Revenues (Net of Airline Collection Fees), PFC Interest Income and Total PFC Revenues collected for the previous six or more years as described in the table under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues" in this Official Statement. 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 O'Hare prepared in accordance with generally accepted accounting principles applicable to governmental units as in effect from time to time.

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

EVENTS NOTIFICATION AND DISCLOSURE

The City covenants that it will disseminate in a timely manner, in accordance with the Rule, not in excess of ten (10) Business Days, to the MSRB the disclosure of the occurrence of an Event (as described below). The "*Events*," certain of which may not be applicable to the 2012 PFC 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. defeasance;

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

11. rating changes;

12. bankruptcy, insolvency, receivership, or similar proceedings of an Obligated Person;[*]

---

[*] Note that, for purposes of the event identified in item 12, the event is considered to occur when any of the following occurs: The appointment of a receiver, fiscal agent or similar officer for an 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 such jurisdiction has been assumed by leaving the existing governing body and 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 obligated person.

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 (10) 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 2012 PFC 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 PFC 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 2012 PFC 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 2012 PFC Bonds pursuant to the terms of the PFC 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 2012 PFC Bonds under the PFC Indenture. If this provision is applicable, the City shall give notice in a timely manner to the MSRB.

ADDITIONAL INFORMATION

Nothing in the Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the City chooses to include any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a material Event in addition to that which is 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 a material Event.

CORRECTIVE ACTION RELATED TO CERTAIN BOND DISCLOSURE REQUIREMENTS

The City is currently in compliance with the Rule and with its undertakings to file Annual Financial Information and notices of Events for all previously issued bonds, including, but not limited to, bonds payable from revenues derived at O'Hare.

With respect to the City's Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds for which the City has a continuing disclosure obligation, American Airlines is an "obligated person" with respect to such bonds. On November 29, 2011, AMR Corporation (the parent company of American Airlines and American Eagle) and certain of its United States–based subsidiaries (including American Airlines and American Eagle) filed voluntary petitions for Chapter 11 reorganization in the United States Bankruptcy Court for the Southern District of New York. The City filed a notice with EMMA with respect to this event on March 30, 2012 (which filing was not within the ten business-day deadline imposed by the Rule).

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

The City and the dissemination agent for the City's Collateralized Single Family Mortgage Revenue Bonds issued from 1996 to 2002 (the "*Single Family Mortgage Bonds*") did not distribute annual bond disclosure reports for the Single Family Mortgage Bonds in a timely manner as required by Section (b)(5) of the Rule. The City has filed current annual bond disclosure reports for the Single Family Mortgage Bonds with the trustee for the Single Family Mortgage Bonds and such trustee has disseminated such reports to each Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule with respect to those previously issued Single Family Mortgage Bonds and, except as noted below, has complied with the Rule for Collateralized Single Family Mortgage Revenue Bonds issued subsequent to 2002.

CO-FINANCIAL ADVISORS

The City has engaged D+G Consulting Group, LLC and Frasca & Associates, LLC as its co-financial advisors (the *"Co-Financial Advisors"*) in connection with the authorization, issuance and sale of the 2012 PFC Bonds. Under the terms of their engagement, the Co-Financial Advisors are not obligated to undertake, and have not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the City of Chicago Illinois—Chicago O'Hare International Airport as of and for the years ended December 31, 2011 and 2010, included as APPENDIX C to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

RATINGS

Moody's Investors Service, Inc. ("*Moody's*"), Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("*S&P*"), and Fitch Ratings ("*Fitch*") have assigned their ratings of "A2" (stable outlook), "A-" (stable outlook), and "A" (stable outlook), respectively, to the 2012 PFC Bonds. Certain information was supplied by the City to each of the rating agencies to be considered in evaluating the 2012 PFC Bonds.

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 2012 PFC Bonds and O'Hare, 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 will continue for any given period of time, or that any rating will not be revised downward or withdrawn entirely by any 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 2012 PFC Bonds.

AIRPORT CONSULTANT

The information relating to O'Hare contained in this Official Statement under the caption "OUTSTANDING INDEBTEDNESS AT O'HARE—Historical and Forecast PFC Revenues," which contains forecasts of future activity and PFC Revenues at O'Hare was prepared on the basis of information supplied by the Airport Consultant and is included herein in reliance on the authority of such firm as experts in the aviation industry. The Airport Consultant's Letter prepared by the Airport Consultant, included as APPENDIX E, evaluates aviation activity at O'Hare and presents a financial feasibility analysis for O'Hare. The Projections (as defined under "INVESTMENT CONSIDERATIONS Relating TO THE AVIATION INDUSTRY, THE AIRLINES, AND O'HARE—Assumptions in the Airport Consultant's Letter") are based, in part, on historic data from sources considered by the Airport Consultant to be reliable, but the accuracy of these data has not been independently verified. The Projections are based on assumptions made by the Airport Consultant concerning future events and circumstances which the Airport Consultant believes are significant to the Projections. The achievement of the results described in the Projections may be affected by fluctuating economic conditions and depends upon the occurrence of other future events which cannot be assured. Therefore, the actual results achieved may vary from the forecasts, and such variations could be material.

MISCELLANEOUS

The summaries or descriptions in this Official Statement of provisions in the PFC Indenture 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 Comptroller, Room 600, 33 North LaSalle Street, Chicago, Illinois 60602.

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/ Lois A. Scott
Chief Financial Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

GLOSSARY OF TERMS

[THIS PAGE INTENTIONALLY LEFT BLANK]

The following are definitions of certain terms used in this Official Statement. This glossary is provided for the convenience of the reader and does not purport to be comprehensive or definitive. Certain capitalized terms used herein are defined elsewhere in this Official Statement. All references herein to terms defined in the PFC Indenture are qualified in their entirety by the definitions set forth in the PFC Indenture. Copies of the PFC Indenture are available for review prior to the issuance and delivery of the 2012 PFC Bonds at the offices of the City and thereafter at the offices of the Trustee.

"Accounts" means the special accounts created and established pursuant to the PFC Indenture.

"Administrative Expenses" means all fees and charges relating to the administration of the PFC Master Indenture and the Supplemental Indentures, including without limitation, fees, premiums, charges, interest amounts and expenses of the Trustee, any remarketing agent, any tender agent, any paying agent, any Credit Provider, any Rating Agency, accountants and auditors and counsel, but only to the extent the same constitute "Costs of the Projects."

"Aggregate Debt Service" means, as of any particular date of computation and with respect to a particular Bond Year, an amount of money equal to the aggregate of the amounts of Annual Debt Service with respect to such Bond Year and to the PFC Obligations of all Series, including all Section 208 Obligations.

"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 PFC Obligations" means any bonds, notes or other evidences of indebtedness of the City, which bonds, notes or other evidences of indebtedness are secured by a pledge of PFC Revenues, including a subordinate pledge of PFC Revenues.

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

"Airports" means O'Hare, Chicago Midway International Airport and Gary/Chicago International Airport, as they may from time to time be developed, improved, expanded or modified.

"Annual Debt Service" means, as of any particular date of computation and with respect to a particular Bond Year and to PFC Obligations of a particular Series or consisting of a particular Section 208 Obligation, an amount of money equal to the sum of (a) all interest payable during such Bond Year on all PFC Obligations of said Series or Section 208 Obligation Outstanding on said date of computation and (b) all Principal Installments payable during such Bond Year with respect to all PFC Obligations of said Series or Section 208 Obligation

Outstanding on said date of computation, all calculated on the assumption that PFC Obligations or Section 208 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 PFC Master Indenture and the Supplemental Indenture creating such Series or instrument creating such Section 208 Obligation of Principal Installments payable at or after said date of computation.

"Approved Projects" means O'Hare capital improvement projects approved by the FAA for PFC funding.

"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 or Chief Financial Officer and filed with the Trustee for so long as that designation is 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 expertise in the field of law relating to municipal, state and public agency financing, selected by the City and satisfactory to the Trustee.

"*Bond Insurance Policy*" means a municipal bond insurance policy issued by a Bond Insurer, which guaranties payment of principal of and interest on one or more PFC Obligations.

"*Bond Insurer*" means, with respect to any Series of PFC Obligations, the insurance company that has insured the payment of the principal of and interest on all or any portion of such Series and any successor thereto.

"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*" or "*holder*" or "*owner of the Bonds*" or "*registered owner*" means the Registered Owner of any 2012 PFC Bond.

"Business Day" means a day except Saturday, Sunday or any day on which banking institutions 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.

"CDA" means the City of Chicago Department of Aviation.

"Certificate" means a written instrument, certificate, statement, request or requisition of any person. In the case of the City, each Certificate shall be executed by an Authorized Officer. Any Certificate and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined must be read and construed so as to form a single instrument. Any Certificate may be based, insofar as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants or engineers, respectively, unless the officer signing that Certificate knows that the opinion or representation with respect to the matters upon which that Certificate may be based, as aforesaid, is erroneous. The same person,

or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of the PFC Master Indenture or any Supplemental Indenture, but different persons, counsel or accountants may certify to different facts, respectively.

"Chief Financial Officer" means the Chief Financial Officer appointed by the Mayor, or the City Comptroller of the City at any time a vacancy exists in the office of the Chief Financial Officer.

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

"City Council" means the City Council of the City, or any succeeding governing or legislative body of the City.

"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 PFC Obligations, as applicable to obligations issued on the date of such Series.

"Commissioner" means the Commissioner of the Chicago Department of Aviation or any designee of said Commissioner, or any successor or successors to the duties of any such official.

"*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 of Illinois, who, in the case of any individual, shall not be a director, 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 PFC Obligations of any Series, including without limitation, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and disbursements, fees and disbursements of any Independent Accountant and Consulting Engineer, fees and disbursements of other consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of PFC Obligations, application fees, premiums and charges on a Credit Facility and costs and expenses relating to the refunding of any bonds or other obligations of the City issued in connection with the Airports, but only to the extent the same constitute "Costs of the Projects."

"Costs of the Project" or *"Costs of the Projects"* means all or any part designated by the City of the cost of the Projects, or interest in the improvements being acquired, which cost, at the option of the City, except as limited by law, may include all or any part of the incidental cost relating to the Projects, including, without limitation, the following costs and expenses if

incurred on or after November 5, 1990 and to the extent each such cost or expense otherwise constitutes an “allowable cost” as such term is defined in the PFC Regulations:

(a) Obligations incurred for labor and to contractors, builders, and materialmen in connection with the construction, installation and acquisition of the Projects or any part thereof, and obligations incurred for the installation and acquisition of machinery and equipment;

(b) Payment to owners and others for real property including payments for options, easements or other contractual rights;

(c) All expenses incurred in the acquisition of real property, including all costs and expenses of whatever kind in connection with the exercise of the power of eminent domain, and including the cost of title searches and reports, abstracts of title, title certificates and opinions, title guarantees, title insurance policies, appraisals, negotiations and surveys;

(d) The amount of any damages incident to or consequent upon the construction, installation and acquisition of the Projects;

(e) The cost of any indemnity, fidelity and surety bonds, the fees and expenses of the Trustee during construction, installation and acquisition of Projects, and premiums on insurance, if any, in connection with such Projects during construction, installation and acquisition, including builders’ risk insurance;

(f) The cost of engineering and architectural services which includes borings and other preliminary investigations to determine foundation or other conditions, expenses necessary or incident to the development of contract documents and supervising construction, as well as for the performance of all other duties of engineers and architects set forth in the PFC Master Indenture in relation to the construction, installation and acquisition of such Projects or the issuance of the Airport PFC Obligations therefor;

(g) Costs of Issuance and Administrative Expenses;

(h) Any cost properly chargeable to such Projects prior to and during construction, installation and acquisition;

(i) The cost of restoring, repairing and placing in its original condition, as nearly as practicable, all public or private property damaged or destroyed in the construction of such Projects and the cost thereof, or the amount required to be paid by the City as adequate compensation for such damage or destruction, and all costs lawfully incurred or damages lawfully payable, with respect to the restoration, relocation, removal, reconstruction or duplication of property made necessary or caused by the construction and installation of such Projects and the cost thereof;

(j) Any obligation or expense incurred by the City for moneys advanced in connection with the construction, installation and acquisition of Projects and the cost thereof;

(k) Rebates or other similar payments due the United States of America under Section 148 of the Code with respect to the Airport PFC Obligations; and

(l) All other items of cost and expense incident to the construction, installation and acquisition of Projects and the financing thereof, including the payment of interest on Airport PFC Obligations from amounts in any capitalized interest account.

"Credit Facility" means, with respect to a Series of PFC Obligations, the irrevocable letter of credit, line of credit, Bond Insurance Policy, surety or other form of credit enhancement and/or liquidity support, if any, including any alternate or replacement Credit Facility, for such Series of PFC Obligations.

"Credit Provider" means, with respect to a Series of PFC Obligations, the provider of a Credit Facility, if any, for such Series of PFC Obligations.

"*Defeasance Obligations*" 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.

"Event of Default" means an Event of Default as described in APPENDIX B under "SUMMARY OF CERTAIN PROVISIONS OF THE PFC INDENTURE—Events of Default."

"Existing PFC Obligations" means PFC Obligations issued prior to the issuance of the 2012 PFC Bonds and Outstanding following the issuance of the 2012 PFC Bonds.

"FAA" means the Federal Aviation Administration, or the successor to its powers and authority.

"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.

"*Fiduciary*" means the Trustee, any paying agent or any tender agent or any or all of them, as may be appropriate.

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

"Funds" means the special Funds created and established pursuant to the PFC Indenture.

"General Airport Revenue Bond Ordinance" means the ordinance adopted by the City Council of the City on March 31, 1983 entitled "AN ORDINANCE AUTHORIZING THE ISSUANCE BY THE CITY OF CHICAGO OF ITS CHICAGO O'HARE INTERNATIONAL AIRPORT GENERAL AIRPORT REVENUE BONDS, AND PROVIDING FOR THE PAYMENT OF AND SECURITY FOR THE BONDS," as previously and later supplemented and amended from time to time by supplemental ordinances adopted and effective in accordance with its provisions.

"Government Grants-in-Aid" means those moneys granted to the City by the United States of America or any of its agencies, or the State of Illinois, or any of its political subdivisions or agencies, to pay for all or a portion of the cost of one or more Airport Projects and does not include any payments made for services rendered at O'Hare.

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

"Independent Airport Consultant" means a consultant selected by the City, with expertise in the administration, financing, planning, maintenance and operations of airports and their facilities, and who, in the case of an individual, is not an officer or employee of the City.

"Insured Obligation" means any PFC Obligation with respect to which the payment of principal and interest is guaranteed under a Bond Insurance Policy.

"Interest Payment Date" means any Payment Date on which interest on any PFC Obligation is payable.

"Land Support Area" means the facilities, uses, leases, land and air rights, if any, identified as such in that certain Amended and Restated Airport Use Agreement and Terminal Facilities Lease, dated as of January 1, 1985, as amended, between the City and certain Airline Parties (as therein identified) or any successor to that agreement.

"*Majority-in-Interest*" or "*MII*" means, during any Fiscal Year, either (a) any five or more Airline Parties which, in the aggregate, paid sixty percent (60%) or more of Airport Fees and Charges paid by all Airline Parties for the preceding Fiscal Year, or (b) any numerical majority of Airline Parties which, in the aggregate, paid fifty percent (50%) or more of Airport Fees and Charges paid by all Airline Parties for the preceding Fiscal Year. Solely for the purpose of determining a Majority-in-Interest, no airline shall be deemed to be an Airline Party so long as an Event of Default under the Airport Use Agreement with respect to such Airline Party has occurred and is continuing, and the City has given written notice of such Event of Default to such Airline Party. Whenever the approval of or an action by a Majority-in-Interest is required under the Airport Use Agreement, it shall be evidenced in writing by the Airlines' Representative.

"Maximum Annual Debt Service" means, as of any computation date, the maximum Pro Forma Annual Debt Service in any future Bond Year.

"O'Hare" means Chicago O'Hare International Airport, together with any additions thereto, or improvements or enlargements of it, later made, but any land, rights-of-way, or improvements which are now or later owned by or are part of the transportation system operated by the Chicago Transit Authority, or any successor thereto, wherever located within the boundaries of O'Hare, are not deemed to be part of O'Hare.

"Outstanding" means, as of any date, all PFC Obligations theretofore or thereupon being issued under the PFC Master Indenture or incurred pursuant to Section 208 of the PFC Master Indenture except:

(a) PFC Obligations cancelled by the Trustee or the owner of a Section 208 Obligation, as the case may be, at or prior to such date or theretofore delivered to the Trustee or the City, as the case may be, for cancellation;

(b) PFC Obligations (or portions of PFC 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 and interest on which when due or payable will provide moneys, together with the moneys, if any, deposited with the 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 PFC 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 Trustee shall have been made for the giving of such notice;

(c) PFC Obligations for the transfer or exchange of, in lieu of or in substitution for which other PFC Obligations shall have been authenticated and delivered pursuant to the PFC Master Indenture; and

(d) PFC Obligations deemed to have been paid as provided in the PFC Master Indenture.

"*Owner*" or "*registered owner*" means the registered owner of any bond constituting a PFC Obligation.

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

"Payment Date" means any date on which a Principal Installment or interest on any Series of PFC Obligations is payable in accordance with its terms and the terms of the PFC Master Indenture and the Supplemental Indenture creating such Series or, in the case of Section 208 Obligations or amounts payable under any Qualified Swap Agreement, in accordance with the terms of the instrument creating such Section 208 Obligations or such Qualified Swap Agreement.

"PFC Act" means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time.

"PFC Approvals" means the Records of Decision and the Final Agency Decisions of the FAA relating to passenger facility charges imposed by the City at O'Hare.

"PFC Bond Fund" means the Bond Fund created under the PFC Master Indenture.

"PFC Capital Fund" means the PFC Capital Fund created under the PFC Master Indenture.

"PFC Indenture" means the PFC Master Indenture, as amended or supplemented from time to time.

"PFC Master Indenture" means the Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Obligations dated as of January 1, 2008, from the City to The Bank of New York Mellon Trust Company, National Association, as trustee, which amended and restated the indenture pursuant to which the 2001 PFC Bonds were issued.

"PFC Obligations" means (a) any of the bonds, notes or evidences of indebtedness issued or secured by the City under and pursuant to the PFC Master Indenture, including the 2001 PFC Bonds, the 2008 PFC Bonds, the 2010 PFC Bonds, the 2011 PFC Bonds and the 2012 PFC Bonds, (b) any Section 208 Obligations and (c) any Section 209 Obligations.

"PFC Regulations" means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

"PFC Revenue Fund" means the PFC Revenue Fund created under the PFC Master Indenture.

"PFC Revenues" means all revenue received by the City from the passenger facility charges imposed by the City at O'Hare pursuant to the PFC Act, the PFC Regulations, the PFC Approvals and an ordinance adopted by the City Council on January 12, 1993, including any interest earned thereon after such revenue has been remitted to the City as provided in the PFC Regulations, all of which are pledged to the PFC Obligations. PFC Revenues means all or a portion of the PFC Revenues.

"Plan of Finance Compliance Certificate" means the Plan of Finance Compliance Certificate substantially in the form attached to the PFC Master Indenture.

"Principal Installment" means as of any particular date of computation and with respect to PFC Obligations 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 PFC Obligations of said Series or Section 208 Obligation which mature on a single future date,

reduced by the aggregate principal amount of such Outstanding PFC Obligations which would at or before that future date be retired by reason of the payment when due and the application in accordance with the PFC Master Indenture and the Supplemental Indenture creating such Series or the instrument creating such Section 208 Obligation of Sinking Fund Payments payable at or before that future date for the retirement of such Outstanding PFC Obligations, plus (B) the amount of any Sinking Fund Payments payable on that future date for the retirement of such Outstanding PFC Obligations, and that future date is, for all purposes of the PFC Indenture, deemed to be the date when such Principal Installment is payable and the date of such Principal Installment.

"Pro Forma Annual Debt Service" means, with respect to a particular Bond Year, an amount of money equal to Aggregate Debt Service on the date of computation. In computing Pro Forma Annual Debt Service, interest shall be excluded from the determination to the extent that capitalized interest or accrued interest paid by purchasers of PFC Obligations is available to pay such interest.

"Project" or *"Projects"* means any additions, betterments, extensions, other improvements of or related to the Airports or other costs incurred for any purpose at or related to the Airports from time to time (whether or not located at the Airports) including, without limitation, the acquisition of land, which shall be authorized by the FAA and shall constitute an "approved project," as such term is defined in the PFC Regulations.

"Project Obligations" means all Series of PFC Obligations other than a Series of Refunding Obligations.

"Qualified Collateral" means:

(a) Federal Obligations;

(b) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than AA or Aa or their equivalents by any Rating Agency; and

(c) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America.

"Qualified Credit Provider" means the issuer of a Qualified Reserve Account Credit Instrument, if any.

"Qualified Investments" means:

(a) Federal Obligations;

(b) prerefunded municipal obligations meeting the following conditions: (A) the municipal obligations are not subject to redemption prior to maturity, or the trustee therefor has been given irrevocable instructions concerning their calling and redemption and the issuer thereof has covenanted not to redeem such obligations other than as set forth in such instructions; (B) the municipal obligations are secured by cash and/or Federal Obligations, which Federal Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (C) the principal of and interest on the Federal Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (D) the Federal Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (E) the Federal Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent; and (F) the municipal obligations are rated in their highest rating category by any Rating Agency.

(c) deposits in interest-bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including the Trustee, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at least equal to the amount of such deposits, marked to market monthly, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Trustee or with a Federal Reserve Bank or branch or, with the written approval of the City and the Trustee, with another bank, trust company or national banking association for the benefit of the City and the appropriate Fund or Account as collateral security for such deposits;

(d) direct and general obligations of any state of the United States of America or any political subdivision of the State of Illinois which are rated not less than AA or Aa or their equivalents by any Rating Agency;

(e) obligations issued by any of the following agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, Fannie Mae, Student Loan Marketing Association, Federal Farm Credit Bureau, Federal Home Loan Mortgage Corporation, Federal Housing Administration, any agency or instrumentality of the United States of America and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;

(f) public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(g) any repurchase agreements collateralized by securities described in clauses (a) or (e) above with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank or parent holding company providing a guaranty has an uninsured, unsecured and unguaranteed obligation rated (an *"unsecured rating"*) Prime-1 and A or better by Moody's Investors Service, Inc. or A-1 or A3 or better by Standard & Poor's Ratings Services provided (A) a specific written agreement governs the transaction; (B) the securities are held by a depository acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank, or (2) a bank which is a member of the Federal Deposit Insurance Corporation and with combined capital, surplus and undivided profits of not less than $25,000,000, and the Trustee shall have received written confirmation from such third party that it holds such securities; (C) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R 306.1 *et seq.* or 31 C.F.R 350.0 *et seq.* in such securities is created for the benefit of the Trustee; (D) the repurchase agreement has a term of one year or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two business days of such valuation; (E) the repurchase agreement matures at least 10 days (or other appropriate liquidation period) prior to a Payment Date; and (F) the fair market value of the securities in relation to the amount of the repurchase obligations, including principal and interest, is equal to at least 100 percent;

(h) shares of an investment company, organized under the Investment Company Act of 1940 as amended, which invests its assets exclusively in obligations of the type described in clauses (a) to (f);

(i) investment agreements which represent the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution, in either case that has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the three highest rating categories by S&P and Moody's;

(j) long-term or medium-term corporate debt guaranteed by any corporation that is rated by both S&P and Moody's in either of their two highest rating categories;

(k) prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's and at least "A-1" by S&P, if S&P then maintains a rating on such paper; and

(l) any other type of investment in which the City directs the Trustee in writing to invest, *provided* that there is delivered to the Trustee a certificate of an Authorized Officer stating that each Rating Agency has been informed of the proposal to invest in such investment and each Rating Agency has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any PFC Obligations.

"Qualified Reserve Account Credit Instrument" means a letter of credit, surety bond or non-cancellable 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 hereof.

"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 (i) 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 PFC Obligations by such Rating Agency (without regard to any Bond Insurance Policy or any other Credit Facility), and (ii) 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 PFC Obligations.

"Rating Agency" means any rating agency that has an outstanding credit rating assigned to any PFC Obligations.

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

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

"Refunding Obligations" means all PFC Obligations, whether issued in one or more Series, authenticated and delivered on original issuance for the purpose of the refunding of PFC Obligations of any Series.

"Regulations" means the Income Tax Regulations (26 C.F.R. Part 1) promulgated under and pursuant to the Code.

"*Reserve Requirement*" means, as of the date of the computation, an amount equal to the lesser of the following: (i) $38,516,568.76, or (ii) the maximum amount of Annual Debt Service payable on the 2012 PFC Bonds for the current or any future Bond Year.

"Revenues" as defined in the Senior Lien GARB Indenture, includes all amounts received or receivable directly or indirectly by the City for the use and operation of, or with

respect to, O'Hare (excluding the Land Support Area), including, without limitation: all airline fees and charges (excluding payments described in clause (i) below); all other rentals, charges and fees for the use of O'Hare or for any service rendered by the City in the operation of O'Hare; concession revenues; interest payments to the City; interest accruing on, and any profit realized from the investment of, moneys held or credited to all O'Hare and accounts of the City; *provided, however,* that Revenues does not include: (i) any amounts derived by the City from Special Facility Financing Arrangements entered into in connection with Special Facilities to the extent those moneys derived are required to pay principal of, premium, if any, and interest on Special Facility Revenue Bonds and all sinking and other reserve fund payments required by the ordinance or resolution authorizing the issuance of the Special Facility Revenue Bonds; (ii) the proceeds of any passenger facility charge, customer facility charge or similar tax or charge levied by or on behalf of the City, including but not limited to, any cargo facility charge or security charge; (iii) the proceeds of any tax levied by or on behalf of the City; (iv) interest accruing on, and any profit resulting from the investment of, moneys in any fund or account of O'Hare that is not available by agreement or otherwise for deposit into the Revenue Fund under the Senior Lien GARB Indenture; (v) Government Grants-in-Aid; (vi) insurance proceeds which are not deemed to be revenues in accordance with generally accepted accounting principles; (vii) the proceeds of any condemnation awards; (viii) security deposits and the proceeds of the sale of any O'Hare property; and (ix) the proceeds of any borrowings by the City. Unless otherwise provided in a Supplemental Indenture under the Senior Lien GARB Indenture, there shall also be excluded from the term *"Revenues"* any Released Revenues, as defined in the Senior Lien GARB Indenture.

"Second Lien GARB Indenture" means the Master Indenture of Trust, dated as of May 15, 2012, between the City and The Bank of New York Mellon Trust Company, National Association as successor trustee, as supplemented and amended from time to time.

"Section 208 Obligations" means any obligations incurred by the City to reimburse the Credit Providers of one or more Credit Facilities (including Qualified Reserve Account Credit Instruments) securing one or more Series of PFC Obligations as described in Section 208 of the PFC Master Indenture, whether such obligations are set forth in one or more reimbursement agreements entered into between the City and the Credit Provider, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto.

"Section 209 Obligations" means any obligations incurred by the City to any one or more Swap Providers pursuant to Section 209 of the PFC Master Indenture, including any fees or amounts payable by the City under each related Qualified Swap Agreement.

"Securities Depository" means DTC and any other securities depository registered as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange of 1934, as amended, and appointed as the securities depository for the 2012 PFC Bonds.

"Senior Lien GARB Indenture" means the Senior Lien GARB Master Indenture, as amended or supplemented from time to time.

"Senior Lien GARB Master Indenture" means the Master Indenture of Trust Securing Chicago O'Hare International Airport General Airport Revenue Senior Lien Obligations, dated as of September 1, 2012, from the City to the trustee thereunder.

"Senior Lien GARB Obligations" means (a) any of the bonds, notes or evidences of indebtedness issued by the City under and pursuant to Article II of the Senior Lien GARB Master Indenture, (b) any GARB Section 208 Obligations, and (c) obligations of the City under a Qualified Senior Lien GARB Swap Agreement except to the extent those obligations are subordinated under the Senior Lien GARB Master Indenture or any supplemental indenture, or under that agreement.

"Senior Lien GARB Section 208 Obligations" means any obligations incurred by the City to reimburse the issuer or issuers of one or more instruments securing one or more Series of Senior Lien GARB Obligations as described in Section 208 of the Senior Lien GARB Master Indenture, including any fees or other amounts payable to the issuer of any such instrument, whether those obligations are set forth in one or more reimbursement agreements entered into between the City and the issuer of any such instrument, or in one or more notes or other evidences of indebtedness executed and delivered by the City pursuant thereto, or any combination of them.

"Series" means all of the PFC Obligations authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein, but, unless the context clearly indicates otherwise, shall not include Section 208 Obligations.

"Sinking Fund Payment" means as of any particular date of determination and with respect to the Outstanding PFC 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 PFC 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 PFC Obligation.

"Special Facility" means a building, facility or improvement at O'Hare, or portion thereof, that has been or is to be constructed, installed, equipped or acquired with the proceeds of the sale of Special Facility Revenue Bonds or sources other than Revenues.

"Special Facility Revenue Bonds" means obligations of the City with respect to which the principal, premium, if any, and interest are payable solely from proceeds of the sale of those obligations and from sources other than Revenues, and for which the City has no taxing obligation.

"Special Facility Financing Arrangement" means any agreement creating or relating to Special Facility Revenue Bonds.

"*Subordinated PFC Obligations*" means any bonds, notes or evidences of indebtedness, so designated and issued by the City as permitted by the PFC Master Indenture.

"Supplemental General Airport Revenue Bond Ordinance" means an ordinance supplemental to or amendatory of the General Airport Revenue Bond Ordinance as originally adopted on March 31, 1983, adopted by the City Council and effective as provided in the General Airport Revenue Bond Ordinance.

"Supplemental Indenture" means an indenture supplemental to or amendatory of the PFC Master Indenture, executed and delivered by the City and the Trustee in accordance with the PFC Master Indenture, including any such indenture executed and delivered in connection with the issuance of a Series of 2012 PFC Bonds.

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

"Trust Estate" means the property conveyed to the Trustee pursuant to the Granting Clauses of the PFC Master Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, National Association, a national banking association, as successor to BNY Midwest Trust Company, or its successor as such trustee hereafter appointed in the manner provided in the PFC Master Indenture.

"2001 PFC Bonds" means the $700,000,000 original aggregate principal amount of Chicago O'Hare International Airport Second Lien Passenger Facility Charge Revenue Bonds, issued in five separate Series in 2001, each constituting a Series of PFC Obligations.

"2008 PFC Bonds" means the $111,425,000 original aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2008A issued by the City in 2008 and constituting PFC Obligations.

"2008A GARBs" means the $530,170,000 original aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2008A.

"2010 PFC Bonds" means the $137,665,000 original aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, issued in four separate series in 2010 each constituting a Series of PFC Obligations.

"2010F GARBs" means the $95,735,000 original aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2010F.

"2011 PFC Bonds" means the $46,005,000 original aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, issued in two separate series in 2011 each constituting a Series of PFC Obligations.

"2011A GARBs" means the $420,155,000 original aggregate principal amount of Chicago O'Hare International Airport General Airport Third Lien Revenue Bonds, Series 2011A.

"2012 PFC Administrative Expense Account" means an Account created under the Eighth Supplemental Indenture and established within the 2012 PFC Dedicated Sub-Fund.

"2012 PFC Debt Service Reserve Account" means the Account created under the Eighth Supplemental Indenture and established with the Trustee within the 2012 PFC Dedicated Sub-Fund.

"2012 PFC Dedicated Sub-Fund" means a separate and segregated sub-fund within the PFC Bond Fund created by the City and established with the Trustee under the Eighth Supplemental Indenture for the 2012 PFC Bonds.

"2012 PFC Interest Account" means an Account created under the Eighth Supplemental Indenture and established with the Trustee within the 2012 PFC Dedicated Sub-Fund and used for the payment of interest on the 2012 PFC Bonds.

"2012 PFC Principal Account" means an Account created under the Eighth Supplemental Indenture and established with the Trustee within the 2012 PFC Dedicated Sub-Fund and used for the payment of principal on the 2012 PFC Bonds.

"2012 PFC Rebate Account" means an Account created under the Eighth Supplemental Indenture and established within the 2012 PFC Dedicated Sub-Fund.

[*Remainder of Page Intentionally Left Blank*]

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE PFC INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

The following is a summary of certain provisions of the PFC Master Indenture as supplemented and amended (as supplemented and amended, the "*PFC 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 summary are defined in APPENDIX A—"GLOSSARY OF TERMS."

1. AUTHORIZATION OF THE 2012 PFC BONDS AND OTHER PFC OBLIGATIONS

In order to provide sufficient funds for the financing or refinancing of Projects, PFC Obligations are authorized to be issued from time to time in one or more Series as provided in the PFC Indenture without limitation as to amount except as may be limited by law, for the purpose of (a) the payment, or the reimbursement for the payment of, the Costs of Projects, (b) the refunding of any PFC Obligations or other obligations issued to finance or refinance the Costs of Projects, including, without limitation, any revenue bonds or commercial paper notes issued by the City to finance or refinance the Costs of Projects, or (c) the funding of any Fund or Account as specified in the PFC Master Indenture or the Supplemental Indenture under which any PFC Obligations are issued; including, in each case, payment of Costs of Issuance. PFC Obligations consisting of Section 208 Obligations and Section 209 Obligations are also authorized to be incurred from time to time as provided for in the PFC Master Indenture, for the purposes set forth therein. The 2012 PFC Bonds are PFC Obligations authorized and issued pursuant to the PFC Master Indenture and the Eighth Supplemental Indenture.

2. COVENANT AGAINST OTHER PLEDGE OF PFC REVENUES

The City has covenanted in the PFC Master Indenture that it will not hereafter issue any bonds, notes or other evidences of indebtedness secured by the pledge contained in the PFC Master Indenture other than the PFC Obligations, and will not create or cause to be created any lien or charge on PFC Revenues, or on any amounts pledged for the benefit of owners of PFC Obligations under the PFC Master Indenture, other than the pledge of PFC Revenues contained in the PFC Master Indenture; *provided, however*, that neither this covenant nor any other provision of the PFC Master Indenture will prevent the City from (a) issuing bonds, notes or other evidences of indebtedness payable out of, or secured by a pledge of, PFC Revenues to be derived on and after such date as the pledge contained in the PFC Master Indenture shall be discharged and satisfied, or (b) from issuing bonds, notes, or other evidences of indebtedness which are payable out of, or secured by, the pledge of amounts which may be withdrawn from the PFC Revenue Fund or the PFC Bond Fund as described in the PFC Master Indenture or from the PFC Capital Fund, so long as such pledge is expressly junior and subordinate to the pledge contained in the PFC Master Indenture.

3. SOURCE OF PAYMENT; PLEDGE OF PFC REVENUES AND OTHER MONEYS

The PFC Indenture provides that the PFC Obligations are legal, valid and binding limited obligations of the City payable from PFC Revenues and certain other moneys and securities held by the Trustee under the provisions of the PFC Master Indenture and any Supplemental Indenture. The PFC 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 of Illinois or any political subdivision thereof is pledged to the payment of the principal of or interest on the PFC Obligations. The City made a pledge of the Trust Estate, to the extent set forth in the Granting Clauses of the PFC Master Indenture, including PFC Revenues whether held by the City or by a Fiduciary in the PFC Revenue Fund, the PFC Capital Fund or otherwise, and of all moneys and securities held or set aside or to be held or set aside by the Trustee under the PFC Master Indenture or any Supplemental Indenture to secure the payment of the principal and Redemption Price of, and interest on, the PFC Obligations, subject only to the provisions of the PFC Master Indenture or any Supplemental Indenture requiring or permitting the payment, setting apart or appropriation thereof for or to the purposes and on the terms, conditions, priorities and order set forth in or provided under the PFC Master Indenture or such Supplemental Indenture. Such pledge is valid and binding from and after the First Lien Defeasance Date and the subordinated pledge in effect prior to the First Lien Defeasance Date was valid and binding from and after the date of issuance of the 2001 PFC Bonds. The PFC Revenues so pledged and then or thereafter received by the City are immediately subject to the lien of the pledge without any further physical delivery or further act; and the lien of the pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether the parties have notice thereof.

4. CREDIT FACILITIES TO SECURE PFC OBLIGATIONS

The City reserves the right under the PFC Master Indenture to provide Credit Facilities (including Qualified Reserve Credit Account Instruments) to secure the payment of the principal of, premium, if any, and interest on one or more Series of PFC Obligations, or in the event owners of PFC Obligations have the right to require purchase thereof, to secure the payment of the purchase price of such PFC Obligations upon the demand of the owners. In connection with any Credit Facility, the City may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made under the Credit Facility and the method by which the City will reimburse the Credit Provider for such drawings together with interest thereon at such rate or rates and as may be agreed upon by the City and Credit Provider. Any obligation of the City to reimburse the Credit Provider will constitute a Section 208 Obligation and a PFC Obligation under the PFC Indenture to the same extent as any Series of PFC Obligations issued pursuant to a Supplemental Indenture, and any and all amounts payable by the City to reimburse the Credit Provider, together with interest thereon, will for purposes of the PFC Indenture be deemed to constitute the payment of principal of, premium, if any, and interest on PFC Obligations.

5. HEDGING TRANSACTIONS

The City also reserves the right under the PFC Master Indenture to 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 makes a written determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for PFC 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 the Qualified Swap Agreement is not in default under the Qualified Swap Agreement:

(a) for purposes of any calculation of Annual Debt Service, the interest rate on the PFC Obligations of such maturity or maturities will be determined as if such PFC 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;

(b) any net payments required to be made by the City to the Swap Provider pursuant to the Qualified Swap Agreement from PFC Revenues will be made on a parity with payments due on other PFC Obligations solely from amounts on deposit to the credit of the PFC Bond Fund; and

(c) any net payments received by the City from the Swap Provider pursuant to such Qualified Swap Agreement will be applied as directed in writing by the City.

If the City enters into a swap agreement that does not satisfy the requirements for qualification as a Qualified Swap Agreement as a result of its failure to make the determination described in the PFC Indenture or otherwise, then:

(a) the interest rate adjustment or assumptions referred to in clause (a) of the preceding paragraph above will not be made;

(b) any net payments required to be made by the City to the Swap Provider pursuant to such swap agreement from PFC Revenues will be made only from amounts available after the payment of all other PFC Obligations; and

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

6. EQUALITY OF SECURITY

All PFC Obligations, regardless of Series, date of issuance or incurrence and date of sale, are secured by the pledge of PFC Revenues as described in "—Source of Payment; Pledge of PFC Revenues and Other Moneys"; and the security pledged is not to be used for any other purpose except as expressly permitted by the terms of the PFC Indenture, so long as any PFC Obligations remain Outstanding and unpaid.

7. EQUALITY OF PFC OBLIGATIONS

Except as specifically provided in the PFC Master Indenture, all PFC Obligations authorized or incurred under the PFC Indenture will be on a parity and rank equally without preference, priority or distinction over any other as to security, regardless of the time or times of their issue, and the provisions, covenants and agreements set forth in the PFC Master Indenture to be performed by and on behalf of the City will be for the equal benefit, protection and security of the owners of any and all PFC Obligations.

The City in the PFC Master Indenture covenants not to issue any obligations payable from PFC Revenues or, except as otherwise provided above under "–Covenant Against Other Pledge of PFC Revenues," any other moneys pledged under the PFC Indenture, nor voluntarily create or cause or permit to be created any debt, lien, pledge or assignment having priority over, or being on a parity with, the PFC Obligations.

8. PAYMENT OF DEBT SERVICE ON THE 2012 PFC BONDS

The City agrees to maintain and administer a PFC Revenue Fund to be designated as the "Chicago O'Hare International Airport, Passenger Facility Charge Revenue Bonds, PFC Revenue Fund" and a PFC Capital Fund to be designated the "Chicago O'Hare International Airport, Passenger Facility Charge Revenue Bonds, PFC Capital Fund," each for the administration of PFC Revenues. The administration of the PFC Revenue Fund and the PFC Capital Fund is subject to the provisions of the PFC Master Indenture providing that the PFC Revenue Fund and the PFC Capital Fund be held and administered by the Trustee as described in "—Transfer of PFC Revenue Fund and PFC Capital Fund to the Trustee" below. The Trustee is not responsible for the administration of the PFC Revenue Fund or the PFC Capital Fund when the Funds are held and maintained by the City.

The City may use the moneys in the PFC Capital Fund for any lawful purposes determined by the City as is permitted by the PFC Act, the PFC Regulations and the PFC Approvals and which is consistent with the provisions of the PFC Master Indenture.

The Trustee, at the written request of the City, will establish such additional sub-funds within the PFC Bond Fund, and Accounts and subaccounts within any such sub-funds, as is specified in such written request, for the purpose of identifying more precisely the sources of payments into and disbursements from the PFC Bond Fund or such sub-funds, Accounts and subaccounts and in addition, the City will, at the written request of the Trustee, establish additional Accounts for the purpose of segregating amounts available to pay the principal of, premium, if any, and interest on separate series of the PFC Obligations, and for the purpose of establishing the priority of the PFC Obligations over any other Airport PFC Obligations.

Additional sub-funds within the PFC Bond Fund and Accounts and subaccounts within such sub-funds may also be created by any Supplemental Indenture; and any Supplemental Indenture may provide that amounts on deposit in such sub-funds, Accounts and subaccounts must be held by the Trustee for the sole and exclusive benefit of such PFC Obligations as may be specifically designated in such Supplemental Indenture.

8.1 *2012 PFC Dedicated Sub-Fund*. The Eighth Supplemental Indenture creates and establishes with the Trustee a separate and segregated sub-fund within the PFC Bond Fund, such sub-fund to be designated the "Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Revenue Bond Dedicated Sub-Fund" (the "*2012 PFC Dedicated Sub-Fund*"). Moneys on deposit in the 2012 PFC Dedicated Sub-Fund, and in each Account established therein, are to be held in trust by the Trustee for the sole and exclusive benefit of the Registered Owners of the 2012 PFC Bonds and are not to be used or available for the payment of any other PFC Obligations.

The Eighth Supplemental Indenture creates and establishes with the Trustee separate Accounts within the 2012 PFC Dedicated Sub-Fund, designated as follows: (a) the Chicago O'Hare International Airport Series 2012A Passenger Facility Charge Costs of Issuance Account; (b) the Chicago O'Hare International Airport Series 2012B Passenger Facility Charge Costs of Issuance Account; (c) Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Administrative Expense Account (the "*2012 PFC Administrative Expense Account*"); (d) the Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Debt Service Reserve Account (the "*2012 PFC Debt Service Reserve Account*"); (e) the Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Principal Account (the "*2012 PFC Principal Account*"); (f) the Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Interest Account (the "*2012 PFC Interest Account*"); and (g) the Chicago O'Hare International Airport Series 2012AB Passenger Facility Charge Rebate Account (the "*2012 PFC Rebate Account*").

On the 25th day of each month, commencing September 25, 2012 (each such date referred to as the "*Deposit Date*") there will be deposited into the 2012 PFC Dedicated Sub-Fund from amounts on deposit in the PFC Bond Fund an amount equal to the aggregate of the following amounts, which amounts will be calculated by the Trustee on the 15th day of each month (such aggregate amount with respect to any Deposit Date being referred to herein as the "*2012 PFC Deposit Requirement*"):

(a) for deposit into the 2012 PFC Interest Account, an amount equal to the lesser of (A) (i) prior to January 25, 2013, one-quarter of the interest due on the 2012 PFC Bonds on January 1, 2013, and (ii) on and after January 25, 2013, one-sixth of the interest due on the 2012 PFC Bonds on the next Interest Payment Date; or (B) the amount required so that the sum held in the 2012 PFC Interest Account will equal the interest due on the 2012 PFC Bonds on the next Interest Payment Date;

(b) for deposit into the 2012 PFC Principal Account, an amount equal to the lesser of (A) (i) prior to January 25, 2013, one-quarter of the Principal Installments due on the 2012 PFC Bonds on January 1, 2013, and (ii) on and after January 25, 2013, one-twelfth of the Principal Installments due on the 2012 PFC Bonds on the first day of January next ensuing, or (B) the amount required so that the sum then held in the 2012 PFC Principal Account will equal the Principal Installments due on the 2012 PFC Bonds on the first day of January next ensuing;

(c) commencing on the first Deposit Date following any draw of moneys under any Qualified Reserve Account Credit Instrument, to the Qualified Credit Provider of the Qualified Reserve Account Credit Instrument, as reimbursement for such draw, any amount specified by the City in a Certificate filed with the Trustee prior to such first Deposit Date, which Certificate will specify the monthly deposit amounts to be made pursuant to this clause in order to fully restore the coverage of the Qualified Reserve Account Credit Instrument within one year of the date of initial draw under the Qualified Reserve Account Credit Instrument;

(d) for deposit into the 2012 PFC Debt Service Reserve Account, the amount, if any, required as of the close of business on such Deposit Date to restore the 2012 PFC Debt Service Reserve Account to an amount equal to the Reserve Requirement;

(e) for deposit into the 2012 PFC Rebate Account, any amount so specified by the City in a Certificate filed with the Trustee; and

(f) for deposit into the 2012 PFC Administrative Expense Account, the amount estimated by the City in writing to be required as of the close of business on such Deposit Date to pay all Administrative Expenses, with respect to the 2012 PFC Bonds during the 60-day period commencing on such Deposit Date.

In addition to the 2012 PFC Deposit Requirement, there will be deposited into the 2012 PFC Dedicated Sub-Fund any other moneys received by the Trustee under and pursuant to the PFC Master Indenture or the Eighth Supplemental Indenture, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the 2012 PFC Dedicated Sub-Fund and to one or more accounts in the 2012 PFC Dedicated Sub-Fund.

Upon calculation by the Trustee of each 2012 PFC Deposit Requirement, the Trustee will notify the City of the 2012 PFC Deposit Requirement and the Deposit Date to which it relates together with such supporting documentation and calculations as the City may reasonably request.

If on any Deposit Date, the amount held in the 2012 PFC Dedicated Sub-Fund for deposit to the various Accounts is less than the unsatisfied amount of the 2012 PFC Deposit Requirement for such Deposit Date, the City will withdraw, or cause to be withdrawn, from the PFC Capital Fund and pay to the Trustee for deposit into the 2012 PFC Dedicated Sub-Fund the amount necessary to cure such deficiency.

Any moneys and securities held in the PFC Bond Fund or any sub-account, Account or subaccount created pursuant to the PFC Indenture will be held in trust by the Trustee, as provided in the PFC Master Indenture or such Supplemental Indenture, and will be applied, used and withdrawn only for the purposes authorized in the PFC Master Indenture or such Supplemental Indenture. All moneys and securities held by the City in any fund or account established for or with respect to PFC Revenues will be accounted for and held separate and apart from all other moneys and securities of the City, and, until so applied, used and withdrawn, will be held in trust by the City for the purposes for which such fund or account was established.

9. PFC CAPITAL FUND

The City covenants and agrees in the PFC Indenture that amounts in the PFC Capital Fund will be used whenever necessary to make payments required by the PFC Indenture when amounts in the PFC Revenue Fund are insufficient. Amounts in the PFC Capital Fund will also be used for any lawful purposes as the City may from time to time determine, and as authorized by the FAA and permitted by the PFC Act, the PFC Regulations and the PFC Approvals and which is consistent with the provisions of the PFC Indenture, including the most recently filed Plan of Finance Compliance Certificate.

10. TRANSFER OF PFC REVENUE FUND AND PFC CAPITAL FUND TO THE TRUSTEE

Upon an Event of Default, the City will promptly transfer all moneys and securities in the PFC Revenue Fund and the PFC Capital Fund to the Trustee and such Funds will be thereafter held by the Trustee as part of the Trust Estate.

The City will promptly transfer all or any portion of moneys and securities in the PFC Revenue Fund or the PFC Capital Fund to the Trustee to be held by the Trustee as part of the Trust Estate if the PFC Act, the PFC Regulations or the PFC Approvals require such Funds to be held by the Trustee. In such event, such Fund or Funds will be held by the Trustee for such period of time as required by the PFC Act, the PFC Regulations or the PFC Approvals.

11. COMPLIANCE WITH NOISE ACT, PFC ACT, PFC REGULATIONS AND PFC APPROVALS

The City covenants in the PFC Indenture that it will comply with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals, and that it will not take any action or omit to take any action with respect to the PFC Revenues, the Projects, any Airport or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination of the City's authority to impose passenger facility charges or prevent the use of the PFC Revenues as contemplated by the PFC Indenture. The City covenants that all moneys in the PFC Revenue Fund and the PFC Capital Fund will be used in compliance with all provisions of the PFC Act and the PFC Regulations applicable to the City and all provisions of the PFC Approvals. Without limiting the generality of the foregoing, the City covenants that, to the extent necessary to comply with the foregoing covenant, it will:

(a) diligently seek approval to use PFC Revenues for the Projects within the time periods set forth in the PFC Regulations and will begin implementation of the Projects within the time periods set forth in the PFC Regulations;

(b) (i) impose PFCs to the full extent approved by the FAA for O'Hare, (ii) not unilaterally decrease the level of PFCs to be collected from any passenger, (iii) unilaterally increase the total approved PFC revenue pursuant to PFC Regulations §158.37(a) to the extent necessary to pay the debt service on Airport PFC Obligations, and (iv) apply for an additional increase in total approved PFC revenue pursuant to PFC Regulations §158.37(b) to the extent the City projects such increase may be necessary to pay the debt service on Airport PFC Obligations;

(c) not impose any noise or access restriction at O'Hare not in compliance with the Airport Noise and Capacity Act of 1980, Pub. L. 101-508, Title IX, Subtitle D (the "*Noise Act*"), if the imposition of such restriction may result in the termination or suspension of the City's authority to impose or use PFCs at O'Hare prior to the charge expiration date or the date total approved PFC revenue has been collected;

(d) take all action reasonably necessary to cause all collecting air carriers to collect and remit to the City all PFCs at O'Hare required by the PFC Regulations to be so collected and remitted;

(e) contest any attempt by the FAA to terminate or suspend the City's authority to impose, receive or use PFCs at O'Hare prior to the charge expiration date or the date total approved PFC revenue has been collected; and

(f) use PFC Revenues to ensure that the Plan of Finance Compliance Certificate can be delivered annually as set forth in the PFC Master Indenture.

12. ANNUAL AUDIT

The City covenants in the PFC Indenture that it will, comply with any audit requirements of the PFC Regulations applicable to it and any audit requirements of the PFC Approvals (a "*required audit*"). As soon as practicable, the City will furnish the Trustee with a copy of each required audit. Each such required audit will be available for inspection at reasonable times by any Owner at the office of the Chief Financial Officer. Each required audit will either (i) contain a statement of the auditor that the audit complies with PFC Regulations or (ii) be accompanied by a certificate of an Authorized Officer stating that the audit complies with PFC Regulations.

13. TAX COVENANTS

The City covenants not to take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any PFC Obligation to become subject to federal income taxes in addition to federal income taxes to which interest on such PFC Obligation is subject on the date of its original issuance. The City covenants to also comply with the provisions of Section 148(f) of the Code relating to the rebate of certain investment earnings at periodic intervals to the United States of America.

14. DEBT SERVICE RESERVE ACCOUNTS

Any Supplemental Indenture pursuant to which a Series of PFC Obligations is issued may establish a debt service reserve account and a series reserve account requirement. See the caption "SECURITY FOR THE 2012 PFC BONDS–Debt Service Reserve Account" in the Official Statement.

15. MANAGEMENT OF O'HARE

The City covenants not to take any action which would cause the Administrator of the FAA, or any successor to the powers and authority of such Administrator, to suspend or revoke the O'Hare operating certificate issued under the Federal Aviation Act of 1958, or any successor statute. The City will comply with all valid acts, including the acts, rules, regulations, orders and directives of any governmental, legislative, executive, administrative or judicial body applicable to O'Hare, unless the same is contested in good faith, all to the end that O'Hare will remain operational at all times.

16. OPERATION OF O'HARE

The City covenants that it will at all times use reasonable efforts to keep O'Hare open for landings and takeoffs of aircraft of any type using facilities similar to those at O'Hare and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the PFC Obligations or the performance or observance of any of the covenants contained in the PFC Master Indenture or any Supplemental Indenture.

17. SALE OR TRANSFER OF AIRPORT

The sale, conveyance, mortgage, encumbrance or other disposition, directly or indirectly, of all or substantially all of O'Hare or the transfer, directly or indirectly, of control, management or oversight, or any material aspect of control, management or oversight, of O'Hare, whether of its properties, interests, operations, expenditures, revenues (including, without limit, PFC Revenues, any revenues under the General Airport Revenue Bond Ordinance or revenues under the Master Trust Indenture Securing Chicago-O'Hare International Airport International Terminal Special Facility Revenue Bonds (the "*Master Special Facility Revenue Bond Indenture*") dated March 1, 1990) or otherwise will not occur unless and until all of the following conditions have been met:

(a) the transfer has 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 has been obtained in writing confirming that such transfer will not adversely affect any rating on the PFC Obligations issued by any Rating Agency;

(c) a certificate has 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, the PFC Revenues to be derived, together with any cash balance held in the PFC Revenue Fund and the PFC Capital Fund on the first day of such calendar year not then required to be deposited in any Fund (or Account or sub-account thereof) and investment earnings for each such calendar year on moneys held in the PFC Bond Fund to the extent that such earnings are not required to be transferred to any construction fund, shall equal an amount not less than the greater of (1) the aggregate amounts that will be required to be deposited during each such calendar year in the PFC Bond Fund and (2) 130 percent of the Pro Forma Annual Debt Service with respect to the Bond Year commencing during each such calendar year;

(d) written consent to the transfer has been received from the Owners of all PFC Obligations then Outstanding;

(e) written consent to the transfer has been received from the Trustee;

(f) written consent to the transfer has been received from each Credit Provider;

(g) written consent to the transfer has 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; and

(h) there has been deposited with the Trustee for the benefit of the Owners of all then Outstanding PFC Obligations a letter of credit, surety bond or Qualified Investments in the full amount of the then Outstanding PFC 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, however*, that no revenues (including, without limit, PFC Revenues, any revenues under the General Airport Revenue Bond Ordinance or revenues under the Master Special Facility Revenue Bond Indenture) will be pledged, or in any way used, to secure any such letter of credit or surety bond.

PFC Revenues will not be used, directly or indirectly, for, or pledged to the payment of, or the payment of, any obligations issued to fund, in whole or in part, any projects at, related to or for the benefit of any airport or planned airport other than the Airports.

For purposes of paragraph (c) under the caption "Events of Default" below, the performance of this covenant shall be deemed to be material to the owners of the PFC Obligations.

The City has proposed an amendment to the PFC Master Indenture to remove the foregoing provisions; see "SECURITY FOR THE 2012 PFC BONDS—Proposed Amendment to PFC Master Indenture" in this Official Statement.

18. DEFEASANCE

If the City pays or causes to be paid to the owners of all PFC Obligations, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated in the PFC Master Indenture, the Supplemental Indentures creating such PFC Obligations and the instruments creating Section 208 Obligations and Section 209 Obligations, then the pledge of PFC Revenues and all other rights granted by the PFC Indenture will be discharged and satisfied, in such event, the Trustee will, 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 will pay over or deliver to the City all Accounts, Funds and other moneys or securities held by them pursuant to the PFC Indenture and such Supplemental Indentures which are not required for the payment or redemption of PFC Obligations not surrendered for such payment or redemption.

Any PFC Obligations or interest installments appertaining thereto, whether at or prior to the maturity or the redemption date of such PFC Obligations, deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if (i) in case any such PFC Obligations are to be redeemed prior to their maturity there shall have been taken all action necessary to call such PFC Obligations for redemption and notice of the redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, (ii) there have been deposited with the Trustee by or on behalf of the City either moneys in an amount which is 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 Trustee at the same time, are sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said PFC Obligations on and prior to the redemption date or maturity date thereof, as the case may be and (iii) in the event said PFC Obligations are not by their terms subject to redemption within the next succeeding 45 days, the City has given the Trustee, in form satisfactory to it, irrevocable instructions to mail, as soon as practicable, a notice to the owners of the PFC Obligations that the deposit required by clause (ii) above has been made with the Trustee and that the PFC Obligations are deemed to have been paid in accordance with the PFC Master Indenture and stating the 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, the PFC Obligations. Except as provided in the PFC Master Indenture, neither the Defeasance Obligations or any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or interest on said Defeasance Obligations will be withdrawn or used for any purpose other than, and all such moneys will be held in trust for and be applied to, the payment, when due, of the principal or Redemption Price of the PFC Obligations for the payment or redemption of which they were deposited and the interest accrued thereon to the date of maturity or redemption.

No defeasance of a PFC Obligation that is to be paid more than 90 days after the date of the deposit referred to in clause (ii) of the immediately preceding paragraph will be effective until the Trustee has 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 PFC Obligations with respect to which provision for payment is to be made by virtue of the deposit of such Defeasance Obligations and moneys.

In the event that the principal of and interest on any Insured Obligation is paid by the Bond Insurer pursuant to the terms of the Bond Insurance Policy for such Insured Obligation, such Insured Obligation will remain Outstanding for all purposes, will not be deemed to be defeased or otherwise satisfied and not considered paid by the City, and the pledge and assignment of the Trust Estate and all other covenants, agreements and other obligations of the City to the owner of such Insured Obligation will continue to exist and the Bond Insurer will be fully subrogated to the rights of such owner.

Defeasance Obligations and moneys held pursuant to the PFC Indenture 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 discharge and satisfaction of the PFC Indenture 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 PFC Obligations with respect to which provision for payment was made by deposit of such substituted Defeasance Obligations and (ii) an opinion of Bond Counsel to the effect that such substitution has been duly authorized in accordance with the PFC Indenture and will not effect adversely the tax-exempt status of any PFC Obligations previously authenticated and delivered under the PFC Indenture.

19. FUNDS HELD FOR PARTICULAR PFC OBLIGATIONS

The amounts held by the Trustee for the payment of the interest, principal or Redemption Price or accrued interest due on any date with respect to particular PFC Obligations will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the PFC Obligations entitled thereto and for the purposes of the PFC Indenture, such interest, principal or Redemption Price, after the due date thereof, will no longer be considered to be unpaid.

If, through the deposit of moneys by the City or otherwise, the Trustee will hold, pursuant to the PFC Indenture, moneys sufficient to pay the principal and interest to maturity on all Outstanding PFC Obligations, or in the case of PFC Obligations in respect of which the City has taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such redemption date, then at the request of the City all moneys held by the Trustee, will be held for the payment or redemption of Outstanding PFC Obligations.

Unless otherwise specified in any Supplemental Indenture securing PFC Obligations, any moneys held by the Trustee in trust for the payment and discharge of any of the PFC Obligations which remain unclaimed for six years after the date when all of the PFC Obligations have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for six years after the date of deposit of such moneys if deposited with the Trustee after the date when all of the PFC Obligations became due and payable, will, at the written request of the City, be repaid by the Trustee to the City, as its absolute property and free from trust, and the Trustee will be released and discharged.

20. SUPPLEMENTAL INDENTURES

20.1 *Effective upon Execution by the Trustee*. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, which, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk and the execution and delivery of such Supplemental Indenture by the City and the Trustee, will be fully effective in accordance with its terms to:

(a) close the PFC Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the PFC Indenture on, the issuance of PFC Obligations or other evidences of indebtedness;

(b) add to the covenants and agreements of the City in the PFC Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the PFC Indenture as theretofore in effect;

(c) add to the limitations and restrictions in the PFC Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the PFC Indenture as theretofore in effect;

(d) surrender any right, power or privilege reserved to or conferred upon the City by the terms of the PFC Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the PFC Indenture;

(e) create a Series of PFC Obligations and, in connection therewith, to specify and determine the matters and things referred to in the PFC Indenture as to the authorization and issuance of PFC Obligations and also any other matters and things relative to such PFC Obligations which are not contrary to or inconsistent with the PFC 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 the PFC Obligations;

(f) include as part of the PFC Revenue pledge revenue received by the City from PFCs imposed by the City at one or more of the Airports other than O'Hare (the "*Other Airport PFC Revenues*") and in connection therewith to amend the PFC Indenture to include the Other Airport PFC Revenues in the same manner as PFC Revenues for the purposes of any computational tests under the PFC Indenture;

(g) confirm, as further assurance, the pledge of PFC Revenues, and the subjection of, additional properties, PFC Revenues or other collateral to any lien, claim or pledge created or to be created by the PFC Indenture; and

(h) modify any of the provisions of the PFC Indenture in any respect whatever, *provided* that such modification will be effective only after all PFC Obligations Outstanding at the date of the execution and delivery of such Supplemental Indenture ceases to be Outstanding.

20.2 *Effective upon Consent of the Trustee*. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council which, upon (i) the filing with the Trustee of a copy of such ordinance certified by the City Clerk, (ii) the filing with the Trustee and the City of an instrument in writing made by the Trustee consenting thereto, and (iii) the execution and delivery of the Supplemental Indenture by the City and the Trustee, will be fully effective in accordance with its terms to:

(a) cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the PFC Indenture; or

(b) insert such provisions clarifying matters or questions arising under the PFC Indenture as are necessary or desirable and are not contrary to or inconsistent with the PFC Indenture as theretofore in effect; or

(c) make any change that does not materially adversely affect the rights of any Owner of PFC Obligations; or

(d) provide additional duties of the Trustee under the PFC Indenture.

Any Supplemental Indenture may also contain one or more of the purposes specified in the section above entitled "Supplemental Indentures-Effective Upon Execution by the Trustee," and in that event, the consent of the Trustee will be applicable only to those provisions of such Supplemental Indenture as contain one or more of the purposes set forth above under this caption.

20.3 *Effective with Consent of Owners of PFC Obligations*. At any time or from time to time, a Supplemental Indenture may be authorized by an ordinance adopted by the City Council, subject to consent by the owners of PFC Obligations in accordance with and subject to the provisions of the PFC Master Indenture, which Supplemental Indenture, upon the filing with the Trustee of a copy of such ordinance certified by the City Clerk, upon compliance with the provisions of the PFC Master Indenture, and upon execution and delivery of the Supplemental Indenture by the City and the Trustee, will become fully effective in accordance with its terms.

21. POWERS OF AMENDMENT

(a) Any modification or amendment of the PFC Master Indenture or of any Supplemental Indenture, or of the rights and obligations of the City and of the Owners of the PFC Obligations, in particular, may be made by a Supplemental Indenture, with the written consent given as described under the PFC Master Indenture:

(i) of the Owners of a majority in principal amount of the PFC Obligations Outstanding at the time the consent is given; and

(ii) in case less than all of the several Series of then Outstanding Series of PFC Obligations are affected by the modification or amendment, of the Owners of a majority in principal amount of the then Outstanding PFC Obligations of each Series so affected.

(b) If the modification or amendment will, by its terms, not take effect so long as abt PFC Obligations of any specified Series and maturity remain Outstanding, the consent of the Owners of those PFC Obligations is not required and those PFC Obligations are not deemed to be Outstanding for the purpose of any calculation of Outstanding PFC Obligations under this caption. No such modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding PFC Obligation or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price 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 PFC Obligation, or may reduce the percentages or otherwise affect the classes of PFC Obligations the consent of the Owners of which is required to effect any such modification or amendment, or may change or modify any of the rights or obligations of the Trustee without its written assent to the change or modification. For the purposes of this caption, a Series is deemed to be affected by a modification or amendment of the PFC Master Indenture if it adversely affects or diminishes the rights of the Owners of PFC Obligations of the Series.

(c) Any consent to the modification or amendment of the PFC Master Indenture is binding upon the Owner of the PFC Obligation giving the consent and upon any subsequent Owner of that PFC Obligation and of any PFC Obligation issued in exchange for it (whether or not the subsequent Owner of it has notice of the consent) unless the consent is revoked in writing by the Owner of the PFC Obligation giving the consent or a subsequent Owner of it by filing the revocation with the Trustee, prior to the time when the written statement of the Trustee that the Owners of the required percentages of PFC Obligations have consented to the modification or amendment is filed with the City.

22. EVENTS OF DEFAULT

Each of the following events of default is declared an "*Event of Default*" in the PFC Master Indenture:

(a) payment of the principal or Redemption Price, if any, of any PFC Obligation is not made when it becomes due, whether at maturity or upon call for redemption or otherwise;

(b) payment of any installment of interest on any PFC Obligation is not made when it becomes due;

(c) the City fails or refuses to comply with the provisions of the PFC Indenture, or defaults in the performance or observance of any of the covenants, agreements or conditions on its part contained in the PFC Master Indenture or the PFC Obligations, which materially affects the rights of the owners of the PFC Obligations and such failure, refusal or default continues for a period of 45 days after written notice thereof by the Trustee or the owners of not less than 25 percent in principal amount of the Outstanding PFC 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 is extended for such period as may be necessary to remedy the default with all due diligence; or

(d) an event of default occurs and is continuing under the provisions of any Supplemental Indenture.

23. REMEDIES

Upon the happening and continuance of any Event of Default specified in paragraph (a) or (b) of the immediately preceding caption, the Trustee must proceed, or upon the happening and continuance of any Event of Default specified in subsection (c) or (d) of the immediately preceding caption (and as specified in any Supplemental Indenture with respect to additional events of default described thereunder), the Trustee may proceed, and upon the written request of the owners of not less than 25 percent in principal amount of the Outstanding PFC Obligations, must proceed, in its own name, subject to the provisions of the PFC Master Indenture, to protect and enforce its rights and the rights of the owners of the PFC 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 Trustee, being advised by counsel, deems most effectual to protect and enforce such rights, by:

(a) mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the PFC Obligations including the right to require the City to comply with the PFC Act, PFC Regulations, PFC Approvals and the Noise Act and to require the City to carry out any other covenant or agreement with the owners of the PFC Obligations and to perform its duties under the PFC Master Indenture;

(b) bringing suit upon the PFC Obligations;

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

(d) 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 PFC Obligations.

In the enforcement of any rights and remedies under the PFC Indenture, the Trustee is entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City but only out of moneys pledged as security for the PFC Obligations for principal, Redemption Price, interest or otherwise, under any provision of the PFC Indenture or any Supplemental Indenture or of the PFC Obligations, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such PFC Obligations, together with any and all costs and expenses of collection and of all proceedings under the PFC Indenture and under the PFC Obligations without prejudice to any other right or remedy of the Trustee or of the owners of the PFC Obligations, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available under the PFC Indenture for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

24. PRIORITY OF PAYMENTS AFTER DEFAULT

In the event that upon the happening and continuance of any Event of Default, the moneys held by the Trustee shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the PFC Obligations, such moneys (other than moneys held for the payment or redemption of particular PFC Obligations which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the default provisions of the PFC Master Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the owners of the PFC Obligations and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the PFC Indenture, shall, except as otherwise provided with respect to moneys held for the exclusive benefit of PFC Obligations of a particular Series or particular Section 208 Obligations or Section 209 Obligations under the provisions of a Supplemental Indenture, be applied as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any PFC Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates with interest on such PFC Obligations from the respective dates upon which such principal or Redemption Price became due at the rate borne by the PFC Obligations and, if the amounts available shall not be sufficient to pay in full all the PFC Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions summarized under this caption, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The deposit of such moneys with the Trustee, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to the City, to the owner of any PFC Obligation or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the PFC

Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the owner of any unpaid PFC Obligation unless such PFC Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

25. LIMITATIONS ON RIGHTS OF OWNERS

No owner of any PFC Obligations will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the PFC Indenture, or for the protection or enforcement of any right of remedy under the PFC Indenture or any right under law unless such owner will have given to the 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 percent in principal amount of the PFC Obligations then outstanding will have made written request of the 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 Trustee a reasonable opportunity either to proceed to exercise the powers granted in the PFC Master Indenture or granted under law or to institute such action, suit or proceeding in its name and unless, also, there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are in the PFC Master Indenture declared in every such case (except with respect to the enforcement of any Credit Facility securing the PFC Obligations), at the option of the Trustee, to be conditions precedent to the execution of the powers under the PFC Indenture or for any other remedy under the PFC Indenture or under law.

26. RESIGNATION OF THE TRUSTEE

The Trustee may at any time resign and be discharged of its duties and obligations created by the PFC Indenture by giving not fewer than 60 days written notice to the City and mailing notice thereof, to each Bond Insurer, to each Credit Provider and to the owners of PFC Obligations at their addresses shown on the registration books kept by the Trustee within 20 days after the giving of such written notice. Such resignation will take effect upon the appointment of a successor by the City or the owners of PFC Obligations as provided in the PFC Master Indenture.

27. Removal of the Trustee

The Trustee may be removed at any time by the owners of a majority in principal amount of the PFC Obligations then Outstanding, excluding any PFC Obligations held by or for the account of the City, by an instrument or concurrent instruments in writing signed and duly acknowledged by such owners of PFC Obligations or by their attorneys duly authorized in writing and delivered to the City. Copies of each such instrument will be delivered by the City to each Bond Insurer, to each Credit Provider and to the Trustee and any successor. The City may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as is determined in the sole discretion of the City by filing with the Trustee an instrument signed by an Authorized Officer and by mailing notice thereof to each Bond Insurer, to each Credit Provider and to the owners of PFC Obligations at their addresses shown on the registration books kept by the Trustee. Any removal of the Trustee takes effect upon the appointment of a successor Trustee.

28. Appointment of Successor Trustee

In case at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if any public officer takes charge or control of the Trustee or of its property or affairs, a successor may be appointed by the owners of a majority in principal amount of the PFC Obligations then Outstanding, excluding any PFC Obligations held by or for the account of the City, by an instrument or concurrent instruments in writing signed by such owners or their attorneys duly authorized in writing and delivered to such successor Trustee, notification thereof being given to the City, each Bond Insurer, each Credit Provider and the predecessor Trustee. Pending such appointment, the City will appoint a Trustee to fill such vacancy until a successor Trustee (if any) is appointed by the owners of PFC Obligations. The City will mail notice to each Bond Insurer, to each Credit Provider and to owners of PFC Obligations of any appointment within 20 days after such appointment. Any successor Trustee appointed by the City will, immediately and without further act, be superseded by a Trustee appointed by the owners of PFC Obligations. If in a proper case no appointment of a successor Trustee is made within 45 days after the Trustee gives to the City written notice of resignation as provided in the PFC Master Indenture or after the occurrence of any other event requiring or authorizing such appointment, the Trustee, any Bond Insurer, any Credit Provider or any owner of PFC Obligations may apply to any court of competent jurisdiction to appoint a successor. Said court may after the notice, if any, as said court may deem proper and prescribe, appoint a successor Trustee. Any successor Trustee appointed must be a bank, trust company or national banking association, doing business and having an office in the City of Chicago, Illinois.

29. RIGHTS OF BOND INSURERS

Subject to the provisions of the paragraph immediately below, the rights of the owner of any Insured Obligation to take any action pursuant to the PFC Master Indenture are abrogated and the Bond Insurer is deemed to be the sole owner of any Insured Obligation that is insured under the Bond Insurance Policy issued by such Bond Insurer for the purpose of any approval, request, demand, consent, waiver or other instrument of similar purpose pursuant to any provision of the PFC Master Indenture.

All rights of any Bond Insurer under the paragraph immediately above or any Supplemental Indenture ceases and terminates if: (i) the Bond Insurer fails to make any payment under its Bond Insurance Policy; (ii) the Bond Insurance Policy ceases to be valid and binding on the Bond Insurer or is declared to be null and void, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer, or the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy; (iii) a petition has been filed and is pending against the Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, and has not been dismissed within 60 days after such filing; (iv) the Bond Insurer has filed a petition, which is still pending, in voluntary bankruptcy or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or rehabilitation law of any jurisdiction, or has consented to the filing of any petition against it under any such law; or (v) a receiver has been appointed for the Bond Insurer under the insurance laws of any jurisdiction.

As long as any Bond Insurance Policy is in full force and effect, the City and the Trustee will comply with all provisions of the Bond Insurance Policy.

[*Remainder of Page Intentionally Left Blank*]

APPENDIX C

AUDITED FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Chicago, Illinois
Chicago O'Hare International Airport

Basic Financial Statements as of and for the Years Ended December 31, 2011 and 2010, Required Supplementary Information, Additional Information, Statistical Information, and Independent Auditors' Report

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

TABLE OF CONTENTS

TABLE OF CONTENTS

Deloitte.

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Chicago O'Hare International Airport (O'Hare), an enterprise fund of the City of Chicago, Illinois (City), as of December 31, 2011 and 2010, and for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting for O'Hare. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements referred to above present only Chicago O'Hare International Airport, an enterprise fund of the City of Chicago and do not purport to, and do not present the financial position of the City of Chicago Illinois as of December 31, 2011 and 2010, changes in its financial position, or where applicable, its cash flows, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements, referred to previously, present fairly, in all material respects, the financial position of Chicago O'Hare International Airport as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the foregoing 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 GASB 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 audits 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statistical information as listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Dollars in thousands)
The following discussion and analysis of Chicago O'Hare International Airport's (Airport) financial performance provides an introduction and overview of the Airport's financial activities for the fiscal years ended December 31, 2011 and 2010. Please read this discussion in conjunction with the Airport's basic financial statements and the notes to basic financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2011

- Operating revenues for 2011 decreased by $23,201 (3.3%) compared to prior-year operating revenues.

- Operating expenses before depreciation and amortization increased by $20,422 (5.0%) compared to 2010 primarily due to increased repairs and maintenance, professional and engineering services and other operating expenses.

- The Airport's total net assets at December 31, 2011 were $1,392,546. This is a decrease of $5,191 (0.4%) over total net assets at December 31, 2010.

- Capital asset additions for 2011 were $393,968 principally due to land acquisition, building improvements, and runway and taxiway improvements.

2010

- Operating revenues for 2010 increased by $78,160 (12.5%) compared to prior-year operating revenues.

- Operating expenses before depreciation and amortization increased by $6,343 (1.6%) compared to 2009 primarily due to increased repairs and maintenance, professional and engineering services and other operating expenses offset by decreased salaries and wages.

- The Airport's total net assets at December 31, 2010 were $1,397,737. This is an increase of $84,395 (6.4%) over total net assets at December 31, 2009.

- Capital asset additions for 2010 were $475,481 principally due to land acquisition, terminal improvements, security enhancement, taxiway runway, heating and refrigeration and apron 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's reporting entity as an Enterprise Fund. The Airport's basic financial statements comprise 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 Assets present all of the Airport's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private sector companies. The difference between assets, deferred outflows and liabilities is reported as net assets. The increase or decrease in net assets 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 overall financial position and health of the Airport.

The Statements of Revenues, Expenses and Changes in Net Assets present all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net assets.

The Statements of Cash Flows report how cash and cash equivalents were provided and used by the Airport's operating, capital financing and investing activities. These statements are prepared on a cash basis and 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 and Statistical Information. The Additional Supplemental Information section presents the 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, terminal area use charges and fueling system charges are assessed to the various airlines throughout each fiscal 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 Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). 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 accrued revenue. 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 deferred revenue.

At December 31, 2011, the Airport's financial position continued to be strong with total assets of $9,480,843, total liabilities of $8,088,297, and net assets of $1,392,546.

A comparative condensed summary of the Airport's net assets at December 31, 2011, 2010, and 2009 is as follows (dollars in thousands):

	Net Assets		
	2011	2010	2009
Current unrestricted assets	$ 310,570	$ 336,992	$ 230,549
Restricted and other assets	2,911,681	2,130,177	1,695,879
Capital assets — net	6,258,592	6,075,549	5,758,020
Total assets	$ 9,480,843	$ 8,542,718	$ 7,684,448
Current unrestricted liabilities	$ 272,369	$ 232,262	$ 140,994
Liabilities payable from restricted assets and noncurrent liabilities	7,815,928	6,912,719	6,230,112
Total liabilities	$ 8,088,297	$ 7,144,981	$ 6,371,106
Net assets:			
Invested in capital — net of related debt	$ 713,876	$ 704,324	$ 612,920
Restricted	640,469	588,683	610,868
Unrestricted	38,201	104,730	89,554
Total net assets	$ 1,392,546	$ 1,397,737	$ 1,313,342

2011

Current unrestricted assets decreased by $26,422 (7.8%) primarily due to decreased balances in cash and cash equivalents offset by increased investments and accounts receivables at December 31, 2011. The decrease of cash and cash equivalents was primarily due to the purchase of investments, decreased accounts payable and the distribution to the airlines of deferred revenue from prior years offset by the increase in deferred revenue for 2011. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2011 and 2010 was 1.14:1 and 1.45:1, respectively. Restricted and other assets increased by $781,504 (36.7%) primarily due to an increase in construction funds, capitalized interest and debt service reserves of $571,431, $35,836, and $86,997, respectively. Net capital assets increased by $183,043 (3.0 %) due principally to capital activities of the Capital Improvement Program and the O'Hare Modernization Program (OMP) at the Airport.

The increase in current liabilities of $40,107 (17.3%) is mainly related to the increased deferred revenue of $58,965 offset in part by a decrease in accounts payable and accrued liabilities of $14,279. Liabilities payable from restricted assets and noncurrent liabilities increased by $903,209 (13.1%) due primarily to the increase in revenue bonds payable of $807,911 and an increase in notes payables of $19,919.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2011, total net assets were $1,392,546, a decrease of $5,191 (0.4%) from 2010. Due to the residual nature of the Use Agreement, this increase is mainly due to timing differences between depreciation on property and facilities and the cash requirements related to debt service.

2010

Current unrestricted assets increased by $106,443 (46.2%) primarily due to increased balances in cash and cash equivalents, investments, and accounts receivables at December 31, 2010. The increase of cash and cash equivalents and investments was primarily due to the increase in deferred revenue during 2010. The Airport's current ratio (current unrestricted assets/current unrestricted liabilities) at December 31, 2010 and 2009 was 1.45:1 and 1.64:1, respectively. Restricted and other assets increased by $434,298 (25.6%) primarily due to an increase in construction funds, capitalized interest and debt service reserves of $50,548, $195,266, and $153,870, respectively. Net capital assets increased by $317,529 (5.5%) due principally to capital activities of the Capital Improvement Program and the O'Hare Modernization Program (OMP) at the Airport.

The increase in current unrestricted liabilities of $91,268 (64.7%) is mainly related to the increased deferred revenue of $82,511 and the increase in accounts payable and accrued liabilities of $6,460. Liabilities payable from restricted assets and noncurrent liabilities increased by $682,607 (11.0%) mostly due to the increase in revenue bonds payable of $968,367 offset by a decrease in notes payables of $295,355.

Net assets may serve, over a period of time, as a useful indicator of the Airport's financial position. As of December 31, 2010, total net assets were $1,397,737, an increase of $84,395 (6.4%) over 2009. Due to the residual nature of the Use Agreement, this increase is mainly due to timing differences between depreciation on property and facilities and the cash requirements related to debt service. A comparative condensed summary of the Airport's changes in net assets for the years ended December 31, 2011, 2010, and 2009 is as follows (dollars in thousands):

	Changes in Net Assets		
	2011	2010	2009
Operating revenues:			
Landing fees and terminal charges	$ 417,552	$ 458,879	$ 394,279
Rents, concessions, and other	261,850	243,724	230,164
Total operating revenues	679,402	702,603	624,443
Operating expenses:			
Salaries and wages	154,974	147,437	150,338
Repairs and maintenance	94,519	86,463	82,518
Professional and engineering	65,382	57,981	54,767
Other operating expenses	116,175	118,747	116,662
Depreciation and amortization	178,449	185,079	178,717
Total operating expenses	609,499	595,707	583,002
Operating income	69,903	106,896	41,441
Nonoperating revenues	199,807	158,884	134,175
Nonoperating expenses	(280,732)	(238,952)	(228,802)
Special item	(53,910)		
Capital grants	59,741	57,567	50,320
Increase in net assets	$ (5,191)	$ 84,395	$ (2,866)

2011

Landing fees and terminal area use charges for the years 2011 and 2010 were $417,552 and $458,879, respectively. Rents, concessions and other revenues were $261,850 and $243,724 for the years 2011 and 2010, respectively. The decrease in 2011 operating revenues of $23,201 (3.3%) compared to 2010 was primarily due to decreased terminal rental and usage charges. Such activity was due primarily to the residual nature of Use Agreement that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages increased $7,537 (5.1%) in 2011 compared to 2010. Salaries and wages includes a retroactive pay adjustment. Repairs and maintenance expenses increased by $8,056 (9.3%). This increase was mainly due to an increase in costs associated with snow removal. Professional and engineering costs increased by approximately $7,401. This increase was mainly due to costs associated with security and consultant contractors. Other operating expenses decreased by $2,572 (2.2%) compared to 2010. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs, materials and supplies and utilities. Depreciation and amortization expense decreased $6,630 (3.6%) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program and the OMP at the Airport and the reduction of the carrying value of certain properties and facilities.

Fiscal year 2011 nonoperating revenues of $199,807 are comprised principally of passenger facility charges (PFC) $125,184, customer facility charges (CFC) of $32,916, interest income $26,006 and Build America Bonds subsidy payment of $13,320. During 2011, nonoperating revenues increased by $40,923 principally due to an increased CFC revenues of $20,313 due to a full year of assessment in 2011, receipt of a Build America Bonds subsidy payment and an increased interest income of $15,214 due to higher investment yields year over year.

Nonoperating expenses of $280,732 and $238,952 for the years 2011 and 2010, respectively, were comprised of bond interest and PFC expenses. The increase of $41,780 (17.5%) for 2011 over 2010 was mainly due to additional interest expense requirements and the reduction of the carrying value of certain properties and facilities.

Capital grants, comprised mainly of federal grants, increased from $57,567 in 2010 to $59,741 in 2011, a 3.8% increase mainly as a result of when associated expenditures became eligible for grant reimbursements from the federal government.

2010

Landing fees and terminal area use charges for the years 2010 and 2009 were $458,879 and $394,279, respectively. Rents, concessions and other revenues were $243,724 and $230,164 for the years 2010 and 2009, respectively. The increase in 2010 operating revenues of $78,160 (12.5%) compared to 2009 was primarily due to increased landing fees and terminal rental and usage charges, rents, concessions and other fees, reimbursements and other rental and fueling system fees. Such activity was due primarily to the residual nature of Use Agreement that requires airline revenue to be recognized to the extent necessary to pay the Airport's operating and maintenance expenses, net debt service and fund deposit requirements, reduced by non-airline revenues.

Salaries and wages decreased $2,901(1.9%) in 2010 compared to 2009. Repairs and maintenance expenses increased by $3,945 (4.8%). This increase was mainly due to an increase in terminal maintenance costs attributable to electric door maintenance and associated metropolitan water reclamation fees. Professional and engineering costs increased by approximately $3,214. This increase was mainly due to costs associated with management of the automobile parking lots and custodial contract. Other operating expenses increased by $2,085 in 2010 compared to 2009 mainly due to the purchase of additional vehicles in 2010. Other operating expenses are mainly comprised of employee benefit costs, insurance premiums, indirect costs, materials and supplies and utilities. Depreciation and amortization expense increased $6,362 (3.6%) as a result of the increased capital assets due to the activities of the ongoing Capital Improvement Program and the OMP at the Airport.

Fiscal year 2010 nonoperating revenues of $158,884 are comprised principally of PFC $126,540, CFC of $12,598, interest income $10,792 and Build America Bonds subsidy payment of $8,954. During 2010, nonoperating revenues increased by $24,709 principally due to increased PFC revenues of $5,454 as a result of increased PFC enplanement activity, the initiation of CFC, receipt of a Build America Bonds subsidy payment and decreased interest income of $1,983 due to lower investment yields year over year.

Nonoperating expenses of $238,952 and $228,802 for the years 2010 and 2009, respectively, were comprised of bond interest and PFC expenses. The increase of $10,150 (4.4%) for 2010 over 2009 was mainly due to additional interest expense requirements.

Capital grants, comprised mainly of federal grants, increased from $50,320 in 2009 to $57,567 in 2010, a 14.4% increase mainly as a result of when associated expenditures became eligible for grant reimbursements from the federal government.

A comparative summary of the Airport's changes in cash flows for the years ended December 31, 2011, 2010, and 2009 is as follows (dollars in thousands):

	Cash Flows		
	2011	2010	2009
Cash from activities:			
Operating	$ 276,280	$ 379,391	$ 246,673
Capital and related financing	408,412	139,789	(569,859)
Investing	(872,423)	(129,530)	207,540
Net change in cash and cash equivalents	(187,731)	389,650	(115,646)
Cash and cash equivalents:			
Beginning of year	1,013,798	624,148	739,794
End of year	$ 826,067	$ 1,013,798	$ 624,148

2011

As of December 31, 2011, the Airport's available cash and cash equivalents of $826,067 decreased by $187,731 compared to $1,013,798 at December 31, 2010 due to operating activities of $276,280 offset by capital and related financing activities of $408,415 and related financing activities of $872,423. Total cash and cash equivalents at December 31, 2011 were comprised of unrestricted and restricted cash and cash equivalents of $69,207 and $756,860, respectively.

2010

As of December 31, 2010, the Airport's available cash and cash equivalents of $1,013,798 increased by $389,650 compared to $624,148 at December 31, 2009 due to positive flows of cash provided by operating activities of $379,391 and capital and related financing activities of $139,789 offset by investing activities of $129,530. Total cash and cash equivalents at December 31, 2010 were comprised of unrestricted and restricted cash and cash equivalents of $150,789 and $863,009, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2011 and 2010, the Airport had $6,258,592 and $6,075,549, respectively, invested in net capital assets. During 2011, the Airport had additions of $393,968 related to capital activities. This included $11,716 for land acquisition and the balance of $382,252 for terminal improvements, road and sidewalk enhancement, runway and taxiway improvements along with fuel system enhancements..

During 2011, completed projects totaling $616,421 were transferred from construction in progress to applicable buildings and other facilities capital accounts. These major completed projects were related to runway improvements, security enhancement, electrical, water drainage, fuel system enhancements and terminal improvements.

The Airport's capital assets at December 31, 2011, 2010, and 2009 are summarized as follows (dollars in thousands):

	Capital Assets at Year-End		
	2011	2010	2009
Capital assets not depreciated:			
Land	$ 884,939	$ 738,472	$ 714,373
Construction in progress	1,030,110	1,264,280	1,264,200
Total capital assets not depreciated	1,915,049	2,002,752	1,978,573
Capital assets depreciated:			
Buildings and other facilities	6,769,384	6,389,283	5,937,981
Less accumulated depreciation for:			
Buildings and other facilities	(2,425,841)	(2,316,486)	(2,158,534)
Total capital assets depreciated — net	4,343,543	4,072,797	3,779,447
Total property and facilities — net	$ 6,258,592	$ 6,075,549	$ 5,758,020

The Airport's capital activities are funded through Airport revenue bonds, federal and state grants, PFC and Airport revenue. Additional information on the Airport's capital assets is presented in Note 5 of the notes to basic financial statements.

The Airport issued $19,919 of Commercial Paper Notes during 2011 having interest rates ranging from 0.28% to 0.35% with a maturity date of February 8, 2012. Note proceeds may be used to finance portions of the costs of authorized airports projects and to repay the expenses of issuing the notes.

During 2011, the Airport sold $1,000,000 of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2011 A-C and have interest rates ranging from 3.00 % to 6.50% with maturity dates ranging from January 1, 2014 to January 1, 2041. Certain net proceeds will be used to finance portions of the O'Hare Modernization Program (OMP) and the Capital Improvement Program and certain proceeds were used to fund capitalized interest deposit and debt service reserve deposit requirement and to pay the cost of issuance of the bonds.

During 2011, the Airport sold $46,005 of Chicago O'Hare International Airport Passenger Facility Bonds, Series 2011 A-B have interest rates ranging from 5.00% to 6.00% with maturity dates ranging from January 1, 2017 to January 1, 2033. Certain net proceeds were used to refund certain maturities of bonds outstanding, to fund the debt service reserve requirement and to pay the cost of issuance of the bonds.

During 2010, the Airport sold $1,039,985 of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010 A-F having interest rates ranging from 1.750% percent to 6.845% percent with maturity dates ranging from January 1, 2011 through January 1, 2040. Certain net proceeds will be used to finance portions of the O'Hare Modernization Program (OMP), O'Hare Noise Mitigation Program, Capital Improvement Program (CIP), refund a portion of the outstanding bonds, pay a portion of the outstanding Commercial Paper Notes and certain proceeds were used to fund capitalized interest deposit and debt service reserve deposit requirements, and to pay the cost of issuance of the bonds.

During 2010, the Airport sold $137,665 of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010 A-D having interest rates ranging from 2.000% to 6.395% with maturity dates ranging from January 1, 2011 through January 1, 2040. Certain net proceeds will be used to finance portions of the O'Hare Modernization Program (OMP), refund a portion of the outstanding bonds, and certain proceeds were used to fund capitalized interest deposit and debt service reserve deposit requirements, and to pay the cost of issuance of the bonds.

The Airport's outstanding debt at December 31, 2011, 2010, and 2009 is summarized as follows (dollars in thousands):

	Outstanding Debt at Year-End		
	2011	2010	2009
Revenue bonds and notes payable	$ 7,400,430	$ 6,570,520	$ 5,602,745
Unamortized:			
Bond premium (discount)	92,249	86,856	80,788
Deferred loss on refunding	(33,222)	(39,155)	(44,084)
Total outstanding debt — net	7,459,457	6,618,221	5,639,449
Commercial paper	19,919		295,355
Current portion	(140,620)	(107,295)	(96,890)
Total long-term revenue bonds and notes payable — net	$ 7,338,756	$ 6,510,926	$ 5,837,914

Additional information on the Airport's long-term debt is presented in Note 4 of the notes to the basic financial statements, and the Statistical Information section of this report.

The Airport's revenue bonds at December 31, 2011 had credit ratings with each of the three major rating agencies as follows:

	Moody's Investor Services	Standard & Poor's	Fitch Ratings
First Lien Chicago O'Hare Revenue Bonds	Aa3	AA	AA+
Second Lien Chicago O'Hare Revenue Bonds	A1	AA-	AA
Third Lien Chicago O'Hare Revenue Bonds	A1	A-	A-
Passenger Facility Charge Revenue Bonds	A2	A-	A+

On April 11, 2011, Fitch Ratings downgraded the Third Lien Chicago O'Hare Revenue Bonds from A to A-.

At December 31, 2011 and 2010 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

In 2011, the Airport was the second busiest airport in the world, measured in terms of total aircraft operations, and the third busiest in terms of total passengers. The Airport had 33,207 and 33,232 enplaned passengers in 2011 and 2010, respectively. The strong origin-destination passenger demand and the Airport's central geographical location near the center of the United States and along the most heavily traveled east/west air routes make the Airport a natural hub location.

United Airlines and American Airlines each use the Airport as one of their major hubs. United Airlines (including its regional affiliates) comprised 38.1% of the Airport's enplaned passengers in 2011 and 44.0% of the enplaned passengers in 2010. American Airlines (including its regional affiliate) comprised 33.5% of the Airport's enplaned passengers in 2011 and 34.3% of the enplaned passengers in 2010.

Based on the Airport's rates and charges for fiscal year 2012, total budgeted operating and maintenance expenses are projected at $442,474 and total net debt service and fund deposit requirements are projected at $289,790. Additionally, 2012 nonsignatory revenues are budgeted for $313,441 resulting in a net airline requirement of $418,823 that will be funded through landing fees, terminal area use charges and fuel system use 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 Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 69,207	$ 150,789
Investments (Note 2)	106,870	79,177
Accounts receivable — net of allowance for doubtful accounts of approximately $5,808 in 2011 and $3,579 in 2010	69,563	58,664
Accrued revenue	30,647	25,563
Due from other City funds	25,207	20,959
Prepaid expenses	8,813	1,642
Interest receivable	263	198
Total current assets	310,570	336,992
RESTRICTED ASSETS (Note 3):		
Cash and cash equivalents (Note 2)	756,860	863,009
Investments (Note 2)	1,777,292	908,812
Passenger facility charges and other receivables	31,669	12,128
Interest receivable	6,530	4,339
Prepaid expenses	8,187	9,032
Due from other city funds		7
Due from other governments	25,706	15,476
Total restricted assets	2,606,244	1,812,803
NONCURRENT ASSETS:		
Other assets — deferred noise mitigation costs and financing fees	305,437	317,374
Property and facilities (Note 5):		
Land	884,939	738,472
Buildings and other facilities	6,769,384	6,389,283
Construction in progress	1,030,110	1,264,280
Total property and facilities	8,684,433	8,392,035
Less accumulated depreciation	2,425,841	2,316,486
Property and facilities — net	6,258,592	6,075,549
TOTAL	$9,480,843	$8,542,718

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 51,709	$ 65,988
Due to other City funds	5,394	4,656
Advances for terminal and hangar rent	9,278	14,595
Deferred revenue	205,988	147,023
Total current liabilities	272,369	232,262
LIABILITIES PAYABLE FROM RESTRICTED ASSETS (Note 3):		
Current portion of revenue bonds and notes payable (Note 4)	140,620	107,295
Accounts payable	137,060	129,586
Interest payable	199,492	164,912
Total liabilities payable from restricted assets	477,172	401,793
NONCURRENT LIABILITIES:		
Revenue bonds payable — net of premium (Note 4)	7,318,837	6,510,926
Notes payable (Note 4)	19,919	
Total noncurrent liabilities	7,338,756	6,510,926
Total liabilities	8,088,297	7,144,981
NET ASSETS (Note 1):		
Invested in capital assets — net of related debt	713,876	704,324
Restricted net assets:		
Debt service		
Capital projects	164,683	151,040
Passenger facility charges	156,810	174,134
Airport use agreement	112,114	107,842
Noise mitigation program	91,786	104,409
Other assets	115,076	51,258
Total restricted net assets	640,469	588,683
Unrestricted net assets	38,201	104,730
Total net assets	1,392,546	1,397,737
TOTAL	$9,480,843	$8,542,718

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
OPERATING REVENUES:		
Landing fees and terminal area use charges (Note 1)	$ 417,552	$ 458,879
Rents, concessions, and other (Note 6)	261,850	243,724
Total operating revenues	679,402	702,603
OPERATING EXPENSES (Notes 7 and 8):		
Salaries and wages	154,974	147,437
Repairs and maintenance	94,519	86,463
Professional and engineering services	65,382	57,981
Other operating expenses	116,175	118,747
Total operating expenses before depreciation and amortization	431,050	410,628
Depreciation and amortization	178,449	185,079
Total operating expenses	609,499	595,707
OPERATING INCOME	69,903	106,896
NONOPERATING REVENUES (EXPENSES):		
Passenger facility charge revenue	125,184	126,540
Customer facility charge revenue	32,916	12,598
Passenger facility charge expenses	(10,950)	(172)
Other nonoperating revenue	15,701	8,954
Interest income (Note 4)	26,006	10,792
Interest expense (Note 4)	(269,782)	(238,780)
Total nonoperating expenses	(80,925)	(80,068)
SPECIAL ITEM (Note 5)	(53,910)	
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS	(64,932)	26,828
CAPITAL GRANTS (Note 1)	59,741	57,567
CHANGE IN NET ASSETS	(5,191)	84,395
TOTAL NET ASSETS — Beginning of year	1,397,737	1,313,342
TOTAL NET ASSETS — End of year	$ 1,392,546	$ 1,397,737

See notes to basic financial statements.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Landing fees and terminal area use charges	$ 472,189	$ 544,087
Rents, concessions, and other	257,007	241,712
Payments to vendors	(248,815)	(230,806)
Payments to employees	(142,451)	(130,823)
Transactions with other City funds — net	(61,650)	(44,779)
Cash flows provided by operating activities	276,280	379,391
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	1,046,008	1,177,650
Net proceeds from (payments of) commercial paper notes	19,919	(295,355)
Payment to refund bonds	(108,800)	
Acquisition and construction of capital assets	(298,769)	(433,776)
Capital grants	49,511	45,934
Bond issuance costs	(6,071)	(8,220)
Principal paid on bonds	(107,295)	(196,727)
Interest paid on bonds and note	(319,272)	(276,864)
Noise mitigation program	(10,129)	(23,759)
Build America Bonds subsidy payment		8,954
Other nonoperating income	15,701	
Customer facility charge revenue	32,916	12,598
Passenger facility charge revenue and other receipts	105,643	129,526
Passenger facility charge expenses	(10,950)	(172)
Cash flows provided by capital and related financing activities	408,412	139,789
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales (purchases) investments — net	(896,173)	(143,553)
Investment interest	23,750	14,023
Cash flows used in investing activities	(872,423)	(129,530)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(187,731)	389,650
CASH AND CASH EQUIVALENTS — Beginning of year	1,013,798	624,148
CASH AND CASH EQUIVALENTS — End of year	$ 826,067	$ 1,013,798

(Continued)

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Dollars in thousands)

	2011	2010
RECONCILIATION TO CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF NET ASSETS:		
Unrestricted	$ 69,207	$ 150,789
Restricted	756,860	863,009
TOTAL	$ 826,067	$ 1,013,798
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 69,903	$ 106,896
Adjustments to reconcile:		
Depreciation and amortization	178,449	185,079
Provision for doubtful accounts	3,094	(1,747)
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	1,230	(13,547)
(Increase) in due from other City funds	(4,249)	(139)
(Increase) Decrease in prepaid expenses	(7,171)	36
(Decrease) Increase in accounts payable	(14,278)	6,460
Increase (Decrease) in due to other City funds	738	(390)
Increase (Decrease) in prepaid terminal rent	(5,317)	2,687
Increase in deferred revenue	58,965	82,511
(Increase) Decrease in accrued revenue	(5,084)	11,545
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 276,280	$ 379,391

SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS:
Property additions in 2011 and 2010 of $126,191 and $118,873, respectively, are included in accounts payable.

The fair market value adjustments gain (loss) to investments for 2011 and 2010 were $1,647 and ($6,463), respectively.

See notes to basic financial statements. (Concluded)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Chicago O'Hare International Airport (Airport) is operated by the City of Chicago (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.

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. Enterprise funds may elect to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, provided that such standards are not in conflict with standards issued by the GASB. The Airport has elected not to apply FASB pronouncements issued after November 30, 1989.

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 (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 or 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 (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.

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 market value equal to the cost of the repurchase agreements plus accrued interest.

Investments, generally, do not have a maturity in excess of 10 years from the date of purchase. Certain other investment balances are held in accordance with the specific provisions of the 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 for 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. Transactions that are related to financing, investing, and passenger facility charges are reported as nonoperating revenues. Salaries and wages, repair and maintenance, professional and engineering services, and other expenses that relate to Airport operations are reported as operating expenses. Interest expense, passenger facility charge expenses, and financing 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 by the Airport and consist mainly of employee benefits, self-insured risks and administrative expenses.

Other Assets — Funds expended for the Noise Mitigation Program are recorded as other assets and amortized over a 20-year useful life on a straight-line basis. The amounts reflected in restricted net assets only includes amounts previously expended.

Property and Facilities — Property and facilities are recorded at cost or, for donated assets, at market 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:

Runways, aprons, tunnels, taxiways, and paved roads	30 years
Water drainage and sewer system	20–50 years
Refrigeration and heating systems	30 years
Buildings	40 years
Electrical system	15–20 years
Other	10–30 years

Net Assets — Net Assets comprised the net earnings from operating and nonoperating revenues, expenses and capital grants. Net assets are displayed in three components — invested in capital assets, net of related debt; restricted for debt service, capital projects, passenger facility charges, airport use agreement, noise mitigation program and other requirements; and unrestricted. Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt net of debt service reserve and unspent proceeds. Restricted net assets consist of net assets on which constraints are placed by external parties (such as lenders and grantors), laws, regulations and enabling legislation. Unrestricted net assets consist of all other net assets 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 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 two 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 Issuance Costs, Bond Discounts, and Refunding Transactions — Bond issuance costs and bond discounts are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

Capitalized Interest — Interest expense and interest earned on construction bond proceeds is capitalized during construction on those capital projects paid from the bond proceeds and is being amortized over the depreciable life of the related assets on a straight-line basis.

Capital Grants — The Airport reports capital grants as revenue on the statements of revenues, expenses, and changes in net assets. Capital grants are on a reimbursement basis and revenues are recognized to the extent of allowable expenditures incurred.

Revenue Recognition — Landing fees, terminal area use charges, and fueling system charges are assessed to the various airlines throughout each fiscal 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 Amended and Restated Airport Use Agreement and Terminal Facilities Lease and the International Terminal Use Agreement and Facilities Lease (Use Agreements). 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 accrued revenue. 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 deferred revenue.

Passenger Facility Charge (PFC) Revenue — The Airport imposed PFCs of $4.50 per eligible enplaned passenger for the years ended December 31, 2011 and 2010. 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.

Customer Facility Charge (CFC) Revenue — The Airport imposed a CFC of $8.00 per contract day on each customer for motor vehicle rentals at the Airport beginning August 1, 2010. 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.

2. RESTRICTED AND UNRESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

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. The Airport had investments as of December 31, 2011, as follows(dollars in thousands):

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1–5**	**6–10**	**More Than 10**	**Fair Value**
U.S. Treasuries	$ 95,178	$ -	$ -	$ -	$ 95,178
U.S. agencies	82,523	1,478,362	109,864		1,670,749
Commercial paper	168,613				168,613
Corporate bonds	4,401	41,259			45,660
Municipal bonds		32,137	16,038		48,175
Certificates of deposits and other short term	669,559				669,559
Subtotal	$ 1,020,274	$ 1,551,758	$ 125,902	$ -	2,697,934
Share of City's pooled funds					1,799
Total					$ 2,699,733

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. The Airport investments as of December 31, 2010, as follows (dollars in thousands):

	Investment Maturities (in Years)				
Investment Type	**Less Than 1**	**1–5**	**6–10**	**More Than 10**	**Fair Value**
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -
U.S. agencies	365,666	700,287	75,162		1,141,115
Commercial paper					
Certificates of deposits and other short term	860,690				860,690
Subtotal	$ 1,226,356	$ 700,287	$ 75,162	$ -	2,001,805
Share of City's pooled funds					8,859
Total					$ 2,010,664

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 10 years from the date of purchase. Certain other investments are held in accordance with the specific provisions of applicable ordinances.

Credit Risk — The Code limits investments in commercial paper to banks whose senior obligations are rated in the top two rating categories by at least two national rating agencies and who are required to maintain such rating during the term of such investment. The Code also limits investments to domestic money market mutual funds regulated by, and in good standing with, the Securities and Exchange Commission. Certificates of deposit are also limited by the Code to national banks which provide collateral of at least 105% by marketable U.S. government securities marked to market at least monthly; or secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category, as rated by a nationally recognized statistical rating organization maintaining such rating during the term of such investment. The Airport's exposure to credit risk as of December 31, 2011 and 2010, is as follows (dollars in thousands):

Quality Rating	**2011**	**2010**
Aaa/AAA	$ 18,842	$ 2,001,805
Aa/AA	1,827,818	
A/A	13,102	
P1/A1	168,613	
Not rated	669,559	
Total funds	$ 2,697,934	$ 2,001,805

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 Treasurer's pooled fund is included in the City's Comprehensive Annual Financial Report.

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 deposits, depository institutions are to maintain collateral pledges on City deposits during the term of the deposit of at least 105% of marketable U.S. government, or approved securities or surety bonds, issued by top-rated insurers. Collateral is required as security whenever deposits exceed the insured limits of the Federal Deposit Insurance Corporation. The bank balance of cash and certificates of deposit with the City's various municipal depositories was $478.9 million and $211.0 million at December 31, 2011 and 2010, respectively. Of the bank balance, $478.9 million and $211.0 million or 100% and 100% at December 31, 2011 and 2010, respectively, were either insured or collateralized with securities held by City agents in the City's name. The remainder was uninsured and uncollateralized.

The investments reported in the basic financial statements as of December 31, 2011 and 2010, is as follows (dollars in thousands):

	2011	2010
Per Note 2:		
Investments — Airport	$2,697,934	$2,001,805
Investments — City Treasurer Pooled Fund	1,799	8,859
	$2,699,733	$2,010,664
Per financial statements:		
Restricted investments	$1,777,292	$ 908,812
Unrestricted investments	106,870	79,177
Investments included as cash and cash equivalents on the statements of net assets	815,571	1,022,675
	$2,699,733	$2,010,664

3. RESTRICTED ASSETS

The General Airport Revenue Bond Ordinance (Bond Ordinance), the Master Indenture of Trust Securing Chicago-O'Hare International Airport Second Lien Obligations (Second Lien Indenture), the Master Indenture of Trust Securing Chicago-O'Hare International Airport Third Lien Obligations (Third Lien Indenture), 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 Bond Ordinance, the Second Lien Indenture and the Third Lien Indenture requirements are as follows (dollars in thousands):

Account	**2011**	**2010**
Construction	$1,013,658	$ 442,227
Capitalized interest	321,208	285,372
Debt service reserve	514,206	427,209
Debt service interest	232,796	249,297
Debt service principal	81,205	17,605
Operation and maintenance reserve	110,619	107,157
Maintenance reserve	3,000	3,000
Customer facility charge	43,302	12,598
Other funds	78,248	45,373
Subtotal — Bond Ordinance, Second Lien Indenture and Third Lien Indenture accounts	2,398,242	1,589,838
Passenger facility charge	135,910	181,983
Total	$2,534,152	$1,771,821

Construction and capitalized interest accounts are restricted for authorized capital improvements and related interest costs during construction.

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 debt service principal and interest accounts are restricted to the payment of bond principal and interest.

The operation and maintenance reserve account is restricted to make loans to the operation and maintenance account, as needed, which are to be repaid as funds become available. The maintenance reserve account is restricted to extraordinary maintenance expenditures.

The City has entered into arbitrage agreements under which the City has agreed to comply with certain requirements of the Internal Revenue Code of 1986, as amended, in order to maintain the exclusion of the interest on the bonds from the gross income of the recipients thereof for federal income tax purposes. The rebate account relating to each series of the bonds has been established to account for any liability of the City to make arbitrage rebate payments to the federal government relating to such series of Bonds.

Other funds include the federal and state grant funds, the special capital projects fund, and the Airport development fund.

The passenger facility charge account is restricted to fund eligible and approved PFC projects.

At December 31, 2011 and 2010, the Airport believes it was in compliance with the funding requirements and restrictions as stated in the Bond Ordinance, Second Lien Indenture and Third Lien Indenture.

4. LONG-TERM DEBT

The Bond Ordinance authorizes the issuance of Chicago O'Hare International Airport General Airport Revenue Bonds for financing improvements and expansion of the Airport and to redeem outstanding bonds. Net revenues of the Airport, as defined, are pledged for first lien bond principal and interest payments. The Bond Ordinance further permits the issuance of second and third lien notes, bonds and other obligations which are payable from, and secured by, a pledge of amounts deposited in the junior lien obligation debt service accounts created under the Bond Ordinance.

First lien, second lien and third lien revenue bonds have been issued under the Bond Ordinance, Second Lien Indenture and Third Lien Indenture, respectively. The Series 2001 Second Lien Passenger Facility Revenue Bonds have been issued under an ordinance adopted by the City Council on March 28, 2001, and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passengers Facility Charge Revenue Bonds dated May 15, 2001. The Series 2008 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on May 23, 2007, and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passengers Facility Charge Revenue Bonds Dated January 1, 2008. The PFC Master Indenture amended and restated the Master Trust Indenture Securing the Series 2001 Second Lien Passenger Facility Bonds dated May 15, 2001. The Series 2010 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council on November 18, 2009, and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passengers Facility Charge Revenue Bonds dated January 1, 2008. The Series 2011 Passenger Facility Charge Revenue Bonds have been issued under an ordinance adopted by the City Council of the City on September 8, 2010 and pursuant to the Master Trust Indenture Securing Chicago-O'Hare International Airport Passenger Facility Charge Obligations, dated January 1, 2008.

Revenue Bonds Outstanding — The revenue bonds outstanding as of December 31, 2011 and 2010, is as follows (dollars in thousands):

	2011	2010
First lien bonds — $324,270 1993 Series A first lien revenue refunding bonds issued November 30, 1993, due through 2016; interest rates at 4.8%–5.0%	$ 72,795	$ 72,795
Second lien bonds:		
$50,000 Series 1984 B second lien bonds issued December 27, 1984, due through 2015 at variable floating interest rates (0.13% at December 31, 2011)	13,650	16,520
$25,000 Series 1988 B second lien bonds issued December 21, 1988, due through 2018 at variable floating interest rates (0.25% at December 31, 2011)	12,200	13,400
$320,430 1993 Series C second lien revenue refunding bonds issued November 30, 1993, due through 2018; interest at 4.9%–5.75%		44,130
$68,700 1994 Series B second lien revenue bonds issued October 12, 1994, due through 2018; variable floating interest rate (0.15% at December 31, 2011)	32,500	36,100
$83,800 1994 Series C second lien revenue bonds issued November 9, 1994, due through 2018; variable floating interest rate (0.12% at December 31, 2011)	39,800	44,300
$179,625 1996 Series A second lien revenue bonds issued October 31, 1996, due through 2018; interest rate at 4.7%–6.25%	20,930	24,485
$409,850 Series 1999 second lien revenue refunding bonds issued October 4, 1999, due through 2018; interest at 5.5%	250,250	271,315
Subtotal — second lien bonds	369,330	450,250
Third lien bonds:		
$490,515 Series 2002 A third lien revenue refunding bonds issued March 20, 2002, due through 2032; interest at 5.25%–5.75%	490,515	490,515
$248,910 Series 2003 A-1 and A-2 third lien revenue refunding bonds issued August 14, 2003, due through 2034; interest at 4.50%–6.00%	248,910	248,910
$382,155 Series 2003 B-1 and B-2 third lien revenue bonds issued August 21, 2003, due through 2034; interest at 5.25%–6.00%	382,155	382,155
$355,245 Series 2003 C-1 and C-2 third lien revenue refunding bonds issued August 21, 2003, due through 2034; interest at 5.25%	355,245	355,245
$149,330 Series 2003 D, E and F third lien revenue bonds issued December 2, 2003, due through 2034; interest at 2.125%–5.5%	129,120	129,170
$281,055 Series 2004 A and B third lien revenue refunding bonds issued December 2, 2004, due through 2035; interest at 4.75%–5.0%	145,870	145,870
$39,700 Series 2004 C and D third lien revenue refunding bonds issued December 2, 2004, due through 2026; interest at 4.70%–5.25%	39,700	39,700
$64,290 Series 2004 E, F, G, and H third lien revenue refunding bonds issued December 2, 2004, due through 2023; interest at 3.49%–5.35%	29,360	29,360

(Continued)

	2011	2010
Third lien bonds:		
$961,010 Series 2005 A third lien revenue bonds issued December 22, 2005, due through 2033; interest at 5.0%–5.25%	$ 961,010	$ 961,010
$238,990 Series 2005 B third lien revenue refunding bonds issued December 22, 2005, due through 2018; interest at 5.25%	238,990	238,990
$300,000 Series 2005 C and D third lien revenue bonds issued December 22, 2005, due through 2035; variable floating interest rate (0.09% and 0.09% at December 31, 2011)	240,600	300,000
$112,630 Series 2006 A, B, and C third lien revenue refunding bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.50%	30,280	30,280
$43,520 Series 2006 D third lien revenue bonds issued December 13, 2006, due through 2037; interest at 4.55%–5.00%	43,520	43,520
$530,170 Series 2008 A third lien revenue bonds issued January 31, 2008, due through 2038; interest at 4.5%–5.0%	530,170	530,170
$175,500 Series 2008 B third lien revenue bonds issued January 31, 2008, due through 2020; interest at 5.0%	175,500	175,500
$74,245 Series 2008 C and D third lien revenue bonds issued January 31, 2008, due through 2038; interest at 4.0%–4.6%	72,480	73,380
$91,590 Series 2010 A third lien revenue bonds issued April 29, 2010, due through 2040; interest at 3.0%–5.0%	91,590	91,590
$669,590 Series 2010 B third lien revenue bonds issued April 29, 2010, due through 2040; interest at 6.145%–6.845%	578,000	578,000
$171,450 Series 2010 C third lien revenue bonds issued April 29, 2010, due through 2035; interest at 4.00%–5.25%	171,450	171,450
$55,850 Series 2010 D third lien revenue refunding bonds issued April 29, 2010, due through 2019; interest at 5.00%–5.25%	55,850	55,850
$47,360 Series 2010 E third lien revenue refunding bonds issued April 29, 2010, due through 2016; interest at 1.75%–5.00%	39,540	47,360
$95,375 Series 2010 F third lien revenue refunding bonds issued April 29, 2010, due through 2040; interest at 4.25%–5.25%	95,735	95,735
$420,155 Series 2011 A third lien revenue bonds issued May 5, 2011, due through 2041; interest at 5.625%–5.750%	420,155	
$295,920 Series 2011 B third lien revenue bonds issued May 5, 2011, due through 2041; interest at 3.00%–6.00%	295,920	
$283,925 Series 2011 C third lien revenue bonds issued May 5, 2011, due through 2041; interest at 5.50%–6.50%	283,925	
Subtotal — third lien bonds	6,145,590	5,213,760

(Continued)

	2011	2010
$430,415 Series 2001 A and B Passenger Facility Charge Revenue Bonds issued June 19, 2001, due through 2032; interest at 4.0%–5.75%	$ 347,945	$ 377,400
$215,065 Series 2001 C and D Passenger Facility Charge Revenue Bonds issued August 21, 2001, due through 2032; interest at 3.4%–5.5%	169,955	174,660
$54,520 Series 2001 E Passenger Facility Charge Revenue Bonds issued October 4, 2001, due through 2018; interest at 3.5%–5.5%		32,565
$111,425 Series 2008 A Passenger Facility Charge Revenue Refunding Bonds issued January 31, 2008, due through 2016; interest at 4.0%–5.0%	111,425	111,425
$24,965 Series 2010 A Passenger Facility Charge Revenue Bonds issued May 27, 2010, due through 2040; interest at 5.00%–5.25%	24,965	24,965
$51,305 Series 2010 B Passenger Facility Charge Revenue Bonds issued May 27, 2010, due through 2040; interest at 5.00%–5.25%	51,305	51,305
$48,495 Series 2010 C Passenger Facility Charge Revenue Bonds issued May 27, 2010, due through 2031; interest at 5.272%–6.395%	48,495	48,495
$12,900 Series 2010 D Passenger Facility Charge Revenue Refunding Bonds issued May 27, 2010, due through 2019; interest at 2.0%–5.0%	12,620	12,900
$12,190 Series 2011 A Passenger Facility Charge Revenue Refunding Bonds issued May 5, 2011, due through 2032; interest at 5.00%–5.625%	12,190	
$33,815 Series 2011 B Passenger Facility Charge Revenue Refunding Bonds issued May 5, 2011, due through 2033; interest at 5.0%–6.0%	33,815	
Subtotal — passenger facility charge revenue bonds	812,715	833,715
Commercial Paper Notes:		
Series A, B, C (Taxable) & D (Taxable) Commercial Paper Notes outstanding at December 31, 2011, due through 2012; interest at .28% to .35%	19,919	
Total revenue bonds and notes	7,420,349	6,570,520
Unamortized premium	92,249	86,856
Unamortized deferred loss on bond refunding	(33,222)	(39,155)
	7,479,376	6,618,221
Current portion	(140,620)	(107,295)
Total long-term revenue bonds payable	$ 7,338,756	$ 6,510,926

(Concluded)

Long-term debt during the years ended December 31, 2011 and 2010, changed as follows (dollars in thousands):

2011	Balance January 1	Additions	Reductions	Balance December 31	Due within One Year
Revenue bonds	$ 6,570,520	$ 1,046,005	$ (216,095)	$ 7,400,430	$ 140,620
Unamortized premium (discount)	86,856	(24,145)	29,538	92,249	
Deferred loss on refunding	(39,155)	(1,497)	7,430	(33,222)	
Total revenue bonds	6,618,221	1,020,363	(179,127)	7,459,457	140,620
Commercial paper		19,919		19,919	
Total long-term debt	$ 6,618,221	$ 1,040,282	$ (179,127)	$ 7,479,376	$ 140,620

2010	Balance January 1	Additions	Reductions	Balance December 31	Due within One Year
Revenue bonds	$ 5,602,745	$ 1,177,650	$ (209,875)	$ 6,570,520	$ 107,295
Unamortized premium (discount)	80,788	(13,222)	19,290	86,856	
Deferred loss on refunding	(44,084)	(2,301)	7,230	(39,155)	
Total revenue bonds	5,639,449	1,162,127	(183,355)	6,618,221	107,295
Commercial paper	295,355		(295,355)	-	
Total long-term debt	$ 5,934,804	$ 1,162,127	$ (478,710)	$ 6,618,221	$ 107,295

Interest expense capitalized for 2011 and 2010 totaled $90.2 million and $65.2 million, respectively. Interest income capitalized for 2011 and 2010 totaled $6.2 million and $3.5 million, respectively. Interest expense includes amortization of the deferred loss on bond refunding for 2011 and 2010 of $7.4 million and $7.2 million, respectively, and amortization of $9.3 million of premium, net and $10.5 million of premium, net, respectively.

Issuance of Debt — Chicago O'Hare International Airport Commercial Paper Notes, Series A (Tax-Exempt), Series B (Tax-Exempt), Series C (Taxable) and Series D (Taxable) $600.0 million maximum aggregated authorized outstanding at December 31, 2011, were $19.9 million. Irrevocable letters of credit $667.5 million provide for the timely payment of principal and interest on the notes until September 30, 2013. At December 31, 2011, there were no outstanding letter of credit advances.

In May 2011, the Airport sold $420.1 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2011 A (non-AMT) at a discount of $11.4 million. The bonds have interest rates ranging from 5.625% to 5.75% and maturity and mandatory redemption maturity dates ranging from January 1, 2033 to January 1, 2039. Certain net proceeds of $365.0 million will be used to finance the portion of the O'Hare Modernization Program (OMP) and the Capital Improvement Program (CIP); certain net proceeds of $40.9 were used to fund the were used to fund the debt service reserve deposit requirement and certain net proceeds of $2.8 million were used to pay the cost of the issuance of the bonds.

In May 2011, the Airport sold $295.9 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2011 B (non-AMT) at a premium of $12.0 million. The bonds have interest rates ranging from 3.0% to 6.0% and maturity and mandatory redemption maturity dates ranging from January 1, 2014 to January 1, 2041. Certain net proceeds of $238.2 million will be used to finance the portion of the O'Hare Modernization Program (OMP) and the Capital Improvement Program (CIP); certain net proceeds of $44.8 were used to fund the capitalized interest deposit requirement; certain net proceeds of $23.1 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $1.8 million were used to pay the cost of the issuance of the bonds.

In May 2011, the Airport sold $283.9 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2011 C (non-AMT) at a premium of $12.1 million. The bonds have interest rates ranging from 5.5% to 6.5% and maturity and mandatory redemption maturity dates ranging from January 1, 2021 to January 1, 2041. Certain net proceeds of $203.9 million will be used to finance the portion of the O'Hare Modernization Program (OMP) and the Capital Improvement Program (CIP); certain net proceeds of $67.9 were used to fund the capitalized interest deposit requirement; certain net proceeds of $22.2 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $2.0 million were used to pay the cost of the issuance of the bonds.

In May 2011, the Airport sold $12.2 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2011 A (non-AMT) at a premium of $0.8 million. The bonds have interest rates ranging from 5.000% to 5.625%. The bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2018 to January 1, 2032. Certain net proceeds of $11.9 million were deposited in an escrow to defease a portion of the Series 2001 B PFC Bonds ($11.5 million of principal and $0.4 million of interest and redemption premium); certain net proceeds of $1 million were used to fund the debt service reserve requirement and certain of net proceeds of $0.1 million were used to pay the cost of the issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $0.5 million that will be charged to operations over 22 years using the straight-line method.

In May 2011, the Airport sold $33.8 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2011 B (AMT) at a premium of $1.4 million. The bonds have interest rates ranging from 5.0% to 6.0%. The bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2017 to January 1, 2033. Certain net proceeds of $32.3 million together with $6.8 million transferred from the debt service and the debt service reserve accounts were deposited in an escrow to defease a portion of the Series 2001 A PFC Bonds ($8.7 million of principal and $0.3 million of interest and redemption premium) and fully defease Series 2001 E PFC Bonds ($29.1 million of principal and $1.0 million of interest and redemption premium); certain net proceeds of $ 2.7 million were used to fund the debt service reserve requirement and certain of net proceeds of $0.2 million were used to pay the cost of the issuance of the bonds. The advance refunding of the Series 2001A PFC Bonds and the Series 2001E PFC Bonds resulted in a difference between the acquisition price and the net carrying amount of $0.2 million and $0.7 million that will be charged to operations over 22 years and 8 years using the straight-line method, respectively.

The current refunding of the bonds increased the Airport's total debt service by $4.3 million and resulted in a net economic gain (taking into account the associated reduction in capitalized interest on the Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2011 A-C) of approximately $10.1 million.

In April 2010, the Airport sold $91.6 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010 A (non-AMT) at a premium of $5.0 million. The bonds have interest rates ranging from 3.0% to 5.0% and maturity and mandatory redemption maturity dates ranging from January 1, 2012 to January 1, 2040. Certain net proceeds of $65.9 million will be used to finance the portion of the O'Hare Modernization Program (OMP); certain net proceeds of $20.6 were used to fund the capitalized interest deposit requirement; certain net proceeds of $9.7 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $0.4 million were used to pay the cost of the issuance of the bonds.

In April 2010, the Airport sold $578.0 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010 B (Build America Bonds-Direct Payment). The bonds have interest rates ranging from 6.145% to 6.845% and maturity and mandatory redemption maturity dates ranging from January 1, 2035 to January 1, 2040. Certain net proceeds of $146.3 million will be used to finance a portion of the OMP; certain net proceeds of $165.7 million were used to pay a portion of the outstanding Commercial Paper Notes; certain net proceeds of $204.2 million were used to fund the capitalized interest deposit requirement; certain net proceeds of $57.8 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $4.0 million were used to pay the cost of the issuance of the bonds.

In April 2010, the Airport sold $171.5 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010 C (non-Amt). The bonds have interest rates ranging from 4.00% to 5.25% and maturity and mandatory redemption maturity dates ranging from January 1, 2021 to January 1, 2035. Certain net proceeds of $81.0 million will be used to finance a portion of the Capital Improvement Program (CIP); certain net proceeds of $78.2 million were used to pay a portion of the outstanding Commercial Paper Notes; certain net proceeds of $2.3 million were used to fund the capitalized interest deposit requirement; certain net proceeds of $14.7 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $2.2 million were used to pay the cost of the issuance of the bonds.

In April 2010, the Airport sold $55.8 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2010 D (AMT) at a premium of $2.4 million. The bonds have interest rates ranging from 5.00% to 5.25%. The bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2014 to January 1, 2019. Certain net proceeds of $52.1 million were used to pay a portion of the outstanding Commercial Paper Notes; certain net proceeds of $5.8 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $0.3 million were used to pay the cost of the issuance of the bonds.

In April 2010, the Airport sold $47.4 million of Chicago O'Hare International Airport Third Lien Revenue Refunding Bonds, Series 2010 E (AMT) at a premium of $1.7 million. The bonds have interest rates ranging from 1.75% to 5.00%, the bonds are not subject to mandatory sinking fund redemption prior to maturity and have maturity dates ranging from January 1, 2011 to January 1, 2016. Certain net proceeds of $48.9 were deposited in an escrow to defease a portion of the Series 1996A Second Lien Bonds (Military portion) ($47.8 million of principal and $1.1 million of interest) and certain net proceeds of $0.2 million were used to pay the cost of the issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $1.5 million that will be charged to operations over seven years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by $3.1 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $2.8 million.

In April 2010, the Airport sold $95.7 million of Chicago O'Hare International Airport Third Lien Revenue Bonds, Series 2010 F (non-AMT) at a premium of $0.2 million. The bonds have interest rates ranging from 4.25% to 5.25% and maturity and mandatory redemption maturity dates ranging from January 1, 2020 to January 1, 2040. Certain net proceeds of $70.3 million will be used to finance a portion of the O'Hare Modernization Program (OMP) Noise Program; certain net proceeds of $17.5 million were used to fund the capitalized interest deposit requirement; certain net proceeds of $7.5 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $0.6 million were used to pay the cost of the issuance of the bonds.

In May 2010, the Airport sold $24.9 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010 A (non-AMT) at a discount of $0.3 million. The bonds have interest rates ranging from 5.00% to 5.25% and maturity and mandatory redemption maturity dates ranging from January 1, 2025 to January 1, 2040. Certain net proceeds of $17.7 million will be used to finance a portion of the OMP; certain net proceeds of $4.5 million were used to fund the capitalized interest deposit requirement; certain net proceeds of $2.2 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $0.2 million were used to pay the cost of the issuance of the bonds.

In May 2010, the Airport sold $51.3 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010 B (non-AMT) at a discount of $0.7 million. The bonds have interest rates ranging from 5.00% to 5.25% and maturity and mandatory redemption maturity dates ranging from January 1, 2025 to January 1, 2040. Certain net proceeds of $36.4 million will be used to finance a portion of the OMP; certain net proceeds of $9.2 million were used to fund the capitalized interest deposit requirement; certain net proceeds of $4.6 million were used to fund the debt service reserve deposit requirement and certain net proceeds of $0.4 million were used to pay the cost of the issuance of the bonds.

In May 2010, the Airport sold $48.5 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Bonds, Series 2010 C (non-AMT). The bonds have interest rates ranging from 5.272% to 6.395% and maturity and mandatory redemption maturity dates ranging from January 1, 2019 to January 1, 2031. Certain net proceeds of $4.8 million were used to fund the debt service reserve deposit requirement; certain net proceeds of $43.3 million were used to fund the reserve fund deposit requirement for the O'Hare Series 2001 PFC Bonds and certain net proceeds of $0.4 million were used to pay the cost of the issuance of the bonds.

In May 2010, the Airport sold $12.9 million of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2010 D (non-AMT) at a premium of $0.9 million. The bonds have interest rates ranging from 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, 2011 to January 1, 2019. Certain net proceeds of $13.7 million, together with $0.3 million, transferred from the debt service account were deposited in an escrow to defease a portion of the Series 2001 D PFC Bonds ($13.2 million), and certain net proceeds of $0.8 million of interest) and certain net proceeds of $0.1 million were used to pay the cost of the issuance of the bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $0.8 million that will be charged to operations over 10 years using the straight-line method. The advance refunding decreased the Airport's total debt service payments by $1.2 million and resulted in an economic gain (difference between the present value of the old debt and the new debt service payments) of $0.7 million.

Debt Redemption — The debt service requirements to maturity of the first lien bonds as of December 31, 2011, are as follows (dollars in thousands):

Years Ending December 31	Principal	Interest	Total
2012	$ 46,340	$ 2,481	$ 48,821
2013	8,115	1,120	9,235
2014		917	917
2015		917	917
2016	18,340	458	18,798
Total	$ 72,795	$ 5,893	$ 78,688

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 effective rate as of December 31, 2011, as follows (dollars in thousands).

Years Ending December 31	Principal	Interest	Total
2012	$ 46,960	$ 14,111	$ 61,071
2013	49,640	12,176	61,816
2014	52,435	10,134	62,569
2015	55,555	7,980	63,535
2016	54,780	5,711	60,491
2017–2018	109,960	4,629	114,589
Total	$ 369,330	$ 54,741	$ 424,071

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, 2011, the second lien bonds were in the weekly rate interest mode. An irrevocable letter of credit ($13.9 million) provides for the timely payment of principal and interest on the Series 1984 bonds until January 15, 2013. An irrevocable letter of credit ($12.4 million) provides for the timely payment of principal and interest on the Series 1988 bonds until November 30, 2015. An irrevocable letter of credit ($73.6 million) provides for the timely payment of principal and interest on the Series 1994 bonds until November 15, 2014. At December 31, 2011, there were no outstanding letter of credit advances.

In the event the bonds are put back to the bank and not successfully remarketed, or if the letter of credit expires without an extension or substitution, the bank bonds will convert to a term loan. There is no principal due on potential term loans within the next fiscal year.

Following is a schedule of debt service requirements to maturity of the third lien bonds. For issues with variable rates, interest is imputed at the effective rate as of December 31, 2011, is as follows (dollars in thousands):

Years Ending December 31	**Principal**	**Interest**	**Total**
2012	$ 12,455	$ 327,856	$ 340,311
2013	63,900	317,290	381,190
2014	74,530	313,921	388,451
2015	101,625	309,505	411,130
2016	102,205	304,331	406,536
2017–2021	1,046,290	1,378,235	2,424,525
2022–2026	1,011,955	1,106,665	2,118,620
2027–2031	1,266,030	809,310	2,075,340
2032–2036	1,561,125	449,307	2,010,432
2037–2041	905,475	118,923	1,024,398
Total	$ 6,145,590	$ 5,435,343	$ 11,580,933

The Airport's third 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, 2011, the third lien bonds were in the weekly rate interest mode. Irrevocable letters of credit ($244.8 million) provide for the timely payment of principal and interest on the Series 2005 C&D bonds until August 15, 2014. At December 31, 2011, there were no outstanding letter of credit advances.

The debt service requirements to maturity of the Passenger Facility Charge Revenue Bonds as of December 31, 2011, is as follows (dollars in thousands):

Years Ending December 31	**Principal**	**Interest**	**Total**
2012	$ 34,865	$ 42,369	$ 77,234
2013	32,420	40,291	72,711
2014	36,850	38,519	75,369
2015	32,815	36,971	69,786
2016	35,955	35,229	71,184
2017–2021	155,650	147,890	303,540
2022–2026	163,660	108,723	272,383
2027–2031	223,705	56,560	280,265
2032–2036	71,830	10,933	82,763
2037–2040	24,965	2,572	27,537
Total	$ 812,715	$ 520,057	$ 1,332,772

The Series A, B, C (Taxable) and D (Taxable) Commercial Paper Notes outstanding at December 31, 2011 of $19.9 million will be refunded with new commercial paper notes as the existing notes mature. The Airport plans to refinance these notes with future bonds.

No-Commitment Debt — Special Facility Bonds issued in the City's name by certain airline parties related to airport capital assets are no-commitment debt and not included in the accompanying basic financial statements as the City has no obligation to provide for their repayment, which is the responsibility of the related airlines.

5. CHANGES IN CAPITAL ASSETS

Capital assets during the years ended December 31, 2011 and 2010, changed as follows (dollars in thousands):

2011	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 738,472	$ 11,717	$ 134,750	$ 884,939
Construction in progress	1,264,280	382,251	(616,421)	1,030,110
Total capital assets not depreciated	2,002,752	393,968	(481,671)	1,915,049
Capital assets depreciated — buildings and other facilities	6,389,283	616,421	(236,320)	6,769,384
Less accumulated depreciation for — buildings and other facilities	(2,316,486)	(109,355)		(2,425,841)
Total capital assets depreciated — net	4,072,797	507,066	(236,320)	4,343,543
Total property and facilities — net	$ 6,075,549	$ 901,034	$ (717,991)	$ 6,258,592

Includes capitalized interest of $103,258

2010	Balance January 1	Additions	Disposals and Transfers	Balance December 31
Capital assets not depreciated:				
Land	$ 714,373	$ 24,099	$ -	$ 738,472
Construction in progress	1,264,200	451,382	(451,302)	1,264,280
Total capital assets not depreciated	1,978,573	475,481	(451,302)	2,002,752
Capital assets depreciated — buildings and other facilities	5,937,981	451,302		6,389,283
Less accumulated depreciation for — buildings and other facilities	(2,158,534)		(157,952)	(2,316,486)
Total capital assets depreciated — net	3,779,447	451,302	(157,952)	4,072,797
Total property and facilities — net	$ 5,758,020	$ 926,783	$ (609,254)	$ 6,075,549

During 2011, Chicago Department of Aviation recorded special item in the amount of $53 million reducing the carrying value for the World Gateway Program (WGP) to $0. WGP was conceived to expand gate capacity at the Airport through construction of new terminal complexes. In September, 2002, in light of changed conditions in the airline industry and the economy, the Airport and airlines agreed to temporarily suspend work on the WGP until demand and airline approval would resume construction. Chicago Department of Aviation reconsidered the impairment of assets previously capitalized under the World Gateway Program and determined the assets to be impaired considering the prolonged poor economic conditions and trends in the aviation industry during 2011. The Chicago Department of Aviation determined any future revitalization of the program would likely require new design activities due to the age of the design work previously capitalized, resulting in an insignificant value as of December 31, 2011.

6. LEASING ARRANGEMENTS WITH TENANTS

Most of the Airport's land, buildings and terminal space are leased under operating lease agreements with airlines and other tenants. The minimum future rental income on noncancelable operating leases as of December 31, 2011, is as follows (dollars in thousands):

Years Ending December 31	Amount
2012	$ 69,575
2013	68,661
2014	67,920
2015	50,007
2016	49,122
2017–2021	129,767
2022–2026	11,336
2027–2031	12,625
2032–2035	11,182
Total minimum future rental income	$ 470,195

Contingent rentals that may be received under certain leases, based on the tenants' revenues or fuel consumption, are not included in minimum future rental income.

Rental income, consisting of all rental and concession revenues, except ramp rentals and automobile parking, amounted to approximately $399.7 million and $381.6 million in 2011 and 2010, respectively. Contingent rentals included in the totals were approximately $84.4 million and $79.4 million for 2011 and 2010, respectively.

7. PENSION PLANS

Eligible O'Hare Fund employees participate in one of two of the City's single-employer defined benefit pension plans. These plans are the Municipal Employees' and the Laborers' and Retirement Board Employees' Annuity and Benefit Funds. These plans are administered by individual retirement boards represented by elected and appointed officials. Each plan issues publicly available basic financial statements for each of the pension plans which may be obtained at the respective fund's office.

The funds provide retirement, death and disability benefits as established by State law. Benefits generally vest after 20 years of credited service. Employees who retire at or after age 55 with at least 10 years of credited service qualify to receive a money purchase annuity and those with more than 20 years of credited service qualify to receive a minimum formula annuity. The annuity is computed by multiplying the final average salary by a maximum of 2.4% 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.

Participating employees contribute 8.5% percent of their salary to these funds as required by State law. By law, the City's contributions are based on the amounts contributed by the employees. Financing of the City's contribution is through a separate property tax levy and the personal property replacement tax. The O'Hare Fund reimburses the City's general fund for the estimated pension cost applicable to the covered payroll of O'Hare Fund employees. These reimbursements, recorded as expenses of the O'Hare Fund, were $14.3 million 2011 and $13.9 million in 2010. The annual pension costs are determined using the entry age normal actuarial cost method and the level dollar amortization method.

The funding policy mandated by State law requires City contributions at statutorily, not actuarially, determined rates. The rates are expressed as multiples of employee contributions. These contributions equal employee contributions made in the calendar year two years prior to the year for which the applicable tax is levied, multiplied by the statutory rates. The statutory rates in effect for the City's contributions made during the years ended December 31, 2011 and 2010, were 1.25 for the Municipal Employees' and 1.00 for the Laborers' and Retirement Board Employees' Annuity and Benefit Funds, respectively. The City has made the required contributions under State law.

The following table as of December 31, 2011, assists users in assessing each fund's progress in accumulating sufficient assets to pay benefits when due. The three-year historical information for each annuity and benefit fund is as follows (dollars in thousands):

	Annual Pension Cost	Percent of Annual Pension Cost Contributed	Required Contribution	Percent of Required Contributions Contributed	Net Pension Obligation (Asset)
Municipal employees':					
2009	$ 412,575	35.9 %	$ 413,509	35.8 %	$ 679,736
2010	482,421	32.1	483,948	32.0	1,007,406
2011	609,491	24.1	611,756	24.0	1,469,886
Laborers':					
2009	34,025	43.0	33,517	43.6	(206,361)
2010	47,129	32.6	46,665	32.9	(174,585)
2011	57,651	22.2	57,259	22.3	(129,712)

The pension benefits information pertaining expressly to O'Hare Fund employees is not available as the obligation is the responsibility of the general government. Accordingly, no amounts have been recorded in the accompanying basic financial statements for the net pension assets or obligations of these Plans.

8. OTHER POSTEMPLOYMENT BENEFITS — CITY OBLIGATION

In addition to providing pension benefits, under State law, the City provides certain health benefits to employees who retire from the City based upon their participation in the City's pension plans. Substantially, all employees who qualify as Municipal Employees' or Laborers' pension plan participants older than age 55 with at least 20 years of service may become eligible for postemployment benefits if they eventually become annuitants. Health benefits include basic benefits for annuitants and supplemental benefits for Medicare-eligible annuitants. Currently, the City does not segregate benefit payments to annuitants by fund. The cost of health benefits is recognized as claims are reported and are funded on a pay-as-you-go basis. The total cost to the City for providing health benefits to approximately 24,000 annuitants and their dependents was approximately $99.1 million and $107.4 million in 2011 and 2010, respectively.

The annuitants who retired prior to July 1, 2005, received a 55% subsidy from the City and the annuitants who retired on or after July 1, 2005, received a 50%, 45%, 40%, and 0% subsidy from the City based on the annuitant's length of actual employment with the City for the gross cost of retiree health care under a court approved settlement agreement (the "Settlement Agreement"). During 2011 and 2010 the pension funds contributed $65 for each Medicare eligible annuitant and $95 for each Non-Medicare eligible annuitant to their gross cost. The annuitants contributed a total of $68.3 million in 2011 and $64.1 million in 2010, to the gross cost of their retiree health care pursuant to premium amounts set forth in the above-referenced Settlement Agreement.

The City's net expense and the annuitants' contribution indicated above are preliminary and subject to the reconciliation per the Settlement Agreement.

Plan Description Summary — The City is party to a written legal Settlement Agreement outlining the provisions of the retiree health program the Settlement Health Care Plans (the "Plans") through June 30, 2013. The Settlement Agreement does not require or extend continuation of the Plans after June 30, 2013. Pursuant to the Settlement Agreement, the City administers a single-employer defined benefit healthcare plan (the "Health Plan"), for which the City pays a portion of the costs on a pay-as-you-go method. Under the Settlement Agreement, the City sponsors health benefit plans for employees, former employees, and retired employees. The provisions of the program provide, in general, that the City pay a percentage of the cost (based upon an employee's service) for hospital and medical coverage to eligible retired employees and their dependents for a specified period, until June 30, 2013.

In addition, Illinois compiled statutes authorize the respective pension funds to provide a fixed monthly dollar subsidy to each annuitant who has elected coverage under the Health Plan through June 30, 2013. After that date, no supplements are authorized.

The liabilities for the monthly dollar supplements paid to annuitants enrolled in the retiree medical plan by their respective pension funds are included in the liabilities and reports of the respective pension funds (see Note 6).

Funding Policy — The City's Health Plan is a single employer plan that operates on a pay as you go funding basis. No assets are accumulated or dedicated to funding the Health Plan benefits.

Annual OPEB Cost and Net OPEB Obligation — The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 two years (the remaining years of coverage under the Settlement Agreement).

The following table shows the components of the City's annual OPEB costs for the year for the Health Plan, the amount actually contributed to the Health Plan, and changes in the City's net OPEB obligation to the Health Plan. The net OPEB obligation is the amount entered upon the City's statement of net assets as of year end as the net liability for the other postemployment benefits. The amount of the annual cost for the Health Plan that is to be recorded in the statements of changes in net assets is the annual OPEB cost (expense) (in thousands).

	Annual OPEB Cost and Contributions Made (In thousands)	
	2011 Health Plan	2010 Health Plan
Contribution rates:		
City	Pay as you go	Pay as you go
Plan members	N/A	N/A
Annual required contribution	$ 200,062	$ 189,328
Interest on net OPEB obligation	4,567	9,871
Adjustment to annual required contribution	(155,675)	(116,325)
Annual OPEB cost	48,954	82,874
Contributions made	99,091	107,431
Decrease in net OPEB obligation	(50,137)	(24,557)
Net OPEB obligation — beginning of year	304,482	329,040
Net OPEB obligation — end of year	$ 254,345	$ 304,483

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for fiscal years 2011, 2010 and 2009 are as follows (in thousands):

	Schedule of Contributions, OPEB Costs, and Net Obligations		
Fiscal Years Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 48,954	202.4 %	$ 254,345
December 31, 2010	82,874	129.6	304,483
December 31, 2009	157,809	62.1	329,040

Funded Status and Funding Progress — As of December 31, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits for all eligible City employees and retirees was $390.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Health Plan) was approximately $2,475.1 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.8%.

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 Health Plan and the ARC of the employer are subject to continual revisions as the results are compared with past expectations and new estimates are made about the future (in thousands).

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll
December 31, 2010	$ -	$ 390,611	$ 390,611	- %	$ 2,475,080
December 31, 2009		533,387	533,387		2,546,961

Actuarial Method and Assumptions — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

For the Health Plan benefits (not provided by the pension funds) in the actuarial valuation for the fiscal years ended December 31, 2011 and 2010, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 11.5% initially, reduced by decrements to an ultimate rate of 10.5%. Both rates included a 3% inflation assumption. The Health Plan has not accumulated assets and does not hold assets in a segregated trust. However, the funds expected to be used to pay benefits are assumed to be invested for durations which will yield an annual return rate of 1.5%. The Unfunded Accrued Actuarial Liability, as of December 31, 2011, is being amortized as a level dollar amount over two years.

	Summary of Assumptions and Methods	
Item	2011 Health Plan	2010 Health Plan
Actuarial valuation date	December 31, 2010	December 31, 2009
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar
Remaining amortization period	2 years	3 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	1.50%	3.0%
Projected salary increases	2.5%	2.5%
Healthcare inflation rate	11.5% initial to 10.5% ultimate	12% initial to 10.5% ultimate

The OPEB benefit information pertaining expressly to the O'Hare Fund employees is not available as the obligation is the responsibility of the general government. Accordingly, no amounts have been recorded in the accompanying basic financial statements. Amounts for the City are recorded within the City's government wide basic financial statements.

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 certain payments made on behalf of the Airport. Such reimbursements amounted to $70.8 million and $62.3 million in 2011 and 2010, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Airport has certain contingent liabilities resulting from litigation, claims and commitments incident to its 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 basic 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, 2011 and 2010, are as follows (dollars in thousands):

	2011	2010
Beginning balance — January 1	$ 2,244	$ 2,049
Total claims incurred (expenditures)	21,090	20,372
Claims paid	(21,060)	(20,177)
Claims liability — December 31	$ 2,274	$ 2,244

The City purchases annuity contracts from commercial insurers to satisfy certain liabilities. The City renewed its property insurance for the City's Airports, effective December 31, 2011, at a limit of $3.6 billion. Claims have not exceeded the purchased insurance coverage in the past 10 years. Property and casualty risks for the Airport are transferred to commercial insurers.

At December 31, 2011 and 2010, the Airport had commitments in the amounts of approximately $426.7 million and $151.1 million, respectively, in connection with contracts entered into for construction projects.

11. SUBSEQUENT EVENTS

In January 2012, the City reduced the O'Hare International Airport Commercial Paper Program from $600 million authorized amount outstanding to $300 million. The authorized amount by City Council remains at $600 million, so the City has the ability to increase the program size in the future.

In May 2012, the City redeemed all outstanding O'Hare International Airport General Airport Revenue Bonds. As a result, the first lien pledge on revenues has been discharged and satisfied.

In June 2012, $30.6 million of Chicago O'Hare International Airport Commercial Paper Notes Series 2005 were issued. The proceeds will be used to finance portions of the costs of authorized airport projects.

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2011
(Dollars in thousands)

NET REVENUES FOR CALCULATION OF COVERAGE:	
Change in net assets	$ (5,191)
Capital grants	(59,741)
Customer facility charges	(32,916)
Passenger facility charges	(114,234)
Special items	53,910
	(158,172)
ADJUSTMENTS:	
Interest on bonds	361,868
Interest capitalized for financial reporting purposes	(84,071)
	277,797
Change in net assets of the Land Support area — net of amount to be deposited in the Revenue Fund	(4,105)
Revenue Fund balance — January 1, 2010 (Note 2)	123,185
Depreciation and amortization of sound proofing, bond discount, financing fees and loss on refunding	176,588
Income earned on Airport Development, Emergency Reserve and Construction Funds	4,739
NET REVENUES FOR CALCULATION OF COVERAGE	$ 420,032
COVERAGE REQUIREMENT:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 9,226
Maintenance reserve	2,146
Special capital projects	960
Total fund deposit requirements	12,332
Aggregate first and junior lien debt service for the bond year	112,181
Less amounts transferred from capitalized interest accounts	1.10
Net debt service required	123,399
COVERAGE REQUIREMENT	$ 135,731
COVERAGE RATIO:	
Net revenues for calculation of coverage	$ 420,032
Total fund deposit requirements	(12,332)
NET REVENUES	$ 407,700
AGGREGATE DEBT SERVICE FOR THE BOND YEAR	$ 112,181
COVERAGE RATIO	3.63

See notes to calculations of coverage.

ADDITIONAL INFORMATION
FIRST AND SECOND LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2011

1. RATE COVENANT

The 1983 General Airport Revenue Bond Ordinance (Ordinance) requires that revenues in each fiscal year in which bonds are outstanding shall equal an amount at least sufficient to produce net revenues for calculation of coverage, as defined, of not less than an aggregate amount equal to the greater of (a) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien debt service reserve fund, the operation and maintenance reserve fund, the maintenance reserve fund, the special capital projects fund, and the junior lien obligation debt service Fund, and (ii) one and twenty-five hundredths times (1.25x) the aggregate first lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds; and (b) the sum of (i) the amounts required to be deposited for such fiscal year in the first lien Debt Service Reserve Fund, the Operation and Maintenance Reserve Fund, the Maintenance Reserve Fund, the Special Capital Projects Fund and the Junior Lien Obligation Debt Service Fund (exclusive of deposits in respect of Aggregate Second Lien Debt Service), and (ii) one and ten hundredths (1.10 x) times the aggregate first lien and second lien debt service for the bond year commencing during such fiscal year reduced by an amount equal to the sum of any amount held in any capitalized interest account for disbursement during such bond year to pay interest on first lien bonds and 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 bonds.

2. REVENUE FUND BALANCE

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ADDITIONAL SUPPLEMENTARY INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2011
(Dollars in thousands)

REVENUES:	
Total revenues — as defined	$ 677,520
Other available moneys (passenger facility charges)	60,970
Cash balance in Revenue Fund on the first day of fiscal year (Note 2)	123,185
TOTAL REVENUES	$ 861,675
COVERAGE REQUIREMENTS:	
Required deposits from revenues:	
Operation and maintenance reserve	$ 9,226
Maintenance reserve	2,146
Special capital projects	960
First lien obligation debt service fund	49,980
Junior lien obligation debt service fund	62,202
Third lien obligation debt service fund	164,132
TOTAL FUND DEPOSITS REQUIRED	$ 288,646
AGGREGATE FIRST LIEN, JUNIOR LIEN AND THIRD LIEN DEBT SERVICE	$ 427,642
LESS AMOUNTS TRANSFERRED FROM CAPITALIZED INTEREST ACCOUNTS	(96,236)
Net aggregate debt service	331,406
	1.10
NET DEBT SERVICE REQUIRED	$ 364,547
OPERATION AND MAINTENANCE EXPENSES — As defined	$ 420,666
COVERAGE REQUIREMENT (Greater of total fund deposit requirements or 110 percent of aggregate debt service)	364,547
TOTAL COVERAGE REQUIRED	$ 785,213
TOTAL REVENUES	$ 861,675
COVERAGE RATIO	1.10

See notes to calculations of coverage.

ADDITIONAL INFORMATION
THIRD LIEN GENERAL AIRPORT REVENUE BONDS
NOTES TO CALCULATIONS OF COVERAGE
YEAR ENDED DECEMBER 31, 2011

1. RATE COVENANT

The Master Indenture of Trust securing Chicago O'Hare International Airport Third Lien Obligations requires that revenues in each fiscal year, together with other available moneys deposited with the trustee with respect to that fiscal year and any cash balance held in the Revenue Fund on the first day of that fiscal year not then required to be deposited in any fund or account, will be at least sufficient: (i) to provide for the payment of operation and maintenance expenses for the fiscal year; and (ii) to provide for the greater of: (a) the sum of the amounts needed to make the deposits required to be made pursuant to all resolutions, ordinances, indentures and trust agreements pursuant to which all outstanding first lien bonds, second lien obligations, third lien obligations, or other Airport obligations are issued and secured, and (b) one and ten-hundredths times aggregate first, second, and third lien debt service for the bond year commencing during that fiscal year, reduced by any proceeds of Airport obligations held by the trustee for disbursement during that bond year to pay principal of and interest on first lien bonds, second lien obligations, or third lien obligations.

The City further covenants that it will fix, establish, and revise from time to time whenever necessary, the rentals, rates, and other charges for the use and operation of the Airport and for services rendered by the City in the operation of it in order that Revenues in each fiscal year, together with other available moneys consisting solely of: (i) any passenger facility charges deposited with the trustee for that fiscal year, and (ii) any other moneys received by the City in the immediately prior fiscal year and deposited with the trustee no later than the last day of the immediately prior fiscal year, will be at least sufficient: (i) to provide for the payment of operation and maintenance expenses for the fiscal year, and (ii) to provide for the payment of aggregate first, second, and third lien debt service for the bond year commencing during that fiscal year reduced by any proceeds of Airport obligations held by the trustee for disbursement during the bond year to pay the principal of and interest on first lien bonds, second lien obligations, or third lien obligations.

2. REVENUE FUND BALANCE

The Revenue Fund balance includes all cash, cash equivalents and investments held in any Airport account which were available to the Revenue Fund to satisfy the coverage requirement under the terms of the Bond Ordinance.

* * * * * *

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL OPERATING RESULTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)
(Dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OPERATING REVENUES:										
Landing fees	$ 131,369	$ 141,426	$ 131,406	$ 157,791	$ 159,094	$ 179,076	$ 196,453	$ 181,335	$ 170,907	$ 179,924
Rental revenues:										
Terminal rental and use charges	138,440	150,151	96,870	140,038	145,417	211,732	220,040	212,944	287,972	237,628
Other rentals and fueling system fees	32,102	33,511	35,316	36,365	40,172	51,026	47,378	39,809	40,468	41,745
Subtotal rental revenues	170,542	183,662	132,186	176,403	185,589	262,758	267,418	252,753	328,440	279,373
Concessions:										
Auto parking	81,580	83,210	90,421	95,521	98,613	103,137	108,545	89,131	93,430	95,997
Auto rentals	17,511	17,325	17,340	19,604	19,928	22,376	22,213	22,915	22,643	23,745
Restaurants	20,247	22,088	27,161	29,790	33,401	34,904	34,813	32,721	35,669	38,547
News and gifts	9,389	10,185	11,001	11,893	12,357	13,267	14,640	13,662	14,495	15,608
Other	17,826	21,560	21,501	33,125	30,374	34,909	34,912	26,685	30,377	37,989
Subtotal concessions	146,553	154,368	167,424	189,933	194,673	208,593	215,123	185,114	196,614	211,886
Reimbursements	2,582	2,501	11,553	8,750	6,560	2,336	5,288	5,241	6,642	8,219
Total operating revenues (1)	451,046	481,957	442,569	532,877	545,916	652,763	684,282	624,443	702,603	679,402
OPERATING AND MAINTENANCE EXPENSES:										
Salaries and wages (2)	166,964	167,891	153,926	157,116	168,361	177,800	177,418	174,897	174,331	190,830
Repairs and maintenance	66,310	65,870	66,066	73,903	73,591	83,865	100,341	82,518	86,463	94,519
Energy	23,445	23,011	22,270	30,894	29,118	35,924	38,535	37,261	33,687	31,777
Materials and supplies	5,198	5,702	8,228	9,338	5,120	10,411	17,506	17,661	9,526	14,288
Engineering and other professional services	33,494	35,759	35,533	52,142	45,357	56,506	61,514	54,767	57,981	65,382
Other operating expenses	29,959	33,317	31,807	28,572	33,038	33,628	33,196	37,181	48,640	34,254
Total operating and maintenance expenses before depreciation and amortization (3)	325,370	331,550	317,830	351,965	354,585	398,134	428,510	404,285	410,628	431,050
NET OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (4)	$ 125,676	$ 150,407	$ 124,739	$ 180,912	$ 191,331	$ 254,629	$ 255,772	$ 220,158	$ 291,975	$ 248,352
FIRST AND SECOND LIEN BONDS:										
NET REVENUES FOR CALCULATING COVERAGE LESS FUND DEPOSIT REQUIREMENTS	$ 147,895	$ 167,952	$ 179,862	$ 292,193	$ 354,363	$ 356,299	$ 358,671	$ 261,166	$ 372,341	$ 407,700
AGGREGATE DEBT SERVICE LESS DISBURSEMENTS FROM CAPITALIZED INTEREST ACCOUNTS (5)	$ 115,154	$ 101,791	$ 116,932	$ 92,773	$ 56,563	$ 107,700	$ 107,389	$ 108,898	$ 104,349	$ 112,181
DEBT SERVICE COVERAGE RATIO (6)	1.28	1.65	1.54	3.15	6.26	3.31	3.34	2.40	3.57	3.63
THIRD LIEN BONDS:										
NET REVENUES FOR CALCULATING COVERAGE PER MASTER INDENTURE THIRD LIEN	$ 471,746	$ 476,131	$ 503,355	$ 653,743	$ 710,017	$ 764,133	$ 761,514	$ 664,917	$ 800,380	$ 861,675
COVERAGE REQUIRED PER MASTER INDENTURE — THIRD LIEN (7)	$ 479,911	$ 499,418	$ 503,497	$ 544,458	$ 577,301	$ 690,407	$ 723,259	$ 660,463	$ 790,282	$ 785,213
COVERAGE RATIO (8)	1.02	1.05	1.00	1.20	1.23	1.11	1.05	1.01	1.01	1.10

(1) Average annual compound growth rate for 2002–2011 for total operating revenues is 4.7%.
(2) Salaries and wages includes charges for pension, health care and other employee benefits.
(3) Average annual compound growth rate for 2002–2011 for total operating and maintenance expenses before depreciation and amortization is 3.2%.
(4) Amount for 2011 may be reconciled to operating income of $69,903 reported in the 2011 Statements of Revenues, Expenses and Changes in Net Assets by deducting depreciation and amortization of $178,449. Amount for prior years may be reconciled through similar calculations.
(5) Represents debt service on first and second lien bonds.
(6) Represents debt service coverage ratio on first and second lien bonds.
(7) Represents required coverage per third lien master indenture.
(8) Represents coverage ratio calculation per third lien master indenture. Minimum coverage required per indenture is 1.0

Source: Chicago O'Hare International Airport Audited Financial Statements and City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

DEBT SERVICE SCHEDULE (UNAUDITED)
(Dollars in thousands)

The following table sets forth aggregate annual debt service for outstanding General Airport Revenue Bonds:

Year Ending December 31	Total Debt Service on First Lien Bonds	Total Debt Service on Second Lien Bonds (1)	Total Debt Service on Third Lien Bonds (1)	Total GARB Debt Service	Total PFC Debt Service	Total Debt Service
2012	$ 48,821	$ 61,071	$ 340,311	$ 450,203	$ 77,234	$ 527,437
2013	9,235	61,816	381,190	452,241	72,711	524,952
2014	917	62,569	388,451	451,937	75,369	527,306
2015	917	63,535	411,130	475,582	69,786	545,368
2016	18,798	60,491	406,536	485,825	71,184	557,009
2017		56,439	455,318	511,757	70,878	582,635
2018		58,150	487,205	545,355	70,826	616,181
2019			538,905	538,905	55,125	594,030
2020			502,356	502,356	53,374	555,730
2021			440,740	440,740	53,338	494,078
2022			440,575	440,575	53,309	493,884
2023			420,315	420,315	53,263	473,578
2024			419,931	419,931	53,222	473,153
2025			419,697	419,697	56,325	476,022
2026			418,103	418,103	56,264	474,367
2027			416,593	416,593	56,179	472,772
2028			416,244	416,244	56,117	472,361
2029			415,421	415,421	56,044	471,465
2030			413,712	413,712	55,989	469,701
2031			413,370	413,370	55,936	469,306
2032			412,962	412,962	51,848	464,810
2033			446,803	446,803	10,186	456,989
2034			438,075	438,075	6,917	444,992
2035			447,394	447,394	6,910	454,304
2036			265,197	265,197	6,901	272,098
2037			263,419	263,419	6,898	270,317
2038			260,891	260,891	6,887	267,778
2039			257,324	257,324	6,880	264,204
2040			146,295	146,295	6,872	153,167
2041			96,470	96,470		96,470
	$ 78,688	$ 424,071	$ 11,580,933	$ 12,083,692	$ 1,332,772	$ 13,416,464

(1) Assumes an interest rate effective at December 31, 2011 on $98,150 of Second Lien Bonds and $240,600 of Third Lien Bonds that are variable-rate demand obligations of Third 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, 2011.
Source: City of Chicago Comptroller's Office.

CAPITAL IMPROVEMENT PLAN (CIP), 2012–2016 (UNAUDITED)
(Dollars in thousands)

ESTIMATED USES:	
Five-Year Capital Improvement Program:	
Airfield improvements	$ 1,488,856
Terminal improvements	90,815
Noise mitigation	
Parking/roadway projects	94,223
Heating and refrigeration	6,243
Safety and security	46,612
Planning and other costs	47,078
Implementation	11,470
Sound	169,472
TOTAL ESTIMATED USES (1)	$ 1,954,769
ESTIMATED SOURCES:	
Existing PFC revenue bond proceeds	$ 30,317
PFC revenues (pay-as-you-go)	88,818
Future PFC revenue bond proceeds	95,484
Federal AIP entitlements grants	34,479
Federal AIP discretionary grants	
Federal AIP LOI	278,777
TSA funds	19,206
Prior airport revenue bond proceeds	264,516
LOI Backed GARBS	176,178
PFC Backed GARBS	411,783
Future airport obligation proceeds	478,062
Other airport funds	77,149
TOTAL ESTIMATED SOURCES	$ 1,954,769

(1) The total of O'Hare 2012–2016 CIP is $1,954,769 and includes $200,320 in active CIP projects $270,000 in proposed CIP projects, $328,658 in OMP Phase I projects, $986.320 in OMP Completion Phase Design and Completion Phase 2A projects, and $169,472 in sound program projects.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

OPERATIONS OF THE AIRPORT
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

AIRPORT ACTIVITY

According to statistics compiled by Airports Council International, the Airport was the second busiest airport in the world as measured by total aircraft operations, and the fourth busiest airport as measured by total passengers. In North America, the Airport is the sixth busiest airport in terms of total cargo tonnage handled. According to the Official Airline guide, as of December 31, 2011, nonstop service was provided from the Airport to 190 destinations, 145 domestic airports, and 45 foreign airports.

Chicago O'Hare International Airport Historical Connecting Passengers

Year	Total Enplanements	Total Originating Enplanements (1)	Total Connecting Enplanements	Connecting Enplanements Percentage
2002	32,938,702	15,279,859	17,658,843	53.6 %
2003	34,454,921	15,331,493	19,123,428	55.5
2004	37,464,632	16,799,401	20,665,231	55.2
2005	37,970,886	17,548,038	20,422,848	53.8
2006	37,784,336	18,058,904	19,725,432	52.2
2007	37,779,576	18,223,460	19,556,116	51.8
2008	34,744,030	17,685,020	17,059,010	49.1
2009	32,047,097	15,708,291	16,338,806	51.0
2010	33,232,412	17,419,794	15,812,618	47.6
2011 (2)	33,206,867	16,082,161	17,124,706	51.6
Average Annual Compound Growth Rates				
2002–2011	0.1 %	0.6 %	(0.3)%	

(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

(2) Estimated based on eleven months of activity.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
Airline (1)	**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**
United Airlines	13,935,560	42.3 %	13,780,164	40.0 %	14,222,780	38.0 %	13,035,044	34.3 %	12,905,929	34.2 %	12,798,917	34.0 %	11,818,081	34.0 %	10,304,138	32.2 %	9,655,258	29.1 %	8,763,788	26.4 %
American Airlines	9,436,168	28.7	9,552,465	27.7	10,641,646	28.4	10,880,167	28.7	10,283,798	27.2	10,277,846	27.2	9,291,364	26.7	8,050,514	25.1	8,115,097	24.4	7,629,479	23.0
Simmons Airlines (dba American Eagle)	1,841,764	5.6	2,319,637	6.7	2,993,453	8.0	3,249,766	8.5	3,524,127	9.3	3,424,753	9.1	3,145,183	9.1	3,128,488	9.8	3,278,628	9.9	3,500,279	10.5
Sky West (dba United Express)							1,385,206	3.6	2,333,968	6.2	2,231,622	5.9	2,010,239	5.8	1,763,788	5.5	1,932,478	5.8	1,375,680	4.1
Mesa (dba United Express)							517,511	1.4	1,032,938	2.7	1,227,446	3.2	1,032,402	3.0	1,327,751	4.1	703,936	2.1	553,439	1.7
Northwest Airlines	527,303	1.6	547,737	1.6	505,278	1.3	576,618	1.5	626,705	1.7	680,695	1.8	586,600	1.7	439,517	1.4				
Shuttle America (dba United Express)							282,928	0.7	870,661	2.3	721,642	1.9	689,203	2.0	936,803	2.9	1,067,038	3.2	941,420	2.8
Continental Airlines	461,407	1.4	437,571	1.3	423,693	1.1	461,804	1.2	486,762	1.3	584,908	1.5	519,567	1.5	514,528	1.6	542,760	1.6	947,868	2.9
US Airways	532,549	1.6	465,034	1.3	489,918	1.3	580,460	1.5	474,309	1.3	578,879	1.5	892,225	2.6	923,729	2.9	865,420	2.6	926,447	2.8
Go Jet (UA Express)									432,179	1.0	449,979	1.2	399,076	1.1	567,601	1.8	787,343	2.4	695,580	2.1
Delta Airlines	658,086	2.0	616,039	1.8	607,226	1.6	603,677	1.6	518,373	1.4	443,342	1.2	430,985	1.2	311,533	1.0	572,588	1.7	692,244	2.1
Trans State Air (dba United Express)							259,510	0.7	384,147	1.0	390,640	1.0	464,624	1.3	450,469	1.4	428,504	1.3	347,997	1.0
America West			342,750	1.0	367,469	1.0	426,571	1.1	442,308	1.2	320,778	0.8								
Air Canada	344,910	1.0	270,105	0.8	268,824	0.7	204,485	0.5	161,023	0.4	132,572	0.4	136,277	0.4	123,367	0.3	132,392	0.4	104,683	0.3
Chautauqua (dba United Express)							489,195	1.5	188,805	0.5	47,800	0.1	92	0.0	78	0.0	43,191	0.1	3,520	
Air Wisconsin (dba United Express)	854,881	2.6	1,561,285	4.5	2,172,712	5.8	1,906,211	5.0	21,100	0.1			24,143	0.1			147		2	
Independence Air					48,804	0.1	86,154	0.2	1,559											
Trans World Airlines																				
Atlantic Coast			1,829,053	5.3	770,768	2.1														
All Other (2)	4,346,074	13.2	2,733,081	8.0	3,952,061	10.5	3,025,579	8.0	3,095,645	8.2	3,467,757	9.2	3,303,969	9.5	3,204,793	10.0	5,107,632	15.4	6,724,441	20.3
Total	32,938,702	100.0 %	34,454,921	100.0 %	37,464,632	100.0 %	37,970,886	100.0 %	37,784,336	100.0 %	37,779,576	100.0 %	34,744,030	100.0 %	32,047,097	100.0 %	33,232,412	100 %	33,206,867	100.0 %

(1) Each airline listed is a signatory to a 1983 Airport Use Agreement.
(2) Included in All Other are the signatories to the 1990 International Terminal Use Agreement not already listed on this table (Aer Lingus, Aeromexico, Air France, Air India, Air Jamaica, Air One, Alitalia, All Nippon, Asiana, Austrian Air Aviacsa, British Airways, British Midland, Cathay Pacific, China Eastern, El Al Israel, Iberia, Japan, KLM, Korean, Kuwait, Lot Polish, Lufthansa, Mexicana, Royal Jordanian, Scandinavian, Singapore, Spirit Airlines, Swiss Airlines (Cross Air), TACA / LOCSA, Turkish Airlines, USA 3000 and Virgin Air) and all other U.S. and foreign flag airlines operating at the Airport.

AIRLINES PROVIDING SERVICE AT THE AIRPORT
As of December 31, 2011, the Airport had scheduled air service by 57 airlines, including 29 domestic airlines, 27 foreign flag airlines, and 28 all-cargo airlines. Service to the Airport is provided by 15 of the 19 "Group III Carriers," which are defined by the U.S. Department of Transportation, Research and Special Programs Administration to include domestic air carriers with annual operating revenues in excess of $1 billion.

United Airlines and American Airlines (including their commuter affiliates) together accounted for 74.5% of the enplaned commercial passengers at the Airport in 2011.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PASSENGER TRAFFIC
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

Year	Total Domestic Passengers	Percent of Total Passengers	Total International Passengers	Percent of Total Passengers	Total Passengers	Annual Percent Change
2002	57,626,957	86.6 %	8,938,995	13.4 %	66,565,952	(1.3)%
2003	60,197,706	86.6	9,310,966	13.4	69,508,672	4.4
2004	64,685,299	85.6	10,849,393	14.4	75,534,692	8.7
2005	64,772,036	85.1	11,382,369	14.9	76,154,405	0.8
2006	64,573,153	84.6	11,726,137	15.4	76,299,290	0.2
2007	64,376,479	84.5	11,801,376	15.5	76,177,855	(0.2)
2008	59,404,334	83.9	11,414,681	16.1	70,819,015	(7.0)
2009	54,114,214	83.8	10,439,179	16.2	64,553,393	(8.8)
2010	56,615,214	84.5	10,410,977	15.5	67,026,191	3.8
2011	57,233,467	85.7	9,558,683	14.3	66,792,150	(0.3)
Average Annual Compound Growth Rates						
2002–2011		(0.1)%		0.7 %		0.0 %

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL TOTAL ORIGIN AND DESTINATION (O&D) ENPLANEMENTS
CHICAGO REGION AIRPORTS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	Chicago O'Hare International Airport		Chicago Midway International Airport		
Year	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements (1)	Percent of Total Chicago	Total O&D Enplanements
2002	15,279,859	72.8 %	5,700,605	27.2 %	20,980,464
2003	15,331,493	71.1	6,243,039	28.9	21,574,532
2004	16,799,401	71.7	6,634,138	28.3	23,433,539
2005	17,548,038	73.2	6,431,517	26.8	23,979,555
2006	18,058,904	72.9	6,708,494	27.1	24,767,398
2007	18,223,460	73.6	6,532,362	26.4	24,755,822
2008	17,685,020	75.0	5,910,045	25.0	23,595,065
2009	15,708,291	73.6	5,647,591	26.4	21,355,882
2010	17,419,794	76.1	5,485,191	23.9	22,904,985
2011 (2)	16,082,161	73.8	5,722,804	26.2	21,804,965
Average Annual Compound Growth Rates					
2002–2011	- %		0.6 %		0.4 %

(1) Originating enplanements, resulting connecting enplanements and percentages have been recalculated for the entire period to account for point-to-point foreign flag activity not included in the U.S. DOT passenger survey.

(2) Estimated based on eleven months of activity.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

ENPLANEMENT SUMMARY
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

	Total O'Hare Enplanements						
Year	Domestic Air Carrier	Domestic Commuter	Total Domestic (1)	Percent of Total O'Hare	Total International Enplanements	Percent of Total O'Hare	Total (2) Enplanements
2002	28,555,307	24,816	28,580,123	86.8 %	4,358,579	13.2 %	32,938,702
2003	29,909,585	1,173	29,910,758	86.8	4,544,163	13.2	34,454,921
2004	32,192,142		32,192,142	85.9	5,272,490	14.1	37,464,632
2005	32,426,920		32,426,920	85.4	5,543,966	14.6	37,970,886
2006	32,136,521		32,136,521	85.1	5,647,815	14.9	37,784,336
2007	32,126,121		32,126,121	85.0	5,653,455	15.0	37,779,576
2008	29,111,375		29,111,375	83.8	5,632,655	16.2	34,744,030
2009	26,863,092		26,863,092	83.8	5,184,005	16.2	32,047,097
2010	28,100,388		28,100,388	84.6	5,132,024	15.4	33,232,412
2011	28,758,388		28,758,388	86.6	4,448,479	13.4	33,206,867
Average Annual Compound Growth Rates							
2002–2011	0.1 %		0.1 %		0.2 %		0.1 %

(1) Total Domestic Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements.
(2) Total Enplanements equals Total Domestic Air Carrier Enplanements plus Total Domestic Commuter Enplanements plus Total International Enplanements.

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

AIRCRAFT OPERATIONS
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)

Year	Annual Aircraft Operations							
	Domestic Air Carrier	International Air Carrier	Total Air Carrier	Commuter	All-Cargo	General Aviation	Military	Total
2002	794,878	70,103	864,981	6,736	20,790	30,216	94	922,817
2003	802,234	76,455	878,689	498	21,257	28,247		928,691
2004	859,696	82,394	942,090		21,588	28,749		992,427
2005	835,414	84,778	920,192		21,979	30,077		972,248
2006	821,586	83,986	905,572		21,165	31,906		958,643
2007	802,933	87,043	889,976		20,702	16,295		926,973
2008	762,995	81,211	844,206		17,542	19,818		881,566
2009	721,169	74,842	796,011		13,988	17,900		827,899
2010	771,550	72,144	843,694		17,248	21,675		882,617
2011	772,707	69,704	842,411		17,149	19,238		878,798
	Average Annual Compound Growth Rates							
2002–2011	(0.3)%	(0.1)%	(0.3)%		(2.1)%	(4.9)%		(0.5)%

Source: City of Chicago Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET AIRLINE REQUIREMENT AND COST PER ENPLANED PASSENGER
YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)
(Dollars in thousands)

Calculation of Cost per Enplaned Passenger	
Operating and maintenance expenses (1)	$ 407,331
Net debt service (1) (2)	276,706
Debt service coverage requirement (3)	(4,152)
Fund deposits (4)	12,333
Total Airport expenses (1)	692,218
Less:	
Non-airline revenue (1)	(233,845)
PFC revenue applied to eligible debt service	(5,879)
Other	(4,429)
Net Airline Requirement (5)	$ 448,065
Enplaned Passengers	33,206,867
Cost per Enplaned Passenger	13.49

(1) This analysis excludes the Land Support Cost Revenue Center, Airport Development Fund, Emergency Reserve Fund and PFC Fund.
(2) Includes First, Second and Third Lien General Airport Revenue Bonds.
(3) Incremental amounts required which provide 10 percent coverage on aggregate First, Second and Third Lien debt service.
(4) Deposits to the Operations and Maintenance Reserve, Maintenance Reserve, Emergency Reserve and Special Capital Project Funds.
(5) Revenue required to be collected from all Airline Parties under the 1983 Airport Use Agreements and the 1990 International Terminal Use Agreements.

Source: City of Chicago Comptroller's Office and Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

HISTORICAL PFC REVENUES
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)
(Dollars in thousands)

Year	Total Enplanements	PFC Enplanements (1)	PFC Revenues (Net of Airline Collection Fees) (2) (3)	PFC Interest Income	Total PFC Revenues
2002	32,938,702	29,556,221	$ 130,638	$ 2,139	$ 132,777
2003	34,454,921	28,993,623	128,152	1,667	129,819
2004	37,464,632	30,810,007	136,180	2,548	138,728
2005	37,970,886	32,546,469	143,855	5,662	149,517
2006	37,784,336	33,765,769	148,232	10,052	158,284
2007	37,779,576	34,243,364	150,329	18,922	169,251
2008	34,744,030	30,720,227	130,922	3,940	134,862
2009	32,047,097	27,533,048	117,103	3,767	120,870
2010	33,232,412	29,493,621	129,477	2,596	132,073
2011	33,206,867	28,503,338	125,130	2,631	127,761

(1) Historical collection information reflects an actual percentage of eligible PFC enplanements of 85.8% in 2011. PFC enplanements for 2001 were estimated since the PFC fee was changed from $3.00 to $4.50 on April 1, 2001.

(2) This amount is net of the airline collection fee of $.11 per enplaning passenger since May 1, 2004.

(3) Actual amounts above are recorded on a cash basis but are reported in the Airport's audited financial statements on an accrual basis. For 2002–2009, a separate cash basis PFC audit was performed as required by the PFC Regulations. The cash basis PFC audit for 2010 and 2011 has not yet been issued.

Source: City of Chicago Comptroller's Office and Department of Aviation.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

PASSENGER FACILITY CHARGE (PFC) DEBT SERVICE COVERAGE
EACH OF THE TEN YEARS ENDED DECEMBER 31, 2002–2011 (UNAUDITED)
(Dollars in thousands)

Bond Year Ended	PFC Revenues (2)	PFC Bonds Debt Service	Coverage by PFC Revenues (1)
January 1, 2002	$ 107,670	$ 41,227	2.61 %
January 1, 2003	132,777	63,685	2.08
January 1, 2004	129,819	73,498	1.77
January 1, 2005	138,728	73,512	1.89
January 1, 2006	149,518	73,502	2.03
January 1, 2007	158,284	73,502	2.15
January 1, 2008	169,251	73,498	2.30
January 1, 2009	134,862	50,048	2.69
January 1, 2010	120,870	49,411	2.45
January 1, 2011	132,073	59,077	2.24
January 1, 2012	127,761	77,497	1.65

(1) Ratio represents the amount of PFC revenues to debt service:
For bond years ended 2002 through 2008, Series 1996 PFC and Series 2001 PFC Bonds.
(2) Actual amounts above are recorded on a cash basis and includes interest earnings.

Source: City of Chicago Comptroller's Office.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

NET ASSETS BY COMPONENT
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)
(Dollars in thousands)

	2006	2007	2008	2009	2010	2011
Net assets:						
Invested in capital assets — net of related debt	$ 213,090	$ 481,321	$ 644,828	$ 612,920	$ 704,324	$ 713,876
Restricted	751,069	644,048	594,185	610,868	588,683	640,469
Unrestricted (deficit)	60,111	73,390	77,195	89,554	104,730	38,201
Total net assets	$ 1,024,270	$ 1,198,759	$ 1,316,208	$ 1,313,342	$ 1,397,737	$ 1,392,546

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

CHANGE IN NET ASSETS
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)
(Dollars in thousands)

	2006	2007	2008	2009	2010	2011
Operating revenues	$ 545,916	$ 652,763	$ 684,282	$ 624,443	$ 702,603	$ 679,402
Operating expenses	496,581	544,890	579,297	583,002	595,707	609,499
Operating income	49,335	107,873	104,985	41,441	106,896	69,903
Nonoperating revenues (expenses)	24,446	18,363	(37,486)	(94,627)	(80,068)	(80,925)
Special items						(53,910)
Income (loss) before capital contributions	73,781	126,236	67,499	(53,186)	26,828	(64,932)
Capital grants	71,238	48,253	49,950	50,320	57,567	59,741
Change in net assets	$ 145,019	$ 174,489	$ 117,449	$ (2,866)	$ 84,395	$ (5,191)

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

LONG TERM DEBT
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006 - 2011 (UNAUDITED)
(Dollars in thousands)

	2006	2007	2008	2009	2010	2011
First Lien Bonds	$ 72,795	$ 72,795	$ 72,795	$ 72,795	$ 72,795	$ 72,795
Second Lien Bonds	732,845	721,470	656,875	585,080	450,250	369,330
Third Lien Bonds	3,620,670	3,559,420	4,278,530	4,219,195	5,213,760	6,145,590
Commercial Paper Notes		334,673	35,565	295,355		19,919
Passenger Facility Charge Revenue bonds	825,709	796,715	741,340	725,675	833,715	812,715
Total Revenue Bonds and Notes	$ 5,252,019	$ 5,485,073	$ 5,785,105	$ 5,898,100	$ 6,570,520	$ 7,420,349

Ten year information will be provided prospectively starting with year 2006.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

FULL TIME EQUIVALENT CHICAGO O'HARE AIRPORT EMPLOYEES BY FUNCTION
EACH OF THE SIX YEARS ENDED DECEMBER 31, 2006–2011 (UNAUDITED)

Function	2006	2007	2008	2009	2010	2011
Administration (Pre-2009 Executive Directions)	20	25	15	73	130	127
Capital Development	57	49	49	30	39	43
Financial Administration	27	25	21			
Human Resources Management	26	24	22			
Capital Finance Management	21	9	9			
Contract Administration	11	18	18			
Business Information Services	13	11	9			
Business Communication	44	40	41	10	13	13
Commercial Development and Concessions	5	6	5	3	6	6
Administration	32	26	24			
Airfield Operations	270	280	280	309	309	306
Landside Operations	26	19	18	14	13	11
Security Management	241	233	249	243	243	242
Facility Management	537	537	498	502	515	519
Safety Management		9	9	9	7	7
Total	1,330	1,311	1,267	1,193	1,275	1,274

Ten year information will be provided prospectively starting with year 2006.

Source: City of Chicago's Program and Budget Summary.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATISTICAL DATA
PRINCIPAL EMPLOYERS (NONGOVERNMENT)
CURRENT YEAR AND NINE YEARS AGO (SEE NOTE AT THE END OF THIS PAGE)
(Unaudited)

	2011 (1)			2002 (1)		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
J. P. Morgan Chase (2)	7,993	1	0.77 %	6,320	4	0.57 %
United Airlines	6,366	2	0.62	8,656	2	0.79
Northern Trust	5,485	3	0.53	5,312	5	0.48
Accenture LLP	5,014	4	0.48	4,399	10	0.40
Jewel food Stores, Inc	4,799	5	0.46	5,249	7	0.48
Bank of America NT	4,557	6	0.44			
Walgreen's Co	4,429	7	0.43			
CVS Corporation	4,159	8	0.40			
ABM Janitorial Midwest, Inc.	3,629	9	0.35			
Ford Motor Company	3,410	10	0.33	5,269	6	0.48
American Airlines				4,666	8	0.42
Arthur Andersen, LLP				4,570	9	0.41
SBC Ameritech				17,165	1	1.56
Exelon Corporation				7,538	3	0.68

(1) Source: City of Chicago, Department of Revenue, Employer's Expense Tax Return, June 30, 2010.
(2) J.P. Morgan Chase formerly known as Banc One.
(3) Ameritech currently known as SBC/AT&T.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

STATISTICAL DATA
POPULATION AND INCOME STATISTICS
(Unaudited)

Year	Population (1)	Median Age (2)	Number of Households (2)	Unemployment Rate (3)	Per Capita Income (4)	Total Income (6)
2002	2,896,016	31.9	1,059,960	8.5 %	$ 35,085	$ 101,606,721,360
2003	2,896,016	32.6	1,067,823	8.2	35,464	102,704,311,424
2004	2,896,016	32.6	1,051,018	7.2	37,169	107,642,018,704
2005	2,896,016	33.0	1,045,282	7.0	38,439	111,319,959,024
2006	2,896,016	33.5	1,040,000	5.2	41,887	121,305,422,192
2007	2,896,016	33.7	1,033,328	5.7	43,714	126,596,443,424
2008	2,896,016	34.1	1,032,746	6.4	45,329	131,273,509,264
2009	2,896,016	34.5	1,037,069	10.0	45,957	126,634,091,632
2010	2,695,598	34.8	1,045,666	10.1	N/A (5)	N/A (5)
2011	2,695,598	33.2	1,048,222	9.3	N/A (5)	N/A (5)

Notes:
(1) Source: U.S. Census Bureau.
(2) Source: World Business Chicago Website, Claritas date estimates; Cook County's Website.
(3) Source: Bureau of Labor Statistics 2011, 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 (in 2011 dollars).
(5) N/A means not available at time of publication.
(6) Population multiplied by the Per Capita Income.

CITY OF CHICAGO, ILLINOIS
CHICAGO O'HARE INTERNATIONAL AIRPORT

SUMMARY — 2011 TERMINAL RENTALS, FEES AND CHARGES
FOR THE PERIOD COMMENCING JULY 1, 2011

DOMESTIC TERMINAL	Signatory	Non-Signatory
DESCRIPTION		
Landing Fee/1,000 lbs.	$ 5.14	$ 6.42
Base Rent	5.00	N/A
Existing Footage	70.53	N/A
Special Facility Additional Footage	83.75	N/A
Additional Footage	85.09	N/A
Ultimate Additional Footage	18.74	N/A
INTERNATIONAL TERMINAL		
DESCRIPTION		
Landing Fee/1,000 lbs.	5.14	6.42
Terminal Rent/Sq.ft./Annum		
Long-Term Signatory	102.88	
Short-Term Signatory	128.60	
Month-To-Month	138.88	
ENPLANED PASSENGER USE CHARGE		
Long-Term Signatory	17.29	
Short-Term Signatory	21.61	
Month-To-Month	23.34	
DEPLANED PASSENGER USE CHARGE		
Long-Term Signatory	9.71	
Short-Term Signatory	12.14	

APPENDIX D

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

September 12, 2012

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $114,855,000 aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (the "Bonds") of the City of Chicago, a municipal corporation and a home rule unit of local government of the State of Illinois (the "City"). The Bonds are issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and an ordinance adopted by the City Council of the City on March 14, 2012 (the "Bond Ordinance").

The Bonds are being issued pursuant to a Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Obligations, dated as of January 1, 2008 (the "Master Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and an Eighth Supplemental Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A and Series 2012B, dated as of September 1, 2012 (the "Supplemental Indenture" and, collectively with the Master Indenture, the "Indenture"). Terms used herein which are defined in the Indenture shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the primary purpose of refunding bonds (the "Prior Bonds") previously issued for the purpose of providing funds to finance the costs of certain projects that are eligible for payment from passenger facility charges.

Pursuant to the Master Indenture and the Supplemental Indenture and concurrently with the issuance of the Bonds, the City is issuing $337,240,000 aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012B (the "2012 Parity Bonds").

The Bonds and the 2012 Parity Bonds are PFC Obligations under the Master Indenture, and are payable from and secured by a pledge of PFC Revenues on a parity with all Series of PFC Obligations previously issued by the City as, and to the extent, provided in the Master Indenture. The City may, by supplemental indenture, hereafter authorize and issue additional PFC Obligations, but only upon the terms and conditions prescribed in the Master Indenture.

We express no opinion as to the authority of the City to levy or collect the passenger facility charges that constitute the PFC Revenues under the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§9110 and 9111, recodified as 49 U.S.C. § 40117 (including all regulations, approvals and decisions pursuant to such Act) or compliance by the City with such Act, regulations, approvals or decisions.

The Bonds are issued only as registered bonds without coupons in the authorized denomination of $5,000 or any integral multiple thereof. The Bonds are dated September 12, 2012 and bear interest from their date payable on January 1, 2013 and semi-annually thereafter on each January 1 and July 1 until paid.

The Bonds mature on January 1 in each of the following years in the respective principal amounts set opposite such years, and the Bonds bear interest at the respective rates of interest per annum set forth opposite such principal amounts in the following table:

Year	Principal Amount	Rate of Interest
2014	$1,150,000	5.000%
2017	3,345,000	5.000
2018	3,515,000	5.000
2019	3,685,000	5.000
2020	3,880,000	5.000
2020	2,000,000	3.000
2021	5,785,000	5.000
2021	350,000	3.000
2022	4,950,000	5.000
2022	1,480,000	4.000
2023	6,740,000	5.000
2024	7,075,000	5.000
2025	7,435,000	5.000
2026	7,805,000	5.000
2027	7,560,000	5.000
2027	630,000	3.500
2028	8,590,000	5.000
2029	9,020,000	5.000
2030	9,470,000	5.000
2031	9,950,000	5.000
2032	7,895,000	5.000
2032	2,545,000	3.875

The Bonds maturing on or after January 1, 2023 are subject to redemption at the option of the City, on or after January 1, 2022, as a whole or in part at any time, and if in part, from such maturities as the City shall determine and, with respect to Bonds of the same maturity and interest rate, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

In connection with the issuance of the Bonds we have examined the following: (a) the Constitution of the State of Illinois; (b) a certified copy of the Bond Ordinance; (c) executed counterparts of the Master Indenture and the Supplemental Indenture; and (d) 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 had and has all requisite power and authority under the Constitution and the laws of the State of Illinois and the Bond Ordinance to enter into the Master Indenture and the Supplemental Indenture with the Trustee and to issue the Bonds thereunder.

2. The Bond Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Master Indenture and the 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 terms.

3. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are PFC Obligations entitled to the benefits and security of the Master Indenture and the Supplemental Indenture, and are enforceable in accordance with their terms.

4. The Bonds are payable, on a parity basis with the 2012 Parity Bonds and any Section 208 Obligations relating to the Bonds or the 2012 Parity Bonds, solely from the PFC Revenues deposited in the Series 2012AB Dedicated Sub-Fund maintained by the Trustee under the Indenture, and certain other amounts as provided in the Master 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 constitutional provision 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 Master Indenture and the Supplemental Indenture create the valid and binding assignments and pledges which they purport to create of the amounts assigned and pledged to the Trustee under the Master Indenture and the Supplemental Indenture.

6. Under existing law, interest on the Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. In addition, interest on the Bonds does not constitute an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. You are advised, however, that interest on the Bonds is includible in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Prior Bonds and the Bonds. The City has covenanted in the Supplemental Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Master Indenture and the 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.

Respectfully yours,

September 12, 2012

City of Chicago
City Hall
Chicago, Illinois

We have examined a record of proceedings relating to the issuance of $337,240,000 aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012B (the "Bonds") of the City of Chicago, a municipal corporation and a home rule unit of local government of the State of Illinois (the "City"). The Bonds are issued pursuant to the authority of Article VII, Section 6(a) of the Illinois Constitution of 1970 and an ordinance adopted by the City Council of the City on March 14, 2012 (the "Bond Ordinance").

The Bonds are being issued pursuant to a Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Obligations, dated as of January 1, 2008 (the "Master Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and an Eighth Supplemental Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A and Series 2012B, dated as of September 1, 2012 (the "Supplemental Indenture" and, collectively with the Master Indenture, the "Indenture"). Terms used herein which are defined in the Indenture shall have the meanings set forth therein unless otherwise defined herein.

The Bonds are authorized by the City for the primary purpose of refunding bonds (the "Prior Bonds") previously issued for the purpose of providing funds to finance the costs of certain projects that are eligible for payment from passenger facility charges.

Pursuant to the Master Indenture and the Supplemental Indenture and concurrently with the issuance of the Bonds, the City is issuing $114,855,000 aggregate principal amount of Chicago O'Hare International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (the "2012 Parity Bonds").

The Bonds and the 2012 Parity Bonds are PFC Obligations under the Master Indenture, and are payable from and secured by a pledge of PFC Revenues on a parity with all Series of PFC Obligations previously issued by the City as, and to the extent, provided in the Master Indenture. The City may, by supplemental indenture, hereafter authorize and issue additional PFC Obligations, but only upon the terms and conditions prescribed in the Master Indenture.

We express no opinion as to the authority of the City to levy or collect the passenger facility charges that constitute the PFC Revenues under the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§9110 and 9111, recodified as 49 U.S.C. § 40117 (including all regulations, approvals and decisions pursuant to such Act) or compliance by the City with such Act, regulations, approvals or decisions.

The Bonds are issued only as registered bonds without coupons in the authorized denomination of $5,000 or any integral multiple thereof. The Bonds are dated September 12, 2012 and bear interest from their date payable on January 1, 2013 and semi-annually thereafter on each January 1 and July 1 until paid.

The Bonds mature on January 1 in each of the following years in the respective principal amounts set opposite such years, and the Bonds bear interest at the respective rates of interest per annum set forth opposite such years in the following table:

Year	Principal Amount	Rate of Interest
2013	$ 3,845,000	2.50%
2014	11,285,000	5.00
2015	7,505,000	5.00
2016	9,365,000	5.00
2017	13,125,000	5.00
2018	13,780,000	5.00
2019	14,475,000	5.00
2020	15,190,000	4.00
2021	15,805,000	5.00
2022	16,595,000	5.00
2023	17,420,000	5.00
2024	18,295,000	5.00
2025	19,205,000	5.00
2026	20,165,000	5.00
2027	21,180,000	4.00
2029	44,925,000	4.00
2030	23,820,000	5.00
2031	25,000,000	5.00
2032	26,260,000	5.00

The Bonds maturing on January 1, 2029 are subject to mandatory redemption, in part and by lot, at a redemption price equal to the principal amount thereof to be redeemed, on January 1, 2028 by the application of a sinking fund payment in the amount of $22,025,000.

The Bonds maturing on or after January 1, 2023 are subject to redemption at the option of the City, on or after January 1, 2022, as a whole or in part at any time, and if in part, from such maturities as the City shall determine and within a maturity by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption.

In connection with the issuance of the Bonds we have examined the following: (a) the Constitution of the State of Illinois; (b) a certified copy of the Bond Ordinance; (c) executed counterparts of the Master Indenture and the Supplemental Indenture; and (d) 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 had and has all requisite power and authority under the Constitution and the laws of the State of Illinois and the Bond Ordinance to enter into the Master Indenture and the Supplemental Indenture with the Trustee and to issue the Bonds thereunder.

2. The Bond Ordinance is in full force and effect and is valid and binding upon the City in accordance with its terms. The Master Indenture and the 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 terms.

3. The Bonds have been duly authorized and issued, are the legal, valid and binding limited obligations of the City, are PFC Obligations entitled to the benefits and security of the Master Indenture and the Supplemental Indenture, and are enforceable in accordance with their terms.

4. The Bonds are payable, on a parity basis with the 2012 Parity Bonds and any Section 208 Obligations relating to the Bonds or the 2012 Parity Bonds, solely from the PFC Revenues deposited in the Series 2012AB Dedicated Sub-Fund maintained by the Trustee under the Indenture, and certain other amounts as provided in the Master 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 constitutional provision 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 Master Indenture and the Supplemental Indenture create the valid and binding assignments and pledges which they purport to create of the amounts assigned and pledged to the Trustee under the Master Indenture and the Supplemental Indenture.

6. Under existing law, interest on the Bonds is not includible in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We express no opinion as to the exclusion from gross income for Federal income tax purposes of interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds or a "related person" (as defined in Section 147(a) of the Code). Furthermore, you are advised that interest on the Bonds constitutes an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income for purposes of the individual and corporate alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use and tax ownership of the property financed with the proceeds of the Prior Bonds and the Bonds. The City has covenanted in the Supplemental Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Bonds, the Master Indenture and the 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.

Respectfully yours,

APPENDIX E

THE AIRPORT CONSULTANT'S LETTER

[THIS PAGE INTENTIONALLY LEFT BLANK]

July 30, 2012

Ms. Rosemarie S. Andolino
Commissioner
City of Chicago, Department of Aviation
10510 West Zemke Road
Chicago, Illinois 60666

RE: City of Chicago
Series 2012 General Airport Revenue Refunding Bonds
Series 2012 Passenger Facility Charge Revenue Refunding Bonds

Dear Ms. Andolino:

This letter sets forth the findings, assumptions, and projections related to the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A) in conjunction with the planned issuance by the City of Chicago (the City), which owns and operates Chicago O'Hare International Airport (the Airport), of its Series 2012 General Airport Senior Lien Revenue Refunding Bonds and Series 2012 Passenger Facility Charge (PFC) Revenue Refunding Bonds (together, the Series 2012 Bonds).

Purpose of This Letter of the Airport Consultant

In connection with the issuance of the Series 2011 General Airport Third Lien Revenue Bonds (GARBs) and Series 2011 PFC Revenue Refunding Bonds (together, the Series 2011 Bonds), R&A prepared the Report of the Airport Consultant dated March 29, 2011 (the 2011 Report), which was included as Appendix E in the Official Statements for the issuance of the Series 2011 Bonds. The 2011 Report incorporated projections of debt service associated with the Series 2011 Bonds and future GARBs anticipated by the City to be issued, during the 2011 through 2020 projection period (the Projection Period). A copy of the 2011 Report is attached to this letter for reference as **Exhibit A**.

This letter addresses analyses completed by R&A and its subconsultant, Partners for Economic Solutions, since the 2011 Report was prepared. In addition, this letter provides updated information and data regarding the economic base for air transportation at the Airport, air traffic at the Airport, ongoing and future Airport capital projects, actual Series 2011 Bonds debt service, and Airport financial operations. **Table 1** summarizes key changes since the date of the 2011 Report.

Table 1 (1 of 2) Summary of Key Changes Since 2011 Report Was Prepared

	CHANGE(S) SINCE 2011 REPORT	ESTIMATED IMPACT OF CHANGE(S) TO OVERALL/KEY FINANCIAL RESULTS
	Financial Analysis Variables	
Economic Base for Air Transportation	Nationwide economic recovery is expected to continue, although at a lower rate than was estimated at the time the 2011 Report was prepared.	Slower recovery of U.S. and Airport passenger activity throughout the Projection Period.
Air Traffic Projections	Actual 2011 activity and projected activity are lower.	Increase in Cost per Enplaned Passenger (CPE) somewhat offset by other factors, such as reduced Operation and Maintenance Expenses and increased Non-Airline Revenues.
Airport Capital Program	No change anticipated.	No material impact.
Debt Service	Actual Series 2011 Bonds debt service is included in this financial analysis. Estimated savings from Series 2012 Bonds are not included in this financial analysis.	No material impact.
Operation and Maintenance (O&M) Expenses	Decreased to reflect a decrease in actual 2011 and budgeted 2012 O&M Expenses. Projection methodology unchanged.	Decrease in O&M Expenses in 2012 of approximately 1.7 percent, contributing to a moderately lower Airline Revenue requirement.
Non-Airline Revenues	Increased to reflect an increase in actual 2011 and budgeted 2012 Non-Airline Revenues. Projection methodology unchanged.	Increase in Non-Airline Revenues in 2012 of approximately 5.4 percent, also contributing to a moderately lower Airline Revenue requirement.

Table 1 (2 of 2) Summary of Key Changes Since 2011 Report Was Prepared

	CHANGE(S) SINCE 2011 REPORT	ESTIMATED IMPACT OF CHANGE(S) TO OVERALL/KEY FINANCIAL RESULTS
	Financial Analysis Results	
Projected CPE	Projected CPE levels revised to reflect refinements noted above.	Annual CPE projected to be between $14.99 and $23.11 during the Projection Period; an increase between $0.14 and $0.79 greater than the 2011 Report.
Projected Debt Service Coverage Ratio	Projected PFC Bond and GARB debt service coverage ratio calculations revised to reflect refinements noted above. GARB debt service coverage calculation revised based on Senior Lien status.	PFC Bond debt service coverage ratios vary from year-to-year, decreasing between .06x and .12x annually from the 2011 Report. Coverage is at least 1.77x through the Projection Period. No material change in GARB debt service coverage ratios. Coverage continues to meet required 1.10x coverage.
	Sensitivity Analysis	
Loss of a Hub Airline	Assumes American Airlines, along with American Eagle, eliminates service at the Airport at the end of 2012. A 4-year recovery of O&D traffic, and a 6-year recovery of connecting traffic. Reduction of O&M Expenses by the Airport as well as associated Non-Airline Revenues.	CPE increases by $6.31 to $22.84 in 2013, the first year American and American Eagle cease service, and then recovers steadily until 2018. No impact in last two years. PFC Bond debt service coverage ratio decreases by .39x from the baseline projection to 1.37x in 2013, then recovers steadily until 2018. No Impact in last two years. No material change in GARB debt service coverage ratios.

SOURCE: Ricondo & Associates, Inc.; July 2012.
PREPARED BY: Ricondo & Associates, Inc.; July 2012.

RICONDO & ASSOCIATES

Ms. Rosemarie S. Andolino
City of Chicago, Department of Aviation
July 30, 2012

This letter, along with the 2011 Report, is intended for inclusion as Appendix E in the Official Statements for the issuance of the Series 2012 Bonds. The approach and assumptions used in preparing this letter are consistent with industry practices for similar reports prepared in connection with the sale of airport revenue bonds. While R&A believes that the approach and assumptions are reasonable, some assumptions regarding future trends and events set forth in this letter including, but not limited to, enplaned passenger projections, may not materialize. Achievement of the projections presented in this letter, therefore, is dependent on the occurrence of future events, which cannot be assured, and the variations may be material.

Updated Information Regarding the Economic Base for Air Transportation

Our review of certain socioeconomic information available since the date of the 2011 Report suggests that the findings regarding the Airport's Air Trade Area (the Chicago-Naperville-Joliet Metropolitan Statistical Area [MSA] and the Kankakee-Bradley MSA)[1] and economic base for air transportation remain valid. The economic base of the Air Trade Area remains capable of supporting increases in demand for air transportation at the Airport during the Projection Period, albeit at a slower pace than was anticipated at the time the 2011 Report was prepared. A brief discussion of recent unemployment data and survey data from *Blue Chip Economic Indicators* and the National Association for Business Economics (NABE) is provided below.

In February 2012 (latest data available), the unemployment rate for the Air Trade Area was 9.0 percent (non-seasonally adjusted).[2] This rate was slightly higher than the rate for the Midwest, where the unemployment rate was 8.9 percent (non-seasonally adjusted).[3] The unemployment rate in the nation was 8.3 percent in February 2012 (non-seasonally adjusted).[4] Although the Air Trade Area's unemployment rate is lower than it was at the time the 2011 Report was prepared (9.2 percent in February 2011, non-seasonally adjusted), this 0.2 percentage point improvement lags the employment recovery in both the Midwest and the nation. In comparison, the unemployment rate in the Midwest has shown a 0.8 percentage point improvement from 9.7 percent (non-seasonally adjusted) in February 2011. The national

---

1 The Economic Base for Air Transportation is provided in Chapter I of the 2011 Report.

2 Monthly unemployment data published for the Air Trade Area is not seasonally adjusted.

3 The seasonally adjusted unemployment rate in the Midwest was 8.3 percent in February 2012.

4 The seasonally adjusted unemployment rate in the United States was 8.3 percent in February 2012.

unemployment rate has improved by 1.2 percentage points from 9.5 percent (non-seasonally adjusted) in February 2011.

The Air Trade Area is well-positioned because of its broad and diverse economic base. It is affected by overall economic conditions in the United States. Due to the December 2007-June 2009 recession, the U.S. economy experienced weakness in housing construction, consumer spending and business investment, as well as relatively high unemployment rates and low gross domestic product (GDP) growth. Early in 2011 when the 2011 Report was being drafted, many economists had an optimistic outlook for GDP growth in 2011 because of improvements in exports, consumer spending, and manufacturing.[5] However, real GDP increased only 1.7 percent in 2011, compared with an increase of 3.0 percent in 2010.[6] The most recently published surveys of leading economists in *Blue Chip Economic Indicators* and *NABE Outlook* indicate consensus for modest GDP growth in 2012.[7] The *Blue Chip Economic Indicators* forecasts that the U.S. economy will grow 2.3 percent in 2012. The NABE forecast is slightly more optimistic, with an outlook of 2.4 percent growth in GDP for the United States in 2012. Both the *Blue Chip Economic Indicators* and the *NABE Outlook* forecast an annual unemployment rate of 8.3 percent in the United States in 2012.

Based on the analysis included in Chapter 1 of the 2011 Report, as well as the unemployment and economic forecasts noted above, nationwide economic recovery is expected to continue, although at a relatively low rate for the foreseeable future. A survey published by the Federal Reserve Bank of Philadelphia indicates that real annual GDP growth is not projected to rise above 3.0 percent per year until 2015.[8] Consequently, we have revised downward our economic expectations for the projection period.

In spite of the lower than anticipated economic recovery and GDP growth rates through 2020, the Air Trade Area's economic base remains broad, diversified, and able to continue to support long-term growth in the demand for air transportation at the Airport.

---

5 Izzo, Phil, "Economists Predict Growth in 2011," *The Wall Street Journal*, December 13, 2010.

6 U.S. Department of Commerce, Bureau of Economic Analysis, News Release, Gross Domestic Product, March 29, 2012, http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm, accessed April 2012.

7 Moore, Randall E., *Blue Chip Economic Indicators*, Vol. 37, No. 3, March 10, 2012, Aspen Publishers; National Association for Business Economics, *NABE Outlook*, February 2012.

8 Federal Reserve Bank of Philadelphia, First Quarter 2012 Survey of Professional Forecasters, Release Date February 10, 2012, http://www.phil.frb.org/research-and-data/real-time-center/survey-of-professional-forecasters/2012/survq112.cfm, accessed April 2012.

Updated Information Regarding Air Traffic

Recent Airport activity data were reviewed to assess the reasonableness of the activity projections included in the 2011 Report and their continued validity for use in conjunction with the proposed issuance of the Series 2012 Bonds. The 2011 Report incorporated actual enplaned passenger and aircraft operations statistics through 2010 and projected totals for 2011 through 2020. Air traffic activity projections contained in the 2011 Report were based, in part, on published schedules of service levels and the levels of global, national, and regional economic growth based on forecasts at the time the projections were developed in March 2011.

Enplaned passenger, operations, and landed weight activity at the Airport in 2010 (actual), 2011 (projected), and 2011 (actual), from the 2011 Report are summarized in **Table 2**. As shown, enplaned passengers in 2011 decreased slightly, 0.1 percent, compared with 2010 levels. Aircraft operations decreased 0.4 percent compared with 2010 levels and landed weight decreased approximately 1.5 percent. Highlights of the 2010-2011 period are summarized below:

- The Airport is a key component in the national air transportation system; it is also affected by global and national economic trends, as discussed earlier in this letter. In preparing the 2011 Report, it was expected that U.S. GDP would increase 2.7 percent in 2011 and 3.1 percent in 2012. Actual GDP growth in 2011 was 1.7 percent. As of the date of this letter, GDP growth in 2012 is currently expected to be 2.3 to 2.4 percent.
- Jet fuel prices were at record highs in 2011, affecting the profitability and sustainability of air service. Jet fuel averaged $2.23 per gallon in 2010, and increased 28 percent in 2011 to an average of $2.86 per gallon according to the U.S. Department of Transportation (DOT) Bureau of Transportation Statistics.

Table 2 Recent Air Traffic Activity

	ACTUAL 2010	SERIES 2011 PROJECTION 2011	ACTUAL 2011
Enplaned Passengers (in Thousands)	33,219	34,185	33,195
Annual Change Versus 2010 Actual		2.9%	-0.1%
Total Operations	882,617	927,400	878,798
Annual Change Versus 2010 Actual		5.1%	-0.4%
Landed Weight (weight in 1,000 pound units)	49,041,245	50,148,163	48,281,953
Annual Change Versus 2010 Actual		2.3%	-1.5%

SOURCE: Chicago Department of Aviation, February 2012.

PREPARED BY: Ricondo & Associates, Inc., July 2012.

- In 2011, United Airlines' total seat capacity at the Airport decreased 4.3 percent compared with 2010 capacity. Specifically, domestic seat capacity decreased 5.0 percent and international seat capacity increased 1.3 percent. These percentages include seats marketed under both the United and Continental brands.
- American Airlines offered less capacity at the Airport throughout 2011 relative to its original expectations, although the airline's total seat capacity increased 0.5 percent. Specifically, American's domestic seat capacity increased 0.4 percent and the airline's international seat capacity increased 1.9 percent.
- Capacity reductions for United and American were more pronounced in the latter part of 2011. In the last 6 months of 2011 versus the same period of 2010, United's total seat capacity decreased 6.8 percent. American's total seat capacity decreased 1.7 percent in the last 6 months of 2011, even though capacity increased 0.5 percent for the full year. Combined, United and American's capacity decreased 4.6 percent in the second half of 2011 versus the same period a year earlier.
- In total, the Airport experienced a further reduction in scheduled seat capacity in the latter portion of 2011 into 2012 because of the rising cost of fuel and the continued sluggish economy both domestically and internationally. For the comparable 6-month periods ended March 2011 and March 2012, available seat capacity at the Airport decreased 3.3 percent (this compares to a nationwide decline of 1.5%, excluding the Airport), and aircraft departures decreased 3.9 percent. In terms of seat capacity, the markets most negatively affected were the domestic market (3.6 percent decrease), Canada (8.7 percent decrease), and Europe (8.9 percent decrease).

Through June 2012 enplaned passenger activity is up 3.8 percent when compared to the same period of 2011, as shown in **Table 3**. However, that number is likely to decrease as the year continues as anomalies from February year-over-year comparisons become less influential[9] and assuming actual activity reflects currently scheduled activity by the airlines. Details about the projected activity are discussed in the following section.

---

9 February 2012 enplaned passengers grew 11.4 percent over those in February 2011. The increase in activity included impacts of flight cancelations due to record snow fall on February 1st and 2nd of 2011 and 29 days in February 2012 due to the leap year calendar.

Table 3: Monthly Enplaned Passenger Comparison

MONTH	PERCENT CHANGE FROM 2011 TO 2012
January	1.0%
February	11.4%
March	1.8%
April	3.7%
May	2.4%
June	3.9%
Total	3.8%

SOURCE: CDA Management Records and Ricondo & Associates Analysis.
PREPARED BY: Ricondo & Associates, Inc., July 2012.

Activity Projections

Our review of air traffic activity data, seat capacity and service trends, updated economic data, and other considerations and data available since the 2011 Report was prepared suggests that the projections presented in the 2011 Report (see Chapter II, "Air Traffic," of the 2011 Report) should be revised, as described below.

The activity projections developed for the 2011 Report were based on a number of underlying assumptions, many of which are still considered to be valid (see Sections 2.4 and 2.5 of the 2011 Report). Key changes and assumptions used in developing updated projections of enplaned passengers for the proposed Series 2012 Bonds are summarized in the following sections.

Updated Enplaned Passenger Projections

As noted previously, we are utilizing slower economic growth projections based on data compiled since the 2011 Report was prepared. In the 2011 Report, U.S. GDP growth of 2.7 percent in 2011 and 3.1 percent in 2012 was projected. In 2011, actual GDP growth was 1.7 percent. As of the date of this letter, GDP growth for 2012 is expected to be 2.3 percent to 2.4 percent. As a result, a slower recovery of air traffic, both nationally and at the Airport, is also projected. Airport activity previously projected to return to pre-recession levels by 2013 is now projected to return in 2015.

Since the 2011 Report was prepared, AMR Corporation (AMR), the parent company of American Airlines and American Eagle, filed for Chapter 11 bankruptcy protection. R&A has not assumed any activity changes resulting from possible changes to AMR or its operating companies due to lack of reliable information and the current status of the bankruptcy proceedings. However, an updated sensitivity analysis was prepared to evaluate the potential impact of the loss of American Airlines and its affiliate American Eagle at the Airport at the end of 2012 (presented in the last section of this letter).

United and Continental officially merged on October 1, 2010. However, until March 3, 2012 the carrier operated under both the United and Continental operating codes and under separate reservations platforms. Our analysis has incorporated schedule adjustments the carrier has made to date based on the published Official Airline Guide schedule. However, the carrier may make adjustments in the future as the result of operating under a single operating code and reservations platform.

We believe that airlines other than the dominant hubbing carriers (American Airlines and United Airlines) will continue to have interest in serving the Airport, as evidenced by newly initiated or announced service since the date of the 2011 Report. Examples include Virgin America service to both Los Angeles and San Francisco (initiated May 2011), Cathay Pacific Airways passenger service to Hong Kong (initiated September 2011), COPA service to Panama City, Panama (initiated December 2011), and WestJet Airlines service to Vancouver and Calgary (beginning May 2012). In October 2011, the Airport purchased eleven gates on Concourse L from Delta Air Lines, increasing the number of preferential gates at the Airport from zero to six and the number of common-use gates controlled by the Airport in the domestic terminal from one to six. This has given the Airport the ability to accommodate additional airlines in Terminal 3 including jetBlue; Spirit; Virgin America; and Air Choice One, an Essential Air Service carrier.

As previously discussed, in the 2011 Report, enplaned passengers at the Airport were projected to number 35.1 million in 2012 based on known airline schedule information and economic reports at the time the report was prepared. Subsequent capacity reductions at the Airport and continued weak global and national economic conditions were taken into account in the projections developed for the issuance of the Series 2012 Bonds. As shown in **Table 4,** R&A now projects enplaned passengers numbering approximately 33.4 million in 2012. In 2020, the number of enplaned passengers is projected to increase to approximately 39.7 million, representing a compounded annual growth rate of 1.8 percent from 2010 through 2020.

Table 4 Enplaned Passenger Projections (in Thousands)

YEAR	ENPLANED PASSENGERS [1/] SERIES 2011 PROJECTIONS	SERIES 2012 PROJECTIONS	VARIANCE TO SERIES 2011 PROJECTIONS	ANNUAL GROWTH RATES SERIES 2011 PROJECTIONS	SERIES 2012 PROJECTIONS
2010 Actual	33,219	33,219	0.00%		
2011 [2/]	34,185	33,195	-2.90%	2.9%	-0.1%
2012	35,084	33,383	-4.85%	2.6%	0.6%
2013	35,897	34,112	-4.97%	2.3%	2.2%
2014	36,677	34,856	-4.96%	2.2%	2.2%
2015	37,469	35,618	-4.94%	2.2%	2.2%
2016	38,274	36,377	-4.96%	2.1%	2.1%
2017	39,106	37,190	-4.90%	2.2%	2.2%
2018	39,969	38,010	-4.90%	2.2%	2.2%
2019	40,858	38,832	-4.96%	2.2%	2.2%
2020	41,784	39,680	-5.04%	2.3%	2.2%
CAGR 2010-2020	2.3%	1.8%			

Notes:

1/ Excludes general aviation, military, helicopter, and miscellaneous passengers included in CDA Management Records.

2/ Series 2012 Projection for 2011 reflects actual 2011 enplanement data.

SOURCE: Chicago Department of Aviation Management Records and Ricondo & Associates Analysis.
PREPARED BY: Ricondo & Associates, Inc., July 2012.

Updated Aircraft Operations Assumptions

Based on lower demand resulting from a slower economic recovery, growth in operations is projected to be lower. Revised projections are not included in this letter due to limited impact on the financial analysis, but changes in assumptions are described below.

The continued shift from mainline air carrier aircraft to regional/commuter aircraft flights may be influenced by the outcome of AMR's bankruptcy proceedings, which began in November 2011. The potential for relaxed scope rules for flights by American Eagle and other regional partners could permit a greater percentage of flights by those entities, and potentially with larger regional aircraft than permitted under the current scope rules. Additionally, R&A believes that American will continue with its fleet modernization program, announced in July 2011, enabling it to replace older MD-80, Boeing 737, Boeing 757-200, and Boeing 767-200 aircraft with more modern and fuel-efficient narrowbody A320 family and Boeing 737 family aircraft between 2013 and 2022. In the near term, new aircraft deliveries are expected to replace the MD-80 fleet, increasing American's mainline air carrier seat capacity per departure. While the exact mix and deployment of specific aircraft types flown by American and its partners are uncertain, modest growth in average seats per departure is projected. No substantial updates to United Airlines' fleet plans have been made since the 2011 Report. Mixing of the United and Continental fleets has already taken place and is reflected in the 2012 schedule. Although speculation has arisen that United could enter in to new agreements with Boeing and Airbus, at the time of this letter there is nothing to warrant any change to the current fleet assumptions.

Airport Capital Program Update – No Material Changes Since the 2011 Report

As described in Chapter IV of the 2011 Report, the Airport is undertaking the O'Hare Modernization Program (OMP), a delay reduction/capacity enhancement capital program to modernize the airfield from a configuration with intersecting runways to a design that includes six parallel east-west runways and two parallel crosswind runways. The elements of the OMP under construction, as described in the 2011 Report—OMP Phase 1 and OMP Phase 2A—remain on time and on budget. OMP Phase 1 is within the \$3.28 billion budget and, according to the OMP Project Management Office, has a strong possibility of being completed under budget. The final runway of OMP Phase 1 is scheduled to be commissioned in the fourth quarter of 2013, and all major construction contracts have been awarded. OMP Phase 2A is under construction, with 7 of 12 contracts awarded. OMP Phase 2A remains on schedule with a commissioning of Runway 10R-28L anticipated in 2015. The cost of OMP Phase 2A remains at \$943 million. Negotiations with the airlines for funding approval of OMP Phase 2B are scheduled to begin no later than March 1, 2013.

The Airport's Capital Improvement Program (CIP) remains an ongoing repair and replacement program addressing non-OMP related facility needs. The projected amount of up to approximately $90 million of annual GARB expenditures on CIP projects remains unchanged.

Updated Financial Analysis

Based on the revised passenger activity projections presented earlier in this letter and in conjunction with financial data generated after the 2011 Report was finalized as well as the Airport's 2012 Budget, we updated the financial projections for the Airport. The City of Chicago's Fiscal Year ends December 31st. In general, and as described in more detail in the following sections, changes to the financial projections include the following:

- Decreases in budgeted and projected O&M Expenses
- Increases in budgeted and projected Non-Signatory Airline and Non-Airline Revenues
- Decreases in budgeted and projected Net Signatory Airline Requirements
- Increases in budgeted and projected Total Airline Cost per Enplaned Passenger
- Decreases in projected PFC stand-alone debt service coverage ratios
- Updated sensitivity analysis

Updated Operation and Maintenance Expense Projections

The 2011 Budget for the Airport served as the base from which O&M Expenses were projected in the 2011 Report. The Airport has since released its final 2012 Budget, which is now the base for the updated O&M Expense projections. The 2012 Budget has been finalized with the airlines. Updated O&M Expense projections are presented in **Table 5.** The underlying assumptions used to update the O&M Expense projections are consistent with those presented in the 2011 Report, and are based on the type of expense, expectations of future inflation rates (assumed to be 3.0 percent annually), and incremental O&M Expenses related to OMP Phase 1 and OMP Completion Phase 2A projects becoming operational. The Airport does not anticipate any incremental O&M Expense impacts associated with the CIP projects.

Table 5 Operation and Maintenance Expenses

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget 1/	Projected 2/								Compounded Annual
	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth Rate (2012-2020)
Personnel Expenses 3/	$194,691	$205,908	$223,329	$233,486	$249,372	$260,062	$271,179	$282,740	$296,277	5.4%
Repairs & Maintenance 4/	49,872	52,929	57,604	60,471	64,853	67,933	71,160	74,540	78,484	5.8%
Energy 5/	31,597	33,280	35,596	37,247	39,492	41,269	43,127	45,067	47,246	5.2%
Materials & Supplies 6/	17,984	19,066	21,311	22,050	23,842	24,558	25,294	26,053	27,117	5.3%
Engineering & Professional Services 7/	82,313	86,017	89,887	93,932	98,159	102,576	107,192	112,016	117,057	4.5%
Other Operating Expenses 8/	77,799	81,983	87,592	91,769	97,290	101,809	106,539	111,488	117,003	5.2%
Subtotal O&M Expenses (incl. Land Support	$454,255	$479,181	$515,320	$538,956	$573,009	$598,208	$624,491	$651,905	$683,183	5.2%
Less: Land Support Area	11,781	10,781	11,181	11,657	12,116	12,636	13,177	13,742	14,319	2.5%
Total O&M Expenses 9/	$442,474	$468,400	$504,138	$527,299	$560,893	$585,572	$611,314	$638,164	$668,864	5.3%
Percent Annual Increase in O&M 10/	3.23%	5.86%	7.63%	4.59%	6.37%	4.40%	4.40%	4.39%	4.81%	

Totals may not add due to rounding.

Notes:

1/ Final City 2012 Budget.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.

3/ Includes all Airport staff plus an allocation of personnel costs from other City Departments which support Airport operations such as Purchasing, Finance and Corporation Counsel.

4/ Includes Equipment maintenance contracts, snow removal equipment rentals, painting, glass replacement, office fixtures, furnishings and other repair contracts.

5/ Includes gas, water, electricity and fuel oil required to operate the Airport.

6/ Includes disposal equipment, cleaning supplies, airfield deicing chemicals and other items used in daily Airport operations and maintenance.

7/ Includes fees for specialized engineering, legal and other technical services.

8/ Includes equipment and property rental, insurance, miscellaneous, machinery, and vehicles and equipment.

9/ Totals may not add due to rounding.

10/ Annual O&M growth is affected by the OMP Phase 1 and Completion Phase projects being completed in 2013, 2015, and 2020.

SOURCES: City of Chicago Department of Aviation, Febuary 2012 (2012); Ricondo & Associates, Inc. (2013-2020).

PREPARED BY: Ricondo & Associates, Inc. July 2012

Incremental O&M Expense projections associated with the impacts of the proposed remaining OMP Phase 1 and Completion Phase airfield projects are based on the incremental increase in runway pavement surface area in the airfield. Using this methodology, airfield area O&M Expenses are projected to increase by approximately $22.4 million in 2014, the first full year of operation assumed for OMP Phase 1 Runway 10C-28C, and approximately $18.8 million in 2016, the first full year OMP Phase 2A Runway 10R-28L is expected to be operational.

As shown in Table 5, total O&M Expenses, less Land Support Area O&M Expenses, are budgeted to be $442.5 million in 2012 and are projected to increase to $668.9 million in 2020, reflecting a compounded annual growth rate of 5.3 percent. Also shown in Table 5 are the annual projected percentage increases in O&M Expenses, which illustrate the incremental impact of OMP Phase 1 and OMP Completion Phase 2A projects.

Unaudited 2011 actual O&M Expenses were approximately $407.3 million; $21.3 million lower than the budgeted amount for 2011 which served as the base year for the 2011 Report. O&M Expenses for Budget 2012 are approximately $442.5 million, approximately 1.7 percent less than the projected O&M Expenses for 2012 included in the 2011 Report; approximately $450.0 million. Unaudited 2011 actual O&M Expenses in the categories of Energy, Materials & Supplies; Engineering & Professional Services; and Other Operating Expenses were lower than budgeted, while Personnel and Repairs & Maintenance expenses were higher than budgeted.

Updated Non-Signatory Airline and Non-Airline Revenue Projections

Non-Signatory Airline Revenues

Non-Signatory Airline Revenues are revenues from airlines that are not parties to either the Airport Use Agreements or the International Terminal Use Agreements. These revenues are derived as a function of fees, rentals, and charges of the Airline Parties, based on O&M Expenses, debt service, and fund deposits. Non-Signatory Airline Revenues have been updated to reflect the Airport's 2012 Budget as the base for the projection period in this letter. The updated Non-Signatory Airline and Non-Airline Revenues are presented in **Table 6**. Non-Signatory Airline Revenues are projected to increase from $57.3 million in

Table 6 Non-Signatory Airline Revenue & Non-Airline Revenue[1/]

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget[2/]	Projected[3/]								Compounded Annual
	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth Rate (2012-2020)
NON SIGNATORY AIRLINE REVENUE[4/]	$57,307	$63,441	$79,550	$84,671	$93,397	$103,737	$112,501	$115,483	$132,982	11.1%
NON-AIRLINE REVENUE										
CICA TEC	$10,718	$10,869	$11,022	$11,177	$11,334	$11,494	$11,656	$11,821	$11,988	1.4%
Concessions										
Automobile Parking - Net of Tax	$92,648	$97,506	$99,640	$104,866	$107,107	$112,779	$115,272	$121,291	$123,946	3.7%
Automobile Rental[5/]	21,523	22,323	23,153	24,013	24,893	25,831	26,796	27,787	28,819	3.7%
Restaurants	37,269	38,654	40,090	41,581	43,104	44,728	46,400	48,114	49,902	3.7%
News & Gifts	18,412	19,096	19,806	20,542	21,294	22,097	22,923	23,770	24,653	3.7%
Duty Free	10,083	10,458	10,846	11,249	11,662	12,101	12,553	13,017	13,501	3.7%
Display Advertising	12,400	12,772	13,155	13,549	13,956	14,374	14,806	15,250	15,707	3.0%
Hotel	6,971	7,230	7,498	7,777	8,062	8,366	8,678	8,999	9,333	3.7%
Other[6/]	5,454	5,628	5,808	5,994	6,185	6,386	6,592	6,803	7,023	3.2%
Concession Revenue	$204,758	$213,665	$219,996	$229,572	$236,262	$246,661	$254,021	$265,031	$272,885	3.7%
Reimbursements & Other[7/]	22,263	20,240	20,488	20,743	21,006	21,276	21,555	21,842	22,137	-0.1%
TOTAL NON-AIRLINE REVENUE	$237,739	$244,774	$251,506	$261,492	$268,601	$279,432	$287,232	$298,694	$307,011	3.2%
TOTAL NON-SIGNATORY AIRLINE & NON-AIRLINE REVENUE[8/]	$295,046	$308,215	$331,055	$346,162	$361,998	$383,169	$399,733	$414,177	$439,993	5.1%

Totals may not add due to rounding.

Notes:

1/ Excludes Land Support Area per the Airport Use Agreements.

2/ Final City 2012 Budget; Non-Signatory Airline Revenue differs due to debt service.

3/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.

4/ Includes landing fee revenue from the Non-Signatory Airlines.

5/ Includes percentage of gross receipts of eight rental car companies operating under agreements at the Airport.

6/ Includes rentals and fees from other concessions such as bus service, public pay phones, other specialty shops and duty free.

7/ Includes CICA TEC Energy Reimbursement and Airport interest income.

8/ Totals may not add due to rounding.

2012 to $133.2 million in 2020 at a compounded annual growth rate of 11.1 percent, which is primarily the result of increasing O&M Expenses throughout the Projection Period and debt service associated with the Series 2011B and 2011C GARBs beginning in 2014 and 2016, respectively. In updating the Non-Signatory Airline and Non-Airline Revenue projections, no cost savings resulting from reduced annual debt service associated with the Series 2012 Bond refundings were assumed.

The updated Non-Signatory Airline Revenues are projected to be between approximately 1.1 percent and 3.9 percent higher than those presented in the 2011 Report. As a function of fees paid by the Airline Parties, the revised activity projections would typically yield a larger increase in projected Non-Signatory Airline Revenues than presented; however, lower than projected O&M Expenses and higher than projected Non-Airline Revenues serve to offset a portion of the increases to airline fees.

Non-Airline Revenues

Non-Airline Revenues consist of those revenues generated at the Airport from sources other than the Airport Fees and Charges. Non-Airline Revenues include revenues from Chicago International Carriers Association Terminal Equipment Corporation (CICA TEC); concessions, including automobile parking and rentals; and reimbursements and other. Similar to the updated O&M Expenses, the base for Non-Airline Revenues has been updated to the 2012 Budget from the 2011 Budget numbers used in the 2011 Report.

Unaudited 2011 Non-Airline Revenues were approximately $233.8 million, significantly higher than the approximate $218.6 million budgeted for 2011. The increase was primarily related to revenues generated by the restaurants, duty free shops, display advertising, and hotel revenues. The 2012 budgeted Non-Airline Revenues are approximately $237.7 million, $12.2 million more than the amount projected to occur in 2012 in the 2011 Report. The 8.7 percent increase from the 2011 Budget in Non-Airline Revenues is reflected in the $204.8 million of concession revenues and $22.3 million of reimbursement revenues budgeted for 2012.

As shown in Table 6, total Non-Airline Revenues are budgeted to be $237.7 million in 2012 and projected to increase to $307.0 million in 2020, reflecting a compounded annual growth rate of 3.2 percent. A breakout of the specific concessions categories is also provided in Table 6.

Updated Debt Service

No significant changes in PFC or GARB debt service have occurred since the date of the 2011 Report. For the purposes of debt service projections presented in the 2011 Report, the City's underwriter used estimated market interest rates on the Series 2011 Bonds, and a rate of 7 percent on all future bonds. The updated financial projections contained in this letter incorporate the debt service schedules associated with the actual sale of the Series 2011 Bonds. All other existing debt service and debt service associated with projected debt issuances are consistent in amount, timing, and financing assumptions with those in the 2011 Report. For the purposes of this letter, the anticipated savings resulting from the proposed Series 2012 Bonds were not included in the updated financial analysis.

Updated Net Signatory Airline Requirement

The Net Signatory Airline Requirement indicates the ability of the Airport enterprise to generate sufficient revenues to pay O&M Expenses, net debt service, and fund deposit requirements. The Net Signatory Airline Requirement constitutes the total amount that must be paid by the Airline Parties and the International Terminal Airline Parties under the Airport Use Agreements and the International Terminal Use Agreements, respectively, through Landing Fees, Terminal Area Rentals, Terminal Area Use Charges, Enplaned and Deplaned Passenger Fees, and Fueling System Fees during the year.

Table 7 presents the updated projections of O&M Expenses, Non-Signatory Airline Revenues, and Non-Airline Revenues, including annual coverage requirements. The Net Signatory Airline Requirement base was updated to the 2012 Budget and is projected to increase from $443.0 million in 2012 to $784.2 million in 2020. The budgeted 2012 Net Signatory Airline Requirement, which incorporates the decreased budgeted O&M Expenses and increased budgeted Non-Airline Revenues, is 4.4 percent lower than the $463.3 million projected 2012 requirement presented in the 2011 Report.

Table 7 Net Signatory Airline Requirement

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
O & M Expenses	$442,474	$468,400	$504,138	$527,299	$560,893	$585,572	$611,314	$638,164	$668,864
Net Debt Service [3/]	288,131	329,833	395,732	415,535	446,077	494,088	495,648	462,468	544,646
Fund Deposit Requirement	7,422	10,470	12,953	9,839	12,479	10,283	10,582	9,712	10,675
Total Expenses, Net Debt Service and Fund Deposits	$738,027	$808,704	$912,823	$952,672	$1,019,449	$1,089,943	$1,117,544	$1,110,345	$1,224,185
Less:									
Non-Airline Revenue	$237,739	$244,774	$251,506	$261,492	$268,601	$279,432	$287,232	$298,694	$307,011
Non-Signatory Airline Revenue	57,307	63,441	79,550	84,671	93,397	103,737	112,501	115,483	132,982
Total Non-Airline and Non-Signatory Revenue	$295,046	$308,215	$331,055	$346,162	$361,998	$383,169	$399,733	$414,177	$439,993
Net Signatory Airline Requirement	$442,982	$500,488	$581,768	$606,510	$657,451	$706,774	$717,811	$696,167	$784,192

Notes:

1/ Final City 2012 Budget; as amended per the terms of the OMP Phase 2A agreement.
2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.
3/ Net of capitalized interest and BAB subsidy. Adjusted for debt service coverage, investment income, program fees, special facility debt service, and PFC credits.

SOURCES: City of Chicago Department of Aviation, February 2012 (2012); Ricondo & Associates, Inc. (2013-2020) July 2012

PREPARED BY: Ricondo & Associates, Inc. July 2012

Updated Cost per Enplaned Passenger and Debt Service Coverage

Cost per Enplaned Passenger

A general test of reasonableness for Airport user fees is airline cost per enplaned passenger (CPE). The airline CPE is calculated by dividing the Total Airline Requirement by the number of enplaned passengers at the Airport. **Table 8** presents the airline CPE for the updated Projection Period, from 2012 through 2020. The updated airline CPE at the Airport is estimated to be $14.99, in current dollars, in 2012. The updated CPE is $0.14, or 0.9 percent, higher than the 2012 CPE projected in the 2011 Report. This increase illustrates that, while the updated 2012 Net Airline Requirement is lower than projected in the 2011 Report, the updated lower enplaned passenger forecast results in a higher CPE. The updated CPE is projected to reach a high of $23.11 in 2020, which equates to approximately $18.25 in 2012 dollars. In summary, the airline CPE throughout the Projection Period continues to be considered reasonable compared with those at other large-hub airports.

Debt Service Coverage

Table 9 presents the updated projected PFC Bond debt service coverage for 2012 through 2020, based on the revised enplaned passenger projections and the PFC Bond debt service projections contained in the 2011 Report. The anticipated savings resulting from the proposed Series 2012 Bonds were not incorporated into the updated PFC Bond debt service coverage projections. Therefore, the decrease in projected enplaned passengers from the 2011 Report lowers projected PFC revenues, which, in turn, lowers the projected PFC debt service coverage. The updated PFC debt service coverage is projected to be between 1.77x and 2.76x during the Projection Period, compared to the PFC debt service coverage included in the 2011 Report, which was between 1.88x and 2.86x. As presented, the PFC Bond stand-alone maximum annual debt service coverage ratio exceeds 1.40x coverage in each year of the Projection Period, satisfying the Additional Bonds Test for Project Obligations in the City's PFC Indenture.

Table 8 Airline Cost Per Enplanement (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Signatory Airline Revenue	$442,982	$500,488	$581,768	$606,510	$657,451	$706,774	$717,811	$696,167	$784,192
Non-Signatory Airline Revenue	57,307	63,441	79,550	84,671	93,397	103,737	112,501	115,483	132,982
Total Airline Requirement	$500,288	$563,929	$661,317	$691,181	$750,848	$810,511	$830,312	$811,650	$917,174
Total Projected Enplaned Passengers	33,383	34,112	34,856	35,618	36,377	37,190	38,010	38,832	39,680
Total Airline Cost per Enplaned Passenger									
Current Dollars	$14.99	$16.53	$18.97	$19.41	$20.64	$21.79	$21.84	$20.90	$23.11
2012 Current Dollars [3/]	$14.99	$16.05	$17.88	$17.76	$18.34	$18.80	$18.29	$16.99	$18.25

Notes: Excludes Land Support

1/ Final City 2012 Budget; as amended by the OMP Phase 2A agreement.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.

3/ Inflation rate assumed at 3 percent

SOURCES: City of Chicago Department of Aviation, February 2012 (2012); Ricondo & Associates, Inc. (2013-2020) July2012

PREPARED BY: Ricondo & Associates, Inc. July 2012

Table 9 Annual Passenger Facility Charge Revenues and Debt Service Coverage

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Enplanements (000's)	33,383	34,112	34,856	35,618	36,377	37,190	38,010	38,832	39,680
Percent Eligible Enplanements	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%
PFC Eligible Enplanements (000's)	28,412	29,032	29,666	30,314	30,960	31,652	32,350	33,050	33,771
Gross PFC Charge	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less: Administrative Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Charge	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
PFC Revenues	$124,728	$127,451	$130,234	$133,079	$135,915	$138,953	$142,017	$145,088	$148,255
PFC Interest Income 1/	624	637	651	665	680	695	710	725	741
Total PFC Revenues	$125,351	$128,088	$130,885	$133,745	$136,595	$139,648	$142,727	$145,813	$148,997
Total PFC Stand Alone Debt Service	$69,715	$72,491	$70,390	$71,871	$71,877	$71,878	$55,814	$54,055	$54,057
Annual PFC Stand Alone DS Coverage	1.80	1.77	1.86	1.86	1.90	1.94	2.56	2.70	2.76
Maximum Total PFC Stand Alone Debt Service 2/	$72,491	$72,491	$72,491	$72,491	$72,491	$72,491	$72,491	$72,491	$72,491
Indenture PFC Stand Alone DS Coverage	1.73	1.77	1.81	1.84	1.88	1.93	1.97	2.01	2.06

Notes:

1/ Assumes interest income of two percent per annum on 25 percent of the current year's PFC Revenues.

2/ The Additional Bonds Test for Project Obligations in the City's PFC Bond indenture states that PFC Revenues of each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service.

SOURCE: Ricondo & Associates, Inc.

PREPARED BY: Ricondo & Associates, Inc. July 2012

Table 10 presents the updated GARB debt service coverage ratio projected from 2012 through 2020, reflecting updated O&M Expenses, Non-Airline Revenues, and Airline Requirements from the base 2012 Budget. The anticipated savings resulting from the proposed Series 2012 GARBs were not incorporated into the updated GARB debt service coverage ratio projections. However the GARB debt service coverage calculation has been revised from the 2011 Report to reflect the Senior Lien status of all remaining outstanding bonds after the defeasance of First and Second Lien debt. Other minor changes regarding the treatment of PFCs being applied or pledged to debt service are noted in the footnotes in Table 10. As shown, the debt service coverage ratio is projected to meet the minimum requirement of 1.10x in each year of the Projection Period. The Airport's pledge of Other Available Moneys remains as stated in the 2011 Report.

Sensitivity Scenario – Loss of American Airlines Service

In light of the AMR bankruptcy, the sensitivity analysis presented in the 2011 Report demonstrating the impacts at the Airport of the loss of United Airlines and its affiliates was updated to assess the impacts of American Airlines and its affiliates (American) ceasing operations. United Airlines continued service at the Airport when it was operating under bankruptcy protection, similarly, R&A does not believe that American Airlines is likely to discontinue service at the Airport. There has been no indication that American will cease operations at the Airport as a result of its bankruptcy.

In this updated sensitivity scenario, it was assumed that American ceases operations at the Airport at the end of 2012. Airline traffic recovery and financial assumptions similar to the 2011 Report were assumed in this letter as summarized below:

Air Traffic Assumptions:

- American ceases operations at the Airport on December 31, 2012.
- A 4-year recovery period back to baseline levels is assumed for O&D passengers previously served by American. The following retained percentages of American's O&D passengers from the base projection were assumed:
  - 70 percent of the base projection in 2013,
  - 80 percent in 2014,
  - 90 percent in 2015, and
  - 100 percent in 2016.

Table 10 GARB Debt Service Coverage [1/]

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected [2/]							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Signatory Landing Fee Revenue	$221,059	$244,696	$306,802	$326,534	$360,175	$400,034	$433,818	$445,301	$512,761
Terminal Area Rental and Use Charge Revenue	141,792	167,198	179,200	181,412	192,381	199,200	181,345	196,615	208,253
International Terminal Area Rental and Use Charge Revenue	76,299	80,617	87,449	90,446	96,700	99,004	100,788	51,512	60,196
Fueling System Fee Revenue	3,832	7,977	8,318	8,118	8,194	8,536	1,860	2,739	2,981
Non-Airline and Non-Signatory Airline Revenue	295,046	308,215	331,055	346,162	361,998	383,169	399,733	414,177	439,993
Investment Income from Debt Service Reserve Fund	7,554	10,647	11,106	11,500	11,520	11,745	9,123	7,737	7,946
Federal Subsidy (BABs) Revenue	13,320	13,320	13,320	13,320	13,320	13,320	13,320	13,320	13,320
Total Revenue	$758,901	$832,670	$937,249	$977,492	$1,044,289	$1,115,008	$1,139,986	$1,131,402	$1,245,451
Pledged PFC Revenue [3/]	55,034	55,034	60,273	60,273	60,273	60,273	77,939	26,379	26,379
Applied PFC Revenue [4/]	6,985	6,545	6,770	7,381	9,407	7,737	9,267	63,805	63,811
Federal Funds Applied to Series 2011B Debt Service	0	2,115	22,115	22,115	47,115	42,115	22,115	22,115	22,115
Total Revenue plus Pledged Other Available Moneys and Applied PFCs	$820,920	$896,364	$1,026,407	$1,067,261	$1,161,084	$1,225,133	$1,249,308	$1,243,701	$1,357,756
<u>COVERAGE CALCULATION</u>									
Total Revenue plus Pledged Other Available Moneys and Applied PFCs	$820,920	$896,364	$1,026,407	$1,067,261	$1,161,084	$1,225,133	$1,249,308	$1,243,701	$1,357,756
Plus: Revenue Fund Prior Year Ending Balance	32,246	36,232	40,811	49,567	52,247	57,719	61,987	62,197	59,336
Adjusted Total Revenue	$853,166	$932,597	$1,067,219	$1,116,828	$1,213,331	$1,282,852	$1,311,295	$1,305,897	$1,417,092
<u>Less:</u>									
O&M Expenses	$442,474	$468,400	$504,138	$527,299	$560,893	$585,572	$611,314	$638,164	$668,864
Net Revenue Available for Senior Lien Coverage	$410,691	$464,196	$563,080	$589,530	$652,438	$697,280	$699,981	$667,734	$748,228
Senior Lien Debt Service [5/]	$359,813	$403,923	$496,067	$515,949	$570,606	$614,857	$614,260	$584,235	$662,378
SENIOR LIEN GARB DEBT SERVICE COVERAGE	1.14	1.15	1.14	1.14	1.14	1.13	1.14	1.14	1.13
<u>Other Required Uses of Revenue</u>									
O&M Reserve Fund	$3,462	$6,481	$8,934	$5,790	$8,399	$6,170	$6,435	$6,712	$7,675
Maintenance Reserve Fund	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Special Capital Projects Fund	960	989	1,018	1,049	1,080	1,113	1,146	0	0
Total Other Required Uses of Revenue	$7,422	$10,470	$12,953	$9,839	$12,479	$10,283	$10,582	$9,712	$10,675

Notes:

1/ Coverage calculation is not directly comparable to the coverage calculation in the financial statements because coverage calculation, as shown herein, is based on net revenues after payment of O&M expenses.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.

3/ Includes PFC Revenues pledged to Series 2008A and Series 2010F GARBs through 2018, and on Series 2011A through maturity, all of which have a subordinate pledge of PFCs.

4/ Includes non-pledged PFC revenue applied to existing outstanding debt service pursuant to a letter agreement with the airlines and starting in 2019 expected to be applied to the debt service associated with the Series 2008A and Series 2010F GARBs.

5/ Net of capitalized interest. Actual and projected debt service. Assumes future debt service issues as Senior Lien debt.

SOURCES: City of Chicago Department of Aviation, February 2012; Citi (Debt Service); Ricondo & Associates, Inc. (Remaining Projections) July 2012

PREPARED BY: Ricondo & Associates, Inc. July 2012

The updated sensitivity scenario assumes that other airlines would adjust their schedules and air service at the Airport to accommodate O&D passenger demand in the Air Trade Area.

- American's current percentage of connecting passenger traffic is 53.7 percent of its total passengers. This scenario assumed that only 10 percent of American's connecting passengers connected through the Airport on other air carriers in 2013, gradually increasing each year through 2018, with full recovery of connecting passengers in 2019, a result to be expected at a dual-hub airport such as O'Hare.
- As a result of these assumptions, total Airport enplaned passenger numbers recover to 2011 levels in early 2017.

Financial Assumptions:

- PFC revenue is assumed to decrease in direct proportion to the decrease in enplaned passengers.
- Certain Non-Airline Revenues that are driven by passenger enplanements are assumed to decrease as a result of the decrease in passenger enplanements. Automobile parking and automobile rental revenues are reduced in proportion to the number of O&D passengers. Other passenger non-airline revenues are reduced in proportion to the reduction in the total number of enplaned passengers.
- As a direct response to the loss of a hub carrier, it is assumed that the Airport would take targeted actions to reduce the Airport's O&M Expenses. As such, Terminal Area O&M Expenses for energy, materials and supplies, and repairs and maintenance are assumed to be reduced by eight percent from the revised baseline projection in 2013, 2014, and 2015 and four percent in 2016, and 2017, and then return to the previously projected levels in 2018.
- Although the airport could revisit the capital programs, the scope and cost of OMP Phase 1, OMP Completion Phase, and Capital Improvement Program remains as presented in the 2011 Report.

Table 11 presents the key results of the updated sensitivity scenario, including the resulting estimated airline cost per enplaned passenger and debt service coverage ratios. GARB debt service coverage ratios are included to illustrate the Airport's ability to meet coverage due to the residual nature of the Airport Use and Lease Agreement.

Table 11 Sensitivity Summary

	Budget [1/]	Projected [2/]							
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Enplanements									
Updated Forecast	33,383	34,112	34,856	35,618	36,377	37,190	38,010	38,832	39,680
Sensitivity - Loss of American Airlines	33,383	26,500	28,664	30,224	32,803	34,754	36,692	38,832	39,680
Cost per Enplanement									
Updated CPE	$14.99	$16.53	$18.97	$19.41	$20.64	$21.79	$21.84	$20.90	$23.11
Sensitivity - Loss of American Airlines	$14.99	$22.84	$24.15	$23.68	$23.29	$23.50	$22.91	$20.90	$23.11
PFC Stand Alone Debt Service Coverage [3/]									
Updated PFC Debt Service Coverage	1.80	1.77	1.86	1.86	1.90	1.94	2.56	2.70	2.76
Sensitivity - Loss of American Airlines	1.80	1.37	1.53	1.58	1.71	1.82	2.47	2.70	2.76
GARB Debt Service Coverage									
Updated GARB Debt Service Coverage	1.14	1.15	1.14	1.14	1.14	1.13	1.14	1.14	1.13
Sensitivity - Loss of American Airlines	1.14	1.15	1.13	1.14	1.14	1.13	1.14	1.14	1.13

Notes: Excludes Land Support

1/ Final City 2012 Budget; as amended by the OMP Phase 2A agreement.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology, modified in the case of the Airfield Area as described in Section 5.9.1 of the 2011 Report, through 2020.

3/ Although not obligated, if PFC collection level remains at $4.50 per eligible enplaned passenger, the City may restructure PFC Stand Alone debt to increase the coverage ratio.

SOURCES: City of Chicago Department of Aviation, February 2012 (2012); Ricondo & Associates, Inc. (2013-2020) July 2012

PREPARED BY: Ricondo & Associates, Inc. July 2012

Ms. Rosemarie S. Andolino
City of Chicago, Department of Aviation
July 30, 2012

Confirmation of 2011 Report Findings

On the basis of the assumptions and analyses described in the 2011 Report and this letter, and our experience preparing financial projections for airport operators, R&A is of the opinion that, for each Fiscal Year of the Projection Period:

1. The maximum annual debt service coverage ratio for the PFC stand-alone bonds will continue to satisfy the 1.40x coverage requirement required by the Additional Bonds Test for Project Obligations in the City's PFC Indenture,

2. The GARB debt service coverage ratio will meet the minimum requirement of 1.10x, and

3. The airline CPE is considered to be reasonable compared with those at other large-hub airports.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Exhibit A

Report of the Airport Consultant –
Series 2011 General Airport Revenue Bonds

Series 2011 PFC Revenue Refunding Bonds

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

APPENDIX E

City of Chicago
Chicago O'Hare International Airport

Series 2011 General Airport Revenue Bonds
Series 2011 PFC Revenue Refunding Bonds

Report of the Airport Consultant

Ricondo & Associates, Inc.
20 North Clark Street, Suite 1500
Chicago, Illinois 60602
312.606.0611 telephone
312.606.0706 facsimile

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

March 29, 2011

Ms. Rosemarie S. Andolino
Commissioner
City of Chicago, Department of Aviation
10510 West Zemke Rd.
Chicago, IL 60666

Re: ***City of Chicago***
Series 2011 General Airport Revenue Bonds
Series 2011 PFC Revenue Refunding Bonds

Appendix E: Report of the Airport Consultant

Dear Ms. Andolino:

This report sets forth the findings, assumptions, and projections of the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by the City of Chicago (City) of its Series 2011 General Airport Revenue Bonds (Series 2011 GARBs); and its Series 2011 Passenger Facility Charge (PFC) Revenue Refunding Bonds (Series 2011 PFC Bonds) at Chicago O'Hare International Airport (Airport or O'Hare). The Series 2011 GARBs and Series 2011 PFC Bonds, are also referred to collectively in this report as "Series 2011 Bonds". This report contains certain financial projections required as a condition precedent to issuing the Series 2011 GARBs and Series 2011 PFC Bonds under the City's Third Lien Master Indenture and PFC Master Indenture, respectively. This report is intended for inclusion in the Official Statements for the Series 2011 Bonds as Appendix E, *Report of the Airport Consultant*. All capitalized terms in this report are used as defined in the Official Statements, except as otherwise defined herein.

The Airport serves as a key component in the United States (U.S.) air transportation system with the second-busiest origin-destination (O&D) market and the third-largest population base in the nation. On the basis of the assumptions and analyses described in this report and the aforementioned Airport characteristics, R&A is of the opinion that sufficient Airport revenues will be generated to pay the Airport's Operation and Maintenance (O&M) Expenses, PFC Bond and GARB debt service, and fund deposit requirements during the projection period through 2020. Airline rates and charges are projected to be comparable on an airline cost per enplaned passenger basis to other large-hub U.S. airports that are undertaking a major capital development program. In addition, the completion of the OMP airfield projects is expected to result in potential cost savings to the airlines operating at the Airport through reduced flight delays and additional airfield capacity.

R&A's examinations of the underlying economic base of the Airport's air trade area; historical and projected air traffic at the Airport; a description of existing Airport facilities, including a summary of the capital projects; projected revenues and expenses; projected airline rates and charges; potential airline operational savings resulting from the OMP airfield projects, projected PFC Revenues; and projected debt service coverage are presented in this report for the period from 2011 through 2020, and are summarized as follows.

20 NORTH CLARK STREET, SUITE 1500, CHICAGO, IL 60602
TEL (312) 606-0611 • FAX (312) 606-0706

RICONDO & ASSOCIATES

Series 2011 Bonds

The Series 2011 Bonds will provide funds, along with other available Airport funds, to (1) fund a portion of the costs of the O'Hare Modernization Program (OMP) Phase 1 and a portion of OMP Completion Phase airfield projects (as defined in this report), (2) refund a portion of certain outstanding PFC Bonds, (3) fund capitalized interest with respect to the Series 2011 GARBs, (4) fund Debt Service Reserve Fund requirements with respect to the Series 2011 GARBs and Series 2011 PFC Bonds, and (5) pay the costs of issuing the Series 2011 GARBs and Series 2011 PFC Bonds.

Capital Development Programs Included in the Financial Analysis

As part of the OMP, the airfield is to be reconfigured into a modern parallel runway system, which will decrease delay and increase capacity. The projects included in this financial analysis include OMP Phase 1, OMP Completion Phase airfield projects, and annual CIP estimates further summarized below.

- **O'Hare Modernization Program Phase 1**. The initial phase of the OMP, OMP Phase 1, includes construction of New Runway 9L-27R, Runway 10C-28C (relocated runway), extension of Runway 10L-28R (currently Runway 10-28), a new north airport traffic control tower (ATCT), enabling projects necessary to facilitate the construction of the runways, and the OMP Phase 1 Noise Program. The extension to Runway 10L-28R was commissioned on September 25, 2008 and new Runway 9L-27R and associated north ATCT were commissioned on November 20, 2008. The remaining component of OMP Phase 1, Runway 10C-28C, remains under construction, and is estimated to be completed in 2013.

- **O'Hare Modernization Program Completion Phase.** The OMP Completion Phase includes the remaining airfield projects of the OMP, the Western Terminal Complex and the Airport People Mover. The Series 2011 Bonds and the related financial analysis addresses only the airfield components of the OMP Completion Phase. The major airfield projects of OMP Completion Phase include the construction of Runway 9C-27C (relocated runway), the extension of Runway 9R-27L, and the construction of Runway 10R-28L (relocated runway), a new south ATCT and the OMP Completion Phase Noise Program. The City began design work on OMP Completion Phase airfield projects in 2009 and began construction in March 2011based on the funding agreement with United and American for "OMP Phase 2A" which includes the following Completion Phase airfield projects; Runway 10R-28L and certain north airfield enabling projects.[1]

- **Capital Improvement Program.** The CIP addresses the Airport's non-OMP facility needs and is essentially an on-going repair and replacement program. The financial analysis included in this report assumes up to an estimated $90 million of annual CIP project costs funded with GARBs for improvements to the infrastructure and systems for the terminal buildings, heating and refrigeration system, airfield and apron areas, terminal support area of parking facilities and roadways, safety and security improvements, implementation, planning, and other projects.

---

[1] OMP Phase 2A consists of the remaining OMP Phase 1 work, Runway 10R-28L, certain north airfield enabling projects, a portion of the new economy parking structure and the relocation of the ATS (Airport Transit System) projects, and approximately 25 percent of the total OMP Completion Phase Noise Program.

Role of the Airport

- **Key Component of the Air Transportation System.** The Airport is a key component in the nation's air transportation system. It serves the second largest O&D passenger market in the nation, is near the center of the United States, has airport facilities to accommodate domestic and international passengers, and is one of the few major dual hub airports in the U.S.

- **Consistently Ranks as one of the World's Busiest Airports.** Based on data from Airports Council International, the Airport is ranked second worldwide in total operations for the 12 months ending December 2010, third worldwide in total passengers, and 18th worldwide in total cargo. The Airport had 882,617 operations, served 67.0 million total passengers or approximately 183,600 total passengers each day, and handled 1.5 million tons of cargo.

- **Second Busiest O&D Market in the Nation.** Based on U.S. Department of Transportation (U.S. DOT) survey data, the Air Trade Area (as defined in this report) was ranked second in domestic O&D passengers in 2009, following the New York-Newark market. As a result, passenger activity at the Airport is not as dependent upon the air service level decisions of its hub carriers as its status as a major dual hub might suggest. In 2009, O&D passengers were approximately 49 percent of total enplaned passengers or 15.7 million of 32.0 million enplaned passengers.

- **Large Number of Domestic Airlines.** The Airport serves as an important O&D market for United Airlines (United), American Airlines (American), and the other passenger airlines serving the Airport. Passenger service is provided at the Airport by 11 of the nation's 15 major passenger airlines, which represent the largest U.S. DOT defined group of passenger airlines in terms of their total annual revenues (more than $1.0 billion in annual gross revenues during any calendar year).

- **Natural Location for Hubbing Operations.** The Air Trade Area's site along the heavily traveled east/west air routes and its large population base make it a natural location for airline hubbing operations. United and American, two of the world's largest airlines in terms of revenue passenger miles, operate major connecting hubs at the Airport. United, American, and their regional/commuter partners enplaned 15.5 million and 11.9 million passengers, respectively, at the Airport in 2010, which represented a combined 82.6 percent of total enplaned passengers at the Airport.

Economic Base for Air Transportation

- **Third-Largest Population Base in the Nation.** The Air Trade Area has a substantial population base with approximately 9.8 million residents in 2010. It is the third-largest region in terms of population in the United States. Population in the Air Trade Area is projected to grow during the forecast period at a rate comparable to that of the Midwest and the U.S.

- **High Median Household Income Levels.** Median household income in the Air Trade Area in 2010 was 19 percent higher than that of the Midwest, and 21 percent higher than that of the U.S. In addition, more than 1.5 million of the Air Trade Area's households earned more than $75,000 in 2010, the income category that generates the greatest demand for airline travel according to the Travel Industry Association. Income projections show that continued growth in median household income in the Air Trade Area is expected between 2010 and 2015. This consistently high level of higher income households within the Air Trade Area provides the Airport with strong local demand for air travel.

- **Unemployment Rates Comparable to the Midwest and the Nation.** Annual unemployment rates for the Air Trade Area generally ranged near the unemployment rates for the Midwest and the nation in most years between 2000 and 2010. In February 2011, the non-seasonally adjusted unemployment rate for the Air Trade Area was 9.2 percent.[2] This is below the rate in the Midwest overall where the non-seasonally adjusted unemployment rate was 9.7 percent.[3] The non-seasonally adjusted unemployment rate for the U.S. was 9.5 percent in February 2011.[4] The Air Trade Area's unemployment rate has improved significantly from its peak of 11.7 percent in January 2010. The unemployment rate peaked at 12.0 percent in the Midwest in January 2010, and at 10.1 percent in October 2009 in the U.S.

- **Diversified Economy.** Regional economic development organizations have identified 17 major industries that provide the Air Trade Area's economic base: business and financial services, life sciences, manufacturing, advanced materials, transportation and logistics, education, information technology and telecommunications, arts/entertainment recreation and tourism, defense and security, printing and publishing, chemicals, energy, food processing, forest and wood processing, apparel and textiles, glass and ceramics, and mining. The broad base of employment within these industries provides the Air Trade Area with a foundation for recovery following periodic downturns in the business cycle.

- **Large Number of Fortune 500 Companies Stimulates Demand for Business Travel.** In 2010, 28 companies in the Air Trade Area were listed among the top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue. The Air Trade Area has the second highest number of Fortune 500 headquarters (after New York) for any region in the United States. Major companies headquartered in the Air Trade Area include Boeing, United Airlines, Walgreen Co., Sears Holdings, Kraft Foods, and Motorola. In addition, employers continue to be attracted to the Air Trade Area and its dynamic labor pool. Data from the City of Chicago's Department of Housing and Economic Development indicate that since 2007, businesses relocating to the Air Trade Area, such as Fifth Third Bank, MillerCoors, Tempel Steel Company and Willis Group Holdings PLC, have brought a total of 6,283 new jobs.

- **Higher Education and Research Institutions.** The Air Trade Area is home to numerous public and private colleges and universities that enroll approximately 283,000 students. These institutions generate air travel demand through academic meetings and conferences, visiting professorships, study-abroad programs, and individual student and faculty travel. The Air Trade Area also benefits from a research and development infrastructure that boasts a wide variety of research centers and institutes, as well as Argonne National Laboratory and Fermi National Accelerator Laboratory. The Air Trade Area's concentration of research institutions is a key factor in maintaining its position as a leading center of education and research which in turn assists in attracting highly-skilled labor to the region.

- **Significant Tourism Stimulates Demand for Leisure Travel.** The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities, and the travel and tourism industry is an important source of employment. With 2.6 million square feet of meeting and exhibition space,

---

2 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
3 The seasonally adjusted unemployment rate in the Midwest was 9.1 percent in February 2011.
4 The seasonally adjusted unemployment rate in the U.S. was 8.9 percent in February 2011.

McCormick Place is the nation's largest convention facility. The 2007 West Building expansion added 720,000 square feet of space, allowing McCormick Place to accommodate two conventions simultaneously. In 2009 (latest data available), an estimated 39.6 million visitors traveled to the Air Trade Area.

- **Focus on Competitiveness of Convention Business.** Legislation in May 2010 brought significant changes to the operations of the Metropolitan Pier and Exposition Authority (MPEA), owner and operator of McCormick Place and Navy Pier. According to the Chicago Convention & Tourism Bureau, the new reforms have helped Chicago attract more than $1.6 billion in direct spending as the result of future convention and tradeshow business from organizations that have either re-committed to host their shows in Chicago or are committing to bring their business to Chicago for the first time.

- **Conclusion.** The economic base of the Air Trade Area is diversified, stable, and is capable of generating the projected increases in demand for air transportation at the Airport during the projection period. In addition, the geographic location of the Airport, as well as the large population and employment base in the Air Trade Area, should continue to make the Airport an ideal and natural location for airline hub operations, and provide continued growth in passengers.

Air Traffic

Large Number of Worldwide Passenger Airlines and Cargo Airlines. As of December 2010, the Airport had scheduled passenger service by 27 U.S. flag airlines, scheduled and nonscheduled passenger service by 27 foreign-flag airlines, and nonscheduled passenger service by 3 charter airlines. In addition, 25 all-cargo airlines provided service at the Airport.

- **Nonstop Service Provided to Significant Number of O&D Markets.** During a typical week in December 2010 (December 13, 2010 through December 19, 2010), air carriers provided nonstop service to each of the Airport's top 50 domestic O&D markets with 7,432 weekly nonstop flights to 142 domestic markets. The carriers also provided scheduled nonstop service to 24 of the Airport's top 25 international O&D markets and 40 of the Airport's top 50 international O&D markets during this same period with a total of 832 weekly nonstop flights to 53 international cities.

- **Recovery of Passenger Traffic.** Total enplaned passengers at the Airport increased each year between 2003 and 2005 to reach a record high of 37.9 million total enplaned passengers. Passenger activity at the Airport remained near that level in 2006 and 2007; however, record high fuel prices and poor economic conditions in 2008 and 2009 caused the airlines to dramatically reduce capacity systemwide to better match supply (seats) to demand (passengers). For the Airport, this response by the airlines resulted in total enplaned passengers decreasing 9.9 percent to 34.0 million in 2008 and decreasing 6.0 percent to 32.0 million in 2009. In 2010, however, the Airport's enplaned passengers began to recover and were 3.7 percent higher in comparison to 2009. At the same time, cargo operations and tonnage also increased in 2010 compared to 2009, increasing 23.3 percent and 31.4 percent, respectively. This increase is primarily attributable to the improving economic conditions in the Air Trade Area and the nation, and increased business and leisure demand for the Airport's two largest carriers.

- **Future Airport Role.** It is expected that in the long term the Airport will maintain its role as one of the premier airports worldwide, both in service to domestic O&D passengers and as an international gateway. The Air Trade Area's broad and diverse economic base is expected to continue to support long-term growth in passenger demand, with regional demand continuing to be predominantly served at the Airport, including international travel and nonstop travel to major medium-haul and long-haul markets.

- **Near-Term Enplanement Projections.** Economic conditions in the Air Trade Area, the State, and the nation are expected to continue to improve in 2011, and similarly, passenger activity at the Airport is also expected to continue to recover, with total Airport enplanements projected to increase 2.9 percent over 2010.

- **Longer-Term Enplanement Projections.** As discussed in Section 2.5 (Projected Airport Activity), longer-term growth in total enplanements at the Airport is expected through the remainder of the projection period. Annual growth in total enplanements at the Airport is projected to increase by a compounded annual growth rate of 2.2 percent from 2012 through 2020.

Financial Analysis

- **Airport Use Agreements.** The current Airport Use Agreements expire on May 11, 2018. Upon expiration, the CDA and the Airline Parties could agree to extend the existing Airport Use Agreements using the existing residual rate-setting methodology or agree to execute a new agreement using a different rate-setting methodology. Alternatively, the CDA could also elect to impose airline rates and charges by ordinance. In any event, since all of the OMP projects anticipated to be funded with future GARBs are associated with the Airfield Area, the cost of those projects will likely be recovered through airline landing fees. Consequently, the projected financial impacts from any future rate-setting methodology would likely be similar to that currently used to recover costs of the Airfield Area. As a result, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

- **Residual Rate-Making Methodology.** The Airport Use Agreements specify a residual rate-making methodology for the calculation of airline rates and charges. Under this methodology, total operating and maintenance expenses and debt service (including coverage) are calculated for each cost-revenue center and offset by nonairline revenues. Landing fees, terminal rental rates, and fueling fees are calculated by dividing the net remaining requirement for each cost-revenue center by their respective unit of measure (i.e., landed weight per thousand pounds, square footage, and gallons of fuel). As a result of this residual rate-making methodology and the inherent lower financial risk, the Airport's unrestricted cash reserves and GARB debt service coverage are generally lower than other peer airports operating under non-residual rate-making methodologies.[5]

- **PFC Bond Debt Service Coverage.** Table V-15 in Chapter 5 of this report presents the calculations of projected PFC Revenue, payment of PFC Bond debt service, and the resultant PFC Bond debt service coverage ratio. As shown, the City's projected PFC Bond debt service coverage ratio ranges from 1.51x to 1.72x from 2011 through 2020.

[5] A somewhat modified rate-setting methodology is in effect for portions of the Airfield Area in order to avoid "private business use" under federal tax regulations. See Section 5.9.1 herein.

- **GARB Debt Service Coverage.** The financial projections from 2011 through 2020 demonstrate the City's ability to meet the requirements of the Rate Covenant on its GARBs after taking into account debt service on projected additional GARBs. The financial projections also include the effects of the annual incremental O&M Expenses associated with the airfield improvements of OMP Phase 1 and OMP Completion Phase. Table V-16 presents the calculations of total pledged revenues (including nonairline revenue sources, airline rates and charges, and pledged PFC Revenues) used to pay O&M Expenses, GARB debt service, and fund deposits requirements. The resultant GARB debt service coverage ratio is also presented. The GARB debt service coverage requirement of 1.10X is projected to be met in each year of the projection period from 2011 through 2020.

- **Projected Airline Cost per Enplaned Passenger.** Based on this financial analysis which includes the impact of OMP Phase 1, OMP Completion Phase airfield projects, and estimated annual CIP debt service, the airline cost per enplaned passenger is projected to increase from $14.39 in 2011 to $22.41 in 2020, in escalated dollars.

- **Potential Airline Savings.** Table IV-1 of Chapter 4 presents the potential airline operational savings of OMP Completion Phase relative to OMP Phase 1. During the projected term of the OMP Completion Phase bonds, the savings total over $9.5 billion, equating to a present value savings of approximately $4.5 billion. On a "Per Enplanement" basis, the OMP Completion Phase potential airline operating cost savings increases to $7.38 per enplaned passenger by 2024. The projected airline cost per enplaned passenger presented in the previous paragraph can be directly offset by these airline operational cost savings.

- **Sensitivity Analyses.** In addition to the base financial projections, two sensitivity analyses were performed to assess the financial impacts of changes to activity levels included in the base projections. These scenarios are not anticipated to occur during the projection period and are presented in Chapter 5 for illustrative purposes only.

  - Sensitivity Scenario 1 assesses the impacts of the loss of a hub carrier at the Airport. As part of this scenario, O&D and connecting passenger demand is assumed to decrease initially and then slowly return to previous levels as the remaining hub carrier and other airlines adjust their schedules to accommodate demand at the Airport. Under this scenario, the Airport's projected airline cost per enplaned passenger is projected to increase from $14.39 in 2011 to $22.41 in 2020, in escalated dollars.

  - Sensitivity Scenario 2 represents a scenario where passenger activity at the Airport decreases by 15 percent (as a result of any number of causes), and does not return to the projected levels presented in Chapter 2. Under this scenario, the Airport's projected airline cost per enplaned passenger is projected to increase from $14.39 in 2011 to $27.42 in 2020, in escalated dollars.

RICONDO
& ASSOCIATES

Ms. Rosemarie S. Andolino
City of Chicago
March 29, 2011

The techniques and methodologies used in preparing this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events detailed in this report including, but not limited to, implementation schedule and enplanement projections may not materialize. Achievement of the projections presented in this report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

Sincerely,

Ricondo & Associates Inc

RICONDO & ASSOCIATES, INC.

TABLE OF CONTENTS

LIST OF TABLES

Table No.

LIST OF TABLES

LIST OF EXHIBITS

Exhibit No.

I. Economic Base for Air Transportation

To a large degree, the demand for air transportation activity depends upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area primarily served by an airport). This chapter profiles Chicago's regional economy, including current conditions and trends.[1] In particular, this chapter presents data that indicate that O'Hare International Airport's (the Airport) air trade area has an economic base capable of supporting increased demand for air travel and freight services during the projection period.

For the purposes of this chapter, the "Air Trade Area" refers to the Chicago-Naperville-Joliet Metropolitan Statistical Area and the Kankakee-Bradley Metropolitan Statistical Area. As presented in **Exhibit I-1**, the Air Trade Area is comprised of 15 counties: Cook County (IL), DeKalb County (IL), DuPage County (IL), Grundy County (IL), Jasper County (IN), Kane County (IL), Kankakee County (IL), Kendall County (IL), Kenosha County (WI), Lake County (IL), Lake County (IN), McHenry County (IL), Newton County (IN), Porter County (IN) and Will County (IL).

Data sources in this chapter include ESRI, a leading demographic data vendor that provides current-year estimates and five-year projections of more than 2,000 data variables including population, race, ethnicity, education, and income. Headquartered in Redlands, CA, ESRI's clients include the United States Army Corps of Engineers, the National Oceanic and Atmosphere Administration (NOAA), the U.S. Department of Homeland Security, and other public agencies at the national, state, and local level. Population projections are provided by Woods & Poole Economics, Inc., a data vendor located in Washington, D.C. that specializes in long-term economic and demographic projections for the U.S., 50 states, 3,091 counties, and the District of Columbia. Its database contains approximately 900 variables for every county in the United States including population, age, race, ethnicity, income, and employment by industry. Its demographic projections are revised annually to reflect both new computational techniques and new data sources. Woods & Poole's clients include the U.S. Department of Defense, the National Institute of Health, the U.S. Census Bureau, and numerous counties and municipalities.

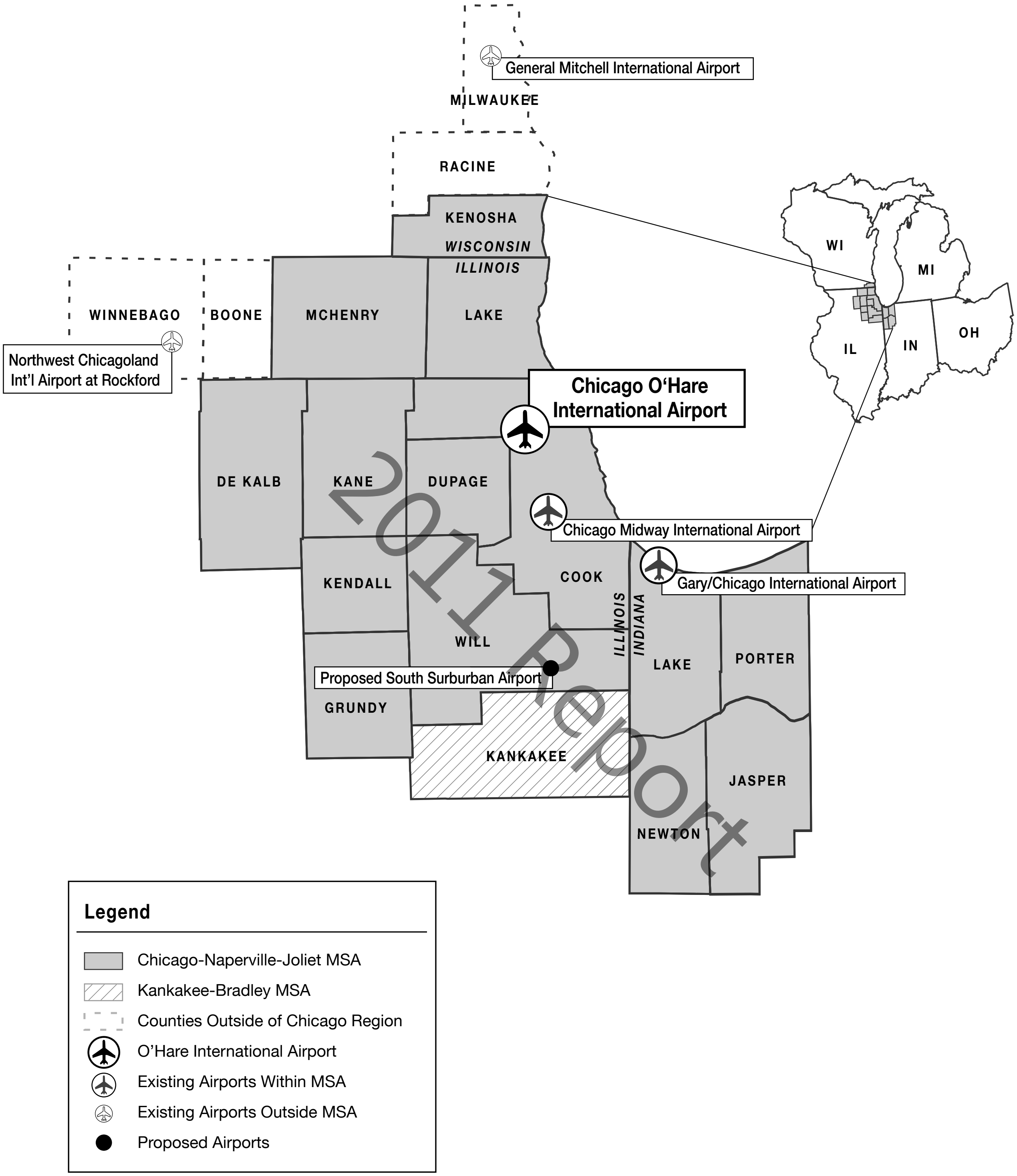
1.1 Summary

This section presents a summary of the findings of this chapter. More detailed information regarding the Air Trade Area's economic base are discussed and presented in subsequent sections.

Table I-1 provides an overview of the key economic indicators presented and discussed in this chapter. Key socioeconomic trends in the Air Trade Area include the following:

- **Population.** The Air Trade Area has a substantial population base with nearly 9.8 million residents in 2010. It is ranked as the third largest metropolitan area in the United States. Population in the Air Trade Area increased at a compounded annual growth rate (CAGR) of 0.6 percent between 2000 and 2010, compared with 0.3 percent in the Midwest and 0.9 percent in the U.S. Between 2010 and 2020, population in the Air Trade Area is projected to increase at a rate comparable to that of the U.S., and at a slightly higher rate than that of the Midwest.
- **Age Distribution and Educational Attainment.** Market research has shown that people between the ages of 35 and 54 tend to travel the most and that individuals with a college

[1] This chapter has been prepared by Partners for Economic Solutions, a consulting firm based in Washington, D.C. that specializes in regional economic analysis.



Source: Cartesia Software, Map Art, 1998.
Prepared by: Ricondo & Associates, Inc.

Exhibit I-1

north

Chicago Region

Table I-1

Summary of Key Economic Indicators

	Air Trade Area	Midwest	United States
Note: Where relevant, the best performing numbers or rates in each row are underlined and in bold			
Population			
2000	9,221,611	45,222,700	282,171,957
2010 (Estimated)	9,766,702	46,713,312	310,009,241
2015 (Projected)	10,141,765	47,828,086	325,343,434
Population Growth[1/]			
2000-2010 (Estimated)	0.6%	0.3%	**0.9%**
2010-2015 (Estimated)	0.8%	0.5%	**1.0%**
Median Household Income			
2010 (Estimated)	**$65,622**	$55,309	$54,442
2015 (Projected)	**$76,511**	$62,448	$62,448
% 2010 Households in $75,000-Above	**43.2%**	32.6%	32.9%
% 2015 Households in $75,000-Above	**51.3%**	39.8%	39.0%
Growth In Civilian Labor Force[1/]			
2000-2005	-0.1%	0.1%	**1.1%**
2005-2010	0.6%	-0.1%	**0.7%**
2000-2010	0.2%	-0.01%	**0.9%**
Unemployment Rate			
2000	4.3%	**3.9%**	4.0%
2005	5.9%	5.8%	**5.1%**
2010	10.2%	10.4%	**9.6%**
February 2011[2/]	**9.2%**	9.7%	9.5%
Growth in Nonagricultural Employment, 2000-2010[1/]	-0.1%	-0.5%	**0.6%**
Employment By Industry, 2010			
Services	43.9%	39.7%	41.4%
Wholesale/Retail Trade	14.7%	15.6%	15.1%
Government	11.2%	12.5%	14.1%
Manufacturing	10.5%	14.7%	10.4%
Fin/Ins/Real Estate	9.7%	7.7%	8.2%
Construction	5.3%	6.0%	7.1%
Transportation/Utilities	4.6%	3.8%	3.7%

Note:
1/ Compounded annual growth rate.
2/ February 2011 unemployment data are not seasonally adjusted.

Sources: See Tables I-3, I-8, I-10, I-11, I-16.
Prepared by: Partners for Economic Solutions, March 2011.

degree are more likely to travel by air. In 2010, Air Trade Area residents between the ages of 35 and 54 comprise 29.3 percent of the population, a level that is commensurate with the population in this age category in both the Midwest and the U.S. Approximately 39.9 percent of the Air Trade Area population over the age of 25 holds a bachelor's degree or higher advanced degree (e.g., graduate or professional degree). This percentage is significantly higher than that of both the Midwest (34.1 percent) and U.S. (35.8 percent).

- **Diverse Population.** According to survey data from the Travel Industry Association, ethnically and racially diverse social groups show stronger proportional demand for air travel compared to their share of total U.S. households. The Air Trade Area's population is very diverse: 35.1 percent of the region's residents are non-white, compared with 28.1 percent for the nation as a whole. Persons of Hispanic origin make up 20.9 percent of the Air Trade Area's population, compared with 16.2 percent in the U.S. In addition, an extensive number of ancestry groups are represented in the Air Trade Area population including Mexican, German, Irish, Polish, Puerto Rican, Asian Indian, Russian, Chinese, Greek, Czech, Korean, Lithuanian, Sub-Saharan African, Arab and others. This population diversity serves as a source of demand for both domestic and international air travel.
- **Income.** Median household income in the Air Trade Area in 2010 is 12 percent higher than that of the Midwest and the U.S. In addition, more than 43 percent (1.5 million) of the Air Trade Area's households earn more than $75,000 in 2010, the income category that generates the greatest demand for airline travel according to the Travel Industry Association.[2] As measured by the number of households with annual income of $75,000 or more, the Air Trade Area is the fourth wealthiest market in the United States. Income projections show continued growth in the number of the Air Trade Area's households with income greater than $75,000 between 2010 and 2015. This suggests a continuing ability by the Air Trade Area's households to draw on discretionary income for spending on air travel.
- **Unemployment.** In February 2011, the non-seasonally adjusted unemployment rate in the Air Trade Area was 9.2 percent.[3] This is below the rate in the Midwest overall, where the non-seasonally adjusted unemployment rate was 9.7 percent.[4] The non-seasonally adjusted unemployment rate for the U.S. was 9.5 percent in February 2011.[5] The Air Trade Area's unemployment rate has improved significantly from its peak of 11.7 percent in January 2010. The unemployment rate peaked at 12.0 percent in the Midwest in January 2010, and 10.1 percent in October 2009 in the U.S. Historical data show that the Air Trade Area's unemployment rate was lower than that of the Midwest from 2006 through 2010, and was higher than the Midwest's unemployment rate from 2000 through 2005. When the same comparison is made to the U.S., the Air Trade Area's unemployment rate was higher than that of the U.S., with the exception of 2006 when the Air Trade Area's unemployment rate was lower than the U.S. rate.

The data summarized in Table I-1 demonstrate that the Air Trade Area's diversified economic base is capable of supporting the projected air transportation activity at the Airport (see Chapter 2 of this report). This projected demand is expected to be sustained by the Air Trade Area's projected population growth, projected household income growth, and a significant percentage of households

2 *2006 Domestic Travel Market Report*, Travel Industry Association.
3 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
4 The seasonally adjusted unemployment rate in the Midwest was 9.1 percent in February 2011.
5 The seasonally adjusted unemployment rate in the U.S. was 8.9 percent in February 2011.

in higher income categories as well as other key socioeconomic factors regarding the Air Trade Area summarized below:

- **Diversified Economy.** Regional economic development organizations have identified 17 major industries that provide the Air Trade Area's economic base:[6] business and financial services, life sciences, manufacturing, advanced materials, transportation and logistics, education, information technology and telecommunications, arts/entertainment recreation and tourism, defense and security, printing and publishing, chemicals, energy, food processing, forest and wood processing, apparel and textiles, glass and ceramics, and mining. The Air Trade Area's diverse economy yielded an estimated $506 billion in gross regional product in 2009—accounting for more than 26 percent of the Midwest's gross regional product in that year.[7]
- **Large Number of Fortune 500 Companies Stimulates Demand for Business Travel.** In 2010, 28 companies in the Air Trade Area were listed among the top 500 U.S. companies by *Fortune* magazine when ranked by annual revenue. The Air Trade Area has the second highest number of Fortune 500 headquarters (after New York) for any region in the United States. Major companies that are headquartered in the Air Trade Area include United Airlines, Boeing, Sears Holdings, Walgreen Co., Kraft Foods, and Motorola. The Air Trade Area's 28 Fortune 500 headquarters represent 90 percent of the 31 Fortune 500 headquarters in Illinois, and 32 percent of the 87 Fortune 500 headquarters in the Midwest (defined as the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin).
- **Extensive International Business Network.** Data indicate that an estimated 1,550 companies in the Air Trade Area have approximately 54,700 branches, subsidiaries, or affiliates in foreign countries, and an estimated 885 foreign firms have 1,580 branches, subsidiaries, or affiliates in the Air Trade Area.[8] According to Moody's Economy.com, the Air Trade Area ranks sixth in the U.S. as a center of global commerce, after the New York metro area, San Francisco, Boston, Miami, and Bridgeport, CT.[9]
- **Business Attraction and Retention.** Despite the recent recession, employers continue to be attracted to the Air Trade Area and its dynamic labor pool. Since 2007, businesses relocating to the Air Trade Area, such as Fifth Third Bank, MillerCoors, Tempel Steel Company and Willis Group Holdings PLC, have brought a total of 6,283 new jobs. During the same period, business retention efforts by the City of Chicago's Department of Housing and Economic Development have succeeded in retaining 5,416 jobs in the Air Trade Area by companies such as CME Group, CareerBuilder.com, NAVTEQ, and CDW. When Illinois raised its personal and corporate income tax rates in January 2011, other states reportedly began to solicit Illinois businesses for relocation. The ultimate impact of these recruitment efforts remains unclear since many factors beyond relative tax rates influence site selection decisions such as the quality of the workforce, proximity to vendors, proximity to customers, and the quality of transportation networks and other infrastructure.

---

6 CMAP Regional Snapshot: Industry Clusters Report, http://www.worldbusinesschicago.com/files/data/Industry% 20Cluster%20Snapshot_lowres.pdf, accessed January 2011.

7 Woods & Poole Economics, Inc. *2011 Complete Economic and Demographic Data*, October 2010.

8 American Firms Operating in Foreign Countries, Uniworld Business Publications, Inc., https://www.uniworld bp.com/search.php, accessed January 2011; American Firms Operating in Foreign Countries, Uniworld Business Publications, Inc., https://www.uniworld bp.com/search.php, accessed January 2011.

9 *State of Illinois Economic Forecast Report*, Moody's Economy.com, February 2010, pg. 14.

- **Higher Education and Research Institutions.** The Air Trade Area is home to numerous public and private colleges and universities which contribute to its high level of educational attainment. Thirty-eight educational institutions in the Air Trade Area enroll a total of approximately 283,000 students. These institutions generate air travel demand through academic meetings and conferences, visiting professorships, study-abroad programs, and individual student and faculty travel. The Air Trade Area also benefits from a research and development infrastructure that boasts a wide variety of research centers and institutes, as well as Argonne National Laboratory and Fermi National Accelerator Laboratory. The Air Trade Area's concentration of research institutions is a key factor in maintaining its position as a leading center of education and research which in turn assists in attracting highly-skilled labor to the region.

- **Significant Tourism Stimulates Demand for Leisure Travel.** The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities, and the travel and tourism industry is an important source of employment. Approximately 39.6 million people traveled to Chicago in 2009 (latest data available).[10]

- **Focus on Competitiveness of Convention Business.** With 2.6 million square feet of meeting and exhibition space, McCormick Place is the nation's largest convention facility. The 2007 West Building expansion added 720,000 square feet of meeting and exhibition space, allowing McCormick Place to accommodate two conventions simultaneously.[11] Legislation in May 2010 brought significant changes to the operations of the Metropolitan Pier and Exposition Authority (MPEA), owner and operator of McCormick Place and Navy Pier. According to the Chicago Convention & Tourism Bureau, the new reforms have helped Chicago attract more than $1.6 billion in direct spending as the result of future convention and tradeshow business from organizations that have either re-committed to host their shows in Chicago or are committing to bring their business to Chicago for the first time.[12]

- **Economic Outlook.** Although the Air Trade Area is well-positioned with a broad and diverse economic base, it nevertheless remains affected by overall economic conditions in the U.S. In the wake of the December 2007-June 2009 recession, the U.S. economy is experiencing weaknesses in housing construction, consumer spending and business investment, as well as relatively high unemployment rates and low GDP growth.[13] Recent

---

[10] Chicago Convention & Tourism Bureau, Visitor Impact, Chicago Travel Statistics, http://www.choose chicago.com/media/statistics/visitor_impact/Pages/default.aspx, accessed March 2011.

[11] Facilities, www.mccormickplace.com, accessed January 2011; Floorplans, Facilities, www.mccormick place.com, accessed January 2011.

[12] Press Release, "Mayor Daley, Convention Leaders Announce Latest Successes for Chicago's Convention Industry," August 12, 2010, Metropolitan Pier and Exposition Authority and Chicago Convention & Tourism Bureau; Press Release, "McCormick Place Unveils Phase II Reforms Designed to Cut Costs, Increase Flexibility for Conventions and Tradeshows Coming to Chicago," October 21, 2010, Metropolitan Pier and Exposition Authority and Chicago Convention & Tourism Bureau.

[13] Building Permits - States and Metro Areas, National Association of Homebuilders, http://www.nahb.org/ reference_list.aspx?sectionID=130, accessed March 2011; Table 2.1. Personal Income and Its Disposition, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed March 2011; Table 5.3.2. Contributions to Percent Change in Real Private Fixed Investment by Type and Table 5.6.6B. Change in Real Private Inventories by Industry, Chained Dollars, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/ TableView.asp, accessed March 2011; Labor Force Statistics from the Current Population Survey, Bureau of Labor Statistics, http://www.bls.gov/cps/, accessed March 2011; Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed March 2011.

surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics indicate consensus for modest real GDP growth in 2011.[14]

The broad economic base of the Air Trade Area summarized above has contributed to the Airport's position as one of the busiest airports worldwide in 2010 in terms of passengers and cargo tonnage.[15] The strength of key socioeconomic factors for the Air Trade Area (large population, high household income, educated workforce, diverse population) creates a source of demand for air travel at the Airport. In addition, the Air Trade Area's convention facilities and visitor attractions make it a top domestic and international air travel destination.

1.2 Air Trade Area

The Air Trade Area consists of two Metropolitan Statistical Areas (MSAs) that contain a total of 15 counties. According to the federal government's Office of Management and Budget (OMB), an MSA is a geographical area with a large population nucleus, along with any adjacent communities that have a high degree of economic and social interaction with that nucleus.

The Chicago-Naperville-Joliet MSA contains 14 counties located in Illinois, Indiana, and Wisconsin. Counties in the Chicago-Naperville-Joliet MSA include the Illinois counties of Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will; the Indiana counties of Jasper, Lake, Newton, and Porter; and the Wisconsin county of Kenosha. Additionally, the Air Trade Area includes the Kankakee-Bradley MSA in Illinois which is made up of Kankakee County.

The two-MSA, 15-county Air Trade Area is shown in Exhibit I-1.

1.3 Demographic Profile

Data for population growth, age distribution, population diversity, and educational attainment for the Air Trade Area are discussed below and are presented in Tables I-2 through I-6 which follow. Parallel data for the Midwest (defined as Illinois, Indiana, Michigan, Ohio, and Wisconsin) and the U.S. are also shown to provide a basis of comparison for trends in the Air Trade Area.

1.3.1 Population Growth

As measured by population, the Air Trade Area, with nearly 9.8 million people in 2010, is the third-largest metropolitan region in the U.S. Only the New York-New Jersey-Bridgeport Combined Statistical Area (CSA), with 22.3 million people, and the Los Angeles-Long Beach-Riverside CSA, with a population of 17.9 million, represent larger markets for air transportation. (See **Table I-2**.)

Population growth is a key factor creating demand for air travel. Data in **Table I-3** show that the Air Trade Area had a population of more than 9.2 million in 2000; by 2010 the population increased to nearly 9.8 million. The Air Trade Area added approximately 545,000 to its population between 2000 and 2010 (or, over 54,000 per year). The Air Trade Area's population between 2000 and 2010 increased at a CAGR of 0.6 percent—higher than the CAGR for the Midwest's population (0.3 percent), but lower than that of the U.S. (0.9 percent). However, the population growth in 11 of the 15 counties in the Air Trade Area showed a CAGR above the U.S. rate of 0.9 percent between 2000 and 2010.

14 *Blue Chip Economic Indicators*, Vol. 36, No. 3, March 10, 2011, Aspen Publishers; *NABE Outlook*, February 2011, National Association for Business Economics.

15 Annual Passenger and Cargo Traffic Data, Data Centre, Airports Council International, http://www.airports.org, accessed March 2011.

Table I-2
Five Largest Metropolitan Regions (2010)

Rank	Metropolitan Region	Estimated Population
1	New York-Newark-Bridgeport CSA[1/]	22,340,602
2	Los Angeles-Long Beach-Riverside CSA	17,993,825
3	**Air Trade Area**	**9,766,702**
4	Washington-Baltimore-Northern Virginia CSA	8,576,854
5	Boston-Worcester-Manchester CSA	7,653,678

Note:
1/ Combined Statistical Area.

Source: Woods & Poole Economics, Inc., October 2010; ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-3
Historical and Projected Population (2000-2020)

	Historical	Projected			Compounded Annual Growth Rate		
Area	2000	2010	2015	2020	2000-2010	2010-2015	2015-2020
Cook County, IL	5,376,861	5,292,956	5,327,867	5,371,461	(0.2%)	0.1%	0.2%
DeKalb County, IL	89,334	108,647	115,336	122,246	2.0%	1.2%	1.2%
DuPage County, IL	906,576	944,007	1,002,395	1,062,699	0.4%	1.2%	1.2%
Grundy County, IL	37,678	49,318	53,862	58,517	2.7%	1.8%	1.7%
Jasper County, IN	30,176	33,222	35,290	37,426	1.0%	1.2%	1.2%
Kane County, IL	407,511	522,638	577,001	632,579	2.5%	2.0%	1.9%
Kankakee County, IL	103,879	113,927	117,607	121,495	0.9%	0.6%	0.7%
Kendall County, IL	55,217	107,859	123,187	138,795	6.9%	2.7%	2.4%
Kenosha County, WI	150,092	167,467	178,078	189,031	1.1%	1.2%	1.2%
Lake County, IL	648,116	721,928	769,549	818,656	1.1%	1.3%	1.2%
Lake County, IN	484,536	496,075	505,908	516,600	0.2%	0.4%	0.4%
McHenry County, IL	261,887	327,523	360,730	394,692	2.3%	2.0%	1.8%
Newton County, IN	14,546	13,796	14,112	14,452	(0.5%)	0.5%	0.5%
Porter County, IN	147,164	165,502	175,208	185,245	1.2%	1.1%	1.1%
Will County, IL	508,038	701,837	785,635	871,142	3.3%	2.3%	2.1%
Air Trade Area	9,221,611	9,766,702	10,141,765	10,535,036	0.6%	0.8%	0.8%
Midwest[1/]	45,222,700	46,713,312	47,828,086	49,029,812	0.3%	0.5%	0.5%
United States	282,171,957	310,009,241	325,343,434	341,251,668	0.9%	1.0%	1.0%

Note:
1/ Midwest is defined as Illinois, Indiana, Michigan, Ohio, and Wisconsin.

Source: Woods & Poole Economics Inc., October 2010.
Prepared by: Partners for Economic Solutions, January 2011.

The Air Trade Area population forecast for the period 2010 to 2015 reflects a CAGR of 0.8 percent per year, a rate that is higher than the forecasted CAGR for the Midwest (0.5 percent) but is lower than that forecasted for the U.S. (1.0 percent). It is expected that an increase in new residents in the Air Trade Area (approximately 375,000 between 2010 and 2015, and approximately 393,000 between 2015 and 2020) will generate additional demand for air service at the Airport during the projection period.

1.3.2 Age Distribution

Table I-4 shows that the Air Trade Area's population is generally younger than the populations of the Midwest and the U.S. The median age in the Air Trade Area is 35.4 years, compared to 37.4 years in the Midwest and 37.0 years in the U.S. overall. The Air Trade Area's lower median age reflects a higher percentage of residents aged 19 years and below, and a lower percentage of residents aged 55 years and above.

According to survey data from the Travel Industry Association, air travel frequency varies by age group, and people aged between 35 and 54 tend to travel the most. TIA data show that in the U.S., persons between the ages of 35 and 54 account for 46 percent of air trips, while persons between 18 and 34 years account for 26 percent of air trips, and persons 55 years and older account for 27 percent of air trips.[16] Data in Table 1-4 show that in 2010, Air Trade Area residents aged 35 to 54 make up 29.3 percent of the population, compared with 29.5 percent of the population in the Midwest and 29.4 percent in the U.S. The population in the age category that travels most frequently is an important source of demand for air service at the Airport and is represented in the Air Trade Area on a level commensurate with the population in both the Midwest and the U.S.

1.3.3 Population Diversity

As shown in **Table I-5**, the racial and ethnic composition of the Air Trade Area differs from that of the Midwest and of the U.S. as a whole. Data in Table I-5 show that the percentage of White residents in the Air Trade Area in 2010 (64.9 percent) is significantly lower than the percentage in both the Midwest (79.8 percent) and the U.S. (71.9 percent). Asians constitute a larger share (5.3 percent) of the Air Trade Area's population compared with the Midwest (2.6 percent) and the U.S. (4.7 percent). Black or African Americans represent 17.2 percent of Air Trade Area residents, compared with 11.8 percent of the Midwest's population and 12.5 percent of the U.S. population.

The percentage of Hispanics in the Air Trade Area is higher than in the Midwest and in the U.S. overall. As shown in Table I-5, in 2010, 20.9 percent of Air Trade Area is Hispanic, compared with 7.6 percent in the Midwest and 16.2 percent in the U.S.

The Air Trade Area's diversity is also reflected in the various ancestry groups that make up its population. According to data from the U.S. Census Bureau's *2009 American Community Survey*, approximately 7.3 million Air Trade Area residents (75 percent) have a primary identification with one of the 74 ancestry groups shown in **Table I-6**. Mexican, German, Irish, Polish and Italian were the most frequently reported ancestry groups. The next largest ancestry groups (in rank order from 263,000 to at least 100,000) were English, American, Puerto Rican, Asian Indian, Swedish and Filipino. Eleven other groups in the Air Trade Area have approximately 56,000 to 95,000 members, and the remaining 52 groups range in size from approximately 3,600 to 40,000 members. This population diversity strengthens the competitiveness of the Air Trade Area and also contributes to demand for air travel. In a global economy, cultural diversity within a region's labor force is a

[16] Survey of travelers aged 18 and above, *2006 Domestic Travel Market Report*, Travel Industry Association.

Table I-4
Age Distribution (2010)

	Air Trade Area	Midwest	United States
Total Population	9,766,702	46,713,312	310,009,241
By Age Group			
19 and Under	29.7%	28.8%	28.6%
20 to 24 years	6.7%	6.7%	6.7%
25 to 34 years	15.3%	13.8%	14.2%
35 to 44 years	16.3%	16.0%	16.0%
45 to 54 years	13.0%	13.5%	13.4%
55 to 64	8.1%	8.6%	8.6%
65 and Above	10.9%	12.5%	12.4%
Total 1/	100.0%	100.0%	100.0%
Median Age	35.4	37.4	37.0

Note:
1/ Columns may not add to totals shown because of rounding.

Sources: Woods & Poole Economics Inc., October 2010; ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-5
Population by Race and Ethnicity (2010)

	Air Trade Area	Midwest	United States
Total Population	9,766,702	46,713,312	310,009,241
Race			
White	64.9%	79.8%	71.9%
Black or African American	17.2%	11.8%	12.5%
American Indian and Alaska Native	0.3%	0.4%	0.9%
Asian or Pacific Islander	5.3%	2.6%	4.7%
Other Race	9.6%	3.3%	7.0%
More than One Race	2.7%	2.0%	3.0%
Total[1/]	100.0%	100.0%	100.0%
Persons of Hispanic Origin[2/]	20.9%	7.6%	16.2%

Notes:
1/ Columns may not add to totals shown because of rounding.
2/ Population data are broken down into U.S. Census defined race groups. Hispanic population is not a race group but rather a description of ethnic origin. Hispanics are included in all of the Census defined race groups.

Sources: Woods & Poole Economics Inc., October 2010; ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-6
Primary Ancestry (2009)

	Primary Ancestry[1]	Air Trade Area[2] Population		Primary Ancestry	Air Trade Area Population		Primary Ancestry	Air Trade Area Population
1	Mexican	1,528,544	26	Guatemalan	34,080	51	Finnish	10,012
2	German	1,071,403	27	Croatian	31,413	52	Canadian	9,545
3	Irish	789,861	28	Hungarian	29,619	53	Honduran	9,245
4	Polish	725,705	29	Slovak	28,859	54	Jamaican	8,997
5	Italian	544,040	30	Arab[5/]	27,215	55	Albanian	8,829
6	English	262,387	31	Ecuadorian	24,454	56	Peruvian	8,793
7	American	227,581	32	Danish	21,730	57	Thai	8,211
8	Puerto Rican	174,129	33	Serbian	21,550	58	Slovenian	7,968
9	Asian Indian	156,463	34	Pakistani	21,273	59	Lebanese	7,328
10	Swedish	119,381	35	Cuban	20,144	60	Dominican	7,286
11	Filipino	106,209	36	Vietnamese	20,108	61	Haitian	7,255
12	Russian	95,327	37	Colombian	19,581	62	Iranian	7,157
13	Chinese[3/]	94,451	38	French Canadian	18,489	63	West Indian[6/]	6,901
14	Greek	93,900	39	Welsh	17,613	64	Macedonian	6,315
15	Dutch	83,674	40	Austrian	16,676	65	Armenian	5,546
16	French	77,656	41	Spanish	15,079	66	Egyptian	5,459
17	Norwegian	73,327	42	Japanese	14,816	67	Argentinean	5,315
18	Czech	69,568	43	Assyrian/Chaldean/Syriac	14,662	68	Turkish	5,152
19	Scottish	65,520	44	Palestinian	14,394	69	Cambodian	4,900
20	Korean	57,508	45	Swiss	12,851	70	Taiwanese	4,287
21	Lithuanian	57,470	46	Yugoslavian	12,681	71	Jordanian	4,224
22	Sub-Saharan African[4/]	56,811	47	Belgian	11,478	72	Iraqi	3,906
23	Ukrainian	39,914	48	Salvadoran	10,474	73	Moroccan	3,892
24	Romanian	36,132	49	Bulgarian	10,394	74	Latvian	3,618
25	Scotch-Irish	35,436	50	Nigerian	10,022		Other Groups	290,230
							Total Primary Ancestry Reported	7,572,423

Notes:
1/ To prevent double-counting, the primary ancestry data shown in this table is derived only from First Ancestry reported. Ancestry data for American Indians, Alaska Natives, Native Hawaiians and other Pacific Islanders are not available for the Air Trade Area.
2/ Air Trade Area data do not include Kankakee County.
3/ Does not include Taiwanese.
4/ Does not include Nigerian.
5/ Does not include Palestinian, Lebanese, Egyptian, Jordanian, Iraqi, or Moroccan.
6/ Does not include Haitian or Jamaican.

Source: *2009 American Community Survey* , U.S. Census Bureau, September 2010.
Prepared by: Partners for Economic Solutions, January 2011.

distinct economic advantage, since employees with cultural and linguistic ties to international markets give companies an edge in establishing trade and investment opportunities.[17] A culturally diverse population also engenders business, family, and cultural ties that create demand for international air travel services. In addition, survey data from the Travel Industry Association indicate that ethnically and racially diverse social groups show stronger proportional demand for air travel compared to their share of total U.S. households.[18]

1.3.4 Education

In absolute terms, the Air Trade Area is home to a large number of educated adults. According to data shown in **Table I-7**, nearly 2.5 million people, or more than 39 percent of the Air Trade Area's population over the age of 25, have a post-secondary degree (associate, bachelor's, graduate or professional). This percentage is higher than that of both the Midwest and the U.S. where, respectively, 34.1 percent and 35.8 percent of the population over the age of 25 have a post-secondary degree.

According to the Travel Industry Association, persons with a college degree are more likely to travel by air. The survey data indicate that 56 percent of air travelers are college graduates, while 24 percent have had some college and 20 percent never attended college.[19]

1.4 Income

Ranked on key measures of per capita income and median household income, the Air Trade Area outperforms both the Midwest and the U.S. as a whole. Data in **Table I-8** show that the Air Trade Area's per capita income of $29,908 in 2010 is 12 percent higher than that of both the Midwest and the U.S. Table 1-8 also presents a five-year projection, and per capita income for the Air Trade Area is estimated to increase to $34,537 in 2015. This increase represents a CAGR of 2.9 percent between 2010 and 2015—a level that is slightly higher than projected per capita income growth in both the Midwest (2.7 percent) and the U.S. (2.5 percent).

The Air Trade Area's estimated 2010 median household income is significantly higher than that of both the Midwest and the U.S. In 2010, the Air Trade Area's median household income of $65,622 is 19 percent higher than that of the Midwest ($55,309) and 21 percent higher than that of the U.S. ($54,442). Forecasts for 2015 show that this trend is expected to continue as the Air Trade Area will reach a median household income level of $76,511, compared to $62,448 in the Midwest and $61,189 in the U.S.

The percentage of higher income households (defined as those earning $75,000 or more annually) within the Air Trade Area is another key indicator of potential demand for air transportation services. As measured by the number of households with annual income of $75,000 or more, the Air Trade Area is the fourth wealthiest market in the U.S.(see **Table I-9**). In 2010, an estimated 1.5 million Air Trade Area households have an income of $75,000 or more. According to the Travel Industry Association, 62 percent of airplane trips are taken by travelers with an annual household income of $75,000 or more.[20] Data in **Table I-10** show that between 2010 and 2015, the number of households with income greater than $75,000 in the Air Trade Area is projected to increase by approximately 320,000.

17 Frederic Docquier, "Skilled Migration and Business Networks", *Open Economies Review*, October 2008.
18 *2006 Domestic Travel Market Report*, Travel Industry Association.
19 *2006 Domestic Travel Market Report*, Travel Industry Association.
20 *2006 Domestic Travel Market Report*, Travel Industry Association.

Table I-7
Educational Attainment (2010)

	Air Trade Area	Midwest	United States
Population 25 years and over	6,211,622	30,083,373	200,265,970
Less than 9th Grade	6.6%	4.3%	6.3%
9th - 12th Grade, No Diploma	7.6%	8.2%	8.5%
High School Graduate	26.0%	32.7%	29.6%
Some College, No Degree	19.9%	20.7%	19.9%
Post-Secondary Degree	39.9%	34.1%	35.8%
Associate Degree	*7.0%*	*7.9%*	*7.7%*
Bachelor's Degree	*20.4%*	*16.5%*	*17.7%*
Master's Degree or Doctorate	*12.5%*	*9.7%*	*10.4%*
Total[1/]	100.0%	100.0%	100.0%

Note:
1/ Columns may not add to totals shown because of rounding.

Sources: Woods & Poole Economics Inc., October 2010; ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-8

Income Trends (2010-2015)

	Air Trade Area	Midwest	United States
Per Capita Income			
2010 estimate	$29,908	$26,658	$26,739
2015 forecast	$34,537	$30,391	$30,241
CAGR[1/] 2010-2015	2.9%	2.7%	2.5%
Median Household Income			
2010 estimate	$65,622	$55,309	$54,442
2015 forecast	$76,511	$62,448	$61,189
CAGR 2010-2015	3.1%	2.5%	2.4%

Note:
1/ Compounded annual growth rate.

Source: ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-9
Five Wealthiest Metropolitan Regions (2010)

Rank	Metropolitan Region	Estimated Households with Incomes of $75,000 or More
1	New York-Newark-Bridgeport CSA[1/]	3,611,127
2	Los Angeles-Long Beach-Riverside CSA	2,215,270
3	Washington-Baltimore-Northern Virginia CSA	1,599,195
4	**Air Trade Area**	**1,530,316**
5	San Jose-San Francisco-Oakland CSA	1,464,478

Note:
1/ Combined Statistical Area.

Source: ESRI, June 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-10

Households with Income of $75,000 and Above (2010-2015)

Location	2010 (Estimate)	2015 (Forecast)	Growth in Households 2010-2015
Air Trade Area	1,530,316	1,850,283	319,967
Midwest	5,908,527	7,307,039	1,398,512
United States	38,414,036	47,329,796	8,915,760

Source: ESRI, June 2010.

Prepared by: Partners for Economic Solutions, January 2011.

1.5 Employment

1.5.1 Labor Force Trends and Unemployment Rates

Table I-11 shows that between 2000 and 2010, the Air Trade Area labor force grew at a CAGR of approximately 0.2 percent—higher than the labor force CAGR in the Midwest (-0.1 percent), but lower than the rate in the U.S. (0.9 percent). In absolute terms, the labor force in the Air Trade Area increased by approximately 114,200 workers between 2000 and 2010.

Historical data show that the Air Trade Area's unemployment rate was lower than that of the Midwest from 2006 through 2010, and was higher than the Midwest's unemployment rate from 2000 through 2005. When the same comparison is made to the U.S., the Air Trade Area's unemployment rate was higher was higher than that of the U.S., with the exception of 2006 when the Air Trade Area's unemployment rate was lower than the U.S. rate.

In February 2011 (latest data available), the unemployment rate for the Air Trade Area was 9.2 percent (non-seasonally adjusted);[21] this was lower than the rate for the Midwest where the unemployment rate was 9.7 percent (non-seasonally adjusted).[22] The unemployment rate for the U.S. was 9.5 percent in February 2011 (non-seasonally adjusted).[23] The Air Trade Area's unemployment rate has improved significantly from its peak of 11.7 percent in January 2010. The unemployment rate peaked at 12.0 percent in the Midwest in January 2010, and at 10.1 percent in October 2009 in the U.S.

1.5.2 Major Employers in the Air Trade Area

As shown in **Table I-12**, major private sector employers in the Air Trade Area represent a wide range of industries. These include aerospace and airline companies (Boeing, United Airlines), financial services (JPMorgan Chase & Co.), consumer products manufacturers (Alberto-Culver), building materials manufacturers (USG Corporation), financial services firms (CME Group), food products manufacturers (Kraft Foods, Corn Products International), an international hospitality company (Hyatt), pharmaceutical companies (Hospira), industrial equipment companies (Sauer-Danfoss Inc.), insurance companies (Old Republic International), telecommunications companies (Tellabs), utilities (Nicor), and national retailers (Crate & Barrel, Ace Hardware). In addition to providing a major source of local employment, these companies depend on air passenger and freight service for the continued health and expansion of their business enterprises. The Airport's role as an international passenger and air cargo hub make it an important resource for large employers in the Air Trade Area.

Each year, *Fortune* magazine ranks the top 500 U.S. public companies in terms of annual revenue, and, in 2010, the Air Trade Area has the second highest number of Fortune 500 company headquarters in the nation after the New York City metro area. **Table I-13** shows that the 28 major U.S. corporations that are headquartered in the Air Trade Area include: Boeing (ranked 28th among the Fortune 500), Walgreen Co. (ranked 32nd), Sears Holdings (ranked 48th), Kraft Foods (ranked 53rd), and Allstate (ranked 68th). Other Fortune 500 companies headquartered in the Air Trade Area include: Motorola, Aon Corporation, Abbott Laboratories, Baxter International, McDonald's Corporation, United Airlines, Sara Lee Corporation, Exelon Corporation, Navistar International, Illinois Tool Works, W.W. Grainger, R.R. Donnelley & Sons, Discover Financial Services, Northern Trust Corp., OfficeMax, and Fortune Brands. The Air Trade Area's 28 Fortune 500 headquarters

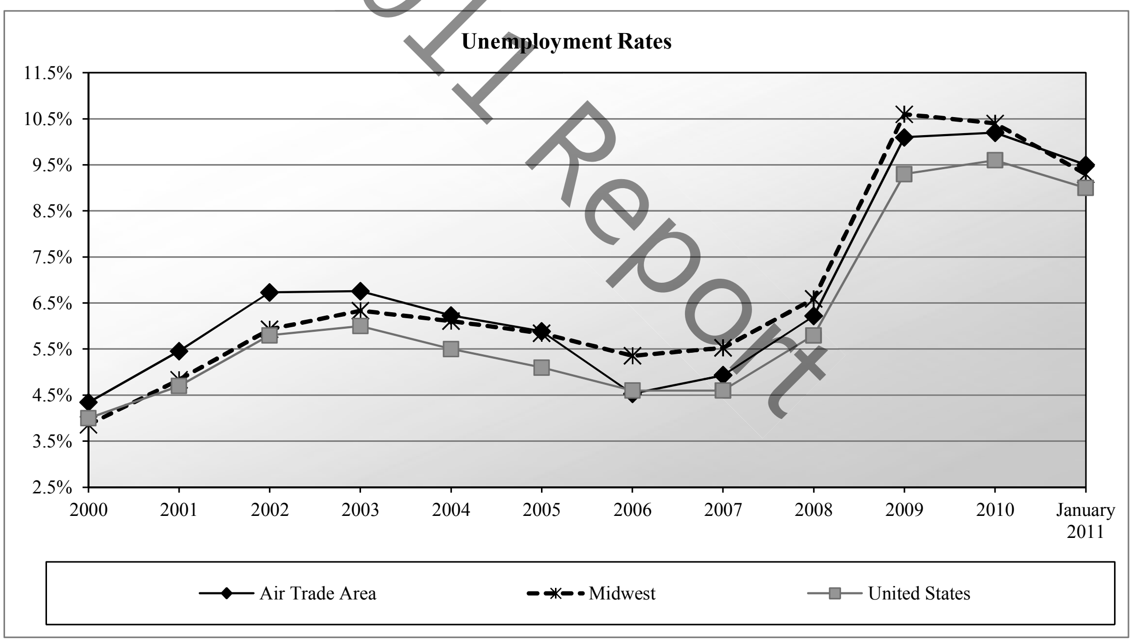
---

21 Monthly unemployment data published for the Air Trade Area are not seasonally adjusted.
22 The seasonally adjusted unemployment rate in the Midwest was 9.1 percent in February 2011.
23 The seasonally adjusted unemployment rate in the U.S. was 8.9 percent in February 2011.

Table I-11

Civilian Labor Force and Unemployment Rates (2000-2011)

Civilian Labor Force				Unemployment Rates			
Year	Air Trade Area	Midwest	United States	Year	Air Trade Area	Midwest	United States
2000	4,813,198	23,559,114	140,863,000	2000	4.3%	3.9%	4.0%
2001	4,827,113	23,617,162	141,815,000	2001	5.5%	4.8%	4.7%
2002	4,770,714	23,451,712	144,448,000	2002	6.7%	5.9%	5.8%
2003	4,747,014	23,436,254	146,233,000	2003	6.8%	6.3%	6.0%
2004	4,759,325	23,456,567	148,164,000	2004	6.2%	6.1%	5.5%
2005	4,783,239	23,619,442	148,843,000	2005	5.9%	5.8%	5.1%
2006	4,870,716	23,873,788	152,196,000	2006	4.5%	5.4%	4.6%
2007	4,967,733	24,005,087	153,124,000	2007	4.9%	5.5%	4.6%
2008	4,979,008	23,919,290	154,287,000	2008	6.2%	6.6%	5.8%
2009	4,919,386	23,731,000	154,142,000	2009	10.1%	10.6%	9.3%
2010	4,927,393	23,538,000	153,889,000	2010	10.2%	10.4%	9.6%
January 2011[1/]	4,857,611	23,455,700	153,186,000	January 2011	9.5%	9.3%	9.0%
Compounded Annual Growth Rate							
2000 - 2010	0.2%	-0.01%	0.9%				



Note:

1/ January 2011 data for the Air Trade Area are not seasonally adjusted.

Sources: State of Illinois Department of Employment Security, Labor Market Information; U.S. Dept. of Labor, Bureau of Labor Statistics, March 2011.

Prepared by: Partners for Economic Solutions, March 2011.

Table I-12

Major Private Sector Employers[1/] in the Air Trade Area (2010)

Company Name	Industry	Location	Company Name	Industry	Location
Abbott Laboratories	Pharmaceuticals	Abbott Park	Jones Lang LaSalle	Real Estate	Chicago
Ace Hardware	Retailer	Oak Brook	JPMorgan Chase & Co.	Financial Services	Chicago
Alberto-Culver	Consumer Products	Melrose Park	Kraft Foods	Food Products	Northfield
Allstate	Insurance	Northbrook	LKQ Corporation	Automotive Equipment	Chicago
American Airlines	Transportation	Chicago	McDonald's	Restaurants	Oak Brook
Anixter International	Electrical Equipment	Glenview	Molex	Electrical Equipment	Lisle
Aon	Insurance	Chicago	Motorola	Telecommunications Equipment	Schaumburg
AptarGroup	Plastic Products	Crystal Lake	Nalco Holding	Chemicals	Naperville
AT&T	Telecommunications	Chicago	Navistar International	Automotive Equipment	Warrenville
Bank of America	Financial Services	Chicago	Nicor	Utility	Naperville
Baxter International	Pharmaceuticals	Deerfield	Northern Trust Corp.	Financial Services	Chicago
Boeing	Aerospace	Chicago	OfficeMax	Retailer	Naperville
Brunswick	Marine Products	Lake Forest	Old Republic International	Insurance	Chicago
Career Education	Education Services	Hoffman Estates	Packaging Corp. of America	Container Products	Lake Forest
CDW Corp.	Computer Equipment and Software	Vernon Hills	Pactiv	Paper and Plastic Products	Lake Forest
CF Industries Holdings	Agricultural Products	Deerfield	R.R. Donnelley & Sons	Printing Services	Chicago
CME Group	Financial Services	Chicago	Sara Lee	Food Products	Downers Grove
Corn Products International	Food Products	Westchester	Sauer-Danfoss Inc.	Industrial Equipment	Lincolnshire
Crate & Barrel	Retailer	Northbrook	Sears Holdings	Retailer	Hoffman Estates
Discover Financial Services	Financial Services	Riverwoods	Solo Cup Co.	Paper and Plastic Products	Highland Park
Equity Residential	Real Estate	Chicago	Telephone & Data Systems	Telecommunications Services	Chicago
Exelon	Utility	Chicago	Tellabs	Telecommunications Equipment	Naperville
Fortune Brands	Consumer Products	Deerfield	Tenneco	Automotive Equipment	Lake Forest
General Growth Properties	Real Estate	Chicago	TrueValue Co.	Retailer	Chicago
Hewitt Associates	Human Resource Services	Lincolnshire	United Airlines	Transportation	Chicago
Hospira	Pharmaceuticals	Lake Forest	United Stationers	Office Equipment and Supplies	Deerfield
Hub Group	Transportation	Downers Grove	Unitrin	Insurance	Chicago
Hyatt Hotels Corp.	Hospitality	Chicago	U.S. Food Service Inc.	Restaurant Supplies	Rosemont
Illinois Tool Works	Industrial Equipment	Glenview	USG Corporation	Building Materials	Chicago
Integrys Energy Group	Utility	Chicago	W.W. Grainger	Industrial Machinery	Lake Forest
Jewel-Osco	Retailer	Itasca	Walgreen Co.	Retailer	Deerfield

Note:
1/ For-profit businesses only.

Sources: "Chicago's Largest Employers," *Crain's Chicago Business* ; "America's Largest Corporations," *Fortune* , May 3, 2010; Company Profiles, Hoovers.com; InfoUSA.com; November 2010.

Prepared by: Partners for Economic Solutions, November 2010.

Table 1-13
Fortune 500 Companies Headquartered in the Air Trade Area (2010)

No.	Company	Location	Fortune Rank	Revenue ($ million)
1	Boeing	Chicago	28	68,281
2	Walgreen	Deerfield	32	63,335
3	Sears Holdings	Hoffman Estates	48	44,043
4	Kraft Foods	Northfield	53	40,386
5	Allstate	Northbrook	68	32,013
6	Abbott Laboratories	Abbott Park	75	30,765
7	McDonald's	Oak Brook	108	22,745
8	Motorola	Schaumburg	110	22,063
9	Exelon	Chicago	134	17,318
10	United Airlines	Chicago	140	16,335
11	Illinois Tool Works	Glenview	169	13,904
12	Sara Lee	Downers Grove	180	12,881
13	Baxter International	Deerfield	185	12,562
14	Navistar International	Warrenville	202	11,569
15	R.R. Donnelley & Sons	Chicago	240	9,857
16	Discover Financial Services	Riverwoods	286	7,986
17	AON	Chicago	298	7,595
18	Integrys Energy Group	Chicago	302	7,500
19	OfficeMax	Naperville	313	7,212
20	NiSource	Merrillville, IN	336	6,653
21	W.W. Grainger	Lake Forest	349	6,222
22	Fortune Brands	Deerfield	351	6,205
23	Smurfit-Stone Container	Chicago	374	5,574
24	Telephone & Data Systems	Chicago	416	5,021
25	Anixter International	Glenview	422	4,982
26	United Stationers	Deerfield	439	4,710
27	Tenneco	Lake Forest	446	4,649
28	Northern Trust Corp.	Chicago	497	4,193

Source: *Fortune* , May 3, 2010.
Prepared by: Partners for Economic Solutions, March 2011.

represent 90 percent of the 31 Fortune 500 headquarters in Illinois, and 32 percent of the 87 Fortune 500 headquarters in the Midwest.[24]

The 28 Fortune 500 companies headquartered in the Air Trade Area operate throughout the U.S., Asia, Europe, and other international locations, and their activities extend to a network of more than 2,460 overseas offices, manufacturing plants, and other facilities.[25] The reliance of these companies and their international suppliers, customers, and partners on face-to-face meetings and conferences, combined with their just-in-time inventory practices, suggests that the Air Trade Area will continue to be a significant source of demand for both business air travel and air freight shipments over the long term.

Beyond the Fortune 500 firms shown in Table I-12, the Air Trade Area has an estimated 1,550 companies with 54,700 branches, subsidiaries, or affiliates in foreign countries.[26] In addition, an estimated 885 foreign firms have 1,580 branches, subsidiaries, or affiliates in the Air Trade Area.[27] According to Moody's Economy.com, the Air Trade Area ranks sixth in the U.S. as a center of global commerce, after the New York metro area, San Francisco, Boston, Miami, and Bridgeport, CT.[28] A selection of foreign firms that are major employers in the Air Trade Area are shown in **Table I-14** and include companies from a diverse range of industries such as ArcelorMittal, E.On, Hitachi, HSBC, Panasonic, Samsung, Siemens and Takeda Pharmaceutical.[29]

Non-profit organizations are also a major employer in the Air Trade Area. Professional organizations such as the American Medical Association and American Bar Association are headquartered in the Air Trade Area. Major private foundations and service organizations based in the Air Trade Area include the McCormick Foundation, the John D. and Catherine T. MacArthur Foundation, Easter Seals Inc., Lions Club International Foundation, Rotary Foundation and the YMCA of the U.S.A. (See **Table I-15**.)

Despite the recent recession, employers continue to be attracted to the Air Trade Area and its dynamic labor pool. Data from the City of Chicago's Department of Housing and Economic Development indicate that since 2007, businesses relocating to the Air Trade Area, such as Fifth Third Bank, MillerCoors, Tempel Steel Company and Willis Group Holdings PLC, have brought a total of 6,283 new jobs. During the same period, business retention efforts by the City's Department of Housing and Economic Development have succeeded in retaining 5,416 jobs in the Air Trade Area by companies such as CME Group, CareerBuilder.com, NAVTEQ, and CDW.[30]

In January 2011, Illinois raised its personal income tax rate from 3.0 percent to 5.0 percent until 2015. The rate is scheduled to be reduced to 3.75 percent in 2015, and then lowered to 3.25 percent in 2025. Illinois also raised its corporate income tax rate from 4.8 percent to 7.0 percent until 2015. In 2015, this rate is scheduled to be reduced to 5.25 percent and then lowered again to 4.8 percent in

---

24 The Midwest is defined as the states of Illinois, Indiana, Michigan, Ohio and Wisconsin.
25 American Firms Operating in Foreign Countries, Uniworld Business Publications, Inc., https://www.uniworldbp.com/search.php, accessed January 2011.
26 American Firms Operating in Foreign Countries, Uniworld Business Publications, Inc., https://www.uniworldbp.com/search.php, accessed January 2011.
27 Foreign Firms Operating in the United States, Uniworld Business Publications, Inc., https://www.uniworldbp.com/search.php, accessed January 2011.
28 *State of Illinois Economic Forecast Report*, Moody's Economy.com, February 2010, pg. 14.
29 Email correspondence with the Director of International Business Development, World Trade Chicago, October 22, 2010.
30 "Retention & Relocation of Business in Chicago in Recent Years," City of Chicago, Department of Housing and Economic Development (formerly Department of Community Development), March 2010.

Table I-14
Major International Employers in the Air Trade Area (2010)

Company Name	Industry	Country
Bank of Montreal	Financial Services	Canada
Nokia	Telecommunications Equipment	Finland
Alcatel-Lucent	Telecommunications	France
AXA	Financial Services	France
BNP Paribas	Financial Services	France
Veolia Environment	Environmental Services	France
Allianz	Financial Services	Germany
BASF	Chemicals	Germany
Deutsche Bank	Financial Services	Germany
Deutsche Telekom	Telecommunications	Germany
E.ON	Energy	Germany
Fresenius Medical Care	Health Care	Germany
Freudenberg Household Products	Consumer Products	Germany
Robert Bosch	Automotive Equipment	Germany
Siemens AG	Industrial Conglomerate	Germany
Volkswagen	Automotive	Germany
Fiat	Automotive	Italy
Astellas Pharma	Pharmaceuticals	Japan
Hitachi	Industrial Conglomerate	Japan
Mori Seiki Co. Ltd.	Industrial Machinery	Japan
Nissan Motor	Automotive	Japan
Panasonic	Electronics	Japan
Sony	Electronics	Japan
Takeda Pharmaceutical	Pharmaceuticals	Japan
Toshiba	Electronics	Japan
ArcelorMittal	Steel	Luxembourg
DSM	Chemicals	Netherlands
ING Group	Financial Services	Netherlands
Philips Electronics	Electronics	Netherlands
Royal Dutch Shell	Petroleum	Netherlands
Wolters Kluwer	Publishing	Netherlands
Reed Elsevier	Publishing	Netherlands/United Kingdom
Unilever	Consumer Products	Netherlands/United Kingdom
Hyundai Motor	Automotive	South Korea
LG	Electronics	South Korea
Samsung Electronics	Electronics	South Korea
Barry Callebaut	Food Products	Switzerland
Nestlé	Food Products	Switzerland
Novartis	Pharmaceuticals	Switzerland
Swiss Re	Financial Services	Switzerland
UBS AG	Financial Services	Switzerland
Zurich Financial Services	Financial Services	Switzerland
Barclays	Financial Services	United Kingdom
BP	Petroleum	United Kingdom
Compass Group	Food Service	United Kingdom
FirstGroup PLC	Transportation Services	United Kingdom
HSBC Holdings	Financial Services	United Kingdom
Royal Bank of Scotland	Financial Services	United Kingdom
PDVSA	Petroleum	Venezuela

Sources: World Business Chicago; Company Profiles, Hoovers.com, October 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-15

Major Non-Profit Organizations[1/] Headquartered in the Air Trade Area (2010)

	Name	Annual Revenue	Description
1	McCormick Foundation	$1,144.1	Private foundation
2	John D. and Catherine T. MacArthur Foundation	$662.0	Human rights, public policy
3	Feeding America	$657.5	Hunger relief
4	American Medical Association	$404.3	Professional association
5	Circle of Service Foundation	$393.1	Private foundation
6	Art Institute of Chicago	$343.0	Museum
7	American Bar Association	$340.9	Professional association
8	Rotary Foundation of Rotary International	$273.3	International service club
9	Jewish United Fund/Jewish Federation of Metropolitan Chicago	$201.0	Social services agency
10	Arie and Ida Crown Memorial	$179.6	Private foundation
11	American Dental Association	$155.9	Professional association
12	Community and Economic Development Assn. of Cook County	$152.0	Economic development, human services
13	YMCA of Metropolitan Chicago	$136.0	Community programs, services
14	Lions Clubs International Foundation	$133.0	Service club organization
15	Opportunity International Inc.	$128.1	Social services agency
16	American Academy of Pediatrics	$106.5	Professional association
17	Alzheimer's Association	$103.7	Medical research, support services
18	Lutheran Social Services of Illinois	$102.4	Social services agency
19	Oprah Winfrey Foundation	$101.3	Global human services organization
20	American Hospital Association	$98.7	Professional association
21	Joyce Foundation	$95.9	Social services, public policy
22	Chicago Community Trust	$93.7	Social services agency
23	Easter Seals Inc.	$91.1	Health, human services for the disabled
24	YMCA of the USA	$88.9	YMCA member association
25	Chicago Zoological Society	$88.5	Zoo
26	International Fellowship of Christians and Jews	$84.3	Education, relief in Israel
27	Lyric Opera	$82.9	Opera
28	Institute for the International Education of Students	$79.6	International study abroad program
29	Museum of Science and Industry	$77.8	Museum
30	Chicago Symphony Orchestra	$75.7	Symphony orchestra
31	Field Museum of Natural History	$75.0	Museum
32	ALSAM Foundation	$74.7	Education & health research
33	Heartland Human Care Services Inc.	$66.0	Legal services for refugees, immigrants
34	American Academy of Orthpedic Surgeons	$65.9	Professional association
35	United Way of Metropolitan Chicago	$64.6	Health and human services
36	John G. Shedd Aquarium	$62.6	Aquarium
37	Abbott Fund	$62.2	Medical research
38	Window to the World Communications Inc.	$62.1	WTTW public television
39	Greater Chicago Food Depository	$60.3	Food bank, hunger relief organization
40	Kids Hope United	$55.6	Child welfare agency
41	National Merit Scholarship Corp.	$54.8	Scholarship program
42	Barnabas Foundation	$52.9	Christian stewardship
43	Thresholds	$52.2	Mental health services
44	Children's Home and Aid Society of Illinois	$47.2	Child-centered social services
45	Earl and Brenda Shapiro Foundation	$46.5	Private foundation
46	Heartland Blood Centers	$42.4	Bloodbank
47	Ounce of Prevention Fund	$41.6	Child development advocacy
48	Chicago Horticultural Society	$41.0	Chicago Botanic Garden
49	Bible League	$40.7	Christian training, education
50	Ada S. McKinley Community Services Inc.	$40.6	Health, human services for the disabled
51	Dunham Fund	$40.4	Private foundation
52	Walsh Foundation	$39.6	Private foundation
53	Jewish Community Centers of Chicago	$39.2	Recreational programming
54	National Safety Council	$38.9	Workplace safety advocacy
55	Irving Harris Foundation	$38.0	Private foundation
56	Uhlich Children's Home	$36.2	Youth services
57	Ravinia Festival	$35.7	Education and culture
58	Metropolitan Family Services	$34.6	Family services
59	Northern Illinois Food Bank	$33.0	Food bank
60	Jewish Child and Family Services	$32.1	Social services agency
61	Action for Children	$32.0	Children's program development
62	Ronald McDonald House Charities	$32.0	Services for pediatric patients and families
63	Awana Clubs International	$31.8	Christian youth ministry
64	Allendale Association	$31.3	Youth education services
65	William G. McGowan Charitable Fund Inc.	$31.2	Private foundation
66	Retirement Research Foundation	$30.7	Aging, retirement issues
67	Safer Foundation	$30.6	Services for ex-offenders
68	Lester and Rosalie Anixter Center	$30.2	Health, human services for the disabled
69	Pritzker Foundation	$26.9	Private foundation
70	Elks National Foundation	$25.9	Social services agency

Note:
1/ Excludes hospitals, medical centers, health care providers, educational institutions, university- and government-funded research institutions, employee-benefit funds and athletic organizations.

Sources: *2010 Book of Lists* , Crain's Chicago Business; Hoovers.com; November 2010.

Prepared by: Partners for Economic Solutions, November 2010.

2025.[31] The January 2011 increase in personal and corporate income tax rates has reportedly led other states to solicit Illinois businesses for relocation. The ultimate impact of these recruitment efforts remains unclear. Many factors beyond relative tax rates influence site selection decisions such as the quality of the workforce, proximity to vendors, proximity to customers, and the quality of transportation networks and other infrastructure.

1.6 Major Industry Sectors

An analysis of non-agricultural employment trends by major industry sectors, presented in **Table I-16**, indicates the sources of jobs in the Air Trade Area's economy. In this table, employment trends in the Air Trade Area are compared to data for the Midwest and the U.S. in 2000 and 2010.

Non-agricultural employment in the Air Trade Area has remained at a level of approximately 5.5 million workers between 2000 and 2010. Measured by percentages, employment in the transportation/utilities and trade sectors in the Air Trade Area in 2010 is higher than those in the Midwest and the U.S. The Air Trade Area also has a relatively higher proportion of services employment, and finance/insurance/real estate employment compared to the Midwest and U.S. Jobs in the services sector in the Air Trade Area make up 47.5 percent of employment in 2010, compared to 44.4 percent in the Midwest, and 45.2 percent in the U.S. The Air Trade Area's jobs in the finance/insurance/real estate sector make up 11.0 of employment in 2010, compared to 9.0 percent in the Midwest, and 9.4 percent in the U.S.

Government and construction jobs in the Air Trade Area make up a relatively lower percentage of employment in 2010 in comparison to the Midwest and U.S. Government jobs in the Air Trade Area make up 11.7 percent of employment, compared to 13.5 percent in the Midwest, and 14.6 percent in the U.S. Jobs in the construction sector make up 4.3 percent of employment in the Air Trade Area, compared to 4.9 percent in the Midwest, and 6.2 percent in the U.S.

The Air Trade Area's manufacturing jobs make up 7.5 percent of employment, compared to 10.1 percent in the Midwest, and 7.1 percent in the U.S.

Data in Table I-16 indicate that the Air Trade Area has a diversified employment base that is expected to provide the region with a foundation for recovery following periodic downturns in the business cycle including the recession of December 2007-June 2009. Brief profiles of the Air Trade Area's major industries, in ascending order of 2010 employment, are provided below.

1.6.1 Transportation/Utilities

Transportation/utilities employment in the Air Trade Area account for 236,013 jobs in 2010, representing 4.3 percent of total non-agricultural employment.

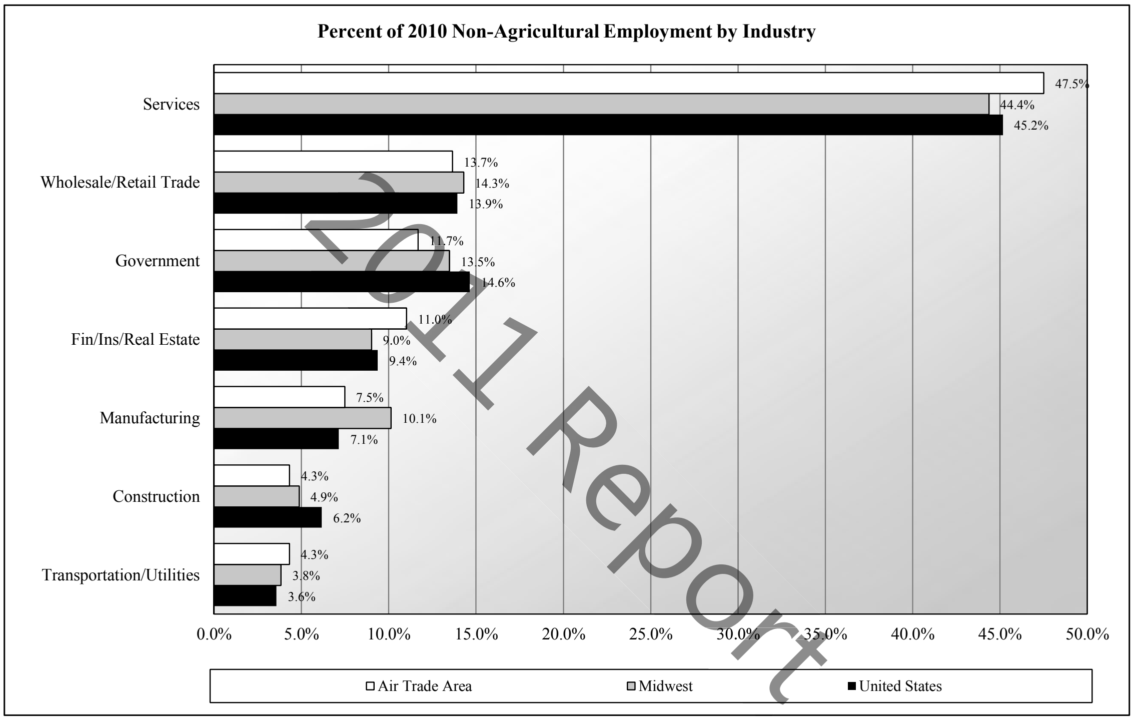
O'Hare and Midway International Airport (Midway) are the two major international airports that serve the Air Trade Area. The two largest airlines in the U.S. in terms of revenue operate hubs at O'Hare: American Airlines, with annual revenue of approximately $19.9 billion; and United Airlines, with estimated annual revenue of $16.3 billion.[32] American employs approximately 9,692 workers in the Air Trade Area, and United, which has its corporate headquarters in Downtown

[31] "Income Tax Hike Passes with No GOP Support," *Chicago Tribune*, January 12, 2011; "Illinois Moving Up the Tax Charts, but Increase is Unlikely to Turn State into the Highest Taxed," *Chicago Tribune*, January 14, 2011.

[32] American Airlines, Investor Home, Form 10-K, 2009, accessed January 2011; United Airlines, Investor Relations, Form 10-K, 2009, www.united.com, accessed January 2011.

Table I-16
Employment Trends by Major Industry Division (2000-2010)

	Air Trade Area			Midwest			United States		
Industry [1/]	2000	2010	CAGR [3/]	2000	2010	CAGR	2000	2010	CAGR
Services	2,332,382	2,598,353	1.1%	10,221,648	11,164,522	0.9%	66,323,348	77,442,996	1.6%
Wholesale/Retail Trade	831,728	746,827	-1.1%	4,120,091	3,596,513	-1.3%	24,726,162	23,873,015	-0.4%
Government	608,972	638,992	0.5%	3,265,103	3,392,406	0.4%	22,937,000	25,107,090	0.9%
Manufacturing	646,187	409,504	-4.5%	4,114,387	2,549,464	-4.7%	17,750,623	12,249,767	-3.6%
Fin/Ins/Real Estate	539,856	602,718	1.1%	2,054,938	2,269,565	1.0%	13,280,081	16,065,801	1.9%
Construction [2/]	290,348	236,536	-2.0%	1,537,388	1,225,721	-2.2%	11,148,779	10,582,583	-0.5%
Transportation/Utilities	251,321	236,013	-0.6%	1,005,123	965,120	-0.4%	6,087,985	6,125,299	0.1%
Total	5,500,794	5,468,943	-0.1%	26,318,678	25,163,311	-0.5%	162,253,978	171,446,551	0.6%



Notes:
1/ Non-agricultural employment only.
2/ Includes mining and forestry employment.
3/ Compounded annual growth rate.

Source: Woods & Poole Economics Inc., October 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Chicago and an operations center in Elk Grove Village, has approximately 13,000 workers in the Air Trade Area.[33]

Effective on October 1, 2010, United Airlines and Continental Airlines merged and created the world's largest airline which will operate under the name United Airlines. The combined company will maintain its corporate and operational headquarters in Chicago and will continue to operate a hub at the Airport. United and Continental will continue to operate separately until the merged company receives a single operating certificate from the Federal Aviation Administration, which is expected by the end of 2011. For more information about the United Airlines and Continental Airlines merger, see Chapter 2 (Section 2.4.3) of this report.

Chicago's location in the Midwest and in the Central Time Zone, along with its extensive non-stop air passenger service, allows business travelers to meet with clients or customers in nearly any U.S. city and then return on the same business day. Chicago is also within 10 hours of major European business centers. In addition, 29 percent of the North American industrial economy is within one day's truck delivery and 42 percent of North America's consumers are within less than two days' truck delivery. Chicago is the largest rail hub in the U.S. with an estimated 1,200 daily trains which carry freight valued at $958 million per day.[34]

1.6.2 Construction

The construction industry employs 236,536 workers in the Air Trade Area in 2010, accounting for 4.3 percent of total non-agricultural employment. During the recession, development projects for infrastructure and public facilities have provided support to the construction industry in the Air Trade Area. Examples of current projects include:

- **O'Hare Modernization Program.** The initial phase of the O'Hare Modernization Program (OMP) includes the construction of three runways (one new runway, one relocated runway, and an extension to an existing runway), a new airport traffic control tower, and enabling projects necessary to facilitate the construction of the runways. In 2008, two of the three runway projects and the new airport traffic control tower were commissioned. The OMP Completion Phase will include two relocated runways, a runway extension, a new western terminal complex, on-airport circulation, and a noise program. When completed, the $6.6 billion OMP (in 2001 dollars) is designed to significantly increase airfield capacity and reduce weather delays, thus allowing O'Hare to meet future demand from the nation's aviation system. The status of the program is discussed in more detail in Chapter 3 of this report. The full OMP is anticipated to create an additional 195,000 jobs and $18 billion in annual economic activity.[35]
- **Chicago Region Environmental and Transportation Efficiency Program (CREATE).** This program is a first-of-its-kind partnership among the U.S. Department of Transportation (DOT), the State of Illinois, City of Chicago, Metra (the regional rail system serving Chicago and its surrounding suburbs), Amtrak, and the nation's freight railroads to install critically needed rail infrastructure improvements in the Air Trade Area. As the major center of freight rail commerce in the nation, Chicago's efforts to reduce rail shipping times through

---

33 Crain's Lists, Chicago's Largest Employers, http://www.chicagobusiness.com/section/lists?djoPage=view_html&djoPid=1643&djoPY=@pGKJyF3ZKmUM, accessed January 2011.

34 Federal Railroad Administration, "The Chicago Region Environmental and Transportation Project (CREATE)," http://www.fra.dot.gov/us/content/1486, accessed January 2011.

35 About the O'Hare Modernization Program (OMP), http://www.cityofchicago.org/city/en/depts/doa/provdrs/omp/svcs/about_the_omp.html, accessed January 2011.

CREATE's infrastructure improvements will benefit approximately one-third of the freight rail traffic in the U.S. Plans call for CREATE to invest $2.5 billion over a 20-year period in capital projects that will increase the efficiency of five rail corridors by reducing train delays and congestion. CREATE projects include new overpasses and underpasses to separate auto and rail traffic, as well as passenger and freight train tracks. Viaduct improvements, grade crossing enhancements, and extensive upgrades to tracks, switches and signal systems are also part of CREATE's work program.[36] Of the 71 total CREATE projects, 11 have been completed, seven are currently under construction, seven are in design, 17 are in environmental review, and 29 remain to be initiated pending funding availability. In 2010, CREATE received $233 million in grant awards from the U.S. DOT.[37]

- **Highway Improvement Projects.** An estimated $224.8 million in highway improvement projects are currently underway in the Air Trade Area, including: IL Route 53 Lane Addition ($52 million); Eisenhower Expressway Resurfacing ($45.1 million); 159th Street Viaduct Reconstruction ($38.4 million); Bishop Ford Freeway (I-94) Rehabilitation Project ($27.5 million); Congress Parkway Bridge Rehabilitation Project ($33 million); 159th Street Roadway Reconstruction ($17.8 million); and U.S. Route 45 Improvements ($11 million).[38] The Illinois Tollway, which maintains and operates over 250 miles of interstate tollways in the Air Trade Area, spent $232 million in congestion relief projects in 2010 including bridge rehabilitations, pavement improvements, interchange improvements, drainage structures, embankments, guardrail, barriers, pavement markings, fencing, signage, and lighting.[39]
- **The Chicago Transit Authority (CTA) Blue Line Track and Tunnel Project.** With a cost of $88 million, this project involves rail replacement and tunnel rehabilitation on the CTA's Blue Line subway, which connects Downtown Chicago with O'Hare International Airport.[40]
- **Chicago Army Reserve Center.** The Army Reserve Center in Chicago will construct a $23 million training facility with educational, physical fitness, maintenance, weapons training, and administrative facilities for 11 Army Reserve units.[41]
- **Ann & Robert H. Lurie Children's Hospital of Chicago.** This $1 billion expansion project by the Children's Memorial Hospital, the Air Trade Area's pre-eminent pediatric medical center, will add a 1.25 million square-foot facility with 313 beds in Downtown Chicago. The project broke ground in 2008 and is estimated for completion in 2012.[42]
- **University of Chicago Medical Center New Hospital Pavilion.** This $700 million, 10-story facility will combine patient care and clinical research functions in a 1.2 million square-foot building. In addition to providing a new home for the medical center's clinical programs for cancer, gastrointestinal disease, neuroscience, advanced surgery and high-technology medical imaging, the Pavilion will contain 240 private inpatient and intensive care beds and

---

36 Frequently Asked Questions, http://www.createprogram.org/faq.html#whatis, accessed January 2011.
37 "CREATE Program–Status and Funding Summary," www.createprogram.org, accessed January 2011.
38 http://dot.state.il.us/projects.html, accessed January 2011.
39 http://www.illinoistollway.com/portal/page?_pageid=54,2798596&_dad=portal&_schema=PORTAL, accessed January 2011; *Illinois Tollway Quarterly Financial Review*, April 1-June 30, 2010, http://www.illinoistollway.com/portal/page?_pageid=133,1398314&_dad=portal&_schema=PORTAL, accessed January 2011.
40 "Chicago Transit Authority Awards $88-Million Project," *Midwest Construction*, August 2009.
41 "Durbin: Congress Approves More than $126 Million in Funding For Illinois Projects," http://durbin.senate.gov/showRelease.cfm?releaseId=320742, accessed January 2011.
42 Building the New Hospital, Children's Memorial Hospital, http://www.childrensmemorial.org/newsroom/sitelocation.aspx, accessed January 2011.

24 state-of-the-art operating rooms. The project broke ground in 2009 and completion is expected in 2013.[43]

- **Rush University Medical Center.** A new hospital building is currently under construction in Downtown Chicago, with an estimated completion date of 2012. The 14-floor, $575 million facility will provide 386 beds and 28 operating rooms in an 806,000 square-foot building.[44]
- **Elmhurst Memorial Hospital.** To be completed by summer 2011, this $450 million facility is set on 50 acres in Elmhurst, located approximately 20 miles west of Downtown Chicago. The 866,000 square-foot structure will contain 259 private inpatient suites, physician office space, laboratories, radiology facilities, and community education areas.[45]
- **St. Alexius Medical Center.** The $117.4 million expansion of the St. Alexius Medical Center in Hoffman Estates is expected to be completed over an eight-year period and will include a new six-story hospital facility.[46]
- **College of DuPage Campus Renovation.** With 31,000 students, the College of DuPage is one of the largest community colleges in Illinois. The campus is currently undergoing a $300 million renovation with an anticipated completion date of 2013. An estimated $137 million of projects are in process in 2010, including the renovation of the Student Resource Center, and construction of the College Center Addition, Workforce Development Center, and Culinary & Multimedia Arts Center Addition.[47]

1.6.3 Finance/Insurance/Real Estate

In 2010, the finance/insurance/real estate sector employs 602,718 workers in the Air Trade Area, accounting for 11.0 percent of total non-agricultural employment.

According to *Crain's Chicago Business*, major banks headquartered in the Air Trade Area are Northern Trust Company ($63.1 billion in assets), Harris Trust & Savings Bank ($43.4 billion in assets), and MB Financial Bank ($10.1 billion in assets).[48]

The Air Trade Area is also home to major global trading exchanges such as the Chicago Board Options Exchange (CBOE), and the CME Group which was formed by the merger of the Chicago Mercantile Exchange, the Chicago Board of Trade, and the New York Mercantile Exchange.[49] Serving the risk management needs of investors and businesses in the U.S. and internationally, the CME Group provides benchmark futures and options products based on interest rates, equity indexes,

---

43 "Largest Single Health Care Investment in History of South Side Approved by University of Chicago Board," Newsroom, June 9, 2008, http://www.uchospitals.edu/news/2008/20080609-pavilion.html, accessed January 2011.

44 "New Hospital Facility - Rush University Medical Center," http://www.rush.edu/Rush_Document/NewHospitalFactSheet.pdf, accessed January 2011.

45 *Health Connections*, Elmhurst Memorial Healthcare, p. 10, Spring 2010; Press Release, "Move to New Elmhurst Memorial Hospital Set for June 25, 2011," June 28, 2010, http://www.emhc.org/about/emhcnews/pressreleases/individual.cfm?pid=7EF79A09-BF87-0B36-5A6A25F4ADE2DA9D, accessed January 2011.

46 "Hoffman Estate Hospital Plans Expansion," *Crain's Chicago Business*, October 13, 2009.

47 "Construction in Full Swing on Campus During 2010," Construction News, College of Dupage, http://home.cod.edu/newsEvents/constructionNews.aspx, accessed January 2011.

48 Crain's Lists, Chicago's Largest Banks, http://www.chicagobusiness.com/section/lists?djoPage=view_html&djoPid=1636&djoPY=@pQavM2XBKaEs, accessed January 2011.

49 About CME Group, http://www.cmegroup.com/company/history/, accessed January 2011.

foreign exchange, energy, agricultural commodities, metals, and alternative investment products such as weather and real estate.[50]

The Air Trade Area is headquarters for large insurance firms that operate internationally. For example, Allstate Corporation, the nation's largest publicly held personal lines insurer, and 68th on the Fortune 500 list in 2010, had revenues of $32 billion in 2009 and employs over 70,000 professionals.[51] The brokerage and risk management firm Aon Corporation ranked 298th on the Fortune 500 list in 2010, had revenues of $7.6 billion in 2009, and has 36,000 employees in 500 offices in more than 120 countries.[52] With 2009 revenue of $8.5 billion, CNA Financial Corporation is headquartered in Chicago and is the seventh-largest U.S. commercial insurer.[53]

1.6.4 Manufacturing

In 2010, the manufacturing sector accounts for 409,504 jobs in the Air Trade Area, or 7.5 percent of total non-agricultural employment. The diversity of the Air Trade Area's economy extends to the manufacturing sector where local firms produce automotive and industrial equipment, pharmaceuticals, food products, chemicals, rubber and other plastic products, fabricated metals, electronics, and telecommunications equipment.

Recent manufacturing employment growth in the Air Trade Area has included the addition of 285 workers at Lear Corp.'s factory in Hammond, Indiana, 750 workers at steelmaker ArcelorMittal's facility in East Chicago, Indiana, and 1,200 workers at Ford Motor Co.'s Chicago Assembly Plant.[54] According to the Illinois Department of Employment Security, Illinois has added 9,200 manufacturing jobs through September 2010.[55]

1.6.5 Government

Data in Table I-16 show that government employment accounts for 638,992 employees in the Air Trade Area in 2010, representing 11.7 percent of total non-agricultural employment.

The government sector in the Air Trade Area includes federal, state, county, and city employees. Federal employers within the Air Trade Area include the Internal Revenue Service, Social Security Administration, Department of Agriculture, Seventh Circuit Court of Appeals, U.S. Postal Service, and many other entities. In 2010, the federal government employs approximately 77,000 people within the Air Trade Area across a variety of functions and agencies. Other major governmental employers in the Air Trade Area include the Chicago Public Schools (43,740 employees), the City of Chicago (36,242 employees) and Cook County (23,416 employees).[56]

50 About CME Group, http://www.cmegroup.com/company/history/, accessed January 2011.
51 The Allstate Corporation at a Glance, http://www.allstate.com/about.aspx, accessed January 2011; "Fortune 500," *Fortune*, May 3, 2010.
52 About Aon, http://www.aon.com/about-aon/about-aon.jsp, accessed January 2011; "Fortune 500," *Fortune*, May 3, 2010.
53 About CNA, http://www.cna.com/portal/site/cna/about/, accessed January 2011; CNA, Investor Relations, Form-10K, http://investor.cna.com/phoenix.zhtml?c=104503&p=irol-irhome, accessed January 2011.
54 "Lear Plans Major Addition of Jobs in Hammond," *Chicago Sun-Times*, March 2, 2010; "Ford to Spend $400 Million, Add 1,200 Jobs in Chicago," *Bloomberg News*, January 26, 2010.
55 Current Employment Statistics Program, Illinois Department of Employment Security, http://lmi.ides.state.il.us, accessed January 2011.
56 Crain's Lists, Chicago's Largest Employers, http://www.chicagobusiness.com/section/lists?djoPage=view_html&djoPid=1643&djoPY=@pGKJyF3ZKmUM, accessed January 2011.

1.6.6 Wholesale and Retail Trade

Wholesale and retail trade in the Air Trade Area employ 746,827 workers in 2010, equating to 13.7 percent of total non-agricultural employment. Approximately 68 percent of the Air Trade Area's trade employees, or 509,641 workers, were engaged in retail trade.[57]

Businesses in the Air Trade Area have taken advantage of overseas markets and have expanded their operations internationally. Many of the Air Trade Area's top companies depend on offshore plants and suppliers for manufacturing and assembly as well as raw materials. This expanding international business activity generates demand for both international air travel and air freight services. In 2010, total trade activity (both imports and exports) between the Chicago Customs District[58] and the rest of the world was valued at $138.5 billion (see **Table I-17**).

Data in Table I-17 show that $110.9 billion in trade (including imports and exports) through the Chicago Customs District was conveyed by air in 2010. This represents 80 percent of all trade through the Chicago Customs District, and more than 69 percent of the Midwest's value of total trade by air. The Air Trade Area's high rate of trade by air reflects the prevalence of just-in-time inventory management of high value goods (especially in the electronics and industrial components sectors), as well as an expanding global network of suppliers and manufacturers. Furthermore, as Air Trade Area companies continue to develop new international markets for their goods and services, their reliance on international passenger and air freight service at the Airport will increase in the future.

1.6.7 Services

Jobs in the services sector in the Air Trade Area employ 2,598,353 workers in 2010 and account for 47.5 percent of total non-agricultural employment.

The services industry is the largest job sector in the Air Trade Area and employs workers in a wide range of subsectors that vary greatly in size. In 2010, 18 percent of the Air Trade Area's service workers are employed in leisure, hospitality and food service, 25 percent are employed in health care and 14 percent are employed in administration and support services. Other service sector categories include: professional, scientific and technical services (17 percent of service workers); education (seven percent); information technology (four percent); management of enterprises (three percent); and other services (12 percent).

1.6.7.1 Higher Education and Research Institutions

Employment in the education subsector is an important source of jobs in the Air Trade Area. The numerous public and private colleges and universities in the Air Trade Area, such as the University of Illinois at Chicago, University of Chicago, DePaul University, Northwestern University and Loyola University Chicago, contribute to its high level of educational attainment. The 38 colleges and universities shown in **Table I-18** enroll approximately 283,000 students. These institutions generate air travel demand through academic meetings and conferences, visiting professorships, study-abroad programs, and individual student and faculty travel.

---

57 Woods & Poole Economics, Inc. *2011 Complete Economic and Demographic Data*, October 2010.

58 The Chicago Customs District comprises 12 ports in Illinois and six in surrounding midwestern states. Illinois: Calumet Harbor, Chicago, Chicago River, Greater Rockford Airport, Lockport, Moline, Pal-Waukee User Fee Airport, Peoria, Nippon Courier Hub, Rock Island, Waukegan Airport, Waukegan Harbor. Indiana: East Chicago, Gary, Michigan City Harbor. Iowa: Des Moines, Davenport. Nebraska: Omaha. Schedule D -- U.S. Customs Districts and Port Codes, http://www.census.gov/foreign-trade/schedules/portcode.txt, accessed March 2011.

Table I-17

Total Trade by Conveyance (2010)

Customs District	Value of Total Trade[1/] ($ billions)	Value of Total Trade by Air ($ billions)	Percent of Total Trade by Air ($ billions)
Chicago	138.5	110.9	80.0%
Midwest[2/]	402.6	159.3	39.6%
United States	3,189.6	837.0	26.8%

Notes:
1/ Total trade = total imports and exports.
2/ Data for the Midwest is an aggregation of the Chicago, Cleveland, Detroit and Milwaukee Customs Districts.

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, February 2010.
Prepared by: Partners for Economic Solutions, March 2011.

Table I-18
Air Trade Area College and University Enrollment (2010)

Institution	Main Campus Location	Enrollment
University of Illinois at Chicago	Chicago, IL	27,300
Northern Illinois University	DeKalb, IL	25,310
DePaul University	Chicago, IL	24,010
Northwestern University	Evanston, IL	19,180
Loyola University Chicago	Chicago, IL	15,950
University of Chicago	Chicago, IL	15,440
Columbia College Chicago	Chicago, IL	12,230
Northeastern Illinois University	Chicago, IL	12,200
Purdue University Calumet	Hammond, IN	10,130
Governors State University	University Park, IL	7,780
Illinois Institute of Technology	Chicago, IL	7,710
Roosevelt University	Chicago, IL	7,500
Robert Morris University	Chicago, IL	7,280
Chicago State University	Chicago, IL	7,130
Lewis University	Romeoville, IL	5,800
Indiana University Northwest	Gary, IN	5,560
University of Wisconsin-Parkside	Kenosha, WI	5,300
Benedictine University	Lisle, IL	5,280
Concordia University Chicago	River Forest, IL	5,050
Saint Xavier University	Chicago, IL	5,030
Purdue University North Central	Westville, IN	4,460
Valparaiso University	Valparaiso, IN	4,060
Aurora University	Aurora, IL	4,000
Dominican University	River Forest, IL	3,900
Elmhurst College	Elmhurst, IL	3,630
Carthage College	Kenosha, WI	3,400
University of St. Francis	Joliet, IL	3,350
North Park University	Chicago, IL	3,250
Trinity International University	Deerfield, IL	3,000
School of the Art Institute of Chicago	Chicago, IL	2,990
North Central College	Naperville, IL	2,900
Wheaton College	Wheaton, IL	2,890
Kendall College	Chicago, IL	2,390
Rush University	Chicago, IL	2,000
Trinity Christian College ·	Palos Heights, IL	1,450
Lake Forest College	Lake Forest, IL	1,390
Judson University	Elgin, IL	1,230
East-West University	Chicago, IL	1,170
Saint Joseph's College	Rensselaer, IN	1,030
Total		283,660

Source: Institution web sites, March 2011.
Prepared by: Partners for Economic Solutions, March 2011.

The Air Trade Area benefits from a research and development infrastructure that boasts a wide variety of research centers and institutes, as well as Argonne National Laboratory and Fermi National Accelerator Laboratory (see **Table I-19**). These organizations have major commitments to research efforts in physics, nuclear energy, bioscience, nanotechnology, environmental systems, information technology, as well as in medicine, health and social sciences. The Air Trade Area's concentration of research institutions is a key factor in maintaining its position as a leading center of education and research which in turn assists in attracting highly-skilled labor to the region.

1.6.7.2 Air Trade Area Tourism Industry

Tourism and business travel in the Air Trade Area provide a significant source of demand for air traffic and employ many workers in the leisure and hospitality subsector. Analyses of the Air Trade Area's tourism industry, convention business, and visitor attractions are provided below.

Data from Woods & Poole Economics, Inc. indicate that the leisure, hospitality and food service sectors employ an estimated 481,291 workers in the Air Trade Area.[59] Approximately 39.6 million people traveled to Chicago in 2009 (latest data available). These visitors generated $10.2 billion in direct spending and $587 million in state and local tax revenue.[60] A survey from the U.S. Department of Commerce's Office of Tourism Industries shows that 1,132,921 travelers from overseas (excluding Canada and Mexico) arrived at the Airport in 2009 (latest data available). The Airport ranked seventh among top U. S. airports for overseas non-resident arrivals in 2009, ahead of other major destinations such as Atlanta, Washington, D.C., Orlando and Boston. (See **Table I-20**).

The list of recent awards shown in **Table I-21** reflects the Air Trade Area's popularity among visitors and meeting planners. Publications ranging from *Travel + Leisure*, *Conde Nast Traveler*, *Lonely Planet*, *Fast Company* and *GQ* named Chicago a top destination in 2008, 2009 and 2010. Chicago has also been cited as a top location for commerce, sports events and cultural attractions by *Foreign Policy* magazine, *Foreign Direct Investment* magazine, *The Sporting News*, and *American Style* magazine. In addition, the Chicago Convention & Tourism Bureau (CCTB) has won major industry awards. In 2009, the CCTB received a Pinnacle Award from *Successful Meetings* magazine in recognition of its meeting planning services. It also was recognized by *Meetings & Conventions (M&C)* magazine in 2009 with a Gold Service Award that honors convention and visitors bureaus that have excelled in professionalism and dedication in their service to meeting professionals.

1.6.7.3 Convention Business

Chicago ranks third in the U.S. in terms of the number of conventions it hosts[61] With 2.6 million square feet of exhibit space, McCormick Place is the Air Trade Area's primary meeting and exhibition venue and is the nation's largest convention facility.[62] The 720,000 square-foot West Building expansion, which opened in 2007, allows McCormick Place to accommodate two conventions simultaneously.[63]

In support of the Air Trade Area's meetings and conventions, approximately 85 hotels with 33,520 rooms are located within five miles of McCormick Place, and approximately 100,000 hotel rooms are

---

59 Woods & Poole Economics, Inc. *2011 Complete Economic and Demographic Data*, October 2010.
60 Chicago Convention & Tourism Bureau, Visitor Impact, Chicago Travel Statistics, http://www.choosechicago.com/media/statistics/visitor_impact/Pages/default.aspx, accessed March 2011.
61 Trade Shows, Chicago Business Information, http://www.biztradeshows.com/usa/chicago/business.html, accessed January 2011.
62 Facilities, www.mccormickplace.com, accessed January 2011.
63 Floorplans, Facilities, www.mccormickplace.com, accessed January 2011.

Table I-19

Major Research Institutions in the Air Trade Area (2010)

Institution	Location
National Laboratories:	
Argonne National Laboratory	Lemont, IL
Fermi National Accelerator Laboratory	Batavia, IL
DePaul University:	
Health Law Institute	Chicago, IL
Institute for Applied Artificial Intelligence	Chicago, IL
International Aviation Law Institute	Chicago, IL
Illinois Institute of Technology:	
IIT Research Institute	Chicago, IL
Center for Accelerator and Particle Physics	Chicago, IL
Center for Diabetes Research and Policy	Chicago, IL
Center for Digital Design & Manufacturing	Chicago, IL
Center for Electrochemical Science and Engineering	Chicago, IL
Center for Integrative Neuroscience and Neuroengineering Research	Chicago, IL
Center for the Management of Medical Technology	Chicago, IL
Center for Synchrotron Radiation Research and Instrumentation	Chicago, IL
Fluid Dynamics Research Center	Chicago, IL
High Performance Computing Center	Chicago, IL
International Center for Sensor Science and Engineering	Chicago, IL
National Center for Food Safety and Technology	Summit-Argo, IL
Particle Technology and Crystallization Center	Chicago, IL
Pritzker Institute of Biomedical Science and Engineering	Chicago, IL
Thermal Processing Technology Center	Chicago, IL
Wanger Institute for Sustainable Energy Research	Chicago, IL
Loyola University Chicago:	
Ann Ida Gannon, BVM, Center for Women and Leadership	Chicago, IL
Center for the Human Rights of Children	Chicago, IL
Center for Urban Environmental Research and Policy	Chicago, IL
Parmly Hearing Institute	Chicago, IL
Northern Illinois University:	
Institute for Nanoscience, Engineering, and Technology	DeKalb, IL
Institute for Neutron Therapy	Batavia, IL
Regional Development Institute	DeKalb, IL
Northwestern University:	
Buffett Center for International and Comparative Studies	Chicago, IL
Center for Functional Genomics	Chicago, IL
Center for Interdisciplinary Exploration and Research in Astrophysics	Chicago, IL
Center for Molecular Innovation and Drug Discovery	Chicago, IL
Institute for Bionanotechnology in Medicine	Chicago, IL
Institute for Policy Research	Chicago, IL
Institute for Sustainable Practices	Chicago, IL
International Institute for Nanotechnology	Chicago, IL
Materials Research Center	Chicago, IL
Northwestern Synchrotron Research Center	Chicago, IL
Northwestern Atomic and Nanoscale Characterization Experimental Center	Chicago, IL
Searle Rehabilitation Research Center	Chicago, IL
Rush University:	
Institute for Healthy Aging	Chicago, IL
Heart and Vascular Institute	Chicago, IL
Arthritis and Orthopedics Institute	Chicago, IL
University of Chicago:	
Ben May Institute for Cancer Research	Chicago, IL
Enrico Fermi Institute	Chicago, IL
Howard Hughes Medical Institute	Chicago, IL
Institute for Biophysical Dynamics	Chicago, IL
Institute for Genomics and Systems Biology	Chicago, IL
James Franck Institute	Chicago, IL
Milton Friedman Institute for Research in Economics	Chicago, IL
National Opinion Research Center	Chicago, IL
The Computation Institute	Chicago, IL
University of Illinois at Chicago:	
Center for Magnetic Resonance Research	Chicago, IL
Center for Structural Biology	Chicago, IL
Institute for Health Research and Policy	Chicago, IL
Institute for Tuberculosis Research	Chicago, IL
National Center for Data Mining	Chicago, IL

Source: Institution web sites, October 2010.

Prepared by: Partners for Economic Solutions, January 2011.

Table I-20

Top Airports for Overseas Non-Resident Arrivals (2009)

Rank	U.S. Port of Entry	Number of Arrivals[1/]	% of All Overseas Arrivals
1	New York (JFK)	4,011,310	16.9%
2	Miami (MIA)	3,136,189	13.2%
3	Los Angeles (LAX)	2,194,780	9.2%
4	Newark (EWR)	1,688,467	7.1%
5	Honolulu (HNL)	1,292,461	5.4%
6	San Francisco (SFO)	1,230,389	5.2%
7	**Chicago (ORD)**	**1,132,921**	**4.8%**
8	Atlanta (ATL)	989,376	4.2%
9	Guam (GUA)	929,407	3.9%
10	Washington, D.C. (IAD)	820,026	3.5%
11	Orlando (MCO)	791,894	3.3%
12	Houston (IAH)	551,912	2.3%
13	Boston (BOS)	502,624	2.1%
14	Philadelphia (PHL)	448,020	1.9%
15	Ft. Lauderdale (FLL)	386,555	1.6%
	Other Ports of Entry	3,649,853	15.4%
Total		23,756,184	100.0%

Note:
1/ Data include arrivals from all countries except Canada and Mexico.

Source: U.S. Department of Commerce, ITA, Office of Tourism Industries, October 2010.
Prepared by: Partners for Economic Solutions, January 2011.

Table I-21
Travel & Destination Awards

	Awards
City of Chicago	2010 #1 City For Recent College Graduates — *Gradspot.com* 2010 #3 Top 10 Summer Travel Destinations — *Orbitz.com* 2010 #4 Top City in the U.S. — *Conde Nast Traveler Magazine Readers' Choice Awards* 2010 #4 Top City in the U.S./Canada — *Travel and Leisure Magazine World's Best Awards* 2010 #4 Coolest City in the U.S. — *Forbes Magazine* 2010 #5 Top 10 Food & Wine Destinations in the World — *TripAdvisor.com* 2010 #6 Global Cities Index — *Foreign Policy Magazine* 2010 #10 America's Top 50 Bike-Friendly Cities — *Bicyclists Magazine* 2009 Top 10 Cities in the World — *Lonely Planet's Best in Travel* 2009 #2 North American City of the Future — *Foreign Direct Investment Magazine* 2009 #3 Top U.S. Destination — *Orbitz.com* 2009 #4 Best Sports City in the U.S. — *The Sporting News* 2008 U.S. City of the Year — *Fast Company Magazine* 2008 City of the Year — *GQ Magazine* 2008 #1 City With Green Certified Hotels — *Greenseal.org* 2008 #2 Art Destination — *American Style Magazine* 2008 #5 Top 10 International Centers of Commerce — *MasterCard World Wide Centers of Commerce Index* 2008 World's Top Trading City — *Trader Monthly Magazine*
O'Hare International Airport	2009 Best Airport in North America — *Global Traveler Magazine* 2008 1st Place, Excellence in Marketing and Communications - *Airports Council International*
Chicago Convention & Tourism Bureau	2009 Pinnacle Award — *Successful Meetings Magazine* 2009 Gold Service Award — *Meetings & Conventions Magazine*
McCormick Place Convention Center	2009 Best Convention Center in U.S. — *Trade Show Exhibitors Association* 2007 Best Convention Center — *Illinois Meetings + Events Magazine*
Navy Pier	2007 Best Attraction — *Illinois Meetings + Events Magazine* 2007 #1 Place To Take Out-Of-Town Guests — *West Suburban Living Magazine*
Millennium Park	2006 #1 Summer Destination in U.S. — *Priceline.com*
Dana Hotel and Spa	2009 Hot List Hotels — *Conde Nast Traveler Magazine*
Four Seasons Chicago	2010 Gold List — *Conde Nast Traveler Magazine*
Hotel Sax	2008 Hot List Hotels — *Conde Nast Traveler Magazine*
Hyatt Regency McCormick Place	2009 Pinnacle Award — *Successful Meetings Magazine*
Omni Chicago Hotel	2010 Gold List — *Conde Nast Traveler Magazine*
Park Hyatt Chicago	2010 Gold List — *Conde Nast Traveler Magazine*
Swissotel Chicago	2009 Gold Key Award — *Meetings & Conventions Magazine*
The Blackstone	2009 Hot List Hotels — *Conde Nast Traveler Magazine*
The Peninsula Chicago	2010 Gold List — *Conde Nast Traveler Magazine* 2009 #2 Hotel in the U.S. — *Conde Nast Traveler Magazine Readers' Choice Awards*
The Ritz-Carlton Chicago	2010 Gold List — *Conde Nast Traveler Magazine* 2009 #11 Hotel in the U.S. — *Conde Nast Traveler Magazine Readers' Choice Awards* 2008 #1 Hotel in Chicago, #4 Hotel in U.S. — *Institutional Investor Magazine*
Trump International Hotel & Tower Chicago	2010 #1 Large City Hotel in the U.S./Canada — *Travel & Leisure Magazine World's Best Awards* 2010 #20 Hotel Worldwide — *Travel & Leisure Magazine World's Best Awards* 2008 Hot List Hotels — *Conde Nast Traveler Magazine*
Alinea	2010 #7 World's Best Restaurants — *Restaurants Magazine*
L20	2009 Hot List Tables — *Conde Nast Traveler Magazine*
Publican	2009 Hot List Tables — *Conde Nast Traveler Magazine*
Sepia	2008 Hot List Tables — *Conde Nast Traveler Magazine*
Vertigo Sky Lounge	2009 Hot List Nights — *Conde Nast Traveler Magazine*
Violet Hour	2008 Hot List Nights — *Conde Nast Traveler Magazine*

Sources: Chicago Convention & Tourism Bureau; Chicago Office of Tourism; concierge.com; organization web sites; October 2010.
Prepared by: Partners for Economic Solutions, January 2011.

located in metropolitan Chicago.[64] Eleven hotels with a total of 3,078 rooms have opened recently in Downtown Chicago including JW Marriott Chicago, The Elysian, The Blackstone, Dana Hotel and Spa, Hotel Felix, and Trump International Hotel & Tower Chicago.[65] In addition, plans are moving forward to expand the existing 800-room Hyatt Regency McCormick Place with the development of a $200 million 450-room tower.[66] In 2013, Langham Hotels International will open a 320-room luxury hotel in the 52-story Mies van der Rohe building, one of Chicago's most famous downtown riverfront landmarks.[67]

Hotel occupancy in the Chicago area rose from 67 percent in 2009 to 70 percent in 2010, according to Smith Travel Research. The average daily rate for Chicago area hotels in 2010 was $164.18, a two percent increase from $161.16 in 2009.[68] In 2010, hotel occupancy in the U.S. averaged 57.6 percent, an improvement from 54.5 percent in 2009. Nationwide, according to Smith Travel Research, the average daily rate increased by .01 percent from $98.08 in 2009 to $98.17 in 2010.[69]

Support for tourism and conventions is a high priority for the business community, civic organizations and government officials in the Air Trade Area. In response to the loss of the National Plastics Exposition, and the Healthcare Information and Management Systems Society trade shows in November 2009, Chicago's convention industry leaders, the Mayor of Chicago, and Governor Pat Quinn worked with the Illinois General Assembly to pass reform legislation in May 2010 that brought significant changes to the operations of the Metropolitan Pier and Exposition Authority (MPEA), owner and operator of McCormick Place and Navy Pier.

Reforms to lower prices and improve service for exhibitors and show management include: reduced crew sizes and standardized time provisions for union workers; expanded exhibitor rights allowing exhibitors to complete a wide range of tasks which were previously prohibited; provision of electrical services by outside contractors and reduced rates from the facility's in-house contractor; more competitive pricing by the facility's in-house banquet services contractor; free wi-fi service throughout the convention center; and reduced parking rates. The legislation also established a 23-member Advisory Council made up of show organizers, exhibitors, labor, service and exhibitor contractors and MPEA and CCTB management to oversee the implementation of the reforms. In addition, MPEA is in the process of selecting a private management company to run McCormick Place.[70]

---

64 Hotel Meeting Facilities & Accommodations, 2009 Chicago Meeting Professionals Guide, http://www.choose chicago.com/meetingplanners/Pages/default.aspx, accessed January 2011.

65 "Q&A with Michael Reschke on New Luxury Hotel," *Crain's Chicago Business*, November 4, 2010; Chicago's Newest Hotels, 2009 Chicago Meeting Professionals Guide, http://www.choosechicago.com/meetingplanners/ Pages/default.aspx; http://www.trumpchicagohotel.com/Hotel_Overview/Hotel_Overview.asp, accessed January 2011.

66 "McPier Issues $1.1B in Bonds to Restructure Debt, Add Hotel Rooms," *Crain's Chicago Business*, October 6, 2010.

67 "Sensible Luxury Development Alive and Thriving," *Hotel Management*, January 2011; The Langham, Chicago, http://chicago.langhamhotels.com/, accessed February 2010.

68 Hotel Industry Monthly Occupancy, http://www.choosechicago.com/media/statistics/hotel_industry/Pages/ monthly_occupancy.aspx, accessed February 2011.

69 United States, 2010 Occupancy and Average Daily Rate Data, Smith Travel Research, January 2011.

70 Press Release, "Mayor Daley, Convention Leaders Announce Latest Successes for Chicago's Convention Industry," August 12, 2010, Metropolitan Pier and Exposition Authority and Chicago Convention & Tourism Bureau; Press Release, "McCormick Place Unveils Phase II Reforms Designed to Cut Costs, Increase Flexibility for Conventions and Tradeshows Coming to Chicago," October 21, 2010, Metropolitan Pier and Exposition Authority and Chicago Convention & Tourism Bureau.

According to the CCTB, the new reforms have helped Chicago attract more than $1.6 billion in direct spending as the result of future convention and tradeshow business from organizations that have either re-committed to host their shows in Chicago or are committing to bring their business to Chicago for the first time. Organizations that have re-committed to McCormick Place for future conventions include: Healthcare Information and Management Systems Society (2015, 2019); National Restaurant Association (2011, 2012, 2013, 2014, 2015, 2016); International Manufacturing Technology Show (2012, 2014, 2016); International Housewares Association (2012, 2013, 2014, 2015, 2016); American Academy of Ophthalmology (2012, 2014, 2016, 2018); American College of Cardiology (2012, 2017, 2020); American Wind Energy Association (2013); Society for Neuroscience (2015, 2021); Lions Club International (2017). New conventions that have signed with McCormick Place include: ACE (2011, 2012); American Federation of State, County and Municipal Employees (2014); and Solar Power International (2013).[71]

1.6.7.4 Visitor Attractions

According to *Crain's Business Chicago*, major visitor attractions in the Air Trade Area include: Navy Pier (8.0 million visitors), Millennium Park (4.0 million visitors), Lincoln Park Zoo (3.0 million visitors), Six Flags Great America (2.5 million visitors), Shedd Aquarium (1.9 million visitors), the Art Institute of Chicago (1.8 million visitors), the Museum of Science and Industry (1.6 million visitors), the Field Museum of Natural History (1.3 million visitors), Willis Tower Skydeck (formerly Sears Tower, 1.3 million visitors), the Chicago Cultural Center (808,000 visitors), the Chicago Children's Museum (758,000 visitors), and the Adler Planetarium & Astronomy Museum (414,000 visitors).[72]

Chicago is internationally renowned for its architectural history, and the preservation of historical structures. Architects such as Louis H. Sullivan, Frank Lloyd Wright, and Ludwig Mies van der Rohe designed buildings that remain major Chicago landmarks. Every year, an estimated 496,000 people attend lectures, exhibits, and architecture tours sponsored by the Chicago Architecture Foundation.[73]

Performing arts facilities in the Air Trade Area include Symphony Center, the Civic Opera House, and the Harris Theater for Performance and Dance. These venues are home to acclaimed companies including the Chicago Symphony Orchestra, the Civic Light Opera and the Chicago Jazz Ensemble. Professional theater and comedy venues in the Air Trade Area include Steppenwolf Theatre, Goodman Theatre and The Second City.

Chicago is home to 26 miles of lakefront, 15 public beaches, 552 parks, 19 miles of lakefront bicycle paths and an urban forest preserve, among other recreational amenities.[74] In terms of spectator sports, several professional teams are based in Chicago, and the City is regularly named among the

71 Press Release, "Mayor Daley, Convention Leaders Announce Latest Successes for Chicago's Convention Industry," August 12, 2010, Metropolitan Pier and Exposition Authority and Chicago Convention & Tourism Bureau; News Releases, Chicago Meeting Matters, http://meetinchicago.typepad.com/chicagomeetingmatters/news-releases/, accessed March 2011.

72 Top tourist attractions (sightseeing), ranked by 2009 attendance, http://www.chicagobusiness.com/section/lists?djoPage=view_html&djoPid=1648&djoPY=@p1C2wfF0/cNE; Chicago's largest tourist attractions (cultural institutions), ranked by 2009, http://www.chicagobusiness.com/section/lists?djoPage=view_html&djoPid=1622&djoPY=@pC55wQbZCw1E, accessed January 2011.

73 CAF Fact Sheet 2010, Chicago Architecture Foundation, http://caf.architecture.org/Page.aspx?pid=331, accessed January 2011.

74 Chicago Fun Facts, http://www.explorechicago.org/city/en/about_the_city/fun_facts.html, accessed January 2011.

best sports cities in the U.S.[75] The Cubs play at the historic Wrigley Field, the oldest baseball park in the National League. The White Sox (baseball) play at U.S. Cellular Field, the Bears (football) play at Soldier Field along the City's lakefront, and United Center is home to the Bulls (basketball) and the Blackhawks (ice hockey).[76]

1.7 Economic Outlook

In the wake of the December 2007-June 2009 recession, the U.S. economy is experiencing weaknesses in housing construction, consumer spending, and business investment, as well as relatively high unemployment rates and low GDP growth.[77]

The most recently published surveys of leading economists by Blue Chip Economic Indicators and the National Association for Business Economics (NABE) indicate consensus for modest GDP growth in 2011.[78] Both forecast panels project that the annual unemployment rate in the U.S. will range from 9.0 to 9.1 percent in 2011. The Blue Chip Economic Indicators forecast projects annual GDP growth of 3.1 percent for the U.S. in 2011. The NABE forecast has a more optimistic outlook of 3.3 percent growth in GDP for the U.S. in 2011.

[75] #4 Best Sports City in the U.S. in 2009, #1 Best Sports City in the U.S. in 2006, *The Sporting News*; Best Sport's Fan Vacation City in 2007, *Travel + Leisure Magazine*; *Chicago's Accolades*, http://www.explorechicago.org/city/en/about_the_city/press_room/press_kit_template/Chicago_s_Accolades.html, accessed January 2011.

[76] Professional Sports, http://www.explorechicago.org/city/en/things_see_do/recreational_activities/professional_sports.html, accessed January 2011.

[77] Building Permits - States and Metro Areas, National Association of Homebuilders, http://www.nahb.org/reference_list.aspx?sectionID=130, accessed March 2011; Table 2.1. Personal Income and Its Disposition, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed March 2011; Table 5.3.2. Contributions to Percent Change in Real Private Fixed Investment by Type and Table 5.6.6B. Change in Real Private Inventories by Industry, Chained Dollars, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/ TableView.asp, accessed March 2011; Labor Force Statistics from the Current Population Survey, Bureau of Labor Statistics, http://www.bls.gov/cps/, accessed March 2011; Table 1.1.1. Percent Change From Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/national/nipaweb/TableView.asp, accessed March 2011.

[78] *Blue Chip Economic Indicators*, Vol. 36, No. 3, March 10, 2010, Aspen Publishers; *NABE Outlook*, February 2011, National Association for Business Economics.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

II. Air Traffic

This chapter describes the role of the Airport, the airlines serving the Airport, historical Airport activity, factors affecting aviation demand, and projected Airport activity.

2.1 Role of the Airport

Based US DOT survey data, the Chicago Region was ranked second in domestic origin-destination (O&D) passengers in 2009, following the New York/Newark market. With its proximity to the center of the U.S., airport facilities to accommodate domestic and international passengers, and its status as one of the few major dual hub airports in the U.S., the Airport is a key component of the air transportation system.

Table II-1 presents the Airport's worldwide rankings of activity for the 12 months ended December 2010, the most recent data available, based on preliminary statistics from Airports Council International. As shown in Table II-1, the Airport served 67.0 million enplaned and deplaned passengers or approximately 183,600 total passengers each day during this period. As also shown, the Airport ranked second worldwide in total aircraft operations, with 882,617 takeoffs and landings; third worldwide and second in the U.S. in total passengers (see numbers cited above); and 18th worldwide in total cargo, with 1.5 million enplaned and deplaned tons. Historically, the Airport has always ranked at the top of the world's busiest airports, regarding passenger and operations activity. **Table II-2** presents a comparison of international and total enplaned passengers at top U.S. gateway airports in 1995, 2000, and 2010. As shown, the Airport ranked fourth behind John F. Kennedy International (New York), Los Angeles International, and Miami International Airports in international enplaned passengers in 1995 and 2000; and ranked fifth in 2010 behind these same airports and Newark Liberty International Airport. As also shown in Table II-2, the Airport's percentage of international enplaned passengers to total enplaned passengers increased from 10.0 percent in 1995, to 14.1 percent in 2000, and to 15.4 percent in 2010. As discussed later in this chapter, the Airport is provided with service to 53 international cities, with a total of 832 weekly nonstop flights.

The Chicago Region's location along the heavily traveled east/west air routes and its large population base make it a natural location for airline hubbing operations. United and American, two of the world's largest air carriers in terms of revenue passenger miles, operate major connecting hub facilities at the Airport.

Table II-3 presents annual originating, connecting, and total enplaned passengers at the Airport from 1999 through 2009, the latest year for which calendar year originating passenger data are currently available. As shown, the Airport's originating passenger percentage ranged from a high of 50.1 percent in 2008 to a low of 44.5 percent in 2003. Since 2003, the Airport's originating passenger percentage has generally increased to approximately 50 percent in recent years. On a weighted average basis, this percentage was 47.1 percent between 1999 and 2009. Originating, connecting, and total enplanements at the Airport during the first six months of 2010 are also shown in Table II-3. For the first half of 2010, the percentage of originating enplanements at the Airport was 47.1 percent – equal to the average originating percentage between 1999 and 2009.

When compared to other U.S. large-hub airports, the Airport ranks favorably in terms of average fares and average revenue yield per coupon mile, with the latter metric making it attractive for airlines to serve the Airport. **Table II-4** presents average fares for 2009 at the top 25 U.S. large-hub

Table II-1

Top 20 Worldwide Ranking of Activity - 12 Months Ending December 2010

	Rankings by Aircraft Operations		Rankings by Passengers		Rankings by Tons of Cargo	
Rank	Airport	Total Operations	Airport	Total Passengers	Airport	Total Cargo (tons)
1	Atlanta (ATL)	950,119	Atlanta (ATL)	89,331,622	Hong Kong (HKG)	4,168,394
2	**Chicago (ORD)**	**882,617**	Beijing (PEK)	73,891,801	Memphis (MEM)	3,916,937
3	Dallas (DFW)	652,261	**Chicago (ORD)**	**67,026,191**	Shanghai (PVG)	3,227,914
4	Denver (DEN)	630,089	London (LHR)	65,884,143	Seoul (ICN)	2,684,500
5	Los Angeles (LAX)	575,835	Tokyo (HND)	64,069,098	Anchorage (ANC)	2,578,396
6	Houston (IAH)	531,347	Los Angeles (LAX)	58,915,100	Paris (CDG)	2,399,067
7	Charlotte (CLT)	529,101	Paris (CDG)	58,167,062	Frankfurt (FRA)	2,275,106
8	Beijing (PEK)	517,582	Dallas (DFW)	56,905,066	Dubai (DXB)	2,270,498
9	Las Vegas (LAS)	505,591	Frankfurt (FRA)	53,009,221	Tokyo (NRT)	2,167,843
10	Paris (CDG)	499,997	Denver (DEN)	52,211,242	Louisville (SDF)	2,166,226
11	Frankfurt (FRA)	464,432	Hong Kong (HKG)	50,410,819	Singapore (SIN)	1,841,004
12	Philadelphia (PHL)	460,779	Madrid (MAD)	49,786,202	Miami (MIA)	1,835,793
13	London (LHR)	454,883	Dubai (DXB)	47,180,628	Los Angeles (LAX)	1,810,345
14	Detroit (DTW)	452,616	New York (JFK)	46,495,876	Taipei (TPE)	1,767,075
15	Phoenix (PHX)	450,293	Amsterdam (AMS)	45,211,749	London (LHR)	1,551,405
16	Minneapolis (MSP)	434,120	Jakarta (CGK)	43,981,022	Beijing (PEK)	1,549,126
17	Madrid (MAD)	433,683	Bangkok (BKK)	42,784,967	Amsterdam (AMS)	1,538,135
18	Toronto (YYZ)	418,051	Singapore (SIN)	42,038,777	**Chicago (ORD)**	**1,517,698**
19	Amsterdam (AMS)	402,374	Guangzhou (CAN)	40,975,253	New York (JFK)	1,343,114
20	Newark (EWR)	401,930	Shanghai (PVG)	40,582,356	Bangkok (BKK)	1,310,146

Sources: Airports Council International, *ACI Traffic Data 2010 (PRELIMINARY), March* 2011.
City of Chicago, Department of Aviation Management Records, March 2011.
Prepared by: Ricondo & Associates, Inc., March 2011.

Table II-2

Comparison of Top U.S. Gateway Airports

Airport	International Enplanements 1995	International Enplanements 2000	International Enplanements 2010	Total Enplanements 1995	Total Enplanements 2000	Total Enplanements 2010	International Share of Total 1995	International Share of Total 2000	International Share of Total 2010
New York - Kennedy	8,381,084	9,194,966	11,265,100	14,985,951	16,274,588	22,813,000	55.9%	56.5%	49.4%
Miami	7,179,328	8,096,068	8,035,400	16,594,647	16,756,422	16,669,000	43.3%	48.3%	48.2%
Los Angeles	6,846,329	8,780,183	7,367,700	27,234,353	33,836,077	28,531,000	25.1%	25.9%	25.8%
New York - Newark	1,926,350	4,199,963	5,592,700	13,320,486	16,948,663	16,459,000	14.5%	24.8%	34.0%
Chicago - O'Hare [1/]	**3,301,321**	**5,049,197**	**5,132,024**	**32,858,551**	**35,700,949**	**33,219,772**	**10.0%**	**14.1%**	**15.4%**
Atlanta	1,436,609	2,916,309	4,507,300	28,857,835	40,154,824	42,983,000	5.0%	7.3%	10.5%
Houston - Bush Intercontinental	1,445,941	2,830,768	4,123,600	11,994,451	17,520,633	19,457,000	12.1%	16.2%	21.2%
San Francisco	2,981,341	4,023,555	4,024,100	18,162,551	20,196,217	19,174,000	16.4%	19.9%	21.0%
Washington - Dulles	1,316,295	2,083,201	2,964,900	6,147,787	9,971,630	11,224,000	21.4%	20.9%	26.4%
Dallas/Ft. Worth	1,599,672	2,590,390	2,520,900	28,245,426	30,363,955	27,022,000	5.7%	8.5%	9.3%

Notes:

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

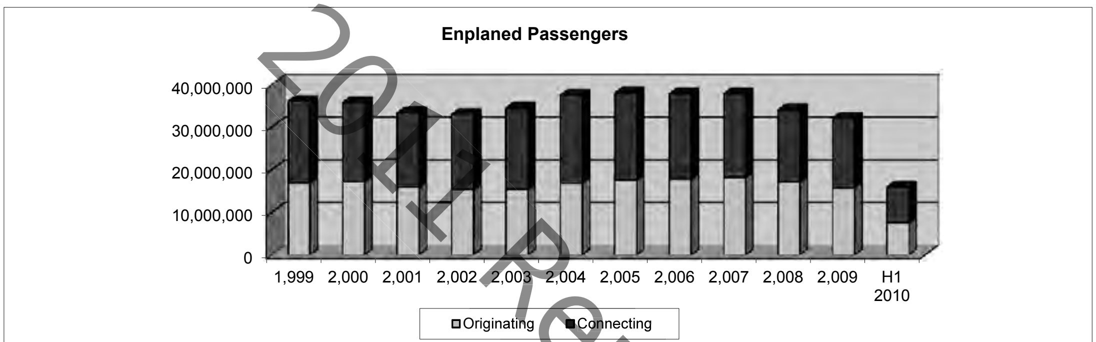
Sources: Airports Council International (ACI) - North America, 1995 and 2000 *North America Final Traffic Reports (ACI - North America 2010 data not available as of March 2011).*
(Enplanements figures by ACI are based on passenger results divided by two), March 2011.
US DOT T-100 Onflight Market Data for 2010 (preliminary release), March 2011.
City of Chicago, Department of Aviation Management Records, March 2011.

Prepared by: Ricondo & Associates, Inc., April 2011.

Table II-3

Historical Originating and Connecting Enplanements at ORD

Year	Originating Enplanements	Originating EP Annual Growth	Connecting Enplanements	Connecting EP Annual Growth	Total Enplaned Passengers [1/]	Total EP Annual Growth	Originating Enplanement Percentage
1999	16,849,260	0.5%	19,098,456	0.4%	35,947,716	0.4%	46.9%
2000	17,215,087	2.2%	18,485,862	(3.2%)	35,700,949	(0.7%)	48.2%
2001	15,731,018	(8.6%)	17,579,211	(4.9%)	33,310,229	(6.7%)	47.2%
2002	15,260,093	(3.0%)	17,658,843	0.5%	32,918,936	(1.2%)	46.4%
2003	15,310,104	0.3%	19,123,428	8.3%	34,433,532	4.6%	44.5%
2004	16,778,179	9.6%	20,666,369	8.1%	37,444,548	8.7%	44.8%
2005	17,548,038	4.6%	20,399,949	(1.3%)	37,947,987	1.3%	46.2%
2006	17,808,474	1.5%	19,955,970	(2.2%)	37,764,444	(0.5%)	47.2%
2007	18,223,460	2.3%	19,539,602	(2.1%)	37,763,062	(0.0%)	48.3%
2008	17,024,876	(6.6%)	16,986,311	(13.1%)	34,011,186	(9.9%)	50.1%
2009	15,696,349	(7.8%)	16,338,806	(3.8%)	32,035,155	(5.8%)	49.0%
H1 2010	7,493,596	--	8,407,948	--	15,901,544	--	47.1%
Compounded Annual Growth Rate							
1999 - 2009	(0.7%)		(1.5%)		(1.1%)		



Note:

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

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic; City of Chicago, Department of Aviation Management Records, January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

Table II-4

Average Domestic One-Way Fares at at Top 25 O&D Airports By O&D Revenue - 2009

Average One-Way Fare Ranking	Airport	O&D Passengers	O&D Revenue	Average Domestic One-Way Fare 1/
1	Orlando (MCO)	26,365,250	$ 3,094,489,393	$117
2	Ft. Lauderdale (FLL)	16,199,510	$ 1,938,919,352	$120
3	Baltimore (BWI)	15,703,620	$ 1,906,890,577	$121
4	Tampa (TPA)	14,118,090	$ 1,743,160,572	$123
5	Las Vegas (LAS)	28,757,830	$ 3,577,474,052	$124
6	Denver (DEN)	22,692,180	$ 2,948,621,869	$130
7	Phoenix (PHX)	20,278,460	$ 2,694,804,549	$133
8	San Diego (SAN)	14,970,180	$ 2,062,291,997	$138
9	Atlanta (ATL)	23,808,430	$ 3,353,179,281	$141
10	New York (LGA)	18,703,020	$ 2,637,873,941	$141
11	Philadelphia (PHL)	15,617,360	$ 2,239,217,077	$143
12	Detroit (DTW)	13,189,630	$ 1,892,316,216	$143
13	Seattle (SEA)	19,855,460	$ 2,894,131,850	$146
14	**Chicago (ORD)**	**24,159,520**	**$ 3,555,314,963**	**$147**
15	Boston (BOS)	18,941,510	$ 2,907,521,785	$154
16	Minneapolis/St. Paul (MSP)	14,300,930	$ 2,201,485,164	$154
17	San Francisco (SFO)	21,076,160	$ 3,342,257,453	$159
18	Los Angeles (LAX)	29,115,070	$ 4,660,158,104	$160
19	New York (JFK)	17,005,510	$ 2,741,288,212	$161
20	Dallas/Ft. Worth (DFW)	18,934,780	$ 3,120,262,396	$165
21	Houston (IAH)	12,520,400	$ 2,085,523,028	$167
22	Honolulu (HNL)	10,887,500	$ 1,827,249,125	$168
23	Newark (EWR)	16,223,520	$ 2,745,019,584	$169
24	Washington D.C. (DCA)	12,644,090	$ 2,164,162,444	$171
25	Washington D.C. (IAD)	9,043,080	$ 1,613,285,472	$178

Note:
1/ Calculation includes frequent flyer passengers.

Source: US DOT *O&D Survey of Airline Passenger Traffic* , December 2010.
Prepared by: Ricondo & Associates, Inc., December 2010.

airports, as ranked by total domestic O&D revenue in 2009.[1] As shown, the Airport was relatively competitive among these airports with an average domestic one-way fare of approximately $147 in 2009, placing it as the fourteenth-lowest among the top 25 O&D airports. One measure of the Airport's ability to generate airline revenue is through the measurement of the Airport's O&D revenue yield per coupon mile (passenger flight stage). As shown in **Table II-5**, the average revenue yield per coupon mile for all of the Airport's domestic O&D markets was $0.1445 in 2009, compared to $0.1242 nationwide.[2] Similar to average fares, the Airport was relatively competitive among the airports depicted, as its average revenue yield per coupon mile was the sixth-highest among the top 25 O&D airports, as ranked by total domestic O&D revenue in 2009, behind Washington D.C. – Reagan National ($0.1704), Atlanta ($0.1588), Dallas/Ft. Worth ($0.1551), Houston ($0.1550) and New York – LaGuardia ($0.1498).

2.2 Airlines Serving the Airport

The Airport serves as an important O&D market for United, American, and the other passenger airlines serving the Airport. Passenger service is provided at the Airport by 11 of the nation's 15 major passenger airlines.[3] In addition to American and United, these airlines include Alaska, American Eagle, Atlantic Southeast, Comair, Continental, Delta, JetBlue, SkyWest, and US Airways.[4]

As of December 2010, 27 U.S. flag airlines provided scheduled passenger service at the Airport; 27 foreign-flag airlines provided scheduled and nonscheduled passenger service; and 3 nonscheduled charter airlines also provided passenger service. In addition, as of December 2010, 25 all-cargo carriers provided scheduled service at the Airport. **Table II-6** lists the airlines serving the Airport as of December 2010.

Table II-7 presents the scheduled U.S. flag airlines that have served the Airport since at least 2000. As shown, the Airport has had the benefit of a large and growing airline base during the years shown, which has helped promote competitive pricing and scheduling diversity in the Airport's major domestic markets. Activity by the busiest U.S. flag airlines serving the Airport is discussed below:

- United and its regional affiliates had a combined 46.8 percent share of Airport enplaned passengers in 2010. As of December 2010, United provides nonstop service from the Airport to 48 domestic markets and 24 international markets. Operating as United Express, ExpressJet, GoJet, Mesa, Shuttle America, SkyWest, Trans States, and Atlantic Southeast provide nonstop service to 99 domestic markets and 10 international markets from the Airport.
- American and its subsidiary American Eagle had a combined 35.8 percent share of Airport enplaned passengers in 2009. As of December 2010, American provides nonstop service to 39 domestic markets and 14 international markets. American Eagle and new

---

1 Calculations of average domestic fares include frequent flyer passengers.
2 Calculations of average domestic revenue yield per coupon mile include frequent flyer passengers.
3 As defined by the U.S. DOT, a major U.S. passenger airline has more than $1 billion in gross operating revenues during any calendar year (the largest group of U.S. passenger airlines in terms of their total revenues). The current group of major U.S. passenger airlines attained "major" status effective January 1, 2010 based on their total revenues for the 12 months ending June 30, 2009.
4 AirTran, Frontier, Hawaiian, and Southwest are the major U.S. passenger airlines that currently do not serve the Airport.

Table II-5
Average Domestic Yields at Top 25 O&D Airports By O&D Revenue - 2009

Average Domestic One-Way Yield Per Coupon Mile Ranking	Airport	Average Itinerary Miles	O&D Revenue	Revenue Passenger Coupon Miles	Average Domestic One-Way Yield Per Coupon Mile 1/	Average O&D Fare 1/
1	Washington D.C. (DCA)	1,004	$ 2,164,162,444	12,699,720,900	$0.1704	$171
2	Atlanta (ATL)	887	$ 3,353,179,281	21,109,801,400	$0.1588	$141
3	Dallas/Ft. Worth (DFW)	1,062	$ 3,120,262,396	20,112,152,100	$0.1551	$165
4	Houston (IAH)	1,075	$ 2,085,523,028	13,457,518,300	$0.1550	$167
5	New York (LGA)	942	$ 2,637,873,941	17,614,269,500	$0.1498	$141
6	**Chicago (ORD)**	**1,019**	**$ 3,555,314,963**	**24,607,677,900**	**$0.1445**	**$147**
7	Minneapolis/St. Paul (MSP)	1,098	$ 2,201,485,164	15,698,068,900	$0.1402	$154
8	Detroit (DTW)	1,054	$ 1,892,316,216	13,902,002,500	$0.1361	$143
9	Washington D.C. (IAD)	1,420	$ 1,613,285,472	12,839,141,400	$0.1257	$178
10	Newark (EWR)	1,351	$ 2,745,019,584	21,922,360,700	$0.1252	$169
11	Denver (DEN)	1,057	$ 2,948,621,869	23,995,625,000	$0.1229	$130
12	Philadelphia (PHL)	1,172	$ 2,239,217,077	18,310,493,300	$0.1223	$143
13	Baltimore (BWI)	1,019	$ 1,906,890,577	16,002,798,900	$0.1192	$121
14	Boston (BOS)	1,318	$ 2,907,521,785	24,973,843,600	$0.1164	$154
15	Tampa (TPA)	1,097	$ 1,743,160,572	15,493,193,400	$0.1125	$123
16	Phoenix (PHX)	1,210	$ 2,694,804,549	24,531,261,000	$0.1099	$133
17	Orlando (MCO)	1,112	$ 3,094,489,393	29,318,230,400	$0.1055	$117
18	San Diego (SAN)	1,348	$ 2,062,291,997	20,184,290,800	$0.1022	$138
19	Ft. Lauderdale (FLL)	1,174	$ 1,938,919,352	19,024,839,300	$0.1019	$120
20	New York (JFK)	1,601	$ 2,741,288,212	27,223,969,600	$0.1007	$161
21	Los Angeles (LAX)	1,607	$ 4,660,158,104	46,778,650,700	$0.0996	$160
22	Las Vegas (LAS)	1,259	$ 3,577,474,052	36,211,786,900	$0.0988	$124
23	San Francisco (SFO)	1,611	$ 3,342,257,453	33,956,446,800	$0.0984	$159
24	Seattle (SEA)	1,486	$ 2,894,131,850	29,512,133,600	$0.0981	$146
25	Honolulu (HNL)	1,912	$ 1,827,249,125	20,820,268,900	$0.0878	$168

Note:
1/ Calculation includes frequent flyer passengers.

Source: US DOT *O&D Survey of Airline Passenger Traffic* , December 2010.
Prepared by: Ricondo & Associates, Inc., December 2010.

Table II-6

Airlines Serving the Airport [1/]

Scheduled U.S. Carriers (27)	Foreign-Flag Carriers (27)	Nonscheduled Charter Carriers (3)	All-Cargo Carriers (25)
Air Choice One	Aer Lingus	Gold Transportation	Aerologic
Air Wisconsin (US Airways Express) *	AeroMexico	Miami Air International	Aerounion
Alaska	Air Canada *	Ryan International	Air China
American *	Air France		ABX
American Eagle *	Air India		Atlas Air
Atlantic Southeast (Delta Connection)	Air Jamaica		Cargolux
Chautauqua (AmericanConnection & Continental Express)	Alitalia		Cathay Pacific Cargo
Colgan (Continental Express)	All Nippon		China
Comair (Delta Connection)	Asiana		China Cargo - Eastern
Compass (Delta Connection)	British Airways		China Southern
Continental [2/] *	Cayman [4/]		Eva Airways
Delta [3/] *	Etihad		Evergreen
ExpressJet (United Express & Continental Express)	Iberia		FedEx *
Freedom (Delta Connection)	Japan		Great Wall
GoJet (United Express)	Jazz Air (Air Canada Jazz)		Kalitta
JetBlue	KLM Royal Dutch		Lufthansa Cargo
Mesa (United Express)	Korean Air		Nippon
Mesaba (Delta Connection)	LACSA [4/]		Polar Air
Pinnacle (Delta Connection)	LOT Polish		Qantas
Republic (US Airways Express)	Lufthansa German		Qatar
Shuttle America (United Express & Delta Connection)	Mexicana [5/]		Shanghai Airlines Cargo
SkyWest (United Express)	Pakistan International		Singapore Cargo
Spirit	Royal Jordanian		Southern Air
Trans States (United Express)	SAS Scandinavian		United Parcel Service *
United [2/] *	SWISS International		World
US Airways *	TACA		
USA 3000	Turkish		
	Virgin Atlantic [4/]		

Notes:
1/ As of December 2010.
2/ In May 2010, United and Continental announced their intent to merge and were granted regulatory approval by the U.S. Department of Justice in August 2010. In October 2010, United and Continental merged.
3/ In October 2008, Delta and Northwest merged. The FAA granted Delta a single operating certificate on January 1, 2010.
4/ Provides seasonal service at the Airport.
* = Signatory to the Airport Use Agreements.
5/ Ceased company-wide operations on August 29, 2010. Mexicana plans to resume O'Hare service starting on February 14, 2011.

Source: City of Chicago, Department of Aviation Management Records, January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

Table II-7

Scheduled U.S. Flag Air Carrier Base

Air Carrier	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 1/
American	●	●	●	●	●	●	●	●	●	●	●
American Eagle	●	●	●	●	●	●	●	●	●	●	●
Continental 2/	●	●	●	●	●	●	●	●	●	●	●
Delta 3/	●	●	●	●	●	●	●	●	●	●	●
United 2/	●	●	●	●	●	●	●	●	●	●	●
US Airways	●	●	●	●	●	●	●	●	●	●	●
Alaska	●	●	●	●	●	●	●	●	●	●	●
Air Wisconsin	●	●	●	●	●	●	●	●	●	●	●
Comair	●	●	●	●	●	●	●	●	●	●	●
Spirit	●	●	●	●	●	●	●	●	●	●	●
Mesa	●	●			●	●	●	●	●	●	●
ExpressJet		●	●	●	●	●	●	●	●	●	●
Chautauqua			●	●	●	●	●	●	●	●	●
SkyWest				●	●	●	●	●	●	●	●
Trans States				●	●	●	●	●	●	●	●
USA 3000				●	●	●	●	●	●	●	●
Mesaba					●	●	●				●
GoJet						●	●	●	●	●	●
Republic						●	●	●	●	●	●
Shuttle America							●	●	●	●	●
JetBlue								●	●	●	●
Atlantic Southeast				●	●				●	●	●
Freedom									●	●	●
Pinnacle									●	●	●
Air Choice One											●
Colgan											●
Compass											●
Northwest 3/	●	●	●	●	●	●	●	●	●	●	
MidAtlantic						●	●				
Atlantic Coast/Independence Air	●	●	●	●	●	●	●				
Great Lakes	●	●	●	●							
North American		●	●	●							
National		●	●								
Sun Country	●	●									
Total Airlines Serving the Airport	15	18	17	20	20	22	23	21	24	24	27

Notes:

1/ As of December 2010.

2/ In May 2010, United and Continental announced their intent to merge and were granted regulatory approval by the U.S. Department of Justice in August 2010. In October 2010, United and Continental merged.

3/ In October 2008, Delta and Northwest merged. The FAA granted Delta a single operating certificate on January 1, 2010.

Sources: City of Chicago, Department of Aviation Management Records; Official Airline Guide., January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

AmericanConnection affiliate[5], Chautauqua, provides nonstop service to 77 domestic markets and four international markets.

- Other U.S. flag airlines at the Airport include among others Continental, Delta and Northwest (both airlines now operating under a single certification as Delta effective January 1, 2010), and US Airways. These airlines, including their affiliate carriers, had a combined 8.3 percent share of Airport enplaned passengers in 2010 and provide nonstop service to a total of 12 domestic markets.

Table II-8 presents the foreign flag airlines that have served the Airport since at least 2000. As shown, 18 of the 27 foreign-flag airlines currently serving the Airport have operated at O'Hare each year since at least 2000. Activity by the busiest foreign flag airlines serving the Airport is discussed below:

- Lufthansa German had a 0.8 percent share of Airport enplaned passengers in 2010 (5.4 percent of international enplaned passengers) and provides nonstop service to Dusseldorf, Frankfurt, and Munich.
- Mexicana de Aviacion had a 0.6 percent share of Airport enplaned passengers in 2010 (3.6 percent of international enplaned passengers). During 2010, Mexicana provided nonstop service to Cancun, Guadalajara, Mexico City, Monterrey, Morelia, Puerto Vallarta, and Zacatecas. On August 2, 2010, Mexicana filed for bankruptcy protection in Mexico and the U.S., citing debt of more than $1 billion. The carrier ceased operations after failure to restructure its debt obligations on August 29, 2010. The seat-capacity void left by Mexicana on the Chicago – Mexico City route, was replaced by new and additional frequencies by United, American, and AeroMexico in December 2010. As of March 2011, the nonstop services lost in the non-Mexican beach destinations has not been filled or scheduled to be flown in the future by any carrier. According to recent publications, AeroMexico has indicated a strong interest in beginning Chicago – Monterrey and Chicago – Morelia nonstop services.
- British Airways, with a 0.4 percent share of Airport enplaned passengers in 2010 (2.7 percent of international enplaned passengers), provides nonstop service to London.

2.3 Historical Airport Activity

The following sections present a review of the Airport's historical passenger activity, air service, aircraft operations, aircraft landed weight, and cargo activity.

2.3.1 Passenger Activity

2.3.1.1 Total Enplaned Passengers

Table II-9 presents historical data on total enplaned passengers (domestic and international passengers combined) at the Airport. As shown, total enplaned passengers at the Airport decreased by a compounded annual rate of 0.7 percent from 2000 to 2010.

- In 2000 the Airport enplaned 35.7 million.

---

[5] AmericanConnection is the brand name place on flights operated by Chautauqua Airlines as a regional affiliate of American Airlines. In April 2010, American moved all existing AmericanConnection operations to O'Hare as part of its restructuring plan, eliminating service by AmericanConnection at Lambert-St. Louis International Airport.

Table II-8
Foreign Flag Air Carrier Base

Air Carrier	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 1/
Aer Lingus	●	●	●	●	●	●	●	●	●	●	●
AeroMexico	●	●	●	●	●	●	●	●	●	●	●
Air Canada	●	●	●	●	●	●	●	●	●	●	●
Air France	●	●	●	●	●	●	●	●	●	●	●
Air India	●	●	●	●	●	●	●	●	●	●	●
Air Jamaica	●	●	●	●	●	●	●	●	●	●	●
Alitalia/Air One	●	●	●	●	●	●	●	●	●	●	●
British Airways	●	●	●	●	●	●	●	●	●	●	●
Iberia	●	●	●	●	●	●	●	●	●	●	●
Japan	●	●	●	●	●	●	●	●	●	●	●
KLM Royal Dutch	●	●	●	●	●	●	●	●	●	●	●
Korean Air	●	●	●	●	●	●	●	●	●	●	●
LOT Polish	●	●	●	●	●	●	●	●	●	●	●
Lufthansa German	●	●	●	●	●	●	●	●	●	●	●
Mexicana 2/	●	●	●	●	●	●	●	●	●	●	●
Royal Jordanian	●	●	●	●	●	●	●	●	●	●	●
SAS Scandinavian	●	●	●	●	●	●	●	●	●	●	●
Swiss International	●	●	●	●	●	●	●	●	●	●	●
Turkish	●	●	●	●	●	●	●	●	●	●	●
All Nippon - ANA	●	●						●	●	●	●
Virgin Atlantic 3/	●	●						●	●	●	●
Cayman Airways 3/				●	●	●	●	●	●	●	●
LACSA 2/				●	●	●	●	●	●	●	●
Asiana						●	●	●	●	●	●
Jazz Air						●	●	●	●	●	●
TACA						●	●	●	●	●	●
Pakistan International							●	●			●
Etihad										●	●
BMI - British Midland		●	●	●	●	●	●	●	●		
Austrian	●	●						●	●		
El Al Israel	●	●	●	●	●	●	●	●			
Aviacsa				●	●	●	●				
PrivatAir				●	●	●	●				
Kuwait	●	●	●	●	●	●					
Allegro				●							
Singapore		●	●	●							
Aeroflot	●	●									
Sabena	●	●									
Tarom	●										
Total Airlines Serving the Airport	27	28	23	28	26	29	29	30	28	27	27

Notes:
1/ As of December 2010.
2/ Ceased company-wide operations on August 29, 2010.
3/ Provides seasonal service at the Airport.

Sources: City of Chicago, Department of Aviation Management Records; Official Airline Guide., January 2011.
Prepared by: Ricondo & Associates, Inc., April 2011.

Table II-9
Historical Enplaned Passengers [1/]

Year	Domestic Enplaned Passengers	Domestic Annual Growth	International Enplaned Passengers	International Annual Growth	Total Enplaned Passengers	Total Annual Growth
2000	30,651,752		5,049,197		35,700,949	
2001	28,693,866	(6.4%)	4,616,363	(8.6%)	33,310,229	(6.7%)
2002	28,560,357	(0.5%)	4,358,579	(5.6%)	32,918,936	(1.2%)
2003	29,889,369	4.7%	4,544,163	4.3%	34,433,532	4.6%
2004	32,172,058	7.6%	5,272,490	16.0%	37,444,548	8.7%
2005	32,404,271	0.7%	5,543,716	5.1%	37,947,987	1.3%
2006	32,116,629	(0.9%)	5,647,815	1.9%	37,764,444	(0.5%)
2007	32,109,607	(0.0%)	5,653,455	0.1%	37,763,062	(0.0%)
2008	28,378,531	(11.6%)	5,632,655	(0.4%)	34,011,186	(9.9%)
2009	26,851,150	(5.4%)	5,184,005	(8.0%)	32,035,155	(5.8%)
2010	28,087,748	4.6%	5,132,024	(1.0%)	33,219,772	3.7%
Compounded Annual Growth Rate						
2000 - 2002	(3.5%)		(7.1%)		(4.0%)	
2002 - 2005	4.3%		8.3%		4.9%	
2005 - 2010	(2.8%)		(1.5%)		(2.6%)	
2000 - 2010	(0.9%)		0.2%		(0.7%)	

Note:
1/ Excludes general aviation, military, helicopter, and miscellaneous passengers included in the City of Chicago's Airport Activity Statistics.

Source: City of Chicago, Department of Aviation Management Records, March 2011.
Prepared by: Ricondo & Associates, Inc., April 2011.

- Following 2000, the Airport experienced two years of decreasing enplanements in 2001 and 2002, as a result of the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and the nationwide economic slowdown.
- Similar to national trends, enplaned passenger levels recovered following 2002. Total passenger enplanements increased from 32.9 million in 2002 to a record high of 37.9 million in 2005, a compounded annual growth rate of 4.9 percent during this period.
- After reaching a record high 37.9 million total enplaned passengers in 2005, total enplaned passengers at the Airport remained relatively stable in 2006 and 2007 with approximately 37.8 million passengers. As discussed more in Section 2.4.7.2, the stable enplanement levels at the Airport during this period were largely a function of the voluntary flight reductions put in place by the FAA in late 2006.
- Also similar to national trends, the Airport experienced a 9.9 percent decrease and a 5.8 percent decrease in enplaned passengers in 2008 and 2009, respectively, from the previous year's levels. These significant decreases were primarily due to cutbacks in capacity by the airlines in response to record high fuel costs and a nationwide economic recession that impacted passenger demand for air travel.

2.3.1.2 Domestic Enplaned Passengers

Table II-9 also presents historical data on domestic enplaned passengers at the Airport. As shown, domestic enplaned passengers at the Airport decreased by a compounded annual rate of 0.9 percent from 2000 to 2010, from 30.7 million to 28.1 million during this period. Specific details concerning domestic enplaned passengers at the Airport between 2000 and 2010 are discussed below:

- **2000 – 2002.** The Airport experienced three years of decreasing domestic enplaned passengers from 2000 to 2002, during a period that included the effects of a nationwide economic slowdown from 2000 to 2002, and September 11.
- **2003 – 2004.** Domestic enplaned passengers at the Airport increased 4.7 percent in 2003 and 7.6 percent in 2004, resulting in the Airport reaching a (then) record high 32.2 million domestic enplaned passengers in 2004. The increase in domestic enplaned passengers during this period was primarily the result of the following: (1) the full phase out of the High-Density Rule (implemented by the FAA at the Airport in 1968 until phased out between July 2001 and July 2002), which allowed operational increases and competition to occur at the Airport, (2) increased hubbing activity at the Airport by American and American Eagle as a byproduct of downsizing its hub at Lambert-St. Louis International Airport in November 2003 (the total American and American Eagle domestic enplaned passengers at the Airport increased from a combined 10.9 million in 2003 to 12.6 million in 2004, an increase of 15.3 percent during this period), and (3) United's increased service/lowered fares in reaction to the initiation of low-fare service by Independence Air at the Airport in mid-2004, as well as the initiation of United's lower-fare service, Ted, to certain Florida markets during this same period. The number of domestic enplaned passengers on American and American Eagle increased 2.3 million between 2002 and 2004 (a compounded annual growth rate of 10.4 percent), while the number of domestic enplaned passengers on United Express carriers increased 1.5 million (compounded annual growth rate of 28.0 percent) during this same period.

- **2005.** As a temporary measure to address aircraft delays, and as described in more detail later in this chapter,[6] the FAA and the airlines serving the Airport agreed to voluntarily limit scheduled domestic and Canadian arrivals at the Airport effective November 1, 2004. As a result, departing domestic seats (capacity) for United decreased 1.9 million in 2005 from 2004 levels. With decreased capacity, domestic enplaned passengers for United decreased 1.4 million during this period. However, United Express increased its capacity at the Airport by shifting some service from 50-seat regional jets to 70-seat regional jets, resulting in an increase of 1.4 million departing seats and 1.0 million domestic enplaned passengers in 2005. Departing domestic seats for American decreased 1.0 million in 2005; however, its ability to increase load factors provided a moderate increase in domestic enplaned passengers. American Eagle also shifted some service to larger regional jets in 2005, which resulted in higher seat capacity and increases in domestic enplaned passengers. Despite the voluntary reduction in scheduled domestic and Canadian flights in 2005, domestic enplaned passengers increased from 32.2 million domestic enplaned passengers in 2004 to 32.4 million in 2005, a modest 0.7 percent increase over 2004 levels but a new record high for the Airport.
- **2006 – 2007.** On August 29, 2006, the FAA published a formal flight reduction rule at O'Hare which became effective October 29, 2006 with the same limitations.[7] United continued to decrease capacity in 2006 due to the limits on operations at the Airport, although on a smaller scale (1.0 million departing domestic seats in 2006 versus 2.4 million in 2005). American's capacity decreased further by another 1.0 million seats; and United Express and American Eagle continued their shifting to larger regional jets. As a result, domestic enplaned passengers at the Airport decreased slightly, from 32.4 million in 2005 to 32.1 million in 2006 and in 2007.
- **2008 – 2009.** Fuel costs escalated to a high of $147 per barrel in July 2008 (compared to an average of $91 in 2007), which prompted the airlines to raise prices and continue with further cut-backs in capacity system-wide. These price increases and decreased capacity (the domestic airlines at the Airport decreased scheduled seats by 2.6 million seats in 2008 from 2007 levels), coupled with the national economic recession that began in December 2007 were primary factors leading to domestic enplaned passengers decreasing 11.6 percent in 2008 and 5.4 percent in 2009 from the previous year's levels. These significant decreases pushed domestic passenger activity at the Airport to its lowest level between 2000 and 2010 at 26.9 million enplaned passengers.
- **2010.** Domestic enplaned passengers were 4.6 percent higher in 2010 in comparison to 2009. This increase is primarily attributable to the improving economic conditions in the Air Trade Area and the nation, and increased business and leisure demand for the Airport's two largest carriers. For 2010, United and American (including their respective affiliates) enplaned passengers increased by 0.7 and 6.5 percent at the Airport in 2010, respectively.

2.3.1.3 International Enplaned Passengers

Based on enplaned international passengers, the Airport is the fifth-largest international gateway in the U.S. Table II-9 also presents historical data on international enplaned passengers at the Airport. As shown, international enplaned passengers at the Airport increased from 5.0 million in 2000 to 5.6 million in 2006, a (then) record high level for the Airport and remained relatively stable through

6 See Section 2.4.7 – Factors Affecting the Airport.
7 The formal flight reduction rule at the Airport expired October 31, 2008 in conjunction with the opening of Runway 9L-27R.

2008. Similar to domestic activity, international enplaned passengers decreased 8.0 percent in 2009 from 2008 levels. The overall increase in international enplaned passengers at the Airport between 2000 and 2010 represents an annual compounded growth rate of 0.2 percent. Specific details concerning international enplaned passengers at the Airport between 2000 and 2010 are discussed below:

- **2000.** The Airport experienced strong growth in international enplaned passengers in the latter half of the 1990s, with the total number of international enplaned passengers increasing to 5.0 million in 2000. This increase was primarily due to expanded service by incumbent carriers to Canadian cities, Frankfurt, London, Mexico, and Paris; as well as the entry of new foreign flag carriers at the Airport, including AeroMexico, All Nippon, Austrian, Iberia, and Virgin Atlantic during this period. In addition, various slot exemptions to international service at the Airport were granted effective July 1, 2000, which replaced the previous rule of accommodating new international service by withdrawing a corresponding number of domestic slots from incumbent carriers (primarily United and American service). This change in slot allocations made it easier for the airlines to add international service without affecting other airlines.
- **2001 – 2002.** Similar to domestic enplanements, international enplaned passengers at the Airport experienced two years of decreases in 2001 and 2002 as a result of the terrorist attacks of September 11 and the outbreak of severe acute respiratory syndrome (SARS) in Asia and Canada. International enplaned passengers decreased from 5.0 million in 2000 to 4.4 million in 2002.
- **2003 – 2006.** The significant increase in 2004 was primarily the result of the abatement of SARS in Asia and Canada, as well as United's initiation of service to new international markets (e.g., Osaka) and expansion of service to existing markets (e.g., Hong Kong) during this period. The number of international enplaned passengers on United increased more than 500,000 in 2004 compared to 2003. United continued to initiate new service (Munich and Shanghai) and expand into existing markets (additional Hong Kong service), resulting in international enplaned passengers at the Airport to increase 5.1 percent in 2005 and 1.9 percent in 2006. In total, international enplaned passengers increased by approximately 1.1 million passengers from 2003 to 2006, of which approximately 70 percent can be attributed to United's growth in international service at the Airport.
- **2007 – 2008.** International enplaned passengers at the Airport remained relatively stable in 2007 and 2008 from 2006 levels, averaging approximately 5.6 million passengers during this period. Contrary to domestic activity, international capacity at the Airport decreased only 0.4 percent in 2008 from 2007, decreasing by approximately 20,000 scheduled seats during this period.
- **2009.** International enplaned passengers decreased 8.0 percent in 2009 from 2008 levels due to the same factors that impacted domestic activity at the Airport during this period and the spread of a new strain of swine flu, designated as H1N1, which primarily decreased demand for travel to Mexico, South America, and Asia.
- **2010.** Due to the lagging demand for international travel and termination of Mexicana service, international enplaned passengers were 1.0 percent below in 2010 in comparison to 2009.

2.3.1.4 Enplaned Passengers by Airline

Table II-10 presents total enplaned passengers by airline at the Airport for 2006 through 2010. Although United's share of total Airport enplaned passengers decreased slightly from 34.2 percent in

Table II-10

Historical Total Enplaned Passengers by Airline

	Airline	2006 Enplaned Passengers	2006 Share	2007 Enplaned Passengers	2007 Share	2008 Enplaned Passengers	2008 Share	2009 Enplaned Passengers	2009 Share	2010 Enplaned Passengers	2010 Share
1	United [1/]	12,905,929	34.2%	12,798,917	33.9%	11,099,544	32.6%	10,304,138	32.2%	9,655,258	29.1%
2	American	10,283,798	27.2%	10,277,846	27.2%	9,291,364	27.3%	8,050,514	25.1%	8,115,097	24.4%
3	American Eagle	3,524,127	9.3%	3,424,753	9.1%	3,145,183	9.2%	3,128,488	9.8%	3,278,628	9.9%
4	SkyWest	2,333,968	6.2%	2,231,622	5.9%	2,010,239	5.9%	1,763,788	5.5%	1,932,478	5.8%
5	Shuttle America	929,674	2.5%	729,184	1.9%	689,619	2.0%	941,226	2.9%	1,172,651	3.5%
6	ExpressJet	126,919	0.3%	97,444	0.3%	70,422	0.2%	157,800	0.5%	1,060,478	3.2%
7	US Airways	474,309	1.3%	578,879	1.5%	892,225	2.6%	923,729	2.9%	865,420	2.6%
8	GoJet	432,179	1.1%	449,979	1.2%	399,076	1.2%	567,601	1.8%	787,343	2.4%
9	Mesa	1,032,938	2.7%	1,227,446	3.3%	1,032,402	3.0%	1,327,751	4.1%	703,936	2.1%
10	Delta [2/]	518,373	1.4%	443,342	1.2%	430,985	1.3%	311,533	1.0%	572,588	1.7%
11	Chautauqua	22	0.0%	41,296	0.1%	66,962	0.2%	52,176	0.2%	558,308	1.7%
12	Continental [1/]	486,762	1.3%	584,908	1.5%	519,567	1.5%	514,528	1.6%	542,760	1.6%
13	Trans States	384,147	1.0%	390,640	1.0%	464,624	1.4%	450,469	1.4%	428,504	1.3%
14	Lufthansa German	256,847	0.7%	262,556	0.7%	295,871	0.9%	277,629	0.9%	274,595	0.8%
15	Alaska	185,446	0.5%	188,228	0.5%	194,339	0.6%	209,670	0.7%	240,191	0.7%
	Other	3,494,180	9.3%	3,401,893	9.0%	2,801,710	8.2%	2,405,963	7.5%	2,403,609	7.2%
	Airport Total [3/]	37,764,444	100.0%	37,763,062	100.0%	34,011,186	100.0%	32,035,155	100.0%	33,219,772	100.0%
	United Carriers Combined	18,170,592	48.1%	17,868,046	47.3%	15,695,180	46.1%	15,423,138	48.1%	15,534,655	46.8%
	American Carriers Combined	13,807,925	36.6%	13,702,599	36.3%	12,436,547	36.6%	11,179,002	34.9%	11,908,842	35.8%

Notes:

1/ In May 2010, United and Continental announced their intent to merge and were granted regulatory approval by the U.S. Department of Justice in August 2010. In October 2010, United and Continental merged.

2/ In October 2008, Delta and Northwest merged. The FAA granted Delta a single operating certificate on January 1, 2010.

3/ Columns may not add to totals shown because of rounding.

Source: City of Chicago, Department of Aviation Management Records, January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

2006 to 29.1 percent in 2010, this decrease was offset by increases in the shares for its regional/commuter partners during this same period. As a result, the combined share of total Airport enplaned passengers on United and its regional/commuter partners remained relatively unchanged between 2006 and 2010, decreasing slightly from 48.1 percent in 2006 to 46.8 percent in 2010. American and American Eagle's combined share also remained relatively stable during this same period, ranging between 34.9 percent and 36.6 percent between 2006 and 2010. In general, the other airlines' shares of enplaned passengers also remained relatively stable between 2006 and 2010**.**

2.3.2 Air Service

An important characteristic of airport activity is the distribution of the airport's O&D markets, which is a function of air travel demand and available services and facilities. **Table II-11** presents data on the Airport's top 50 domestic O&D markets, as measured by the number of passengers, for 2009 (the latest year for which such data are currently available). Given the Airport's central location in the U.S., the domestic O&D markets are predominately medium-haul (between 601 and 1,800 miles) markets (only four of the Airport's top 50 O&D domestic markets are long-haul markets); 33 of the top 50 O&D markets for the Airport are medium-haul markets. As shown, the Airport's top 50 domestic O&D markets in 2009 had an average stage length (i.e., passenger trip distance) of 989 miles, compared to an average stage length of 1,101 miles nationwide. The average stage length for the Airport has historically been relatively equal to that for the nation, reflecting the Airport's central U.S. location and the strong demand for service to East Coast markets such as New York-Newark, Boston, and Washington, D.C., and to West Coast markets such as Los Angeles, Las Vegas, and Phoenix.

As also shown in Table II-11, each of the Airport's top 50 domestic O&D markets in 2009 is provided with nonstop service. In 2009, the New York-Newark market, the Airport's top-ranked domestic O&D market, was provided with 399 weekly nonstop flights from the Airport.[8] Other domestic markets with significant nonstop service from the Airport include Washington, D.C. (204 weekly nonstop flights), Minneapolis-St. Paul (182 weekly nonstop flights), Atlanta (148 weekly nonstop flights), and Dallas (144 weekly nonstop flights).

The number of scheduled weekly domestic nonstop flights from the Airport by airline between December 13, 2010 and December 19, 2010, along with the similar period in 2009, is presented in **Table II-12**. As shown, the U.S. flag airlines provided 7,432 weekly nonstop flights to 142 domestic markets (approximately 1,062 domestic flights per day) during this period in 2010. United and its regional/commuter partners provided 3,684 weekly nonstop flights to 117 markets, and American and American Eagle provided 2,928 weekly nonstop flights to 102 markets between December 13, 2010 and December 19, 2010. **Exhibit II-1** graphically illustrates the domestic markets to be served nonstop from the Airport in December 2010.

Table II-13 presents data on the Airport's top 50 international O&D markets for 2009, the latest year for which such data are currently available. As shown, numerous international markets are represented, including Mexico, Central and South America, the Caribbean, Europe, and the Pacific. Nonstop service was provided to each of the top 25 international O&D markets and to 45 of the top 50 international O&D markets. London is the Airport's most popular international O&D destination, serving approximately 672,000 total O&D passengers in 2009.

---

[8] The New York-Newark market is served by John F. Kennedy International Airport, LaGuardia Airport, and Newark Liberty International Airport.

Table II-11

Domestic O&D Passenger Markets

			2009			2010	
Rank	Market	Trip Length [3/]	Total O&D Passengers	Weekly Nonstop Departures [1/]	Number of Airlines [1/]	Weekly Nonstop Departures [2/]	Number of Airlines [2/]
1	New York/Newark	MH	2,535,310	399	5	469	5
2	Washington, D.C.	MH	999,590	204	2	202	2
3	Los Angeles	MH	969,070	133	2	131	2
4	Dallas	MH	825,080	144	2	145	2
5	Boston	MH	797,040	132	3	128	3
6	San Francisco	LH	764,640	90	2	103	2
7	Las Vegas	MH	709,820	82	3	72	3
8	Phoenix	MH	707,100	99	3	92	3
9	Philadelphia	MH	686,910	131	3	144	3
10	Atlanta	MH	648,420	148	3	160	3
11	Minneapolis/St. Paul	SH	645,430	182	3	187	3
12	Orlando	MH	600,610	64	2	65	2
13	Denver	MH	565,950	96	2	98	2
14	Houston	MH	510,650	110	3	123	3
15	Miami	MH	503,780	77	2	84	2
16	Seattle	MH	452,970	80	3	83	3
17	Fort Lauderdale	MH	381,870	40	2	41	2
18	Detroit	SH	374,340	147	3	140	3
19	San Diego	MH	360,840	62	2	62	2
20	Tampa	MH	360,040	37	2	37	2
21	Ft. Myers	MH	359,450	38	4	44	3
22	Charlotte	SH	335,310	119	3	121	3
23	Santa Ana	MH	320,580	40	2	40	2
24	Cleveland	SH	319,640	128	3	133	4
25	St. Louis	SH	291,010	130	2	131	2
26	Baltimore	MH	281,410	62	2	69	2
27	Kansas City	SH	272,150	90	2	97	2
28	Raleigh/Durham	MH	252,110	62	2	62	2
29	San Juan	LH	222,960	22	2	22	2
30	Hartford	MH	219,880	46	2	62	2
31	Austin	MH	214,420	56	2	56	2
32	Salt Lake City	MH	212,220	67	3	76	3
33	Columbus	SH	204,410	112	2	102	2
34	Pittsburgh	SH	202,830	63	2	76	2
35	New Orleans	MH	197,430	42	2	42	2
36	Portland (OR)	MH	195,670	33	2	36	2
37	Cincinnati	SH	177,770	127	3	134	4
38	Nashville	SH	158,750	82	2	82	2
39	San Antonio	MH	151,650	42	2	49	2
40	San Jose	LH	140,480	14	1	14	1
41	Honolulu	LH	135,440	7	1	12	2
42	Richmond	MH	131,860	63	2	74	2
43	Omaha	SH	129,680	77	2	77	2
44	Jacksonville	MH	129,290	21	1	42	2
45	Buffalo	SH	124,300	57	2	68	2
46	Memphis	SH	123,300	75	3	69	3
47	White Plains	MH	123,200	56	2	57	2
48	Palm Beach	MH	122,760	14	1	14	1
49	Sacramento	MH	106,160	14	1	14	1
50	Tucson	MH	104,760	14	1	14	1
	Other Markets		3,799,180	2,676		2,977	
	Total		24,159,520	6,906		7,432	

Weighted Average	Trip Length
Airport [4/]	1,019 miles
United States	1,101 miles

Notes:
1/ For the week of December 14, 2009 to December 20, 2009.
2/ For the week of December 13, 2010 to December 19, 2010.
3/ (SH) Short Haul = 1 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles
4/ Weighted average calculated for all of the Airport's O&D markets.

Sources: US DOT *Origin & Destination Survey of Airline Passenger Traffic, Domestic, November 2010.*
Official Airline Guide, November 2010.
Prepared by: Ricondo & Associates, Inc., April 2010.

Table II-12

Nonstop Domestic Markets

Airline	2009 1/ Number of Markets	2009 1/ Weekly Nonstop Flights	2010 2/ Number of Markets	2010 2/ Weekly Nonstop Flights
American Eagle	57	1,537	71	1,518
United 3/	51	1,259	48	1,182
American	42	1,126	39	1,028
SkyWest	61	868	60	710
Mesa	48	597	22	207
Shuttle America	29	291	30	401
Trans State	26	287	24	233
GoJet	23	264	26	253
US Airways	4	141	3	135
Continental 3/	2	95	2	106
Northwest 4/	3	87	-	-
ExpressJet	14	75	51	749
Delta 4/	1	45	4	104
Comair	2	40	5	51
JetBlue	3	39	3	41
Mesaba	4	31	2	5
Spirit	2	30	3	41
Alaska	3	28	3	35
Chautauqua	1	27	20	397
Pinnacle	2	19	4	19
USA 3000	2	7	2	5
PSA	1	4	-	-
Compass	1	3	5	59
Freedom	1	3	-	-
Atlantic Southeast	1	2	10	91
Republic	1	1	1	1
Air Choice One	-	-	2	30
Colgan Air	-	-	1	31
Total 5/	134	6,906	142	7,432

Notes:

1/ For the week of December 14, 2009 to December 20, 2009.

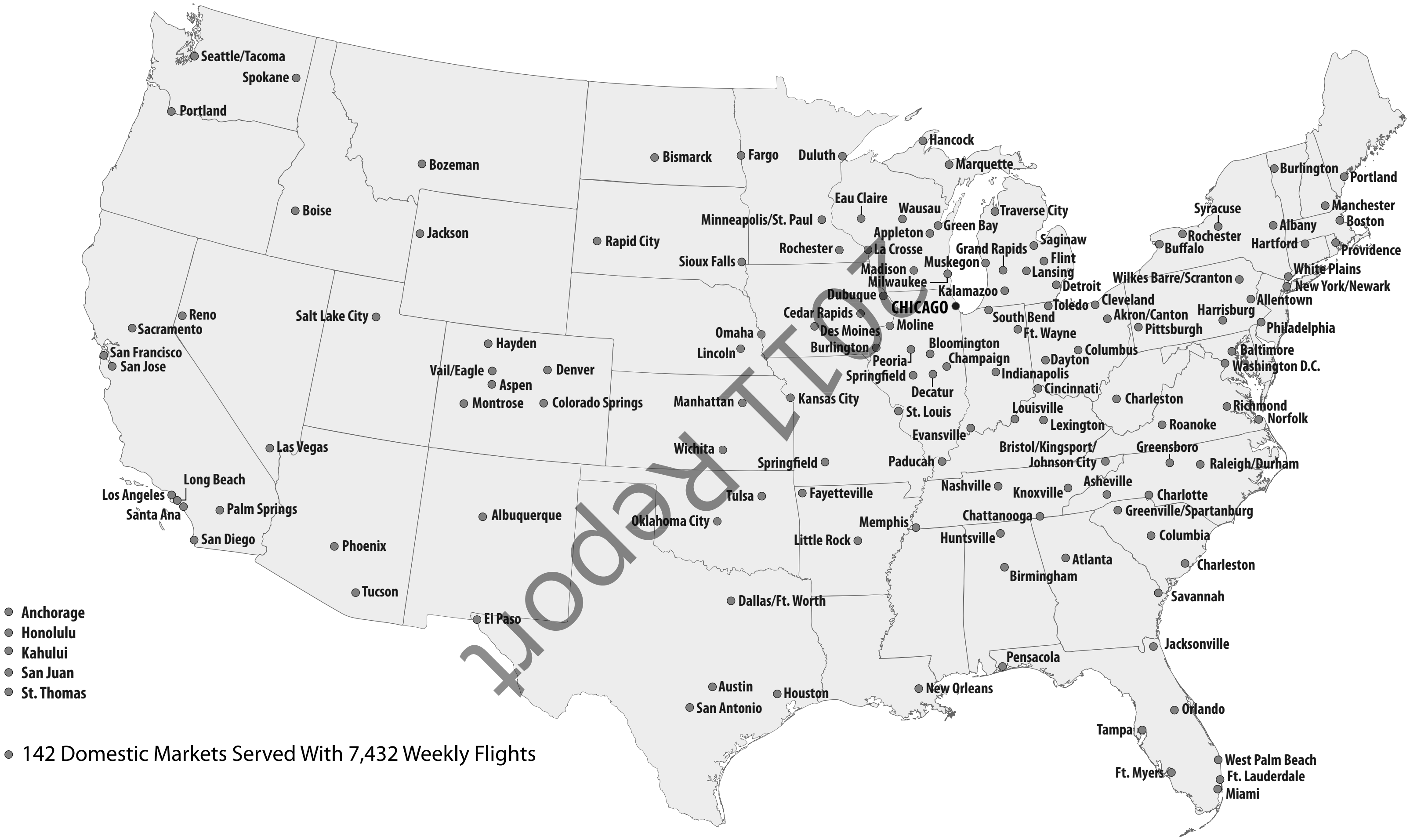
2/ For the week of December 13, 2010 to December 19, 2010.

3/ In May 2010, United and Continental announced their intent to merge and were granted regulatory approval by the U.S. Department of Justice in August 2010. In October 2010, United and Continental merged.

4/ In October 2008, Delta and Northwest merged. The FAA granted Delta a single operating certificate on January 1, 2010.

5/ Total markets counted are less duplications.

Source: Official Airline Guide, November 2010.
Prepared by: Ricondo & Associates, Inc., November 2010.



Source: Official Airline Guide (OAG), (December 13 – December 19, 2010).
Prepared by: Ricondo & Associates, Inc., December 2010.

Exhibit II-1

Not to Scale. north

Nonstop Domestic Markets

Table II-13
International O&D Passenger Markets

				2009		2010	
Rank	City	Country	Total O&D Passengers 1/	Weekly Nonstop Departures 2/	Number of Airlines 3/	Weekly Nonstop Departures 4/	Number of Airlines 5/
1	London	England	671,686	56	3	56	3
2	Toronto	Canada	377,786	144	3	134	3
3	Cancun	Mexico	371,150	33	4	24	3
4	Mexico City	Mexico	357,494	35	2	45	4
5	Frankfurt	Germany	332,370	34	4	21	2
6	Paris	France	215,436	19	3	19	3
7	Dublin	Ireland	192,720	11	2	7	1
8	Seoul	South Korea	187,942	10	2	11	2
9	Tokyo	Japan	179,890	28	4	28	4
10	Amsterdam	Netherlands	178,672	12	2	12	2
11	Rome	Italy	141,876	4	1	4	1
12	Puerto Vallarta	Mexico	141,606	17	4	14	3
13	Montreal	Canada	140,320	89	3	82	3
14	Warsaw	Poland	134,922	8	1	9	1
15	Guadalajara	Mexico	134,118	13	2	5	1
16	Zurich	Switzerland	126,986	6	1	7	1
17	Munich	Germany	122,194	14	2	14	2
18	Madrid	Spain	111,698	6	1	6	1
19	Montego Bay	Jamaica	107,338	6	3	7	3
20	Morelia	Mexico	91,732	10	2	-	-
21	Vancouver	Canada	84,380	21	1	19	1
22	Punta Cana	Dominican Republic	83,020	4	2	4	2
23	Los Cabos	Mexico	74,540	10	2	10	2
24	Istanbul	Turkey	73,484	7	1	7	1
25	Amman	Jordan	71,526	4	1	4	1
26	Shanghai	China	68,180	14	2	14	2
27	Krakow	Poland	65,590	2	1	-	-
28	Delhi	India	63,732	7	1	14	2
29	Dusseldorf	Germany	63,060	4	1	5	1
30	San Jose	Costa Rica	59,472	-	-	-	-
31	Guatemala City	Guatemala	59,124	4	1	4	1
32	Calgary	Canada	58,766	21	1	28	2
33	Leon/Guanajuato	Mexico	55,994	2	1	-	-
34	Beijing	China	51,600	7	1	14	2
35	Honk Kong	China	50,120	7	1	7	1
36	Sao Paulo	Brazil	49,160	7	1	7	1
37	Nassau	Bahamas	45,820	-	-	-	-
38	Monterrey	Mexico	45,316	7	1	-	-
39	Aruba	Aruba	42,140	2	1	2	1
40	Mumbai	India	41,958	-	-	-	-
41	Manchester	England	40,994	6	1	6	1
42	Tel Aviv	Israel	37,240	-	-	-	-
43	Stockholm	Sweden	34,054	5	1	6	1
44	Ottowa	Canada	32,920	55	2	55	2
45	Brussels	Belgium	31,480	7	1	14	2
46	Zacatecas	Mexico	31,236	3	1	-	-
47	Abu Dhabi	United Arab Emirates	31,014	6	1	7	1
48	Copenhagen	Denmark	28,498	6	1	7	1
49	Buenos Aires	Argentina	28,400	-	-	-	-
50	Winnipeg	Canada	27,620	31	1	35	1
	Other Markets		1,340,046	56	4	58	6
	Total		7,188,420	860		832	

Notes:
1/ Combined U.S. Carrier Origin & Destination data plus Gateway to Gateway data for passengers using foreign flag carriers as their O'Hare gateway to/from International gateways.
2/ For the week of December 14, 2009 to December 20, 2009.
3/ Other international markets with more than five weekly nonstop flights in 2009 include Edmonton (14), London, Canada (14), Halifax (7), Quebec City (7), and Saskatoon (7).
4/ For the week of December 13, 2010 to December 19, 2010.
5/ Other international markets with more than five weekly nonstop flights in 2010 include Edmonton (14), London, Canada (12), Halifax (7), Quebec City (7), and Regina (7).

Sources: US DOT *Origin & Destination Survey of Airline Passeneger Traffic, International,* November 2010.
US DOT T-100(f) Onflight Market Data for Foreign Carriers, November 2010.
Official Airline Guide, November 2010.
Prepared by: Ricondo & Associates, Inc., November 2010.

The number of scheduled weekly international nonstop flights from the Airport between December 13, 2010 and December 19, 2010, and the similar period in 2009, is also presented in Table II-13. As of December 2010, 53 international cities are served from the Airport with a total of 832 weekly nonstop flights. London, the Airport's top-ranked international O&D market for the Airport, was provided 56 weekly nonstop flights during this period in 2010. Toronto, the second-ranked international O&D market for the Airport, was provided the most service with 134 weekly nonstop flights during this period in 2010. In total, 400 weekly nonstop flights are provided to 11 Canadian cities from the Airport between December 13, 2010 and December 19, 2010. **Exhibit II-2** graphically illustrates the international markets to be served nonstop from the Airport in December 2010.

2.3.3 Aircraft Operations

2.3.3.1 Total Aircraft Operations

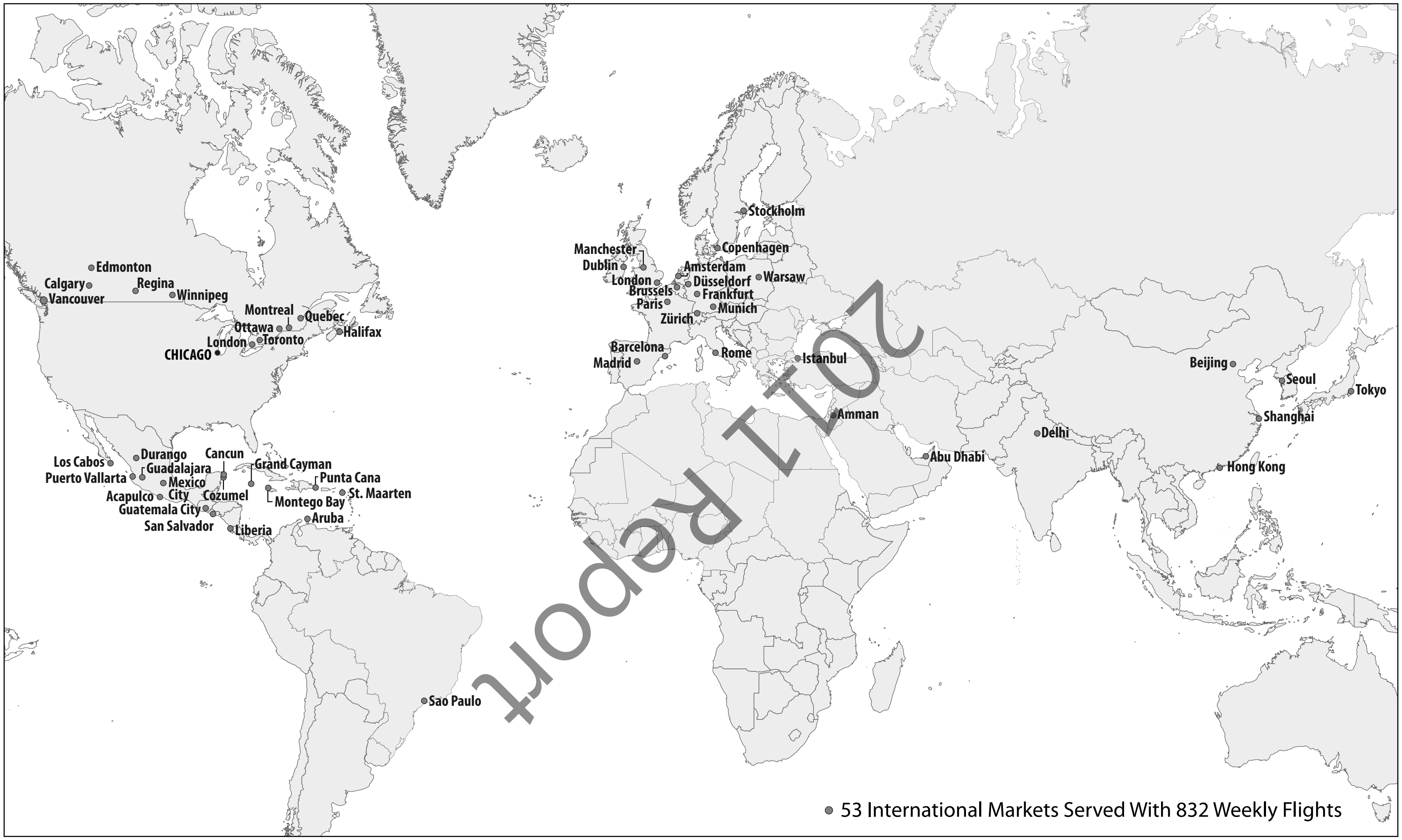
Table II-14 presents numbers of aircraft operations at the Airport by major user group between 2003 and 2010. As shown, total operations at the Airport increased from 928,691 in 2003 to 992,427 in 2004, and then steadily decreased to 827,899 in 2009. The number of operations reached in 2004 is the highest recorded annual total operations at the Airport in its history. Although shifting of United and American mainline service to regional service continued to increase regional/commuter activity at the Airport in 2005 and 2006, the FAA limits on North American arrivals at the Airport were the primary cause of decreases in total passenger aircraft operations during this period and into 2007. System-wide cutbacks in passenger airline activity in response to high fuel costs and the national and global recessions were the primary cause of total operations at the Airport, decreasing from 926,973 in 2007 to 881,566 in 2008, and to 827,899 in 2009. Total operations increased from 827,899 in 2009 to 882,617 in 2010 as economic conditions in the Air Trade Area and the nation improved and business and leisure demand increased for the Airport's two largest carriers.

2.3.3.2 Domestic Passenger Airline Operations

A recent trend in the airline industry has been to decrease capacity to attempt to better match overall demand and profitability, which has resulted in higher load factors throughout the national aviation system. As part of this trend, the mainline carriers have reduced their system-wide capacity and shifted capacity to their regional/commuter affiliates. In particular, United Airlines grounded its Boeing 737 fleet (94 aircraft) plus 6 Boeing 747 aircraft. Eighty of these aircraft were removed from the airline's mainline fleet in 2008 and the remainder in 2009. In a message to employees, President John Tague said the cuts are necessary and that the retirement of the Boeing 737 fleet would "dramatically simplify our fleet and reduce our maintenance liability."[9] Further, the retirements removed the "oldest and least fuel-efficient jets" from service, reducing the average age of United's fleet by 1.3 years to 11.8 years. Between 2008 and 2009, American retired 34 Boeing (formerly McDonnell Douglas) MD-80 aircraft and 10 Airbus A300 aircraft. The shifting of domestic passenger service from the major/national airlines to their regional/commuter affiliates is especially evident for the 2006 through 2010 period at the Airport.

As shown in Table II-14, regional/commuter airline aircraft operations increased at a compounded annual growth rate of 7.3 percent between 2003 and 2007, whereas major/national airline aircraft operations decreased at a compounded rate of 5.7 percent during this same period. In particular, annual operations by United Express carriers and American Eagle increased by approximately

[9] Mutzabaugh, Ben, "United Airlines retires its last 737," *usatoday.com*, October 29, 2009, http://www.usatoday.com/travel/flights/2009-10-27-united-737-final-flight_N.htm



Source: Official Airline Guide (OAG), (December 13 – December 19, 2010).
Prepared by: Ricondo & Associates, Inc., December 2010.

Exhibit II-2

Not to Scale. north

Nonstop International Markets

Table II-14

Historical Aircraft Operations

	Domestic		International		Total				
	Majors/ Nationals	Regionals/ Commuters	U.S. Flag Carriers	Foreign Flag Carriers	Passenger Airlines	General Aviation 1/	All Cargo	Military	Total
2003	489,822	312,910	40,733	35,722	879,187	28,247	21,257	0	928,691
2004	492,469	367,227	46,698	35,696	942,090	28,749	21,588	0	992,427
2005	430,183	405,231	51,271	33,507	920,192	30,077	21,979	0	972,248
2006	398,633	422,953	49,230	34,750	905,566	31,912	21,165	0	958,643
2007	387,663	415,270	51,531	35,512	889,976	16,295	20,702	0	926,973
2008	366,143	396,848	45,378	35,833	844,202	19,802	17,562	0	881,566
2009	318,513	402,656	42,074	32,768	796,011	17,900	13,988	0	827,899
2010	283,194	488,376	41,452	30,702	843,724	21,645	17,248	0	882,617
Compounded Anuual Growth Rate									
2003 - 2007	(5.7%)	7.3%	6.1%	(0.1%)	0.3%	(12.8%)	(0.7%)	N/A	(0.0%)
2007 - 2008	(5.6%)	(4.4%)	(11.9%)	0.9%	(5.1%)	21.5%	(15.2%)	N/A	(4.9%)
2008 - 2009	(13.0%)	1.5%	(7.3%)	(8.6%)	(5.7%)	(9.6%)	(20.4%)	N/A	(6.1%)
2009 - 2010	(11.1%)	21.3%	(1.5%)	(6.3%)	6.0%	20.9%	23.3%	N/A	6.6%

N/A = not applicable.

Note:

1/ Includes general aviation, helicopter, and other miscellaneous operations.

Source: City of Chicago, Department of Aviation Management Records, January 2011.

Prepared by: Ricondo & Associates, Inc., January 2011.

100,000 between 2003 and 2007, while United and American mainline service decreased by approximately 97,000 annual operations during this same period.

The ability of the Airport to adjust to changes in the industry is reflected in the recent shifting of certain mainline service to regionals/commuters. The shifting of service can be observed through an analysis of scheduled departing seats between 2000 and 2010. As shown in **Table II-15**, scheduled departing seats for United mainline service at the Airport decreased at a compounded rate of 6.9 percent between 2000 and 2010, while scheduled departing seats for United Express increased at a compounded annual growth rate of 11.1 percent. Similar trends occurred for American carrier service at the Airport during these same years. As shown in **Table II-16**, scheduled departing seats for American mainline service at the Airport decreased at a compounded rate of 5.0 percent between 2000 and 2010, while scheduled departing seats for American Eagle increased at a compounded annual growth rate of 5.9 percent. Also shown in Table II-15, this strategy for United has occurred at its Denver, Washington Dulles, and San Francisco hubs. For American, however, this shifting has not occurred as dramatically at its primary Dallas hub, nor at its Miami hub, where American mainline domestic service dominates its traffic, primarily due to the geographical location of these hubs.

2.3.3.3 International Passenger Airline Operations

The number of total international operations increased between 2003 and 2007, from 76,455 in 2003 to 87,043 in 2007 (a compounded annual growth rate of 3.3 percent during this period). This increase was primarily the result of a recovery from the events of September 11, the abatement of SARS, and United's expansion of its international service at the Airport during this period. United's international activity, in particular, increased by a total of approximately 6,600 operations at the Airport during this period. United Express carriers and American Eagle, which did not provide international service in 2002, provided over 9,800 international operations combined in 2007, primarily to Canada. International activity by foreign flag carriers at the Airport was relatively stable between 2003 and 2007, averaging approximately 35,000 operations during this period. As shown in Table II-14, international flights operated by U.S. flag airlines decreased 11.9 percent in 2008 from 2007 levels, whereas foreign flag activity at the Airport remained relatively stable during this period. Total international activity at the Airport decreased from 81,211 operations in 2008 to 72,154 operations in 2010, a 5.7 percent decrease during this period.

2.3.3.4 General Aviation Operations

Between 2003 and 2006, general aviation activity at the Airport was relatively stable, averaging approximately 30,000 annual operations during this period. Included in this category is a "Miscellaneous" component, which was the primary reason for the decreased level of activity between 2007 and 2009 compared to previous years. General aviation activity levels at the Airport are influenced by the lower costs and lower delays at outlying airports within the Chicago Region. As a result, general aviation activity at the Airport has been relatively low, accounting for approximately 2.7 percent of total operations between 2003 and 2009.

2.3.3.5 All-Cargo Carrier Operations

As discussed earlier, 25 all-cargo operators provide scheduled service at the Airport, with FedEx providing the majority of the all-cargo activity with approximately 10 daily flights, primarily utilizing A-300, DC-10, and MD-10 aircraft. The second-busiest all-cargo carrier at the Airport is United Parcel Service (UPS) with approximately 4 daily flights. Approximately 48 percent of all-cargo operations in 2010 were international flights. Operations by the all-cargo airlines at the Airport were relatively stable between 2003 and 2007, averaging approximately 21,300 operations

Table II-15

United Carriers Domestic Scheduled Departing Seats by Hub Airport (In Thousands)

	Scheduled Departing Seats														
	O'Hare			Denver			Dulles			Los Angeles			San Francisco		
Year	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total
2000	19,717	2,600	22,318	14,417	2,784	17,202	4,776	2,729	7,505	9,212	1,903	11,115	10,281	1,029	11,310
2001	17,749	3,223	20,972	13,100	2,723	15,823	4,468	2,805	7,272	7,673	1,905	9,578	9,217	886	10,103
2002	16,430	3,694	20,124	11,255	2,195	13,450	3,186	2,497	5,683	5,423	1,886	7,309	7,472	923	8,395
2003	15,323	4,830	20,153	10,684	2,225	12,909	3,009	2,431	5,440	5,010	1,788	6,798	6,383	1,221	7,604
2004	15,821	5,630	21,451	11,593	2,891	14,484	3,817	3,279	7,096	5,387	1,891	7,277	6,842	1,390	8,232
2005	13,949	6,490	20,439	11,032	3,440	14,472	3,820	3,612	7,431	5,172	1,809	6,981	6,738	1,528	8,266
2006	13,674	6,770	20,443	11,917	3,557	15,474	4,177	3,666	7,843	5,481	1,859	7,340	6,974	1,548	8,523
2007	13,458	6,527	19,985	11,680	3,617	15,297	4,176	3,747	7,923	5,020	1,861	6,881	6,783	1,560	8,343
2008	12,543	5,953	18,496	10,570	3,535	14,105	3,930	3,614	7,544	4,378	1,733	6,110	6,485	1,445	7,930
2009	10,803	6,294	17,097	9,044	4,032	13,077	3,793	3,570	7,364	4,089	1,626	5,714	5,905	1,639	7,544
2010	9,651	7,454	17,105	8,133	4,755	12,888	3,944	3,533	7,477	4,028	1,819	5,847	5,962	1,839	7,800
Compounded Annual Growth Rate															
2000 - 2001	(10.0%)	23.9%	(6.0%)	(9.1%)	(2.2%)	(8.0%)	(6.5%)	2.8%	(3.1%)	(16.7%)	0.1%	(13.8%)	(10.3%)	(14.0%)	(10.7%)
2001 - 2002	(7.4%)	14.6%	(4.0%)	(14.1%)	(19.4%)	(15.0%)	(28.7%)	(11.0%)	(21.9%)	(29.3%)	(1.0%)	(23.7%)	(18.9%)	4.2%	(16.9%)
2002 - 2003	(6.7%)	30.8%	0.1%	(5.1%)	1.4%	(4.0%)	(5.6%)	(2.6%)	(4.3%)	(7.6%)	(5.2%)	(7.0%)	(14.6%)	32.2%	(9.4%)
2003 - 2004	3.2%	16.6%	6.4%	8.5%	29.9%	12.2%	26.8%	34.9%	30.4%	7.5%	5.7%	7.1%	7.2%	13.9%	8.3%
2004 - 2005	(11.8%)	15.3%	(4.7%)	(4.8%)	19.0%	(0.1%)	0.1%	10.1%	4.7%	(4.0%)	(4.3%)	(4.1%)	(1.5%)	9.9%	0.4%
2005 - 2006	(2.0%)	4.3%	0.0%	8.0%	3.4%	6.9%	9.3%	1.5%	5.5%	6.0%	2.7%	5.1%	3.5%	1.3%	3.1%
2006 - 2007	(1.6%)	(3.6%)	(2.2%)	(2.0%)	1.7%	(1.1%)	(0.0%)	2.2%	1.0%	(8.4%)	0.1%	(6.2%)	(2.7%)	0.8%	(2.1%)
2007 - 2008	(6.8%)	(8.8%)	(7.5%)	(9.5%)	(2.3%)	(7.8%)	(5.9%)	(3.5%)	(4.8%)	(12.8%)	(6.9%)	(11.2%)	(4.4%)	(7.4%)	(5.0%)
2008 - 2009	(13.9%)	5.7%	(7.6%)	(14.4%)	14.1%	(7.3%)	(3.5%)	(1.2%)	(2.4%)	(6.6%)	(6.2%)	(6.5%)	(8.9%)	13.4%	(4.9%)
2009 - 2010	(10.7%)	18.4%	0.0%	(10.1%)	17.9%	(1.4%)	4.0%	(1.1%)	1.5%	(1.5%)	11.9%	2.3%	1.0%	12.2%	3.4%
2000 - 2010	(6.9%)	11.1%	(2.6%)	(5.6%)	5.5%	(2.8%)	(1.9%)	2.6%	(0.0%)	(7.9%)	(0.4%)	(6.2%)	(5.3%)	6.0%	(3.6%)
2002 - 2010	(6.4%)	9.2%	(2.0%)	(4.0%)	10.1%	(0.5%)	2.7%	4.4%	3.5%	(3.7%)	(0.4%)	(2.8%)	(2.8%)	9.0%	(0.9%)

Source: Official Airline Guide, January 2011.
Prepared by: Ricondo & Associates, Inc, January 2011.

Table II-16
American Carriers Domestic Scheduled Departing Seats by Hub Airport (In Thousands)

	Scheduled Departing Seats								
	O'Hare			Dallas			Miami		
Year	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total	Mainline	Affiliate(s)	Total
2000	14,571	2,794	17,365	23,933	3,976	27,909	6,628	792	7,419
2001	14,291	2,941	17,232	23,289	3,489	26,778	6,382	685	7,067
2002	13,935	2,933	16,868	21,942	2,961	24,902	6,537	470	7,007
2003	12,467	3,278	15,745	21,889	3,208	25,098	6,872	321	7,194
2004	13,614	4,270	17,885	23,936	3,536	27,472	7,239	406	7,645
2005	12,595	4,516	17,111	24,929	4,621	29,549	7,251	499	7,750
2006	11,444	4,760	16,204	24,325	4,756	29,082	7,319	579	7,898
2007	11,273	4,702	15,975	24,511	4,724	29,234	7,312	648	7,960
2008	10,487	4,471	14,958	23,578	4,646	28,224	7,407	661	8,068
2009	9,028	4,192	13,220	22,917	5,077	27,994	7,345	593	7,938
2010	8,702	4,945	13,647	22,786	5,069	27,855	7,636	851	8,487
Compounded Annual Growth Rate									
2000 - 2001	(1.9%)	5.3%	(0.8%)	(2.7%)	(12.2%)	(4.1%)	(3.7%)	(13.5%)	(4.7%)
2001 - 2002	(2.5%)	(0.3%)	(2.1%)	(5.8%)	(15.1%)	(7.0%)	2.4%	(31.4%)	(0.9%)
2002 - 2003	(10.5%)	11.8%	(6.7%)	(0.2%)	8.4%	0.8%	5.1%	(31.6%)	2.7%
2003 - 2004	9.2%	30.3%	13.6%	9.4%	10.2%	9.5%	5.3%	26.3%	6.3%
2004 - 2005	(7.5%)	5.7%	(4.3%)	4.1%	30.7%	7.6%	0.2%	23.1%	1.4%
2005 - 2006	(9.1%)	5.4%	(5.3%)	(2.4%)	2.9%	(1.6%)	0.9%	16.0%	1.9%
2006 - 2007	(1.5%)	(1.2%)	(1.4%)	0.8%	(0.7%)	0.5%	(0.1%)	11.8%	0.8%
2007 - 2008	(7.0%)	(4.9%)	(6.4%)	(3.8%)	(1.6%)	(3.5%)	1.3%	2.0%	1.4%
2008 - 2009	(13.9%)	(6.2%)	(11.6%)	(2.8%)	9.3%	(0.8%)	(0.8%)	(10.2%)	(1.6%)
2009 - 2010	(3.6%)	18.0%	3.2%	(0.6%)	(0.2%)	(0.5%)	4.0%	43.6%	6.9%
2000 - 2010	(5.0%)	5.9%	(2.4%)	(0.5%)	2.5%	(0.0%)	1.4%	0.7%	1.4%
2002 - 2010	(5.7%)	6.7%	(2.6%)	0.5%	7.0%	1.4%	2.0%	7.7%	2.4%

Source: Official Airline Guide, January 2011.

Prepared by: Ricondo & Associates, Inc, January 2011.

during this period (or approximately 40 daily departures). All-cargo operations at the Airport decreased 15.2 percent in 2008 from 2007 levels, primarily due to (1) the discontinuation of service at the Airport by Korean Air Cargo and (2) the cutback in service at the Airport by FedEx and UPS due to the significant increases in fuel prices during this period. Combined, the decreased service by these three carriers accounted for 55.2 percent of the decrease in all-cargo activity at the Airport in 2008. All-cargo operations at the Airport decreased from 17,562 in 2008 to 13,988 in 2009. High fuel prices and a weak economy lead to further reduction in all-cargo operations from 2008 to 2009. During this period all-cargo operations decreased 20.4 percent. In 2010, however, the Airport's cargo operations increased from 2009 to 2010 by 23.3 percent due to a strong resurgence of air freight demand.

2.3.3.6 Military Operations

In 1996, the City purchased from the federal government approximately 350 acres of land in the northeast quadrant of the Airport formerly used as a U.S. Air Force base. In 1999, the largest remaining military unit at the Airport, the 126th Air Refueling Wing, was deactivated and relocated to Scott Air Force Base in St. Clair County, Illinois. As a result, no military aircraft operations have occurred at the Airport between 2000 and 2010 (except for 94 operations in 2002).

2.3.4 Landed Weight

Table II-17 presents the shares of landed weight for the passenger and all-cargo airlines serving the Airport from 2006 through 2010. Similar to enplanements, the combined share of total Airport landed weight for United and American steadily decreased during this period, from a combined 54.2 percent in 2006 to 47.7 percent in 2010. As discussed earlier, this decrease in share of landed weight by these airlines was primarily due to the shifting of their mainline activity to their respective regional/commuter airline partners. The combined share of landed weight for Chautauqua, ExpressJet, GoJet, Mesa, Shuttle America, SkyWest, and Trans States increased from 12.6 percent in 2006 to 17.0 percent in 2010, while American Eagle's share increased from 7.2 percent to 8.0 percent during this same period. As a result, the combined share of total Airport landed weight for United and its regional/commuter partners remained stable at approximately 44 to 45 percent between 2006 and 2010; as did American and American Eagle's at approximately 28 to 30 percent during this same period. Similar to shares of enplaned passengers, the other passenger airlines' share of landed weight generally remained stable between 2006 and 2010. FedEx accounted for the highest share of landed weight among the all-cargo carriers at the Airport between 2006 and 2010, ranging between 1.4 percent and 1.9 percent during this period.

2.3.5 Air Cargo

A shift in the type of aircraft in which air cargo is transported at the Airport has occurred. The passenger airlines that also carry air cargo (combination carriers) accounted for approximately 60 percent of total air cargo handled at the Airport in 1999, compared with approximately 40.8 percent in 2010. This shift from combination carriers to all-cargo carriers was primarily due to the awarding of a United States Postal Service (USPS) mail contract to FedEx in 2000, government restrictions on the type of cargo allowed in the belly compartments of passenger aircraft following the terrorist attacks of September 11, and the reduction in flight frequencies and size of aircraft by many of the passenger carriers after the events of September 11.

Table II-18 presents historical enplaned and deplaned air cargo at the Airport between 2000 and 2010. As shown, total air cargo at the Airport increased 16.4 percent in 2003 and 5.5 percent in 2004, resulting in the Airport reaching a record high 1,689,304 enplaned and deplaned tons of air cargo in 2004. Although total air cargo at the Airport decreased 1.7 percent in 2005, the 0.9 percent

Table II-17

Historical Landed Weight by Airline (Weight in 1,000 Pound Units)

			2006		2007		2008		2009		2010	
	Airline	Airline Party [4/]	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
1	United [1/]	*	18,042,217	31.6%	17,725,799	31.3%	16,466,513	31.2%	14,737,875	30.4%	13,659,022	27.9%
2	American	*	12,915,205	22.6%	12,725,095	22.5%	11,728,403	22.2%	10,126,631	20.9%	9,750,096	19.9%
3	American Eagle	*	4,116,631	7.2%	4,056,130	7.2%	3,903,928	7.4%	3,870,976	8.0%	3,935,912	8.0%
4	SkyWest		3,067,858	5.4%	2,840,496	5.0%	2,614,389	5.0%	2,332,635	4.8%	2,556,729	5.2%
5	Shuttle America		1,305,665	2.3%	1,005,932	1.8%	967,081	1.8%	1,299,095	2.7%	1,587,926	3.2%
6	ExpressJet		387,716	0.7%	344,122	0.6%	403,579	0.8%	372,328	0.8%	1,166,769	2.4%
7	GoJet		584,106	1.0%	603,134	1.1%	548,931	1.0%	756,095	1.6%	1,016,658	2.1%
8	US Airways	*	573,637	1.0%	675,421	1.2%	999,519	1.9%	1,033,562	2.1%	955,529	1.9%
9	Mesa		1,229,823	2.2%	1,567,247	2.8%	1,315,962	2.5%	1,626,925	3.4%	850,849	1.7%
10	Chautauqua		177,565	0.3%	174,855	0.3%	129,558	0.2%	88,634	0.2%	687,816	1.4%
11	Delta [2/]	*	651,589	1.1%	517,928	0.9%	479,308	0.9%	363,528	0.7%	686,981	1.4%
12	FedEx	*	1,103,350	1.9%	1,143,044	2.0%	995,537	1.9%	676,715	1.4%	686,117	1.4%
13	Continental [1/]	*	573,758	1.0%	596,099	1.1%	592,963	1.1%	587,268	1.2%	632,529	1.3%
14	Lufthansa German		556,478	1.0%	580,915	1.0%	640,225	1.2%	591,147	1.2%	598,873	1.2%
15	Trans States		446,679	0.8%	451,190	0.8%	559,307	1.1%	532,969	1.1%	490,675	1.0%
	Other [5/]		11,398,892	20.0%	11,660,142	20.6%	10,431,688	19.8%	9,521,411	19.6%	9,778,764	19.9%
	Total Airlines [3/]		57,131,170	100.0%	56,667,549	100.0%	52,776,889	100.0%	48,517,792	100.0%	49,041,245	100.0%

Notes:

1/ In May 2010, United and Continental announced their intent to merge and were granted regulatory approval by the U.S. Department of Justice in August 2010. In October 2010, United and Continental merged.

2/ In October 2008, Delta and Northwest merged. The FAA granted Delta a single operating certificate on January 1, 2010.

3/ Columns may not add to totals shown because of rounding.

4/ Airline Party defined in Section 5.1.1 as airline signatory to Airport Use Agreement.

5/ Include additional airline parties: Air Canada, Air Wisconsin, and UPS.

Source: City of Chicago, Department of Aviation Management Records., March 2011.

Prepared by: Ricondo & Associates, Inc., March 2011.

Table II-18

Historical Enplaned and Deplaned Cargo Weight (in Tons)

Year	Domestic Cargo	Annual Growth	International Cargo	Annual Growth	Total Cargo	Annual Growth
2000	809,460	(8.3%)	782,125	4.1%	1,591,585	(2.6%)
2001	606,814	(25.0%)	758,309	(3.0%)	1,365,123	(14.2%)
2002	590,661	(2.7%)	785,286	3.6%	1,375,947	0.8%
2003	689,331	16.7%	912,405	16.2%	1,601,736	16.4%
2004	629,020	(8.7%)	1,060,284	16.2%	1,689,304	5.5%
2005	645,537	2.6%	1,015,155	(4.3%)	1,660,692	(1.7%)
2006	584,833	(9.4%)	1,090,494	7.4%	1,675,327	0.9%
2007	530,838	(9.2%)	1,106,486	1.5%	1,637,323	(2.3%)
2008	443,036	(16.5%)	950,813	(14.1%)	1,393,849	(14.9%)
2009	393,522	(11.2%)	761,843	(19.9%)	1,155,366	(17.1%)
2010	521,617	32.6%	996,080	30.7%	1,517,698	31.4%
Compounded Annual Growth Rate						
2000 - 2010	(4.3%)		2.4%		(0.5%)	

Source: City of Chicago, Department of Aviation Management Records, January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

increase in 2006 resulted in the Airport nearly matching the record high achieved in 2004. Total air cargo at the Airport deceased 2.3 percent in 2007 compared to 2006 levels. Cargo volumes at the Airport continued to further decline in 2008 and in 2009, with an additional 14.9 percent decrease from 2007 and 17.1 percent decrease from 2008. Similar to the passenger airlines, the air cargo industry has been impacted in recent years by the global economy, increasing fuel costs, continued declines in the value of the U.S. dollar, uncertainties in the Middle East, and new security regulations. Total enplaned and deplaned cargo weight was 31.4 percent higher in 2010 in comparison to 2009. The extraordinary freight growth rates experienced at the Airport in 2010 were largely driven by a resurgence of air freight demand supported by businesses restocking their inventories.

Table II-19 presents the shares of total cargo handled by the passenger airlines and the all-cargo carriers at the Airport from 2006 through 2010. Although surpassed by United in 2010, FedEx accounted for the largest share of cargo during each of these years. As discussed earlier, FedEx and USPS signed a seven year contract to carry all the USPS overnight and priority mail throughout the FedEx system. The postal contract has been extended until September 2013, and USPS continues to be one of the largest customers for FedEx. United accounted for the largest share of total cargo among the passenger airlines serving the Airport each year from 2006 through 2010, maintaining a 10 to 13 percent share of total cargo handled at the Airport during this period.

2.4 Factors Affecting Aviation Demand and the Airline Industry

This section discusses qualitative factors that could influence future aviation activity at the Airport. While data and/or information related to these factors have not specifically been incorporated into the projections of Airport activity discussed in Section 2.5 (e.g., jet fuel prices), these factors were indirectly considered and analyzed in developing the projections.

2.4.1 National Economy

Air travel demand is directly correlated to consumer income and business profits. As consumer income and business profits increase, so does demand for air travel. As noted in Chapter 1, the nation entered an economic recession in December 2007, which was marked by a combination of declines in construction activity, falling home prices, rising oil prices and a falling stock market. Demand for air travel weakened in 2008, registering a 3.1 percent decline, followed by an additional 5.2 percent decline in 2009. As noted in first quarter 2009 earnings statements of the Airport's two largest carriers, United and American attributed significant losses of demand for air travel to the severe and rapid downturn in the global economy. During the first quarter of 2009, American's and United's system-wide passenger load factor dropped by 3.5 and 1.7 percentage points compared to the same period in 2008, respectively. At the Airport, passenger load factors fell by 5.5 percentage points for American and 3.0 points for United during the same comparison period.

Recently, trends in U.S. GDP have improved, with the nation recording an increase of 3.7 percent in the first quarter of 2010, followed by an additional gain of 1.7 percent second quarter of 2010. According to the "third" estimate released by the Bureau of Economic Analysis (BEA), U.S. GDP increased at an annual rate of 2.6 percent in the third quarter of 2010. For the fourth quarter of 2010, the most recent quarter available, U.S. GDP increased at an annual rate of 2.8 percent according to the "second" estimate released by the BEA. The rise in real GDP in recent quarters is reflective of positive contributions from private inventory investment, exports, nonresidential fixed investment, and federal government spending, during these periods. In September 2010, the National Bureau of Economic Research determined that a trough in business activity occurred in the U.S. economy in June 2009, thus officially marking the end of the recession

Table II-19

Historical Enplaned and Deplaned Cargo by Airline (Weight in Tons)

		2006		2007		2008		2009		2010	
	Airline	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share	Cargo Volume	Share
1	United	220,306	13.2%	170,817	10.4%	173,518	12.4%	148,980	12.9%	172,163	11.3%
2	FedEx	249,434	14.9%	231,458	14.1%	200,155	14.4%	158,024	13.7%	170,754	11.3%
3	American	132,662	7.9%	128,248	7.8%	118,882	8.5%	98,805	8.6%	114,399	7.5%
4	ANA - Nippon Airways	51,949	3.1%	70,438	4.3%	74,491	5.3%	74,205	6.4%	95,719	6.3%
5	China	49,273	2.9%	45,899	2.8%	46,605	3.3%	48,941	4.2%	67,967	4.5%
6	Cathay Pacific Cargo	39,490	2.4%	45,344	2.8%	48,633	3.5%	40,765	3.5%	67,561	4.5%
7	UPS	60,216	3.6%	60,899	3.7%	49,392	3.5%	43,326	3.7%	52,186	3.4%
8	Evergreen	26,257	1.6%	29,054	1.8%	29,601	2.1%	26,243	2.3%	47,102	3.1%
9	China Southern Airlines	15,265	0.9%	14,548	0.9%	4,983	0.4%	911	0.1%	45,179	3.0%
10	Lufthansa Cargo	59,492	3.6%	60,969	3.7%	56,797	4.1%	43,645	3.8%	43,440	2.9%
11	Japan	52,048	3.1%	53,216	3.3%	42,613	3.1%	42,876	3.7%	42,675	2.8%
12	Air France	61,938	3.7%	57,977	3.5%	52,357	3.8%	40,004	3.5%	37,127	2.4%
13	Qantas	24,955	1.5%	26,142	1.6%	24,635	1.8%	21,457	1.9%	34,688	2.3%
14	Asiana	26,995	1.6%	32,737	2.0%	25,662	1.8%	24,426	2.1%	33,618	2.2%
15	Korean Air	84,989	5.1%	97,663	6.0%	30,434	2.2%	28,249	2.4%	33,375	2.2%
	Other	520,060	31.0%	511,913	31.3%	415,092	29.8%	314,511	27.2%	459,744	30.3%
	Airport Total 1/	1,675,327	100.0%	1,637,323	100.0%	1,393,849	100.0%	1,155,366	100.0%	1,517,698	100.0%

Note:

1/ Columns may not add to totals shown because of rounding.

Source: City of Chicago, Department of Aviation Management Records, January 2011.

Prepared by: Ricondo & Associates, Inc., January 2011.

that began in December 2007 and the beginning of an expansion. The recession lasted 18 months, which makes it the longest of any recession since World War II.

According to US Bureau of Transportation Statistics data, air travel demand began to rebound in late 2009, and has increased at an average monthly rate of 1.0 percent each month since November 2009. According to the latest forecast from the Congressional Budget Office (CBO), U.S. GDP is projected to grow by 2.7 percent in 2011, by 3.1 percent in 2012, and by an average of 3.4 percent between 2013 and 2016,[10] which suggests the upward trend in air travel should continue. However, should the economy stall, or again trend downward (e.g., encounter a "double-dip" recession), aviation demand nationwide will likely be negatively impacted.

2.4.2 State of the Airline Industry

In the aftermath of the events of September 11th, the industry saw a downturn in demand for air travel. The result was five years of reported industry operating losses, totaling more than $28 billion dollars (excluding extraordinary charges and gains). The airline industry finally gained ground in 2007 with virtually every U.S. airline posting profits. However, in 2008 and through the first half of 2009, the combination of record high fuel prices, weakening economic conditions, and a weak dollar resulted in the worst financial environment for U.S. airlines since the September 11th terrorist attacks. In response, most airlines announced significant capacity reductions, increased fuel surcharges, increased fares and fees, and adopted other measures to address the financial challenges. Whereas the capacity reductions following the events of September 11th were the direct result of terror threats targeting the traveling public, the industry reductions starting in late 2008 and continuing through the first half of 2009 were primarily driven by significant increases in fuel costs over a span of two and a half years, a weak dollar exacerbating the impact of increased fuel costs, and the contraction of the U.S. economy. After nearly $10 billion of losses in 2009, the International Air Transport Association (IATA) is predicting a $2.5 billion profit for the global industry in 2010. Globally, passenger traffic is forecast to rise 7.1 percent in 2010. Even though recovery is uneven across different regions, North American airline profits are projected to be $1.9 billion in 2010. According to United's most recent earnings statement, the carrier reported net income of $473 million in third quarter 2010, compared to a net loss of $60 million in the same quarter the previous year. The $533 million improvement was largely attributed to improving business and leisure demand, due to improving economic conditions. In similar fashion, American reported a net profit of $143 million for the third quarter of 2010 compared to a net loss of $359 million for the same period last year. Generally, as the airline industry strengthens financially, its ability to provide service increases which should produce growth in air travel activity.

Based on enplanements, United Airlines is the largest airline operator at the Airport with 32.2 percent of total enplaned passengers at the Airport in 2009. Including its regional/commuter partners, United's share of total enplaned passengers at the Airport was 48.1 percent in 2009. On December 9, 2002, shortly after the Air Transportation Stabilization Board (ATSB) rejected its application for a $1.6 billion loan guaranty, UAL Corporation (UAL), along with certain of its subsidiaries, including United, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. UAL emerged from Chapter 11 reorganization on February 1, 2006.

Post-bankruptcy, United optimized its domestic capacity to address significant unfavorable fuel price volatility, industry over-capacity, and a weak economic environment in 2008 and 2009. The air carrier reduced capacity and permanently removed 100 aircraft from its mainline aircraft fleet by the

[10] Source: Congressional Budget Office, *The Budget and Economic Outlook: An Update*, available online at http://www.cbo.gov/ftpdocs/120xx/doc12039/01-26_FY2011Outlook.pdf , last accessed in March 2011.

end of 2009, including its entire Boeing-737 fleet and six Boeing-747 aircraft. Also, United retired its low-cost Ted brand in late August 2008 and converted all 56 economy-only class Airbus-320 aircraft back to its mainline two-class configuration in 2009. In December 2009, United announced a significant investment in the company's future with a wide-body aircraft order. United ordered 25 Airbus-350 XWB aircraft and 25 Boeing-787 Dreamliner aircraft and has future purchase rights for 50 of each aircraft. This order is intended to enable United to reduce operating costs and better match aircraft to key international markets it serves. The new aircraft will be used to replace its older, less fuel-efficient, Boeing-747 and Boeing-767 aircraft. United expects to take delivery of the new aircraft between 2016 and 2019. Recently, United has publicly stated it is considering placing an order for narrow-body aircraft in 2010.

Based on enplanements, American is the second-largest airline operator at the Airport with 25.1 percent of mainline enplaned passengers at the Airport in 2009. Including its regional/commuter partner American Eagle, American's share of total enplaned passengers at the Airport was 34.9 percent in 2009. American also took steps toward restructuring its operations in the mid-2000's following the events of September 11, including de-peaking its activity at the Airport and at Dallas/Fort Worth International Airport, downsizing its hub at Lambert-St. Louis International Airport, simplifying its aircraft fleet, and automating customer ticketing and check-in functions.

American also implemented capacity reductions in 2008 and 2009 in response to record high fuel prices and significantly weaker demand for air travel driven by the severe downturn in the global economy. American reduced mainline seating capacity by approximately 7.5 percent for the full year 2009 versus 2008. The reduction consists of an approximately 9.0 percent reduction in mainline domestic capacity and approximately 4.8 percent reduction in mainline international capacity compared to the year ending December 31, 2008. American took delivery of a total of 36 Boeing 737-800 aircraft in 2009 and 45 Boeing 737-800 aircraft in 2010. In addition to these aircraft, the carrier has firm commitments for eleven Boeing 737-800 aircraft and seven Boeing 777-200 aircraft, scheduled for delivery in the 2013 to 2016 period. On January 14, 2011, American entered into an amendment with Boeing to exercise rights to acquire two Boeing 777-300ER aircraft for delivery in 2012. American has announced plans to acquire 42 Boeing 787-900 Dreamliners, with the right to acquire 58 additional Boeing-787 aircraft.

In its summer 2010 schedule, American initiated a program to strengthen its network at hub cities and enhance its fleet. The plan aims to eliminate unprofitable flying at St. Louis and Raleigh/Durham and reallocate those resources to its hubs in Dallas/Ft. Worth, Chicago, Miami, and New York. A part of this strategy also included the purchase of 22 Bombardier CRJ-700 aircraft with deliveries beginning in the middle of 2010. For the Airport in particular, American launched 12 new domestic and three new international destinations, beginning June 2010.

2.4.3 Airline Mergers and Acquisitions

In 2009, Delta fully completed its merger with Northwest Airlines which initiated a wave of airline mergers and acquisitions within the U.S. Earlier this year, Republic Airways Holdings, a regional airline, bought Frontier Airlines of Denver and Midwest Airlines of Milwaukee the year prior. However, none of the above combinations are expected to have an impact at the Airport as the United and Continental merger will. The following discusses the United/Continental combination in greater detail and Southwest's recent acquisition of AirTran Airways:

2.4.3.1 United Airlines and Continental Airlines Merger

In May 2010, United Airlines and Continental Airlines announced a merger agreement, which would create the world's largest airline, in terms of operating revenue and revenue passenger miles. The combined company will have 10 hubs, including hubs in the four largest cities in the U.S. The ten hubs include Cleveland, Chicago, Denver, Guam, Houston, Los Angeles, New York/Newark, San Francisco, Tokyo, and Washington D.C.[11] The combined carrier will continue to serve all the communities each carrier currently serves. The new United will operate 5,811 daily departures, serving 371 destinations in 59 countries.[12] The company will employ 86,852 employees and operate a total of 1,254 aircraft (including regional partners). Together, Continental and United serves more than 144 million passengers per year.[13] The name of the airline will continue to be United Airlines. The new company's corporate and operational headquarters will be in Chicago and it will maintain a significant presence in Houston, which will be the combined company's largest hub. United's corporate headquarters is located in two downtown Chicago buildings, the United Building at 77 West Wacker Drive and the Willis Tower. Once United moves its employees at its Operations Center in Elk Grove Township, Illinois, United will be the largest private employer in the City of Chicago.

On August 27, 2010, the U.S. Department of Justice announced that in light of the agreement by United and Continental to transfer takeoff and landing rights (slots) and other assets at Newark Liberty Airport to Southwest Airlines, that it has closed its investigation into the proposed merger of United and Continental.[14] United and Continental entered into the arrangement with Southwest in response to the department's principal concerns regarding the competitive effects of the proposed merger. The move increases competition for Continental at its Newark hub, as well as for United. The slots Southwest would receive would allow Southwest the ability to integrate Newark service into its extensive national route network. Southwest, currently, does not provide nonstop service to Newark Liberty from Midway International, but does operate service to LaGuardia Airport.

On September 17, 2010, shareholders from United and Continental approved the proposed merger. The merger became legally effective on October 1, 2010 with United and Continental Airlines becoming wholly-owned subsidiaries of United Continental Holdings, Inc. (UCH).[15] United and Continental will continue to operate separately until the company receives a single operating certificate from the Federal Aviation Administration, which is expected by the end of 2011. Immediately following receipt of the operating certificate, UCH plans to dissolve the Continental Airlines brand. As United and Continental are both members of Star Alliance, the new United will remain in the industry's largest airline alliance.

Continental and United currently operate 602 daily departures from O'Hare. In terms of enplanements, United is the largest carrier (including affiliates) while Continental is the eighth largest carrier (including affiliates) at the Airport. United and Continental represent passenger market shares of 48.1 percent and 2.0 percent, respectively, at the Airport. The airlines' route networks at O'Hare have very little overlap. Only three routes from the Airport are co-served by both carriers, these are: Chicago – Cleveland, Chicago – Houston, and Chicago – New York/Newark.

On October 21, 2010, United announced its first major schedule change since merging. It plans to add 18 new routes to its domestic system route structure.[16] In this first wave of expansion, by the new United, the Airport was the only hub that did not gain new service. In a recent article published by the Chicago Tribune, United spokeswoman Jean Medina stated, "O'Hare serves a wide breadth of

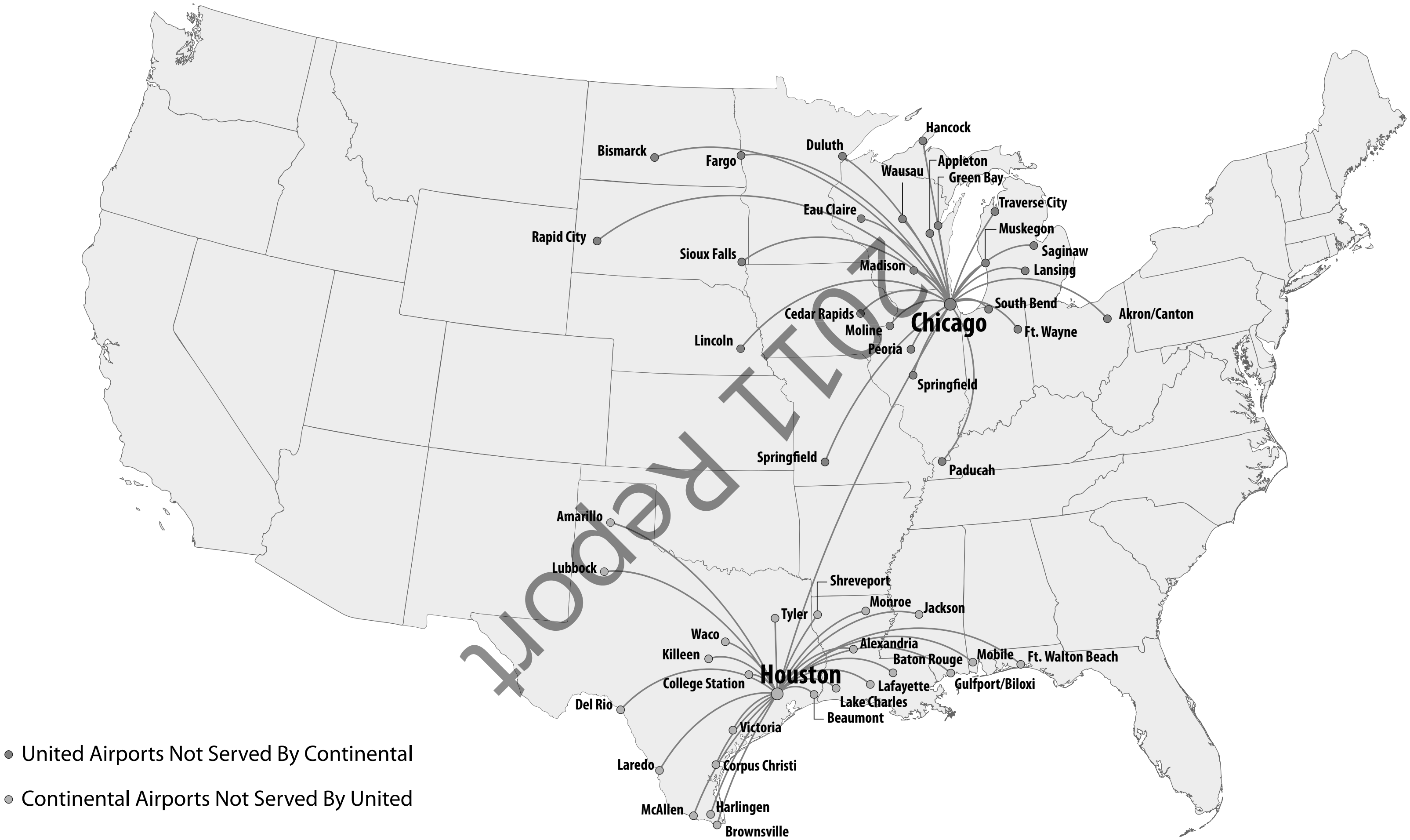
---

11 Source: http://unitedcontinentalholdings.com/
12 *Ibid.*
13 *Ibid.*
14 Source: http://unitedcontinentalholdings.com/
15 *Ibid.*
16 *Ibid.*

destinations today. That said, we're just beginning to roll out the new destinations, and we expect to add additional cities from O'Hare soon."[17] The new services are solely funded through increased utilization of existing aircraft sources. According to the same article, Continental and United have begun cross-utilizing each other's aircraft resources. For example, some 70-seat regional jets operated by United Express are being assigned to Continental's hubs at Cleveland, Newark, and Houston. Continental's current labor agreement with its pilot union restricts the size of regional jet aircraft that Continental's affiliates could fly to a maximum of 59 seats. Moving forward, it is expected United and Continental will continue to optimize their combined route networks and capitalize on opportunities to use their combined fleet more efficiently by matching the right aircraft to the right market. On February 17, 2011, Continental began daily nonstop service between O'Hare and Ft. Lauderdale and West Palm Beach. The new services will be flown with Boeing-737 aircraft and complement Continental's existing service to these South Florida cities from its hubs in New York/Newark, Houston and Cleveland.

At the present moment, the merger is not expected to have a material impact, positively or negatively, on O&D enplanements and operations at the Airport in the short-term (next one to two years). As noted above, the new combined company is expected to provide more insight regarding scheduled service changes (i.e. frequencies, aircraft changes, and new destinations) for the Airport as fleet and route integration continues. Although merged, the two companies are expected to continue operating separately under individual operating certificates until early 2012 when the company expects to receive a single operating certificate from the FAA. Any attempt to estimate the amount of new or lost enplanements, at this present moment, would be speculative without knowledge of United's intentions. However, it is expected that United will expand seat capacity between new hub-to-hub routes, namely Chicago – Houston and Chicago – New York/Newark, in an effort to increase connectivity between both networks as Delta did with Northwest's hubs. For example, Delta and Northwest's combined seat capacity between Minneapolis/St. Paul and Atlanta increased by 22.9 percent during the first half of 2010 (post-merger) compared to the same period in 2008 (pre-merger). For the Airport, in particular, connecting traffic generated by United is expected to increase as a result of the merger. As shown in **Exhibit II-3**, the merger connects the Airport and 25 U.S. Midwest destinations, which United operates to and Continental does not, to 24 U.S. Southeast/Texas destinations, which Continental operates to and United does not. Connecting United's Chicago hub to Continental's Houston hub creates 624 new online city-pair combinations, which the company can now compete with other airlines in. According to US DOT O&D Passenger Survey data for 2009, United and Continental combined represent 52.7 percent of passengers traveling between these 624 unique city-pairs, or 485,200 passengers annually. Should United's market share increase in these city-pairs, through the benefits of seamless online travel, to 75 percent, for example, the number of connecting passengers at the Airport would increase by 204,800 annually. **Table II-20** provides an estimation of connecting passenger gains, at various share shift scenarios, as a result of United gaining 624 new city-pairs to compete in. The number of new online city pairs and connecting passengers increases significantly when including Continental's expansive Mexican and South American destinations, served from Houston. These estimates are not reflected in the following activity projections as there is no data currently available to reasonably suggest the amount passenger share United would likely gain in the future or conclusively determine business decisions the airline may make.

[17] Johnson, Julie, "United Plans to Get More Out of Same," *Chicago Tribune*, October 22, 2010, section 1.



Source: Official Airline Guide (OAG), October 2010.
Prepared by: Ricondo & Associates, Inc., October 2010.

Exhibit II-3

Not to Scale. north

Unique Online City-Pair Markets

Table II-20

Passenger Estimation of Unique New Online City-Pair Markets

	2009 Passengers				
	Total	United	Continental	United + Continental	Combined Share
Unique Online Market Pairs	920,000	114,200	371,000	485,200	52.7%

	Estimated Passengers Gain		
	New United	Share Scenario	Net Increase
Unique Online Market Pairs @ 60% Share	552,000	60.0%	66,800
Unique Online Market Pairs @ 65% Share	598,000	65.0%	112,800
Unique Online Market Pairs @ 75% Share	690,000	75.0%	204,800

Sources: US DOT Origin & Destination Survey of Airline Passenger Traffic, Domestic, December 2010.
Prepared by: Ricondo & Associates, Inc., December 2010.

2.4.3.2 Southwest Airlines Acquisition of AirTran Airways

On September 27, 2010, Southwest Airlines announced it had entered into an agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways, for a combination of cash and Southwest Airlines' common stock. The combination extends Southwest's route network and adds new markets, including Atlanta (the largest domestic market Southwest does not serve), and Reagan National Airport and provides access to international leisure markets in the Caribbean and Mexico. The acquisition also allows Southwest to expand its presence in key markets, like New York-LaGuardia, Boston Logan, and Baltimore/Washington. The combined company would have nearly 43,000 employees and serve more than 112 million passengers annually to more than 111 domestic and international destinations. The combined carriers' fleet of 686 all-Boeing aircraft would include 404 Boeing 737-700, 171 Boeing 737-300, 25 Boeing 737-500, and 86 Boeing 717 aircraft. Until closing of the transaction, Southwest Airlines and AirTran will continue to operate as independent companies. Southwest plans to integrate AirTran into the Southwest brand by transitioning the AirTran fleet to the Southwest's livery and consolidating corporate functions into its Dallas headquarters. Southwest Airlines' integration plans include transitioning the operations of the two carriers to a single operating certificate. It is not expected that the acquisition of AirTran by Southwest will have any major effects at the O'Hare as neither carrier serves the Airport. However, General Mitchell International Airport, in Milwaukee, may be a stronger draw for northern Illinois residents once Southwest completes its purchase of AirTran Airways and acquires the AirTran's operations at Mitchell.

2.4.4 Cost of Aviation Fuel

The price of fuel is the most significant variable affecting the airline industry today. According to the Air Transport Association, every one-cent increase in the price per gallon of jet fuel increases annual airline operating expenses by approximately $175 to $200 million. The average price of jet fuel was $0.82 per gallon in 2000 compared to $3.07 in 2008, an increase of 275 percent. Once again, the airline industry has been contending with significant increases in jet fuel prices, during the first quarter of 2011, which have reached their highest levels since July 2008. Although oil prices have recently pulled back due to the potential demand destruction anticipated from the earthquake and tsunami that struck Japan, the price of U.S. Gulf Coast jet fuel still remains relatively high compared to this time last year. As of March 15, 2011, U.S. Gulf Coast jet fuel sold for $3.03 per gallon.[18]

According to the Air Transport Association, U.S. airline fuel expense increased from $16 billion in 2000 to $39 billion in 2010, a compounded annual growth rate of 9.3 percent during this period. **Exhibit II-4** shows the monthly averages of jet fuel and crude oil prices from January 2007 through January 2011.

In 1999, jet fuel accounted for nearly 10 percent of the commercial airline industry's operating expenses and historically, fuel expense was the second highest operating expense for an airline behind labor. More recently, jet fuel surpassed labor as the airlines' largest operating expense, according to the Air Transport Association. In 2008, fuel comprised approximately 30.6 percent and labor 20.3 percent of an airline's total operating costs. As oil prices fell in the first quarter of 2009, labor once again became the airlines' largest operating expense representing 25.8 percent versus fuel at 21.3 percent. However with the steady rise in fuel costs during the third quarter of 2010, fuel once

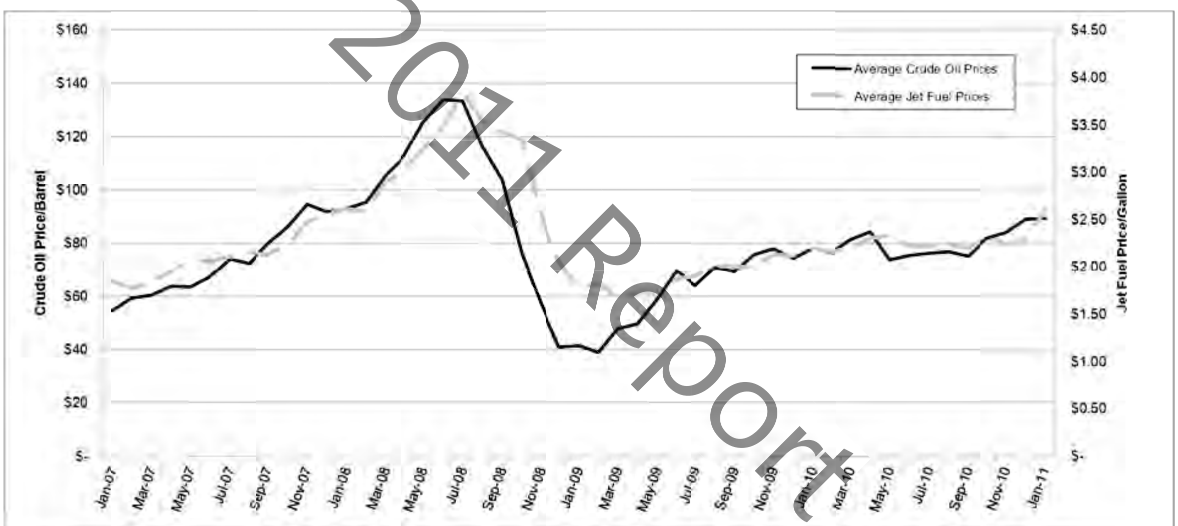
[18] Source: U.S. Energy Information Administration

again became the airlines' largest operating expense at 25.4 percent while labor accounted for 24.7 percent.

If jet fuel pieces remain high, future network and fleet planning decisions will be extremely difficult for airlines to make. When jet fuel prices rise, airlines can absorb the cost increase through a combination of: (1) passing through increased costs directly or indirectly to passengers and/or generating more revenue (e.g., adding fuel surcharges, raising fares and ancillary options), (2) decreasing non-fuel expenses (e.g., reducing manpower), and (3) directly decreasing fuel expenses (e.g., through grounding of less fuel-efficient aircraft and reductions in scheduled service). Some carriers, such American, Delta, and United, have recently announced revised network growth plans with reductions in capacity beginning in Q3 2011 and beyond. Other carriers, such as Air Canada, have decided to reduce capacity earlier than Q3 2011. Air Canada recently announced it will suspend its planned Chicago – Calgary, Canada nonstop service scheduled to begin on May 1, 2011 in light of rising fuel costs. Intriguingly, the rising cost of jet fuel has even been used as a justification for the potential merger of Southwest Airlines and AirTran Airways.

Exhibit II-4

Historical Monthly Averages of Jet Fuel and Crude Oil Prices



Source: Air Transport Association (ATA), March 2011.
Prepared by: Ricondo & Associates, Inc., March 2011.

2.4.5 Airline Scheduled Seat Capacity

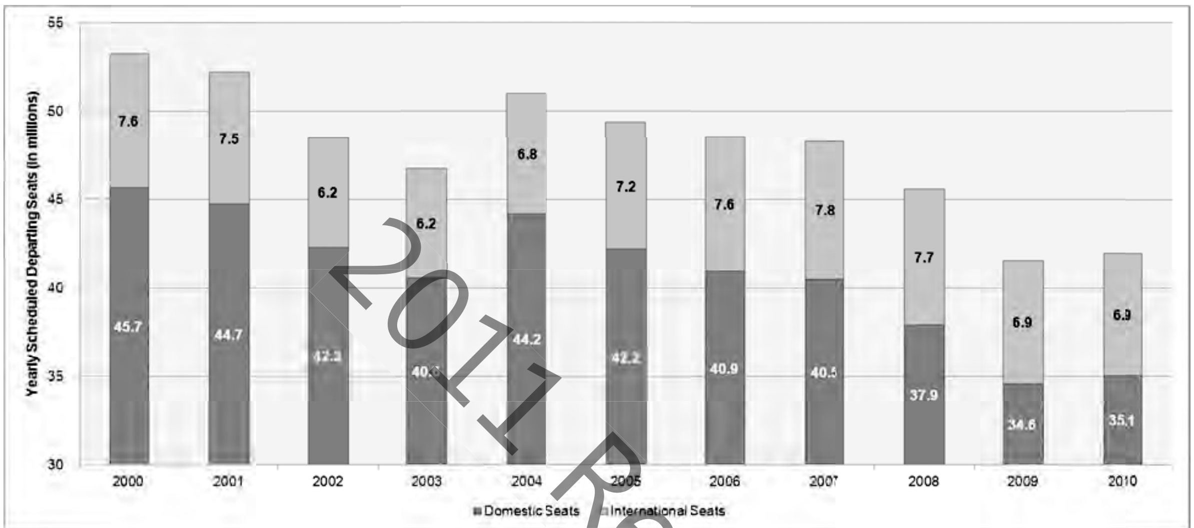
While jet fuel prices have declined, the airlines continue to restrain growth in capacity due to the weak economy, keeping in place reductions they implemented beginning in 2008. The height of the industry capacity decline occurred in the first quarter of 2009, as domestic seat-capacity declined by 11.0 percent versus the first quarter of 2008. Demand for domestic air travel, as measured by revenue passenger miles (RPMs), slipped at a similar rate of 11.6 percent during this period. **Exhibit II-5** displays yearly scheduled departing seats from the Airport between 2000 through 2010. As Exhibit II-5 shows, total scheduled departing seats in 2009 declined to the Airport's lowest levels over the last ten years. Domestic seats at the Airport decreased by 3.3 million seats, from 37.9 million in 2008 to 34.6 million in 2009. International seat capacity decreased by 10.1 percent in 2009 compared to 2008. According to scheduling data from the Official Airline Guide, scheduled domestic capacity for 2010 was up 1.3 percent compared to 2009 levels with international capacity remaining relatively flat for the same comparison period.

2.4.6 Airport Security and Threat of Terrorism

The events of September 11th curtailed airline travel in several ways: (1) these events reduced the demand for air travel as a result of the increased concerns about safety; (2) these events reduced air travel by exacerbating the mild recession that began in March 2001; and (3) the cost of travel was effectively increased because of the necessity of arriving earlier for departures, the increased frequency of delays resulting from security breaches, and new security surcharges. The result was substantially less demand for air travel for both work and leisure purposes.

Exhibit II-5

Yearly Scheduled Departing Seats – O'Hare International Airport



Source: Official Airline Guide (OAG), November 2010.
Prepared by: Ricondo & Associates, Inc., November 2010.

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act 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. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand. On October 29, 2010, two packages, each containing a bomb consisting of plastic explosives and a detonating mechanism, were found on separate cargo planes. The packages were addressed to synagogues in Chicago and shipped from Yemen's capital of Sana'a through UPS and FedEx. The mail bombs were discovered at en route stop-overs, in England and in Dubai in the United Arab Emirates. The terror plot was discovered as a result of intelligence received from Saudi Arabia's security chief.[19] As a result of the attempted terrorism plot, the Department of Homeland Security released a statement, stating, "the Administration has took a number of immediate steps to increase security by tightening existing

[19] Crumley, Bruce, "The Parcel-Bomb Case: Investigators Again Playing Catch-Up," *Time*, November 1, 2010, http://www.time.com/time/world/article/0,8599,2028701,00.html

measures related to cargo bound for the U.S.. Some of these security measures will be visible while others will not. The public may recognize specific enhancements including heightened cargo screening and additional security at airports. Passengers should continue to expect an unpredictable mix of security layers that include explosives trace detection, advanced imaging technology, canine teams and pat downs, among others."[20] As has been the case since the events of September 11th, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Any terrorist incident aimed at aviation would have an immediate and significant adverse impact on the demand for aviation services.

2.4.7 Other Factors Affecting the Airport

2.4.7.1 Capacity of the National Airspace System

One of the FAA's major concerns is how increased delays at busy airports impact the efficiency of the National Airspace System (NAS). While considerable emphasis has been placed on improving system capacity without adding new pavement (e.g., through refinements in air traffic control procedures and improvements in navigational aids technology), the FAA acknowledges the significant role of building new runways, particularly at major connecting hubs. However, the FAA also acknowledges that this approach is rarely a straightforward process, especially near major population centers. Although there have been several initiatives to streamline the airport project development process, there is still a considerable amount of lead-time necessary to implement planned airport capacity improvements. In its May 2007 Capacity Needs in the National Airspace System report, the FAA stated the need to investigate other approaches to meet future capacity needs, including new commercial service airports, regional solutions, congestion management, and high-density corridors and multi-modal planning.

The national airspace system consists of individual airports that form interconnected and interdependent components of a network. A delay at one airport can propagate throughout the system, disrupting traffic well beyond the original location of the delay. Of particular importance are large hub airports (e.g., O'Hare), which are critical elements of the network and must be able to process significant numbers of operations to maintain system efficiency. Air traffic at one airport must be seen in a system-wide context, in which delays can significantly affect operations at other airports.

The physical and operational characteristics at the Airport contribute to high levels of congestion and delay that are expected to become more severe in the future if no action is taken to increase capacity. Severe capacity constraints at the Airport affect the efficiency of the national airspace system. According to the FAA's Aviation System Performance Metrics data, the percentage of delayed flight arrivals at the Airport increased from approximately 17 percent in 2002 to approximately 25 percent in 2004. With the implementation of voluntary reductions of scheduled arrivals at the Airport in November 2004, this percentage decreased to approximately 20 percent in 2005. In 2006, however, this percentage increased back to approximately 25 percent primarily due to weather (approximately 82 percent cause of delays at the Airport in 2006 versus approximately 80 percent in 2005) and generally remained at that level through 2008. The percentage of delayed flight arrivals at the Airport decreased to 16 percent in 2009, primarily due to (1) the opening of Runway 9L-27R in November 2008, (2) the continued reduction in aircraft operations at the Airport, and (3) generally better weather conditions during this period. Between 2006 and 2008, the Airport was ranked as the

[20] Department of Homeland Security, http://www.dhs.gov/ynews/releases/pr_1289237893803.shtm (accessed November 24, 2010).

most delayed airport in the U.S. in terms of number of delays (flights delayed 15 minutes or more) and in terms of total delay. In 2009, the Airport was ranked second behind Hartsfield-Jackson Atlanta International Airport in total number of delays. Aviation delays and congestion have been a significant problem at the Airport for more than 30 years.

2.4.7.2 FAA Caps on Operations at O'Hare

Effective November 1, 2004, the FAA and the airlines serving the Airport agreed to voluntarily limit scheduled domestic and Canadian arrivals at the Airport to 88 per hour between 7:00 a.m. and 7:59 p.m. (and to 50 in any half hour) and to 98 scheduled arrivals between 8:00 p.m. and 8:59 p.m. United, American, and their regional/commuter partners, who accounted for 84.9 percent of total enplaned passengers at the Airport in 2004, agreed to the largest reductions. United agreed to reduce its service by 20 arrivals per hour and American agreed to reduce its service by 17 arrivals per hour between 7:00 a.m. and 8:00 p.m.

On October 29, 2006, the FAA implemented a formal flight reduction rule at the Airport (with the same limitations that were voluntary) that expired on October 31, 2008. This expiration date coincided with the opening date of Runway 9L-27R at the Airport (discussed in more detail in Chapter 3).

The FAA adopted these regulations for the Airport to address persistent flight delays from over scheduling. As stated by the FAA in its final rule, the regulations were intended to be an interim measure only, and the FAA anticipated that the rule would yield to longer term solutions to traffic congestion at the Airport. Such solutions include plans by the City to modernize the Airport and reduce levels of delay, both in the medium term and long term. For this reason, the final rule included provisions allowing for the operational limits it imposed to be gradually relaxed, and as discussed above, sunset on October 31, 2008.

2.4.7.3 Other Area Airports

Midway is located 15 miles south of the Airport. The City owns both O'Hare and Midway, and the City's Department of Aviation operates them as separate enterprises for financial purposes. Revenues (as defined in the Bond Indenture) resulting from the operation of O'Hare are not available to satisfy the obligations of Midway, and vice versa. The City's Department of Aviation, with 1,540 employees, is responsible for the management, planning, design, operation, and maintenance of the two airports.

Demand for air service in the Chicago Region is predominantly served through the Airport, particularly for international air traffic (which is growing in its share of total enplanements at the Airport) and is the predominant airport for nonstop/business travel to the area's top 50 O&D markets. Forty of Midway's top 50 domestic O&D markets in 2009 were included in the Airport's top 50 domestic O&D markets in 2009. The Airport served more than 64 percent of the demand to these 50 O&D markets in 2009. As of June 2010, Midway serves a distinct market segment in the Chicago Region as a lower-fare alternative to a limited number of destinations. Midway has approximately 269 daily nonstop flights to 54 markets (one of which is an international destination – Toronto, Canada), whereas the Airport has approximately 1,075 daily nonstop flights to 187 markets (56 of which are international destinations).[21] Midway's connecting percentage of passenger traffic was approximately 34 percent in 2009, whereas the Airport's connecting percentage of passenger traffic was approximately 51 percent in 2009.

[21] Ricondo & Associates, Inc., Chicago Midway International Airport, Second Lien Revenue Bonds, Series 2010 B-D, *Report of the Airport Consultant*, October 2010.

The nearest medium- to large-hub commercial service airport outside the Chicago Region is General Mitchell International Airport, located approximately 70 miles north of the Airport in Milwaukee, Wisconsin. This airport serves the commercial air service needs of Milwaukee, southeast Wisconsin, and portions of northern Illinois. Although General Mitchell International Airport is in close proximity to the Airport (their overlapping service areas include three counties in the northern Chicago Region area, which represent 12 percent of the population in the Chicago Region), the higher frequencies of nonstop service to top O&D markets from the Airport diverts a portion of traffic in northern Illinois and southern Wisconsin to the Airport. Historically, fare differentials were not considered a factor in diverting traffic from these overlapping service areas to General Mitchell International Airport. However, in the last couple of years, the fare differential has widened due to the expansion of nonstop service by AirTran and the initiation of service by Southwest at General Mitchell International Airport. The average one-way fare for domestic travel in 2009 was approximately $147 for the Airport and approximately $122 for General Mitchell International Airport.[22]

Table II-21 presents enplaned passengers for O'Hare, Midway, and General Mitchell International Airport between 2000 and 2010. As shown, the Airport's share of total enplaned passengers steadily decreased from approximately 78 percent in 2000 to approximately 75 percent in 2002. This declining share was primarily due to the expansion of service at Midway by Southwest, which added nonstop service to 15 markets during this period (8 new markets in 1999). Between 2002 and 2007, however, O'Hare generally maintained its average of 75 percent share of total enplaned passengers despite Southwest's continued expansion of service at Midway during this period (19 new markets between 2002 and 2007). As also shown, enplaned passengers at O'Hare increased at a compounded annual growth rate of 2.8 percent between 2002 and 2007, similar to Midway's 2.6 percent growth. Enplaned passengers at the Airport and Midway decreased 9.9 percent and 11.4 percent, respectively, in 2008 from 2007 levels due to the impacts of high fuel prices, the nationwide recession, and capacity cutbacks by the airlines during this period. Of the three airports, however, only General Mitchell International experienced enplaned passenger growth in 2008 compared to 2007. The 3.4 percent increase in enplanements at General Mitchell, in 2008 over 2007, is largely the result of AirTran's expansion efforts to build Milwaukee into a focus city. After several unsuccessful attempts to acquire Midwest Airlines, AirTran increased its number of nonstop destinations served from General Mitchell from six in 2007 to fifteen total destinations in 2008. In 2009, AirTran continued its expansion with six additional nonstop destinations. In November, 2009, Southwest initiated nonstop service at General Mitchell, with nonstop service to six markets with a total of 12 daily flights. Between 2007 and 2010, General Mitchell's enplanement share increased from a 7.6 percent share in 2007 to 10.5 percent in 2010. O'Hare's enplanement share during the same comparison period declined from 74.2 percent in 2007 to 70.8 percent in 2010. O'Hare's enplaned passengers increased by 3.7 percent in 2010 from 2009 levels, while Midway's passenger activity increased 3.3 percent during this same period. General Mitchell's enplaned passengers increased significantly between 2009 and 2010 by 23.6 percent.

In 2006, the City submitted a preliminary application for the large hub airport slot in the FAA's Airport Privatization Pilot Program for Midway, which was subsequently accepted by the FAA. A winning bid of $2.5 billion for a 99-year lease for Midway was received by the City in September 2008. After the City filed a final application with the FAA in April 2009, the awarded long-term concession and lease agreement was terminated because of the private operator's inability to finance

22 O&D Survey of Airline Passenger Traffic, US DOT. Calculations of average fares include frequent flyer passengers.

Table II-21

Historical Enplaned Passengers at O'Hare, Midway, and General Mitchell [1/]

	O'Hare			Midway			General Mitchell			Total	
Year	Enplaned Passengers	Annual Growth	Share	Enplaned Passengers	Annual Growth	Share	Enplaned Passengers	Annual Growth	Share	Enplaned Passengers	Annual Growth
2000	35,700,949	(0.7%)	77.7%	7,325,397	14.9%	15.9%	2,905,401	5.9%	6.3%	45,931,747	1.9%
2001	33,310,229	(6.7%)	76.5%	7,407,025	1.1%	17.0%	2,811,954	(3.2%)	6.5%	43,529,208	(5.2%)
2002	32,918,936	(1.2%)	75.0%	8,156,138	10.1%	18.6%	2,791,287	(0.7%)	6.4%	43,866,361	0.8%
2003	34,433,532	4.6%	74.2%	8,921,057	9.4%	19.2%	3,074,422	10.1%	6.6%	46,429,011	5.8%
2004	37,444,548	8.7%	74.4%	9,519,472	6.7%	18.9%	3,331,255	8.4%	6.6%	50,295,275	8.3%
2005	37,947,987	1.3%	75.6%	8,595,983	(9.7%)	17.1%	3,629,554	9.0%	7.2%	50,173,524	(0.2%)
2006	37,764,444	(0.5%)	74.8%	9,087,611	5.7%	18.0%	3,641,503	0.3%	7.2%	50,493,558	0.6%
2007	37,763,062	(0.0%)	74.2%	9,288,348	2.2%	18.2%	3,868,098	6.2%	7.6%	50,919,508	0.8%
2008	34,011,186	(9.9%)	73.6%	8,229,304	(11.4%)	17.8%	4,000,765	3.4%	8.7%	46,241,255	(9.2%)
2009	32,035,155	(5.8%)	72.0%	8,468,470	2.9%	19.0%	3,987,607	(0.3%)	9.0%	44,491,232	(3.8%)
2010	33,219,772	3.7%	70.8%	8,749,289	3.3%	18.7%	4,927,558	23.6%	10.5%	46,896,619	5.4%
Weighted Average											
2002 - 2010			73.9%			18.4%			7.7%		
Compounded Annual Growth Rate											
2000 - 2002	(4.0%)			5.5%			(2.0%)			(2.3%)	
2002 - 2007	2.8%			2.6%			6.7%			3.0%	
2007 - 2008	(9.9%)			(11.4%)			3.4%			(9.2%)	
2008 - 2009	(5.8%)			2.9%			(0.3%)			(3.8%)	
2000 - 2010	(0.7%)			1.8%			5.4%			0.2%	

Note:

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

Source: City of Chicago, Department of Aviation Management Records, General Mitchell International Airport, March 2011.
Prepared by: Ricondo & Associates, Inc., March 2011.

and make the upfront rent payment required under the agreement. The City maintains the "large hub airport slot" in the Pilot Program, but the decision on whether to pursue privatization will be made by the City's next Mayor who takes office on May 16, 2011. It is not possible to predict whether or when any such transaction will occur or if such transaction occurs, the impact, if any, on O'Hare.

Table II-22 provides a comparison of average fares and yields for the Airport, Midway, and General Mitchell International Airport. As shown, average fares and yields for the Airport and General Mitchell International Airport are in concert between 1999 and 2008, with those for Midway being lower. Since 2008, average fares and yields at General Mitchell International Airport have declined to levels comparable to Midway's average fares and yields. The decreases in average fares and yields in 2009 from 2008 levels can be attributed in part to increase fare sale activity and other significant discounting to stimulate travel demand during this period. It is expected General Mitchell will continue to pull some passenger demand from northern Illinois, however, because of the large number of destinations and frequencies served from O'Hare, its nonstop international service, along with its substantial corporate traveler base, General Mitchell is not anticipated to significantly shift passenger share away from the Airport.

Gary/Chicago International Airport, which is owned by the City of Gary, Indiana and operated by the Gary/Chicago International Airport Authority, is also located in the Chicago Region (see Exhibit I-1 in Chapter 1); however, as of January 2011, no scheduled commercial service was provided at Gary/Chicago International Airport.

There have been alternative proposals to solving capacity constraints at the Airport and relieving congestion at both O'Hare and Midway. Plans to build a third airport have been on the drawing board since the 1980s. Since 1991, the most likely site for a third airport has been near Peotone, Illinois, approximately 35 miles south of downtown Chicago. The FAA approved the Final Environmental Impact Statement for Site Approval and Land Acquisition in July 2002. The FAA's Record of Decision found the Peotone site technically and environmentally feasible for a new airport referred to as South Suburban Airport. As part of the master planning process, the Illinois Department of Transportation (IDOT) submitted two plans for the proposed airport to the FAA in February 2007. The plans consisted of one from IDOT and one from the Abraham Lincoln National Airport Commission (ALNAC), a commission developed to plan and finance the airport through a public-private partnership. Both plans include a single runway and terminal on the same site, but runway and terminal locations differ between the two plans. The FAA responded by requesting that IDOT submit a single plan, which IDOT did in March 2008. IDOT submitted revised forecast in 2010 and is currently finalizing planning documents for the proposed airport.

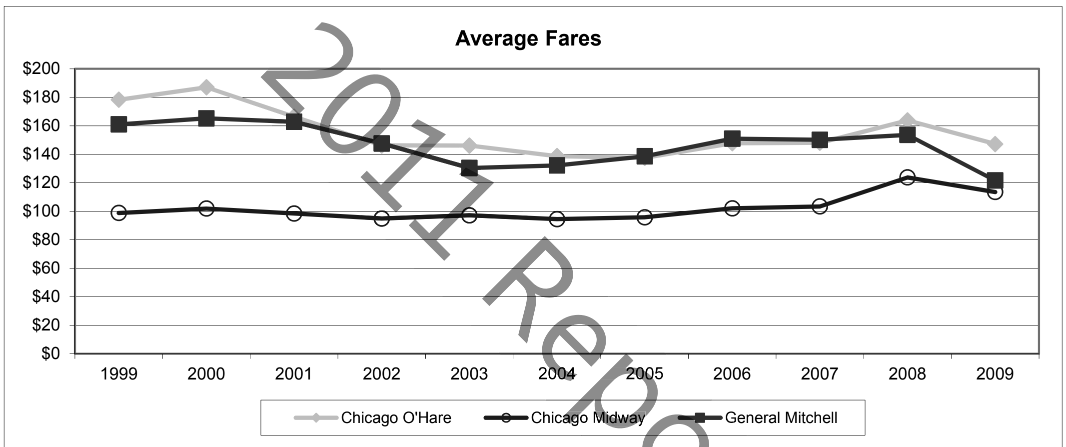
The FAA issued the O'Hare Modernization Final Environmental Impact Statement (FEIS) in July 2005.[23] In this study, a scenario was developed for the potential use of other regional airports that would be reasonable in relation to (1) data on airport shares in multiple airport systems, (2) the availability of capacity at airports in the surrounding area, and (3) the likelihood of airlines initiating service at available airports. Based on these analyses, the FEIS concluded that a reasonable scenario would be one in which approximately 2.0 million originating passengers that would otherwise use O'Hare would be accommodated at one or more of the secondary airports, including a potential South Suburban Airport. The FEIS further concluded that this level of passenger traffic translated into an insignificant reduction in total aircraft operations at the Airport.

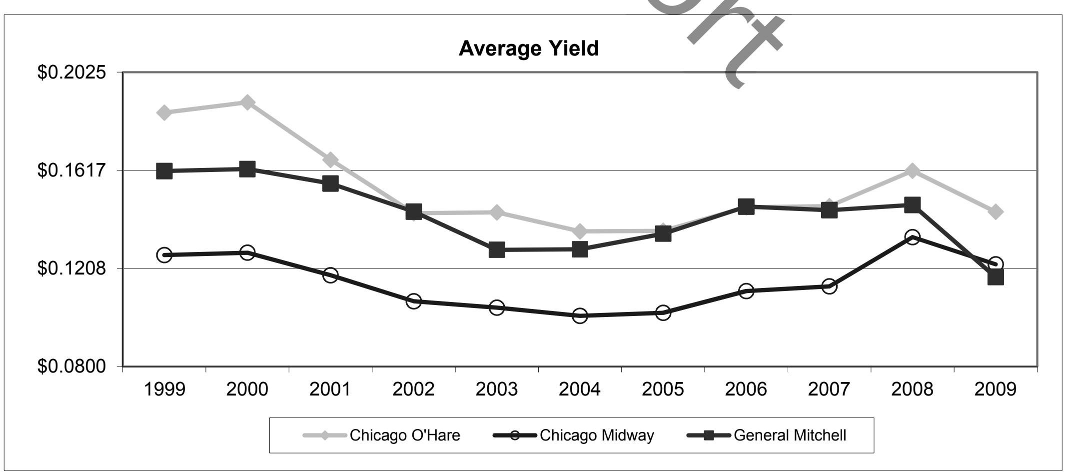
[23] *O'Hare Modernization Final Environmental Impact Statement*, July 2005, FAA.

Table II-22

Comparison of Chicago Area Airport Domestic Fares and Yields

	Average O&D Fare			Average Domestic One-Way Yield Per Coupon Mile [1/]		
Calendar Year	Chicago O'Hare	Chicago Midway	General Mitchell	Chicago O'Hare	Chicago Midway	General Mitchell
1999	$178	$99	$161	$0.1857	$0.1264	$0.1614
2000	$187	$102	$165	$0.1900	$0.1274	$0.1622
2001	$166	$98	$163	$0.1661	$0.1180	$0.1562
2002	$146	$95	$148	$0.1438	$0.1072	$0.1445
2003	$146	$97	$130	$0.1442	$0.1045	$0.1286
2004	$139	$94	$132	$0.1363	$0.1011	$0.1288
2005	$137	$96	$139	$0.1365	$0.1024	$0.1353
2006	$148	$102	$151	$0.1463	$0.1114	$0.1466
2007	$148	$103	$150	$0.1468	$0.1134	$0.1451
2008	$164	$124	$154	$0.1615	$0.1339	$0.1473
2009	$147	$113	$122	$0.1444	$0.1226	$0.1172





Note:
1/ Calculation includes frequent flyer passengers.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT, December 2010.
Prepared by: Ricondo & Associates, Inc., December 2010.

2.5 Projected Airport Activity

Activity projections for the Airport are based on a number of underlying assumptions that are further based on national aviation trends, regional economic conditions, and our professional judgment. The following presents the specific assumptions used in developing activity projections at the Airport through 2020.

- Domestic mainline carriers are assumed to continue to shift certain traffic to their respective regional/commuter partners during the projection period through 2020, resulting in a higher growth rate for the regional/commuter airlines compared to the majors/nationals. In the short term, the mainline airlines will continue to "right-size" capacity in domestic markets with low-traffic volume and remove marginal capacity, focusing on optimizing their revenue performance. This will be more evident in the case of United, which has been increasing its regional flying in recent years. Its domestic narrow-body fleet has become more oriented towards regional aircraft than in the past due to the retirement of all of its 94 Boeing-737 aircraft and increasing regional activity by new United Express partners, Atlantic Southeast (a wholly owned subsidiary of SkyWest Inc.) and ExpressJet. Atlantic Southeast began operating as a United Express partner starting in the first quarter of 2010. ExpressJet began operating under the United Express brand in May 2010. The increase of regional activity by United Airlines moving forward may change due to its merger with Continental.
- United and American will continue to operate major connecting hubbing facilities at the Airport. The connecting passenger percentages for domestic and international passengers are assumed to remain relatively constant at their 2009 levels each year during the projection period (approximately 50 percent in total). The Airport stands to benefit from American's continued refocusing efforts to shift resources from St. Louis International Airport and Raleigh-Durham International Airport and reallocate those resources to its four main hubs. American added 12 new domestic and three new international destinations from the Airport which started in the summer of 2010.
- The United and Continental merger is not expected to have a material impact, positively or negatively, on originating enplanements and operations at the Airport in the short-term as the two companies are expected to continue operating separately under individual operating certificates for another year. However, connecting traffic generated by United is expected to increase as a result of the merger. The above impacts are not reflected in the following activity projections, due to the lack of data currently available and knowledge of United's intentions regarding scheduled service changes for the Airport, to reasonably quantify the amount of enplanement change.
- A broad base of airlines will continue to serve the Airport, with United and American carriers continuing to dominate enplaned passenger market share.
- Based on surveys of leading economists, there will be a modest rebound in real GDP growth in 2011.
- The Airport will continue to grow as a major international gateway, with expansion of existing service and new markets served to meet the increasing demand for international travel. This increase will be the result of the airlines providing more service to this more profitable segment of the industry.
- International traffic growth at the Airport will continue to outpace domestic traffic growth due to increasing demand for air travel around the world and the advancements in open skies agreements.

- The Airport will continue to be highly ranked in terms of operations, passengers, and cargo tonnage during the projection period. Demand for air service in the Air Trade Area will continue to be predominantly served through the Airport, particularly for international air traffic and nonstop travel to the area's top 50 O&D markets.
- It is expected General Mitchell will continue to pull some passenger demand from northern Illinois, however, because of the large number of destinations and frequencies served from O'Hare, its nonstop international service, along with its substantial corporate traveler base, General Mitchell is not anticipated to significantly shift passenger share away from the Airport. General Mitchell International Airport may be a stronger draw for northern Illinois residents once Southwest completes its purchase of AirTran Airways and acquires the AirTran's operations at Mitchell.
- Planning efforts are underway for a third commercial service airport located approximately 35 miles south of the City's central business district (South Suburban Airport).[24] Although difficult to determine South Suburban Airport's impact on the Chicago Airport System, or its opening date, it is not expected that this third airport within the Chicago Region will attract significant demand away from the Airport during the projection period.
- Future airline consolidation/mergers (including United/Continental and Southwest/AirTran) or bankruptcies that may occur during the projection period are not likely to have a long-term negative impact on passenger activity levels at the Airport due to the size of the local market, the diverse air carrier base serving the Airport that can quickly respond to market signals, the scarcity of gates and slots which place them in high demand when they become available, and the projected growth trend in passenger demand.
- Creation of new airline alliances (as opposed to an airline joining an existing alliance), should they develop, will be restricted to code sharing and joint frequent flyer programs, and should not reduce airline competition at the Airport.
- For these analyses, and similar to the FAA's nationwide projections, it is assumed that there will not be terrorist incidents against either domestic or world aviation during the projection period. Additionally, it was assumed that the aviation industry will not undergo a major contraction through bankruptcy, consolidation, or liquidation during this same period. Although strategies and success levels can be expected to differ among air carrier groupings, the aviation industry in aggregate will not be materially altered during the projection period.
- Economic disturbances will occur in the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.
- It is assumed no major "Acts of God" which may disrupt the national and/or global airspace system, such as the volcanic eruption of Eyjafjallajokull in Iceland, will occur during the projection period that negatively impact aviation demand.

Many of the factors influencing aviation demand cannot necessarily or readily be quantified; and any projection is subject to uncertainties. As a result, the projection process should not be viewed as precise. Actual future numbers of enplaned passengers, aircraft operations, or landed weight at the Airport may differ from the projections presented herein because events and circumstances do not occur as expected, and those differences may be material.

---

[24] The FAA's Record of Decision, dated July 15, 2002, found the site for a third airport (located near Peotone, Illinois) to be technically and environmentally feasible.

2.5.1 Enplaned Passenger Projections

Table II-23 presents historical and projected enplaned passengers at the Airport. As shown, total Airport enplanements are projected to increase from approximately 33.2 million in 2010 to approximately 41.8 million in 2020, representing a compounded annual growth rate of 2.3 percent.

To better understand the long-term growth potential in passenger activity at the Airport and determine an advent of a passenger recovery period at the Airport, projections of nationwide and local economic activity were examined and presented earlier in Chapter 1 of this report.

Chapter 1 examined in depth the local economy and concluded that the economic base of the Airport's Air Trade Area is diversified, stable, and is capable of generating longer-term increases in demand for air transportation at the Airport during the projection period. In addition, the geographic location of the Airport, as well as the large population and employment base in the Air Trade Area, should continue to make the Airport an ideal and natural location for airline hub operations, and provide continued growth in passengers.

It is assumed that air traffic for the nation as well as at the Airport will not rebound as quickly to prior levels as the economy recovers due to lack of strength to spur job growth and bolster personal incomes. With an anticipated slower recovery period for the economy, forecasted passenger levels are not anticipated to immediately return to previous levels. As a result, it is not anticipated that in the second year of recovery (2011) enplaned passengers at the Airport will increase as dramatically as it did in 2004 following the last material decrease in Airport enplanements resulting from the terrorist attacks of September 11, 2001. Instead, it is projected that Airport enplanements will recover at a slower pace, and be spread over a few years through 2013. Airport passenger activity in 2011 and 2012 is expected to further increase by 2.9 percent and 2.6 percent, respectively, primarily due to the expected improvements of the Air Trade Area's and the nation's economies and full year materialization of new scheduled air services at the Airport which started in 2010. Beyond 2013, enplaned passengers at the Airport are projected to increase from 35.9 million in 2013 to 41.8 million in 2020. This increase represents a compounded annual growth rate of 2.2 percent during this period.

2.5.2 Aircraft Operations Projections

Table II-24 presents historical and projected aircraft operations for the passenger airlines, general aviation, the all-cargo carriers, and the military.

Due to the pronounced shifting of domestic activity from mainline service to regional/commuter service in 2010, passenger airline activity is projected to increase from 843,724 operations in 2010 to 887,800 operations in 2011. Thereafter, passenger airline operations at the Airport will increase from 887,800 in 2011 to 1,036,800 in 2020, a compounded annual growth rate of 1.7 percent during this period. In general, the passenger airline aircraft operations projections were based on historical relationships among enplaned passengers, load factors, and average seating capacities of aircraft serving the Airport, including the continued shifting from smaller 50-seat regional jets to larger 70/90-seat regional jets. It is expected that, as in the past, individual airlines will be able to secure necessary facilities (e.g., gates) to meet any future growth exceeding what their current exclusive-use facilities can support.

General aviation operations at the Airport are expected to increase from 21,645 in 2010 to 25,200 operations in 2020, reflecting the long-term assumption that growth in this sector will occur primarily at outlying airports within the Chicago Region as the result of cost and delay considerations. The

Table II-23
Enplanement Projections

Year	Domestic: Majors/ Nationals	Domestic: Regionals/ Commuters	Domestic: Total	International: U.S. Flag Carriers	International: Foreign Flag Carriers	International: Total	Airport Total
Historical							
2000	27,606,534	3,045,218	30,651,752	2,453,306	2,595,891	5,049,197	35,700,949
2001	25,200,348	3,493,518	28,693,866	2,244,382	2,371,981	4,616,363	33,310,229
2002	24,253,543	4,306,814	28,560,357	2,293,523	2,065,056	4,358,579	32,918,936
2003	24,033,143	5,856,226	29,889,369	2,374,232	2,169,931	4,544,163	34,433,532
2004	25,147,568	7,024,490	32,172,058	2,911,281	2,361,209	5,272,490	37,444,548
2005	24,157,616	8,246,655	32,404,271	3,261,767	2,281,949	5,543,716	37,947,987
2006	23,147,616	8,969,013	32,116,629	3,274,080	2,373,735	5,647,815	37,764,444
2007	23,451,118	8,658,489	32,109,607	3,269,519	2,383,936	5,653,455	37,763,062
2008	20,395,090	7,983,441	28,378,531	3,254,973	2,377,682	5,632,655	34,011,186
2009	18,468,832	8,382,318	26,851,150	2,972,991	2,211,014	5,184,005	32,035,155
2010	17,820,393	10,267,355	28,087,748	2,921,834	2,210,190	5,132,024	33,219,772
Projected							
2011	18,024,400	10,761,700	28,786,100	3,036,300	2,363,000	5,399,300	34,185,400
2012	18,311,200	11,133,800	29,445,000	3,163,600	2,475,200	5,638,800	35,083,800
2013	18,591,700	11,458,300	30,050,000	3,270,900	2,576,400	5,847,300	35,897,300
2014	18,871,100	11,747,900	30,619,000	3,382,500	2,675,400	6,057,900	36,676,900
2015	19,162,000	12,037,900	31,199,900	3,499,400	2,769,600	6,269,000	37,468,900
2016	19,445,300	12,338,800	31,784,100	3,623,400	2,866,700	6,490,100	38,274,200
2017	19,743,600	12,645,000	32,388,600	3,749,800	2,967,400	6,717,200	39,105,800
2018	20,050,900	12,961,700	33,012,600	3,881,000	3,075,400	6,956,400	39,969,000
2019	20,365,600	13,291,100	33,656,700	4,015,500	3,185,800	7,201,300	40,858,000
2020	20,694,500	13,633,700	34,328,200	4,155,600	3,300,000	7,455,600	41,783,800
Compounded Annual Growth Rate							
2000 - 2001	(8.7%)	14.7%	(6.4%)	(8.5%)	(8.6%)	(8.6%)	(6.7%)
2001 - 2002	(3.8%)	23.3%	(0.5%)	2.2%	(12.9%)	(5.6%)	(1.2%)
2002 - 2007	(0.7%)	15.0%	2.4%	7.3%	2.9%	5.3%	2.8%
2007 - 2008	(13.0%)	(7.8%)	(11.6%)	(0.4%)	(0.3%)	(0.4%)	(9.9%)
2008 - 2009	(9.4%)	5.0%	(5.4%)	(8.7%)	(7.0%)	(8.0%)	(5.8%)
2009 - 2010	(3.5%)	22.5%	4.6%	(1.7%)	(0.0%)	(1.0%)	3.7%
2010 - 2011	1.1%	4.8%	2.5%	3.9%	6.9%	5.2%	2.9%
2011 - 2020	1.5%	2.7%	2.0%	3.5%	3.8%	3.7%	2.3%
2010 - 2020	1.5%	2.9%	2.0%	3.6%	4.1%	3.8%	2.3%

Sources: City of Chicago, Department of Aviation Management Records (historical), March 2011
Ricondo & Associates, Inc. (projected), March 2011
Prepared by: Ricondo & Associates, Inc., March 2011

Table II-24
Aircraft Operations Projections

	Domestic		International						
Year	Majors/ Nationals	Regionals/ Commuters	U.S. Flag Carriers	Foreign Flag Carriers	Total Passenger Airlines	General Aviation [1/]	All-Cargo Carriers	Military	Airport Total
Historical									
2003	489,822	312,910	40,733	35,722	879,187	28,247	21,257	0	928,691
2004	492,469	367,227	46,698	35,696	942,090	28,749	21,588	0	992,427
2005	430,183	405,231	51,271	33,507	920,192	30,077	21,979	0	972,248
2006	398,633	422,953	49,230	34,750	905,566	31,912	21,165	0	958,643
2007	387,663	415,270	51,531	35,512	889,976	16,295	20,702	0	926,973
2008	366,143	396,848	45,378	35,833	844,202	19,802	17,562	0	881,566
2009	318,513	402,656	42,074	32,768	796,011	17,900	13,988	0	827,899
2010	283,194	488,376	41,452	30,702	843,724	21,645	17,248	0	882,617
Projected									
2011	301,600	515,200	42,800	28,200	887,800	22,500	17,100	0	927,400
2012	305,200	528,000	44,800	29,600	907,600	22,800	17,300	0	947,700
2013	308,600	539,000	46,400	30,800	924,800	23,000	17,600	0	965,400
2014	312,200	547,200	48,200	32,000	939,600	23,300	17,800	0	980,700
2015	315,800	556,000	50,200	33,200	955,200	23,600	18,000	0	996,800
2016	319,400	565,000	52,200	34,400	971,000	23,900	18,200	0	1,013,100
2017	323,000	574,000	54,200	35,800	987,000	24,200	18,400	0	1,029,600
2018	327,200	582,400	56,400	37,000	1,003,000	24,500	18,600	0	1,046,100
2019	331,000	591,600	58,600	38,400	1,019,600	24,900	18,900	0	1,063,400
2020	335,200	600,800	60,800	40,000	1,036,800	25,200	19,200	0	1,081,200
Compounded Annual Growth Rate									
2003 - 2007	(5.7%)	7.3%	6.1%	(0.1%)	0.3%	(12.8%)	(0.7%)	N/A	(0.0%)
2007 - 2008	(5.6%)	(4.4%)	(11.9%)	0.9%	(5.1%)	21.5%	(15.2%)	N/A	(4.9%)
2008 - 2009	(13.0%)	1.5%	(7.3%)	(8.6%)	(5.7%)	(9.6%)	(20.4%)	N/A	(6.1%)
2009 - 2010	(11.1%)	21.3%	(1.5%)	(6.3%)	6.0%	20.9%	23.3%	N/A	6.6%
2011 - 2020	1.2%	1.7%	4.0%	4.0%	1.7%	1.3%	1.3%	N/A	1.7%
2010 - 2020	1.7%	2.1%	3.9%	2.7%	2.1%	1.5%	1.1%	N/A	2.1%

N/A = not applicable

1/ Includes general aviation, helicopter, and other miscellaneous operations.

Sources: City of Chicago, Department of Aviation Management Records (historical), January 2011.
Ricondo & Associates, Inc. (projected), January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

increase between 2010 and 2020 represents a compounded annual growth rate of 1.5 percent during this period, comparable to growth projected nationwide by the FAA.

All-cargo operations at the Airport increased significantly from 13,988 in 2009 to 17,248 in 2010. Thereafter, all-cargo aircraft operations at the Airport are projected to increase at rates generally in line with growth in air carrier aircraft operations projected for the nation by the FAA during the projection period. All-cargo aircraft activity at the Airport is projected to increase from 17,248 operations in 2010 to 19,200 in 2020.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. As shown in the table, no military activity is projected to occur at the Airport during the projection period.

2.5.3 Passenger and All-Cargo Airline Landed Weight Projections

Table II-25 presents historical and projected passenger and all-cargo airline landed weight at the Airport. Passenger landed weight is projected to increase from 44,614,477 to 45,816,176 thousand pounds in 2011and thereafter, increase to 56,080,642 thousand pounds in 2020. This increase represents a compounded annual growth rate of 2.3 percent during this period. As also shown in Table II-25, all-cargo landed weight is projected to increase from 4,426,768 thousand pounds in 2010 to 5,057,842 thousand pounds in 2020. This increase represents a compounded annual growth rate of 1.3 percent during this period. In general, the increases in landed weight for both the passenger and all-cargo airlines are projected as a result of the anticipated use of larger aircraft, including a continued shift from 50-seat regional jets to 70/90-seat regional jets, and/or increased numbers of operations at the Airport during the projection period.

Table II-25

Landed Weight Projections, (Weight in 1,000 pound units)

	Domestic		International				
Year	Majors/ Nationals	Regionals/ Commuters	U.S. Flag Carriers	Foreign Flag Carriers	Total Passenger Airlines	All-Cargo Carriers	Airport Total
Historical							
2003	34,066,477	7,434,118	4,731,393	5,190,372	51,422,360	4,774,436	56,196,796
2004	34,897,909	9,042,859	4,983,809	5,466,131	54,390,709	4,880,066	59,270,775
2005	31,267,631	10,640,623	5,144,508	5,282,562	52,335,324	5,121,301	57,456,625
2006	29,488,160	11,328,182	5,461,969	5,482,903	51,761,214	4,804,675	56,565,889
2007	28,691,471	11,006,227	5,881,528	5,389,404	50,968,630	5,179,942	56,148,572
2008	26,721,253	10,346,389	5,335,701	5,380,898	47,784,241	4,459,511	52,243,752
2009	23,997,409	10,634,784	4,903,709	5,008,698	44,544,600	3,512,231	48,056,831
2010	21,965,736	12,801,178	4,891,509	4,956,053	44,614,477	4,426,768	49,041,245
Projected							
2011	22,994,415	13,591,211	4,942,666	4,287,884	45,816,176	4,331,987	50,148,163
2012	23,374,982	14,068,837	5,125,804	4,472,644	47,042,267	4,402,061	51,444,328
2013	23,748,060	14,505,501	5,259,332	4,624,714	48,137,607	4,498,142	52,635,749
2014	24,132,911	14,872,325	5,411,900	4,774,506	49,191,641	4,569,227	53,760,867
2015	24,524,334	15,259,842	5,582,867	4,922,017	50,289,060	4,640,760	54,929,820
2016	24,913,606	15,657,518	5,749,564	5,067,249	51,387,936	4,712,742	56,100,678
2017	25,309,254	16,061,127	5,911,990	5,239,473	52,521,843	4,785,172	57,307,015
2018	25,752,545	16,450,286	6,091,748	5,379,956	53,674,535	4,858,052	58,532,586
2019	26,167,608	16,865,293	6,266,809	5,547,051	54,846,761	4,957,610	59,804,371
2020	26,615,800	17,287,483	6,437,172	5,740,187	56,080,642	5,057,842	61,138,485
Compounded Annual Growth Rate							
2003 - 2007	(4.2%)	10.3%	5.6%	0.9%	(0.2%)	2.1%	(0.0%)
2007 - 2008	(6.9%)	(6.0%)	(9.3%)	(0.2%)	(6.2%)	(13.9%)	(7.0%)
2008 - 2009	(10.2%)	2.8%	(8.1%)	(6.9%)	(6.8%)	(21.2%)	(8.0%)
2009 - 2010	(8.5%)	20.4%	(0.2%)	(1.1%)	0.2%	26.0%	2.0%
2011 - 2020	1.6%	2.7%	3.0%	3.3%	2.3%	1.7%	2.2%
2010 - 2020	1.9%	3.1%	2.8%	1.5%	2.3%	1.3%	2.2%

Sources: City of Chicago, Department of Aviation Management Records (historical), January 2011.
Ricondo & Associates, Inc. (projected), January 2011.
Prepared by: Ricondo & Associates, Inc., January 2011.

III. Airport Facilities and Capital Development Programs

This chapter presents a summary of existing Airport facilities and a description of ongoing capital projects at the Airport. Section 3.1 describes the existing facilities at the Airport. Section 3.2 describes the three programs included in the O'Hare International Airport Master Plan, published in 2004 (the Master Plan) and includes descriptions of the purpose and need, benefit, and cost information on the OMP. Finally, Section 3.3 explains the projects that are included in the financial analysis described in detail in Chapter 5.

3.1 Existing Airport Facilities

The Airport is the primary commercial-service airport in the Chicago Region. It occupies approximately 7,265 acres of land 18 miles northwest of downtown Chicago. Facilities at the existing airport consist of the airfield, terminal area, air cargo and maintenance hangar areas, former military area, and various Airport support areas. These facilities are described in the following subsections.

3.1.1 Airfield

The existing airfield layout is shown in **Exhibit III-1**. The Airport is mid-way through O'Hare Modernization Program airfield construction which is reconfiguring the airfield from intersecting runways to a predominantly east-west parallel runway layout. Currently, the airfield includes seven active runways[1] and a runway under construction. A network of taxiways, aprons, and aircraft holding areas supports the runways. All runways have electronic and other navigational aids that permit aircraft to land in most weather conditions. As part of the OMP Phase 1, one runway and an extension to an existing runway were commissioned in 2008[2]. Future Runway 10C-28C, the remaining airfield component of OMP Phase 1, is currently under construction. OMP Completion Phase airfield projects, similar to OMP Phase 1, include construction of two runways and an extension to an existing runway. The new runways will replace existing runways. Details of the OMP and its benefits are included in Section 3.2.3 and Chapter 4.

3.1.2 Terminal Area

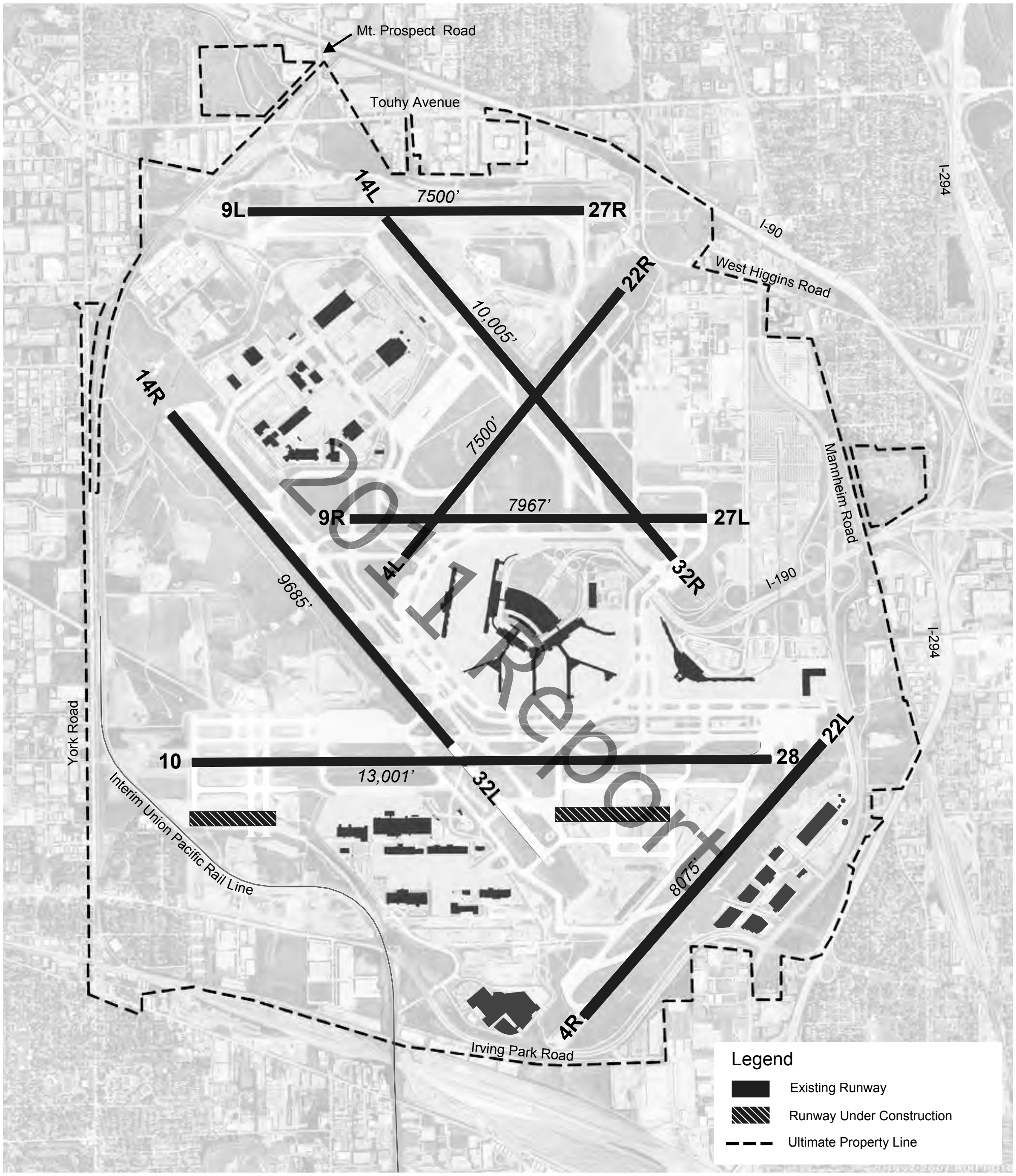
The airlines serving the Airport operate from four terminal buildings with a total of 189 gates.[3] Three terminal buildings, with a total of 169 gates, serve domestic flights and certain international departures. The domestic terminal complex is centrally located within the airfield area. The international terminal facility is located in the eastern portion of the terminal area and has 20 gates and five hardstand positions. The international terminal serves departures and all international arrivals requiring federal inspection services (FIS), as well as a small amount of domestic departures and arrivals.

Located within the terminal area are a hotel, an elevated parking structure, and the Airport heating and refrigeration plant. The 10-story hotel, leased and operated by Hilton Hotels Corporation,

[1] Runway 18-36 has been deactivated and converted to a taxiway and will ultimately be replaced by Future Runway 10C-28C.

[2] For purposes of this report, OMP Phase 1 refers to the projects included in the May 2003 funding agreement with the airlines. OMP Completion Phase includes the remaining airfield and terminal projects necessary to complete the full OMP as defined in the Master Plan.

[3] A gate is an active aircraft parking position that is accessed through the terminal building, either through a passenger loading bridge or through other means, customarily used for the purpose of boarding and/or deplaning passengers.



Note: Existing Runway 10-28 will ultimately be named Runway 10L-28R.

Sources: Chicago Department of Aviation, October 2010; O'Hare Airport Layout Plan, September 2005.
Prepared by: Ricondo & Associates, Inc., October 2010.

Exhibit III-1

north

Existing Airport Layout

provides 861 guest rooms, as well as restaurants and meeting facilities. The six-story parking structure adjacent to the domestic terminals contains approximately 9,300 spaces for public and employee parking. The heating and refrigeration plant, located northeast of the domestic terminals, provides heating and air conditioning for all of the terminal buildings.

3.1.3 Air Cargo Areas

The Airport is a major center for air cargo shipments. In the land support area surrounding the airfield, there are 16 buildings used for air cargo operations. The main cargo area is on the southwest side of the Airport – the South Cargo Area. Additional cargo facilities are located within Airport land support areas in the eastern, southeastern, and northeast sections of Airport property. Three U.S. Postal Service facilities are located at the Airport: two within the South Cargo Area along Irving Park Road, and the other within the Airport land support area in the southeast quadrant of Airport property.

3.1.4 Maintenance/Airport Support Areas

Nine aircraft maintenance facilities in the northwest corner of existing Airport property (the North Maintenance Hangar Area) are leased by airlines, along with three additional buildings used for airline ground equipment maintenance, two flight kitchens, and a large aircraft service center. In addition to the North Maintenance Hangar Area, other Airport support areas surround the airfield. An Airport maintenance complex, which is used to store snow removal and other Airport maintenance equipment, an additional two flight kitchens and miscellaneous ground service equipment facilities are located within the Airport support area on the southeast side of the Airport.

3.1.5 Surface Access/Parking

Access to the passenger terminal complex is provided via Interstate 190 (I-190) from the east side of the Airport. This roadway may be accessed from Interstate 90 (I-90) or Mannheim Road, which borders the Airport to the east. Other roadways that surround Airport property include West Higgins Road and Touhy Avenue to the north, York Road to the west, and Irving Park Road to the south.

The ground transportation system at the Airport was expanded in 1993 with the opening of the Airport Transit System (ATS), an automated train system that travels approximately 2.7 miles on a dedicated guideway. The ATS provides passengers, free of charge, with a means of fast and convenient transportation between the three domestic terminals, the international terminal, and the long-term parking lots.

Parking is provided in various locations throughout the Airport. As previously mentioned, a 9,300-space parking structure adjacent to the domestic terminals accommodates a major portion of the Airport's short-term public parking demand. This structure is supplemented by adjacent surface lots totaling approximately 2,800 spaces and additional surface parking in various locations throughout the Airport. The main employee surface parking lots are within the North Maintenance Hangar Area, while public surface parking lots are located within the terminal area and in the Airport support area along Mannheim Road. Current public long-term surface parking capacity consists of approximately 13,700 spaces which includes approximately 2,800 spaces in Lot G currently leased to the TSA. Employee parking includes 20,600 spaces located in a variety of locations including large surface lots in northwest maintenance hangar area from which employees are bused to the terminal core.

In 2006 the City opened a cell phone lot northeast of the airport to alleviate congestion on the terminal roadways. The lot includes 152 parking spaces to be used by people waiting to pick up arriving passengers. There is no charge to the users of the cell phone lot, but parking in the lot is limited to 60 minutes.

3.1.6 Former Military Area

In 1996, the City agreed to purchase from the federal government approximately 350 acres of land in the northeast quadrant of the Airport formerly used as a base for U.S. Air Force operations. In 1999, the largest remaining military unit at the Airport, the Air National Guard Refueling Wing, was deactivated and relocated to Scott Air Force Base in St. Clair County, Illinois. The former military area at O'Hare is now being used for general aviation activity, air cargo operations, aircraft fuel distribution and City office space. The Chicago Department of Aviation (CDA) and OMP offices were relocated in 2006 to an existing building in the former military area. The City has leased a portion of the terminal space made available by the relocation of CDA offices to the Transportation Security Agency and plans to convert the remaining space into revenue generating space with retail and food and beverage developments.

3.2 Overview of Capital Development Programs

The O'Hare Master Plan describes numerous projects to be constructed for the period 2003 through 2022 through three individual programs; 1) the OMP, 2) the Capital Improvement Program (CIP), and 3) the World Gateway Program (WGP). The following sections describe the three capital development programs and the status of each.

3.2.1 O'Hare Modernization Program

As stated in the Final Environmental Impact Statement (FEIS), the historic factors that have combined to make Chicago a key transportation hub and the aviation market forces that have consistently made O'Hare one of the world's busiest and most congested airports are expected to continue. Both the current and forecast aviation demand in the Chicago market signal an urgent need for significant action to reduce congestion and delay.[4]

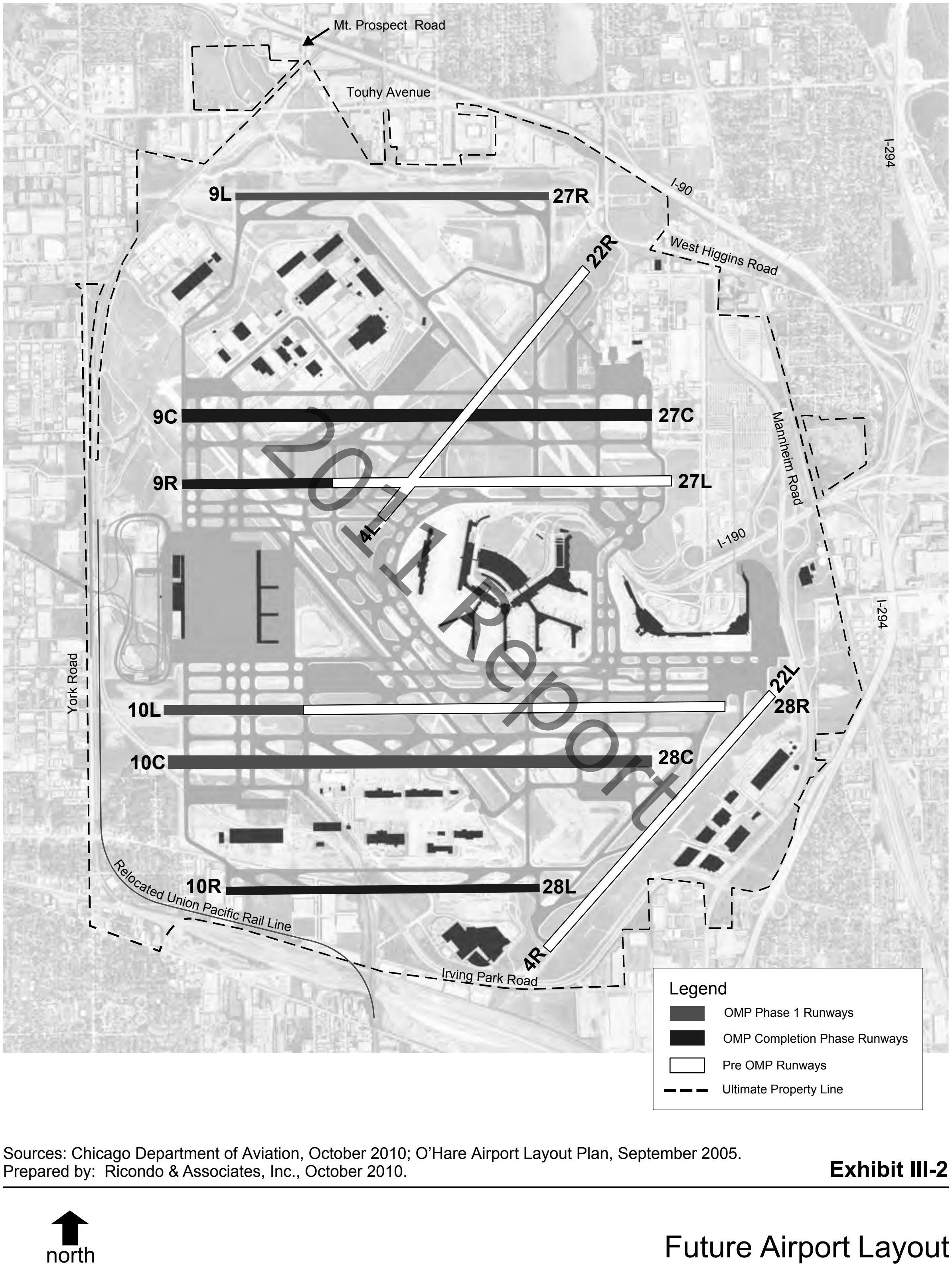
Under the OMP, the airfield is reconfigured into a modern parallel runway system, allowing more efficient operations. The overriding physical characteristic of the OMP is the reconfiguration of the airfield from sets of converging parallel runways in three main directional orientations (northeast/southwest, east/west, and northwest/southeast) to six parallel runways in the east/west direction and two crosswind runways in the northeast/southwest direction. This reconfiguration involves the construction of one new runway, the relocation of three existing runways, and the extension of two existing runways, while maintaining the use of two existing runways.

Exhibit III-2 depicts the future airfield and terminal facilities. The OMP is broken into OMP Phase 1 and OMP Completion Phase. Two elements of Phase 1 are complete and the third is under construction. OMP Completion Phase airfield projects are currently under design and construction began in March 2011 based on the funding agreement with United and American for "OMP Phase 2A" which includes the following Completion Phase airfield projects; Runway 10R-28L and certain north airfield enabling projects.[5]Both phases are described in detail in Section 3.2.2. Hereafter, the runway nomenclature used in this report will reflect the runway configuration after implementation of OMP Completion Phase unless otherwise noted. Under this nomenclature, Runways 9L-27R, 9R-

---

4 O'Hare Modernization Final Environmental Impact Statement dated July 2005, FAA, page ES-11.

5 OMP Phase 2A consists of the remaining OMP Phase 1 work, Runway 10R-28L, certain north airfield enabling projects, a portion of the new economy parking structure and the relocation of the ATS (Airport Transit System) projects, and approximately 25 percent of the total OMP Completion Phase Noise Program.



Sources: Chicago Department of Aviation, October 2010; O'Hare Airport Layout Plan, September 2005.
Prepared by: Ricondo & Associates, Inc., October 2010.

Exhibit III-2

Future Airport Layout

27L and Runway 9C-27C are the three east-west runways north of the terminal area and Runways 10L-28R[6], 10C-28C, and 10R-28L are those south of the terminal. Crosswind Runways 4L-22R and 4R-22L remain unchanged from the existing airfield.

The OMP airfield provides the capability to operate triple independent simultaneous approaches in poor weather conditions and quadruple independent simultaneous approaches in clear weather. Additionally, the OMP includes the construction of two Airplane Design Group (ADG) VI runways which will meet standards for aircraft with wingspans exceeding 214 feet. ADG VI aircraft include the Airbus A380 and Boeing 747-8. The major benefits expected through development of the OMP are as follows:

> **Delay Reduction:** The OMP will ultimately reduce delays by over 70 percent at existing demand levels, with greater delay reduction expected during periods of higher demand.[7] The planned runway layout will ultimately provide balanced arrival and departure capabilities to address delay during all weather conditions and peak periods.
> **Capacity Increase:** The capacity increases achieved through the OMP are expected to meet aviation demand in the Chicago Region beyond 2030.

In addition to airfield modifications, the OMP will enhance other areas of the Airport. The OMP also includes the expansion of terminal facilities to the west, the addition of an Automated People Mover (APM) System connecting new terminal development, and development of a western access road to the Airport. New navigational aids will be added and existing navigational aids will be upgraded. New north and south Airport Traffic Control Towers (ATCTs) will ensure full air traffic control coverage of the expanded airfield. Public and employee parking facilities will be expanded to meet demand and a new secure automated people mover system will link a future west terminal to the existing terminal core.

For purposes of the financial analysis included in this feasibility report, only OMP Phase 1 and the OMP Completion Phase airfield project costs have been included. Included with the OMP Completion Phase airfield projects are World Gateway Program Taxiway Improvements (Taxiway LL), and the OMP Completion Phase Noise Program. The Western Terminal Complex and APM System are demand-driven projects and will be undertaken as dictated by demand at the Airport. Detailed descriptions of OMP Phase 1 and OMP Completion Phase follow:

3.2.1.1 OMP Phase 1

Major completed project components of OMP Phase 1 include:

- Runway 9L-27R (new runway) – Commissioned November 20, 2008,
- Extension of Runway 10L-28R – Commissioned September 25, 2008,

Major on-going project components of OMP Phase 1 include:

- Runway 10C-28C (relocated runway),
- OMP Phase 1 Noise Program,
- Land acquisition and relocation services for the full OMP, and
- Wetlands mitigation for the full OMP.

---

[6] Runway 10L-28R is currently designated Runway 10-28, as shown in Exhibit III-1, and will be changed to Runway 10L-28R prior to the commissioning of Runway 10C-28C which is currently under construction.

[7] O'Hare Modernization Final Environmental Impact Statement dated July 2005, FAA.

OMP Phase 1 Airfield Projects

In 2008, two of the three airfield components were commissioned. On September 25, 2008 a 2,859-foot westward extension to Runway 10L-28R and associated taxiways were commissioned. The extension increased the runway's available length to 13,000 feet. On November 20, 2008 new Runway 9L-27R and the new North ATCT were commissioned. Runway 9L-27R is 7,500 feet long and lies 6,900 feet north of existing Runway 9R-27L. The new north runway reduces aircraft delay during poor weather, as it allows for a third stream of simultaneous independent arriving aircraft certain operating configurations.

Runway 10C-28C, associated taxiways, and required support facilities, are currently under construction as part of OMP Phase 1. The runway will be 10,800 feet long and meet ADG-VI standards. When completed, the Airport will operate in a predominantly east-west configuration in all weather.

OMP Phase 1 Noise Program

The Airport, in accordance with criteria established by the O'Hare Noise Compatibility Commission, will provide sound insulation of eligible schools and homes. Sound insulation may include, but is not limited to the following: installation of heating and air conditioning systems, replacement of existing windows and exterior doors with sound insulating windows and doors, the addition of dry wall to interior walls, and addition of baffling devices to exterior vents.

OMP Phase 1 Construction Status

Substantial construction has occurred on the remaining airfield element, Runway 10C-28C, including paving of significant portions of the east and west end of the runway, and extensive site preparation for much of the remainder of the runway. The estimated completion of Runway 10C-28C is 2013.

As of October 2010 the Residential Sound Insulation Program has completed construction on over 1,500 homes. Design and/or planning have been completed on the approximately 1,500 homes remaining as part of OMP Phase 1.

All litigation relating to OMP Phase 1 has been resolved. The City was a party to a state court proceeding in eminent domain to acquire a cemetery that lies in the footprint of Runway 10C-28C. The City was awarded ownership and possession of the cemetery property by the Circuit Court and the 2nd District Appellate Court and in January 2011 the Illinois Supreme Court denied the plantiff's petitions for leave to appeal. The disinterment of approximately 1,200 to 1,400 graves is in progress.

3.2.1.2 OMP Completion Phase

The OMP Completion Phase includes the remaining projects of the OMP. The City began design work on OMP Completion Phase airfield projects in 2009 and began construction in March 2011. The major project components of OMP Completion Phase include:

- Airfield Projects:
  - Runway 9C-27C (relocated runway),
  - Extension of Runway 9R-27L,
  - Runway 10R-28L (relocated runway),
- Western Terminal Complex,
- On-Airport Circulation, and
- OMP Completion Phase Noise Program.

Further detail on the airfield projects, Western Terminal Complex, On-Airport Circulation, and the OMP Completion Phase noise program follows.

Runway 9C-27C

Runway 9C-27C, including associated taxiways and other support development is part of OMP Completion Phase. Construction of this 11,245-foot long runway includes the relocation and/or reconfiguration of various facilities, roads, and waterways. The following enabling projects are associated with this planned runway development:

- Relocation of Northwest Maintenance Area facilities;
- Relocation of facilities in the former military area;
- Relocation of navigational equipment;
- Expansion of the north detention basin;
- Development of a service road tunnel for the Northwest Maintenance Area; and
- Decommissioning of Runway 14L-32R.

Extension of Runway 9R-27L

Construction of a proposed approximate 3,593-foot westward extension and a 300-foot westward relocation of east runway end of Runway 9R-27L will be undertaken as part of OMP Completion Phase. Runway 9R-27L's available length will increase to 11,260 feet. The relocation of the Runway 27L threshold is to provide a full 1,000 Runway Safety Area (RSA) and localizer critical area clearance from Bessie Coleman Drive in accordance with updated FAA standards. The relocation of navigational aids and runway approach light systems are the major enabling projects required as part of this planned runway extension.

Runway 10R-28L

Runway 10R-28L, associated taxiways, and required support facilities will also be developed as part of OMP Completion Phase. This 7,500-foot long runway will allow for a fourth simultaneous arrival stream in good weather and three independent arrival streams in the predominate two poor weather configurations. The following are the associated enabling projects required with this planned runway:

- Develop service road tunnels connecting the US Post office and the South Cargo Area;
- Realign Irving Park Road to the southern edge of the airport property;
- Development of a new access road from Irving Park Road to the southwest cargo area;
- Development of a new South ATCT in the south airfield; and
- Decommissioning of Runway 14R-32L.

Western Terminal Complex and On-Airport Circulation

OMP Completion Phase includes the construction of a terminal complex on the west side of the airport, which includes a terminal, concourse, parking structure and western airport access. OMP Completion Phase also includes On-Airport Circulation which will be provided in the form of various roads and an automated people mover system linking the western terminal and concourse to the existing terminal.

OMP Completion Phase Noise Program

The OMP Completion Phase Noise Program, similar to the OMP Phase 1 Noise Program, will provide sound insulation of eligible schools and approximately 3,000 homes as required by Environmental Impact Statement.

OMP Completion Phase Construction Status

On January 18, 2011, United Airlines and American Airlines filed a lawsuit against the City seeking a declaratory judgment and an injunction to prevent the City from making capital expenditures for the OMP Completion Phase or issuing GARBs to finance it. The City and United and American signed a funding agreement on March 11, 2011 at which time United and American dismissed the lawsuit without prejudice.

The terms of the agreement split the OMP Completion Phase airfield projects into separate phases: Phase 2A and Phase 2B (known collectively as OMP Completion Phase airfield projects). OMP Phase 2A Completion Phase projects include construction of Runway 10R-28L, certain north airfield enabling projects, the OMP portion of the new economy parking structure and the relocation of the Airport Transit System (ATS) projects, and approximately 25 percent of the total OMP Completion Phase Noise Program. Phase 2B Completion Phase projects include construction of the remaining airfield projects for Runway 9C-27C, the extension of Runway 9R-27L, Taxiway LL, and the remaining OMP Completion Phase Noise Program. The funding approval for OMP Phase 2A was agreed upon as part of the letter agreement between the City and United and American which is discussed in more detail in Chapter 5.

To date, substantial design has been completed for the OMP Completion Phase. Construction began on OMP Phase 2A in March 2011 and is projected to be complete in 2015. As part of the funding agreement for OMP Phase 2A, the City and United and American have agreed to begin negotiations for OMP Phase 2B, including Taxiway LL, no later than March 1, 2013. Although the exact timing of OMP Phase 2B is not known at this time, for purposes of this report, it is assumed that construction of the Phase 2B projects begins in 2015[8] and that it is complete by the end of 2020.

3.2.1.3 OMP Cost

The City is implementing the OMP in phases. It reached a funding agreement with the airlines in May 2003 for the initial phase of construction, OMP Phase 1 (see Section 3.2 for detailed information on the OMP Phase 1 projects). The funding agreement with the airlines was based on a budget of OMP Phase 1, including the OMP Phase 1 Noise Program, for $2.88 billion. Since the time of the airline funding agreement, the OMP Phase 1 budget was adjusted upwards to approximately $3.28 billion. Design and construction costs of the runway projects included in Phase 1 are within the approved budget, but program administration and engineering costs have increased due to delays in the program schedule. Of the $400 million by which the current estimate exceeds the amount budgeted, $270 million is for land acquisition. As discussed in Chapter 5, a PFC application for impose and use authority for $270 million was approved by the FAA on September 4, 2007. That $270 million was used to pay for costs of land acquisition and relocation above and

8 Certain scope deferral projects defined in the funding agreement between the City and United and American are assumed to begin in 2014 if they are not funded as part of OMP Phase 2A. However, it is the City's intent to fund the scope deferral projects as part of Phase 2A per the limitations of the funding agreement and Majority-In-Interest agreement for Phase 2A.

beyond those in the Majority-in-Interest (MII)-approved budget.[9] Due to additional funding sources such as a $42 million grant from the FAA for the North Airport Traffic Control Tower and potential cost savings through the end of construction, the City anticipates the total cost of OMP Phase 1 to be less than the estimated $3.28 billion by approximately $87 million. Despite the increase in OMP Phase 1 costs the City estimates total costs of OMP Phase 1 and OMP Completion Phase project components to be within budget for the full OMP.

The total capital cost of OMP Completion Phase, including the OMP Completion Phase Runways, Noise Program, Western Terminal Complex and On-Airport Circulation, is estimated to be approximately $5.5 billion in 2008 dollars of which approximately $3.3 billion are airfield projects. The City intends to fund OMP Completion Phase projects from bond proceeds, Passenger Facility Charge (PFC) revenue, FAA Letter of Intent (LOI) funds, and third party financing.

The City has received FAA authority to impose and use PFCs for the design and construction of OMP Completion Phase airfield projects, OMP Completion Phase noise mitigation, and a Western Terminal Area planning study. In April 2010 the City received an LOI for $410 million of Grant in Aid funding for OMP Completion Phase airfield projects. That LOI was amended upward to $565 million, with approval anticipated in mid-April 2011. An MII is also anticipated to be received for OMP Phase 2A in mid-April 2011. The PFC applications and LOI grant associated with OMP Completion Phase are discussed in more detail in Chapter 5. The offsetting benefits of the OMP are discussed in Chapter 4.

The Western Terminal Complex and On-Airport Circulation will be pursued as dictated by demand at the Airport.

3.2.2 Capital Improvement Program

The CIP addresses the Airport's non-OMP facility needs and is essentially an on-going repair and replacement program. The financial analysis included in this report assumes up to an estimated $90 million of annual CIP project costs funded with GARBs which is discussed in Section 3.3.2.

3.2.3 World Gateway Program

The WGP was conceived to expand gate capacity through construction of new terminal complexes and enabling projects and provide additional improvements within the Terminal Area. In December 2000, the City commenced work on the formulation of WGP Phase 1 (the WGP Formulation Project). In September 2002, in light of changed conditions in the industry and the economy, the City and the airlines agreed to suspend further work on the WGP. The City's design-build contractor for the Terminal 6 complex was directed to complete its 30 percent design submittal and demobilize. All other formulation work was suspended.

The WGP, specifically its Terminal 6 complex, includes various taxiway improvements south of the planned terminal often collectively referred to as Taxiway LL. Taxiway LL is located south of the international terminal, and provides a third east-west taxiway north of Runway 10L-28R. This additional taxiway is intended to facilitate aircraft movements as the number of those movements in and around that area increases. The City is funding Taxiway LL in conjunction with the funding of the OMP Phase 2B projects. Similar to the Western Terminal Complex, the WGP terminal projects will be constructed as demand dictates at the Airport.

[9] MII means, during any Fiscal Year, either (1) any five or more signatory airlines which, in the aggregate, paid 60 percent or more of the Airport Fees and Charges paid by all signatory airlines for the preceding Fiscal Year, or (2) any numerical majority of signatory airlines which, in the aggregate, paid 50 percent or more of Airport Fees and Charges paid by all signatory airlines for the preceding Fiscal Year.

3.3 Portions of the Capital Development Programs Included in the Financial Analysis

Although the Master Plan included broader development plans, only portions of the Master Plan are included in the financial analysis of Chapter 5. The financial analysis includes OMP airfield projects and annual CIP estimates. Terminal projects including the World Gateway Program and the terminal components of OMP are not included in the financial analysis.

A summary of OMP airfield projects and CIP costs are presented in **Table III-1**. The debt service associated with the project costs described in Table III-1 is included in the financial projections presented in Chapter 5 of this report. All costs are escalated through project completion.

3.3.1 OMP Airfield Projects

The City is implementing the OMP in phases due to the size and duration of the project. Included in the financial analysis are the OMP Phase 1, the OMP Completion Phase airfield projects (including Phase 2A and 2B), and the OMP Completion Phase Noise Program. The exact timing of OMP Phase 2B projects will be determined based on negotiations between the City and United and American that will begin no later than March 1, 2013. For purposes of this report construction of OMP Phase 2B is assumed to begin in 2015 and finish in 2020.

3.3.2 Annual CIP Costs

In addition to the existing debt service associated with the CIP projects, the financial analysis also assumes additional GARB spending on CIP projects in the amount of $90 million per year through 2020 with the exception of 2011 and 2012 which includes an estimated $40 million and $60 million of GARB expenditures respectively. The estimated future CIP expenditure amount is based on a review of historic CIP GARB expenditures and near term planned projects and therefore only represents the bond funded portions of the CIP projects. The City will continue to use other sources such as PFCs or Airport Improvement Program (AIP) grants to fund portions of the CIP. The $90 million of estimated annual GARB expenditures is not based on a specific set of projects, but reflects an amount representative of potential CIP debt service through the duration of the financial analysis. From 2005 through 2009 annual GARB expenditures associated with CIP projects has ranged from $44 million to $92 million. The annual estimated amount of $90 million represents the approximate peak of historic GARB spending over the last five years and is assumed to include improvements to the infrastructure and systems for the terminal buildings, heating and refrigeration system, airfield and apron areas, terminal support area of parking facilities and roadways, safety and security improvements, implementation, and planning and other projects. For purposes of the financial analysis, the $90 million of estimated annual future CIP expenditures was divided into Cost Revenue Centers (CRCs), using the CRC distribution for 2009, which is believed to be a reasonable representation of CIP costs by CRC. As shown in Table III-1, the estimated CIP GARB expenditures spent over the projection period total approximately $820 million.

Table III-1

Costs of Capital Development Program Components Included in Financial Analysis
In Escalated Dollars (Thousands)

OMP Phase 1			Amount (in Thousands)
Program Formulation			$17,500
Program Wide Requirements			74,710
Program Administration			234,725
Preliminary Engineering			65,000
Land Acquisition			651,700
Wetlands Mitigation			44,161
OMP Phase 1 Noise Program			122,300
Future Runway 9L-27R			462,653
Extension of Runway 10L-28R			207,925
Runway 10C-28C			1,311,967
Contingency 1/			87,359
Subtotal OMP Phase 1			$3,280,000
	Phase		
OMP Completion Phase Airfield	2A	2B	Amount (in Thousands)
Runway 10R-28L 2/	x		$557,569
2011 North Airfield Enabling Projects	x		231,400
OMP ATS & Parking	x		158,000
Runway 9R-27L Extension		x	516,006
Runway 9C-27C & Remaining Enabling Projects		x	1,130,356
Taxiway LL		x	528,598
OMP Completion Phase Noise Program	x	x	136,661
Subtotal OMP Completion Phase Airfield			$3,258,590
Estimated Annual CIP Projects Funded By GARBs (2011- 2020) 3/ 4/			Amount (in Thousands)
Airfield			$36,899
Terminal			17,116
Terminal Support			16,363
International Terminal			16,995
Fueling System			2,628
Subtotal Estimated Annual CIP			$90,000

Notes:

1/ $87.4 million is not anticipated to be needed based on current working estimates.

2/ Includes scope deferal projects which may be part of Phase 2B depending on Phase 2A cost savings or additional federal funding (see section 5.3).

3/ CIP amount included in the financial analysis does not reflect specific projects in the total Five-Year CIP which the City is in the process of reassessing.

4/ Reduced to $40 million in 2011 and $60 million in 2012 to account for estimated near-term projects.

Sources: OMP Project Management Office, March 2011; Chicago Department of Aviation, March 2011.
Prepared by: Ricondo & Associates, Inc., April 2011.

IV. OMP Benefits and Airline Cost Savings

The 2011 Series Bonds will be the first bonds issued for the funding of the OMP Completion Phase airfield projects. As such, it is appropriate to not only consider the cost impacts as is done in Chapter 5, but also calculate the potential savings for the airlines with the construction of airfield improvements that will reduce delays and add capacity. This chapter reviews the need for the OMP, the benefits of the program, and more specifically, the potential cost savings to the airlines that would offset the cost of the program.

The information in this chapter is based on air traffic simulations performed for the 2005 FEIS. The analysis and methodology is consistent with the recent Benefit Cost Analysis performed as part of the application for LOI funding but has been updated with the airport activity projections shown in Chapter 2 in an effort to demonstrate the impact of the cost savings per enplanement on the total Airport cost per enplanement calculated in Chapter 5.

4.1 OMP Purpose and Need

The FEIS noted that with the original airfield at O'Hare, the physical and operational characteristics of O'Hare contributed to high levels of congestion and delay and that these effects are expected to become more severe over the forecast period in the FEIS. The City, airlines and FAA, as members of the 1991 and 2001 O'Hare Delay Task Force, developed recommendations to reduce delay, many of which were subsequently implemented by FAA. However, delays persisted, and in 2003, O'Hare experienced more delays than any other airport in the country. Congestion and delay at O'Hare in turn affect the efficiency of the entire National Airspace System (NAS).[1]

O'Hare was ranked as the most delayed airport in the United States in terms of the total minutes of delay and number of delays (flights delayed 15 minutes or more) for calendar year 2007, the last year before elements of OMP Phase 1 became operational[2]. The intensity of flight delays was further exacerbated during peak traffic periods and during periods of poor[3] weather and/or wet runway conditions. These delay periods affected the Airport's ability to provide a consistent level of air service to the traveling public and other Airport users. In addition, as aviation demand increases over time, flight delays would continue to worsen, thus further deteriorating the Airport's operational reliability.

In response to flight delays at O'Hare, in March 2005 the FAA issued a notice of proposed rulemaking in the Federal Register to impose a limitation to the number of domestic and Canadian arrivals at the Airport during peak operational hours. The rule was temporary as the FAA anticipated the reduction of delays through the implementation of the OMP. The rule terminated on October 31, 2008 which reflected the commissioning of Runway 9L-27R at the time of the rulemaking.

In May 2007, the FAA released the Capacity Needs in the NAS report. The report assessed the need for capacity at airports and cities throughout the United States. The analysis took into account planned projects at airports including projects like the OMP. O'Hare was included in the list of airports with constrained capacity when the OMP was not completed. However, with the implementation of the OMP, the Airport was not included in the list of airports needing additional

1 *Ibid*., page ES-9.
2 FAA's Operations Network (OPSNET) database
3 Poor weather conditions are defined as Visual Meteorological Conditions (VMC) and Instrument Meteorological Conditions (IMC) respectively. VMC occurs when the cloud ceiling is greater than or equal to 1,000 ft. and the visibility is greater than or equal to 3 statute miles. IMC occurs when the cloud ceiling is less than 1,000 ft. and/or the visibility is less than 3 statute miles.

capacity for the time period the report assessed.

The OMP will enhance both O'Hare capacity and airport capacity nationwide. The FEIS defines the purpose and the need of the OMP development as follows:

- To address the projected needs of the Chicago region by reducing delays at O'Hare, thereby enhancing capacity of the National Airspace System, and ensuring that existing and future terminal facilities and supporting infrastructure can efficiently accommodate airport users.[4]

4.2 OMP Benefits

A comparison of operational delay resulting from simulations with the pre-OMP airfield, the OMP Phase 1 airfield, and the OMP Completion Phase is presented in **Exhibit IV-1**. While the maximum benefits to O'Hare will be derived from completion of the entire OMP, including the Western Terminal Complex, the City expects O'Hare to begin to experience benefits in delay reduction and capacity increases once OMP Phase 1 is completed. As shown in Exhibit IV-1, at a level of 974,000 annual operations (and 2,750 peak month average daily operations), estimated flight delays will be reduced from 16.9 minutes to 7.9 minutes of delay per operation with the completion of OMP Phase 1. At this same demand level, the full OMP would produce an average per operation delay of approximately 3 minutes - a reduction of nearly 5 minutes of delay per operation over OMP Phase 1. The operational level represented in Exhibit IV-1 is slightly lower than the more than 992,000 operations O'Hare handled by the Airport in 2004 with its existing terminal facilities; thus, these significant delay reduction benefits are achievable with only the airfield elements of the program. The OMP also provides significant capacity benefits; and as market demand grows, new terminal and support facilities will be built to accommodate such additional operations and passengers.

In 2008, two of the three OMP Phase 1 runway components were opened; Runway 9L-27R and the extension of Runway 10L-28R. The Airport has already experienced the benefit of operating these runway components as projected in the FAA's Environmental Impact Statement. Runway 9L-27R has allowed for a third stream of simultaneous independent arriving aircraft in certain poor weather conditions. The Runway 10L-28R extension provided a 13,000 foot runway to be used by long-haul departing aircraft. The full benefits of the OMP airfield will be achieved with the completion of the remaining OMP Phase 1 component, Runway 10C-28C, and the OMP Completion Phase airfield projects.

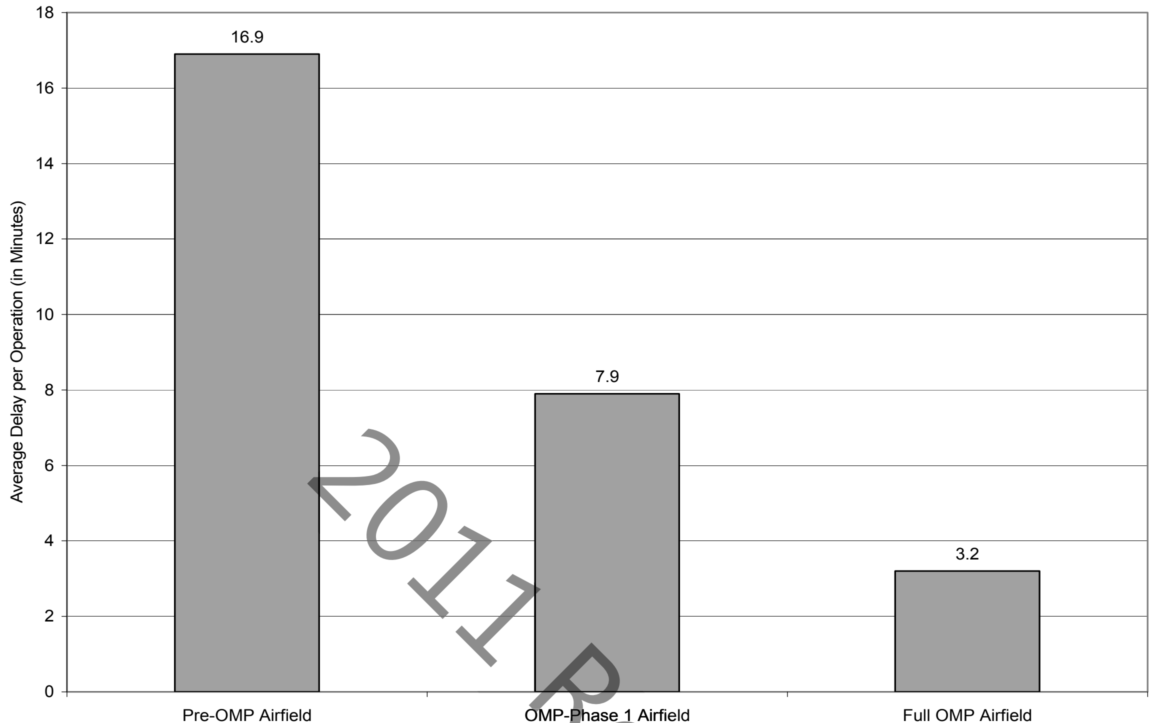
4.3 OMP Completion Phase Airfield Cost Savings and Capacity Enhancement

The following section describes potential operational cost savings to the airlines and airfield capacity enhancements that will result from the OMP Completion Phase airfield projects relative to OMP Phase 1. The FAA concluded in its Analysis and Review of the City's request for LOI AIP funding and a supporting Cost Benefit Analysis that the OMP Completion Phase resulted in a positive cost-benefit ratio through a conservative base and a variety of sensitivity analyses over a range of different assumptions. In developing their findings, the FAA used both the cost savings received by the airlines and passengers to assess the OMP Completion Phase airfield. The analysis included in this report, however, assesses only airline cost savings, and does not present the potential passenger savings that would also occur. These airline cost savings would effectively serve to directly offset the additional airline costs that would occur through increases to airline rates and charges and the airlines' cost per enplanement presented in Chapter 5. The following sections also discuss the additional value that the OMP Completion Phase airfield projects provide from enhanced airfield capacity.

[4] OMP Final Environmental Impact Statement, 2005

Exhibit IV-1

Simulated Average Delay per Operation - 974,000 Annual Operations (2,750 Peak Month Average Day operations)



Source: OMP Environmental Impact Statement, 2005.
Prepared By: Ricondo & Associates, Inc.

4.3.1 OMP Completion Phase Operating Benefits

The Airport operates in a variety of designated operating configurations based on weather conditions, wind direction, and wind speed. **Exhibit IV-2** shows the operating configurations for OMP Phase 1 and OMP Completion Phase airfield along with the estimated annual percent use of each configuration. As shown, with the reconfiguration of the runways accomplished by OMP Completion Phase, four simultaneous arrivals are possible in certain good weather conditions (VFR configurations) and three simultaneous arrivals are available in both poor weather configurations (IFR configurations). The operating improvements experienced by the OMP Completion Phase airfield reduce delay, increase capacity, and significantly improve poor weather conditions performance which greatly increases schedule reliability. Average delay per operation data at operational levels simulated as part of the EIS are shown in Exhibit IV-2.

Exhibit IV-3 shows a graph depicting the relationship between average delay per operation and the level of annual operations for OMP Phase 1 and OMP Completion Phase. As shown by the two curved lines on the graph, OMP Phase 1 operates with a higher level of delay per operation when compared to OMP Completion Phase airfield at every demand level. The points on the graph represent specific simulations performed as part of the FAA's FEIS which were also listed in Exhibit IV-2. The calculation of delay shown on Exhibit IV-3 is consistent with the Benefit Cost Analysis of OMP Completion Phase used by the FAA to support the LOI funding.

Exhibit IV-2

OMP Operating Configurations and Simulation Results

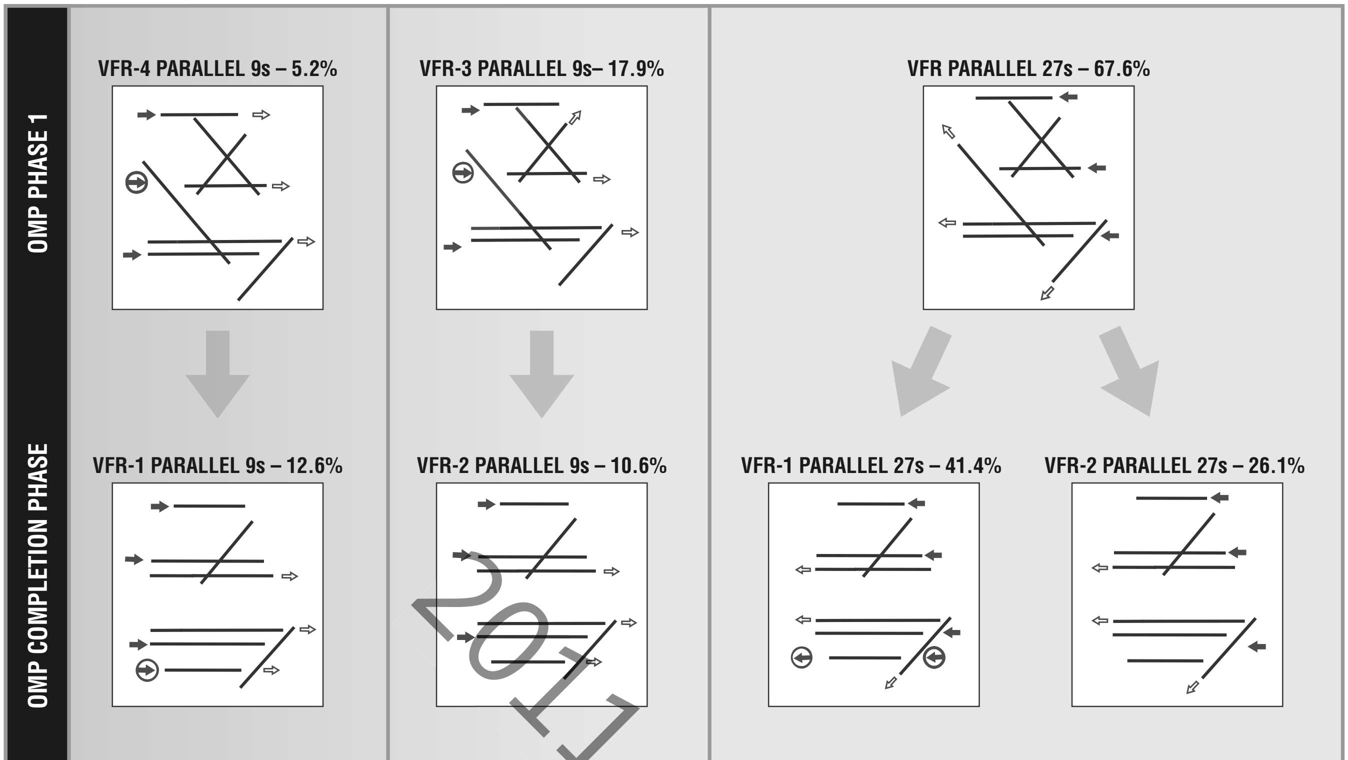
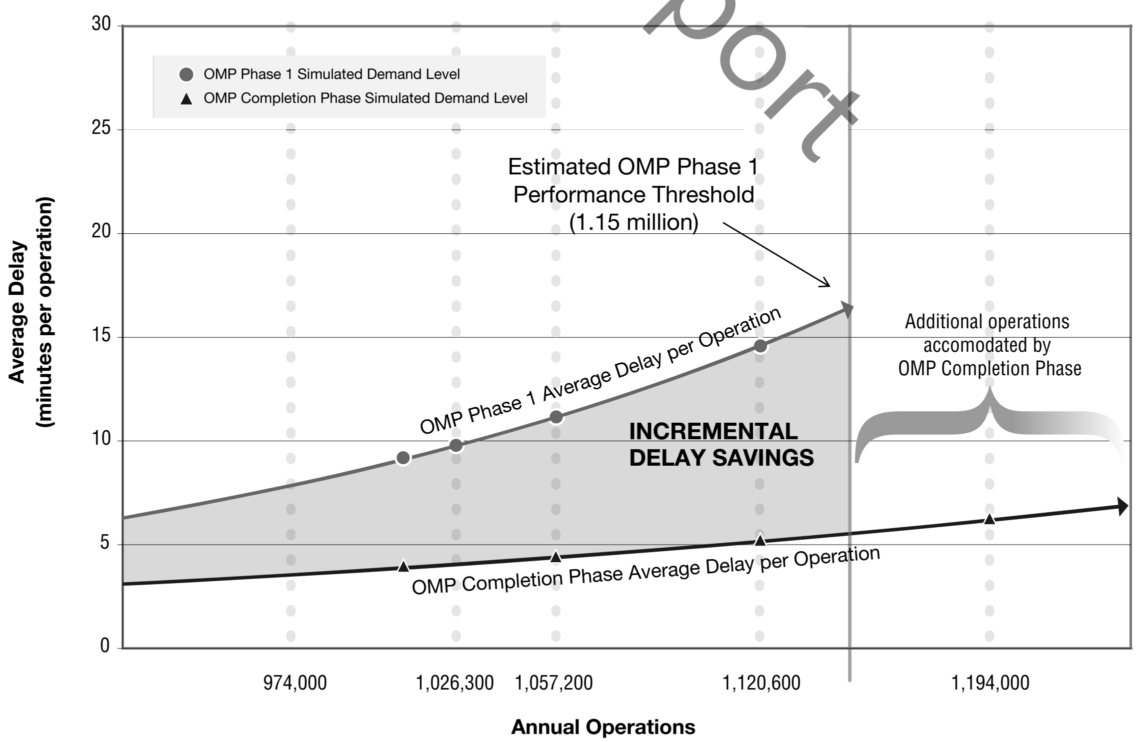


Exhibit IV-3

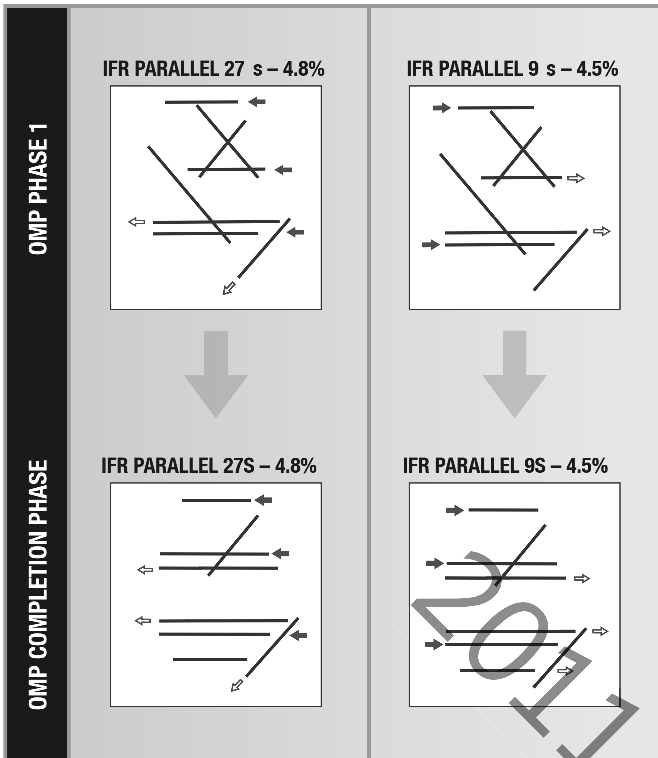
Average Delay Per Operation



Source: OMP Completion Phase Benefit Cost Analysis, 2009.

Exhibit IV-2 (continued)

OMP Operating Configurations and Simulation Results



EIS SIMULATION RESULTS

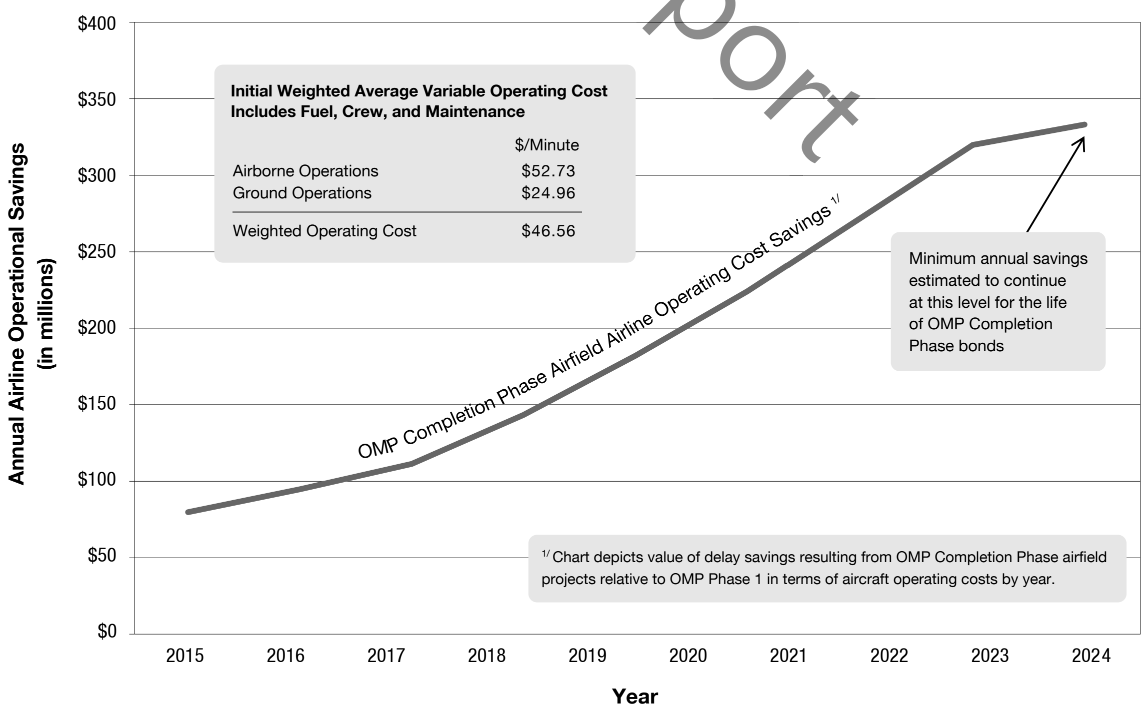
ANNUAL OPERATIONS	AVERAGE MINUTES OF DELAY PER OPERATION: OMP PHASE 1*	AVERAGE MINUTES OF DELAY PER OPERATION: OMP COMPLETION PHASE*
974,000	7.8	3.2
1,026,300	9.9	Not simulated
1,057,200	10.8	4.3
1,120,600	14.8	5.2
1,194,000	Not simulated	6.1

* Minutes per Operation

Source: OMP Environmental Impact Statement 2004.

Exhibit IV-4

Annual Airline Operating Cost Savings



Source: OMP Completion Phase Benefit Cost Analysis, 2009; Ricondo & Associates, Inc. 2010.

The capacity of an airport's airfield system can be determined by the amount of tolerable delay and therefore varies by passenger, airline, and by airport. The FAA has established a delay amount between 10 and 20 minutes of delay per operation as the maximum acceptable threshold of delay. Exhibit IV-3 demonstrates the additional demand that can be accommodated by the full OMP that could potentially not be accommodated by OMP Phase 1 beginning around 1.15 million operations. As demonstrated in the FAA's FEIS, the additional capacity continues to increase well beyond what is shown in Exhibit IV-3.

4.3.2 OMP Completion Phase Airline Operational Savings

The value of the delay savings to the airlines is a function of the variable operating costs for the airlines and operational delay reduction. Variable operating costs of approximately $47 per minute were calculated based on weighted airborne and ground operating costs. Variable operating costs incurred by the airlines include airline fuel, crew, and maintenance cost that are consistent with the Benefit Cost Analysis of OMP Completion Phase. Based on the variable operating costs and the delay operational data, the graph in **Exhibit IV-4** shows the potential annual savings of the full OMP relative to OMP Phase 1. The savings increase to over $333 million in 2024. It is important to note that these delay savings estimates reflect only costs associated with aircraft operations at O'Hare and do not include downstream delay savings associated with flights at other airports that are impacted by delays at O'Hare. Thus, actual cost savings can be expected to be higher than estimated here.

In addition to the savings that continue beyond 2024, the airlines will also benefit from the additional airfield capacity that will be realized from the construction of OMP Completion Phase. The additional airfield capacity provided by OMP Completion Phase provides the airlines with the opportunity for incremental revenue, which would further directly offset the cost of the OMP Completion Phase program by allowing them to serve additional passengers and further decrease the projected cost per enplaned passenger. These potential incremental revenues are not factored into the airline operating cost savings demonstrated in Exhibit IV-4.

The cost savings depicted in Exhibit IV-4 are shown numerically in **Table IV-1**. These operational cost savings are directly comparable to, and serve to directly reduce, airline cost per enplanement. As shown on Table IV-1, the airline operational savings are projected to increase to $333 million in 2024. The completion of OMP Phase 2A is projected to occur in 2015; and for purposes of this analysis, Phase 2B is projected to be complete in 2020. Airline operational cost savings will be realized prior to the completion of Phase 2B as a result of Phase 2A, but the benefits associated with Phase 2A operations have not been quantified. Therefore, the cost savings associated with Phase 2A are not quantified in Table IV-1 during the projection period of the financial analysis included in this report. If OMP Phase 2B is completed prior to 2020, it would result in airline savings earlier than depicted in Table IV-1. On a per enplanement basis, the airline operating savings is projected to be approximately $5.29 per enplaned passenger in 2021 and increase to approximately $7.38 per enplaned passenger in 2024. These savings would be higher if delay at other airports were included. Beyond 2024, the operational delay savings is projected to continue at a minimum of $7.38 per enplaned passenger, however incremental airline revenue as a result of available capacity provided by OMP Completion Phase would occur in addition to delay savings.

For comparison purposes, the cost per enplaned passenger calculated in Chapter 5 is also shown on Table IV-1. The cost per enplaned passenger can be directly offset by the airline operational savings per enplaned passenger. As shown, the cost per enplaned passenger is $22.41 in 2020, the last year in the analysis period. The first year of quantified OMP Completion Phase airline operating cost savings is 2021 and the projected airline saving per enplanement is $5.29. Should the quantified airline operation cost savings overlap with the projection period, a net airline cost per enplaned

Table IV-1

OMP Completion Phase Airfield Airline Impact

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operational Cost Savings (in thousands) [1/ 2/]			Phase 2A Under Construction					Assumed Phase 2B Under Construction			$225,451	$272,856	$320,535	$333,712
Projected Enplaned Passengers (in thousands)	35,084	35,897	35,897	36,677	37,469	38,274	39,106	39,969	40,858	41,784	42,619	43,472	44,341	45,228
Airline Savings Per Enplaned Passenger	**$0.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**			**Phase 2A savings exist but not quantified**			**$5.29**	**$6.28**	**$7.23**	**$7.38**
Total Airline Cost per Enplaned Passenger [3/]	$14.39	$14.85	$16.10	$18.44	$18.62	$20.06	$21.16	$21.21	$20.33	$22.41		Beyond Projection Period		
Less Savings per Enplaned Passenger	$0.00	$0.00	$0.00	$0.00	$0.00			Phase 2A savings exist but not quantified			-$5.29	-$6.28	-$7.23	-$7.38
Net Airline Cost per Enplaned Passenger	$14.39	$14.85	$16.10	$18.44	$18.62	$20.06	$21.16	$21.21	$20.33	$22.41		Beyond Projection Period		

	Current Dollars	Present Value [5/]
Total Savings 2021 through 2024	$1,152,554	$784,173
Total Savings 2021 through 2049 [4/]	$9,495,366	$4,538,871

Notes:

1/ Cost savings reflects incremental airline operating cost savings based on delay savings of OMP Completion Phase Airfield relative to OMP Phase 1 Airfield.

2/ Assumes completion of OMP Phase 2A in 2015 and Phase 2B by 2020. Completion of Phase 2B prior to 2020 would result in airline savings earlier than depicted. Airline savings exist prior to the completion of Phase 2B as a result of Phase 2A, but they have not been quantified

3/ From Chapter 5, Table V-14

4/ Term of the projected OMP Completion Phase bonds ends in 2049. Annual airline operational savings assumed to remain constant between 2024 and 2049.

5/ 3% discount rate assumed

Sources: OMP EIS Simulation Data, 2004; OMP Completion Phase Benefit Cost Analysis, 2010; Ricondo & Associates, Inc., 2010.
Prepared by: Ricondo & Associates, Inc.

passenger could be calculated by subtracting the airline savings per enplanement from the airline cost per enplanement.

It is important to note that the potential delay savings demonstrated above are only associated with operations at O'Hare. The OMP will reduce delays in the National Airspace System (NAS), however, and therefore the airlines will also realize additional delay savings in addition to those calculated specifically for O'Hare in this Chapter.

V. Financial Analysis

This chapter presents the financial structure of the Airport, key provisions of the Airport's Third Lien GARB and PFC Bond indentures, and the cost and other financial implications following the issuance of all Series 2011 Bonds and the future bonds necessary to complete the funding of the Capital Development Programs. Projections of Operating & Maintenance (O&M) Expenses, non-signatory airline and non-airline revenues, PFC Revenue, Debt Service, net signatory airline requirements, Airport Fees and Charges, airline revenues, Debt Service coverage, and airline cost per enplaned passenger (CPE) are also discussed.

5.1 Financial Structure

The Airport is owned by the City of Chicago and operated by the Chicago Department of Aviation (City or CDA) and is accounted for as a self-supporting enterprise fund of the City. The City maintains the books, records, and accounts of the Airport in accordance with generally accepted accounting principles and as required by the provisions of the Airport Use Agreements, the Bond Ordinance (defined in section 5.2.1) and all bond indentures as supplemented and amended. The City's fiscal year ends December 31.

Airport accounting practices, including the Airport Use Agreements, the Cost-Revenue Center (CRC) structure used for airline rate-setting, the requirements governing the issuance of airport revenue bonds by the City are discussed in this section.

5.1.1 Airport Use Agreements

The Airport Use Agreements set forth the City's main financial and operational arrangement with the airline tenants of the Airport. The Airport Use Agreements provide, among other things, contractual support of the Airline Parties for certain GARBs and other obligations issued to fund Airport capital improvements. The Airport Use Agreements are in place to formalize the rights and responsibilities of the airline carriers signatory to the Airport Use Agreement (Airline Parties) and the CDA. The Airport Use Agreements expire on May 11, 2018.

The City has Airport Use Agreements with the following 10 carriers currently operating at the Airport, defined as the Airline Parties: Air Canada, Air Wisconsin, American Airlines, American Eagle, Continental Airlines[1], Delta Air Lines, FedEx, United Airlines, US Airways, and UPS. In the aggregate, the Airline Parties accounted for approximately 63 percent of the total landed weight at the Airport in 2010 (not including non-signatory subsidiaries of the signatory Airline Parties), as shown in Table II-17. Airlines that are not signatory to the Airport Use Agreement (Non-Signatory Airlines) accounted for the remaining 37 percent of landed weight. The Airline Parties and International Terminal Airline Parties are collectively referred to as the Signatory Airlines in this report.

The current Airport Use Agreements expire on May 11, 2018. Upon expiration, the CDA and the Airline Parties could agree to extend the existing Airport Use Agreements using the existing residual rate-setting methodology or agree to execute a new agreement using a different rate-setting methodology. Alternatively, the CDA could also elect to impose airline rates and charges by ordinance. Since the OMP projects anticipated to be funded with future OMP-airfield related GARBs are associated with the Airfield Area, their cost will likely be recovered from airfield users

1 United and Continental each maintain one vote in MII voting at the Airport post-merger. Upon receipt of a single operating certificate for the unified airlines, the separate MII votes become a single vote.

through airline landing fees. Consequently, the projected financial impacts from any future rate-setting methodology would likely be similar to their impact under the methodology currently used to recover costs of the Airfield Area. As a result, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020 (described in greater detail in section 5.2).

5.1.2 Recent Developments with the OMP Funding Agreement

On January 18, 2011, United Airlines and American Airlines filed a lawsuit against the City seeking a declaratory judgment and an injunction to prevent the City from issuing GARBs or making capital expenditures associated with the OMP Completion Phase without MII approval from the Airline Parties.

On March 11, 2011, the City, United Airlines, and American Airlines signed a letter agreement in which they agreed to move forward with Airline approval to fund OMP airfield projects and to dismiss the lawsuit without prejudice. The terms of the agreement split the OMP Completion Phase airfield projects into Phase 2A and Phase 2B. OMP Phase 2A consists of the remaining OMP Phase 1 work, Runway 10R-28L, certain north airfield enabling projects, a portion of the new economy parking structure and the relocation of the ATS (Airport Transit System) projects, and approximately 25 percent of the total OMP Completion Phase Noise Program. The approved Phase 2A funding sources are presented in Table V-3 of this report. Phase 2B is the remainder of the OMP Completion Phase airfield projects.

5.2 Airport Fees and Charges

Under the current Airport Use Agreements, terminal rental rates and airline landing fees are established using a residual airport methodology, whereby airline rates and charges are calculated to recover any net remaining costs for each CRC. In order to equitably allocate the net cost of operating, maintaining, improving, and expanding the Airport among the airlines that are signatory to the Airport Use Agreement (the Airline Parties, as listed in Section 5.1.1), various physical and functional areas of the Airport are separated for the purposes of accounting for the O&M Expenses, Revenues, required fund deposits, and Debt Service on Airport Obligations. An allocable share of the net deficit generated in the Terminal Area, Airfield Area, and Fueling System CRCs is paid by the Airline Parties as part of their Airport Fees and Charges for the use of the Airport.[2] The Airport Use Agreements provide that the aggregate of Airport Fees and Charges paid by the Airline Parties must be sufficient to pay for the net cost of operating, maintaining, and developing the Airport (excluding the Land Support Area) including the satisfaction of Debt Service coverage, deposit, and payment requirements of the Bond Ordinance and the Indentures. Airlines or other users of the Airport who are not signatories to an Airport Use Agreement or an International Terminal Use Agreement are assessed Airport fees and charges enacted by City ordinances.

Five CRCs in the Airport's financial structure are included in the residual calculation and adjustment of Airport Fees and Charges, as follows:

- **Airfield Area.** The Airfield Area includes the aircraft parking areas, runways, taxiways, approach and runway protection zones, infield areas, navigational aids, and other facilities related to aircraft taxiing, landing, and takeoff.

[2] A somewhat modified rate-setting methodology is in effect for portions of the Airfield Area in order to avoid "private business use" under federal tax regulations. See Section 5.9.1 herein.

- **Terminal Area.** The Terminal Area includes the domestic terminal buildings, and a designated portion of the Heating & Refrigeration Plant.
- **Terminal Support Area.** The Terminal Support Area includes the public parking facilities, roadways, walkways, automobile rental areas, ground transportation system, and the existing Airport hotel.
- **International Terminal Area.** The International Terminal Area includes the International Terminal and a designated portion of the Heating & Refrigeration Plant.
- **Fueling System.** The Fueling System includes the tank farm and all facilities that are part of the Airport's hydrant fueling system.

The revenues and expenses of the Land Support Area, which is described below, are not included in the calculation of Airline Parties' Airport Fees and Charges.

- **Land Support Area.** The Land Support Area includes certain vacant land and air rights and facilities such as air cargo, hangar, flight kitchen and freight forwarding facilities. Principally, these areas and facilities are located on the perimeter of Airport property.

5.2.1 General Airport Revenue Bond Ordinance and Indentures

The Series 2011 GARBs will be issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970. The Series 2011 GARBs will be issued pursuant to an ordinance adopted by the City Council on December 8, 2010 (the "*Bond Ordinance*") and a Master Indenture of Trust Securing Chicago O'Hare International Airport Third Lien Obligations, dated as of March 1, 2002, as amended (the *"Third Lien Master Indenture"*), from the City to U.S. Bank National Association, Chicago, Illinois, as successor trustee to LaSalle Bank National Association (the *"Trustee"*), as previously supplemented and amended and as further supplemented by the Thirty-Eighth Supplemental Indenture, the Thirty-Ninth Supplemental Indenture, and the Fortieth Supplemental Indenture, each from the City to the Trustee.

Supplemental Indenture	Related 2011 Third Lien GARBs
Thirty-Eighth Supplemental Indenture	Series 2011A PFC-Backed GARBs
Thirty-Ninth Supplemental Indenture	Series 2011B Grant Receipts-Backed GARBs
Fortieth Supplemental Indenture	Series 2011C GARBs

The Third Lien Master Indenture as previously supplemented and as further supplemented by the GARB Supplemental Indentures, and as it may be amended and supplemented from time to time in accordance with its terms, is collectively herein referred to as the *"Third Lien Indenture."*

The Series 2011 GARBs are to be secured by airport revenues, and, in the case of the Series 2011A GARBs, by certain PFC revenues, and, in the case of the Series 2011B GARBs, by certain grant receipts and will be used to fund portions of OMP Phase 2A; satisfy the Reserve Requirements for the 2011 GARBs; pay capitalized interest on the 2011 GARBs; and to pay the costs of issuing the 2011 GARBs.

5.2.1.1 Application of Grant Receipts

The FAA has awarded the City two Airport Improvement Program (AIP) Letters of Intent (LOIs) for OMP. The LOI for OMP Phase 1 is $300 million, payable over a 15-year period from Federal Fiscal Years 2006 through 2020. The original LOI for OMP Completion Phase was $410 million, payable over a 16-year period from Federal Fiscal Years 2011 through 2026. This LOI was amended on March 14, 2011, with a second amendment anticipated to be received in mid-April 2011 to increase the award to $565 million and to split the LOI between OMP Phase 2A and Phase 2B, providing $280 million towards Phase 2A and the remaining $285 million towards Phase 2B. The City is pledging a total of $205 million of future grant receipts under the OMP Phase 1 LOI and the OMP Phase 2A LOI to pay the annual debt service associated with the Series 2011B Grant Receipts-Backed GARBs. To date, $100 million in Grant Receipts have been received under the OMP Phase 1 LOI and such prior receipts are not pledged to the payment of the Series 2011B Grant Receipts-Backed GARBs. $275 million of future grant receipts not pledged to annual debt service on the Series 2011B Grant Receipts-Backed GARBs will be applied to OMP Phase 2A on a pay-as-you-go basis.

In addition, revenues received from the FAA under the funding agreement for the North Airport Traffic Control Tower (NATCT) are included in Revenues, and thus pledged to the GARBs. The City is scheduled to receive $37 million in NATCT payments from the FAA, $33 million of which will be applied to annual debt service associated with the Series 2011B Grant Receipts-Backed GARBs. The remainder will be applied to Phase 2A on a pay-as-you-go basis.

Pursuant to the AIP, the LOIs demonstrate the FAA's intent to award AIP Grants. Through an annual application and approval process, the FAA is expected to issue the remaining $765 million in LOI discretionary grants from future budgetary authority, as funds become available, for reimbursement of eligible costs. Upon providing the required project expenditure information, the City expects to receive the annual grant reimbursements from the FAA in the amounts listed in the FAA LOI Grant payout schedule as described in **Table V-1.** FAA AIP grants are discussed in additional detail in sections 5.3.1.2. and 5.3.1.4 of this chapter. The LOI application and reimbursement process is outlined in **Exhibit V-1**.

5.2.2 PFC Bond Indentures

The Series 2011 PFC Bonds will be issued under the authority granted to the City as a home rule unit of local government under the Illinois Constitution of 1970. The Series 2011 PFC Bonds are to be secured by PFC Revenues, and will be used to refund certain PFC Bonds, satisfy the reserve requirements, and to pay the costs of issuing the Series 2011 PFC Bonds. As defined in the PFC Indenture, PFC Revenues consist of all revenue received by the City from the PFCs imposed by the City at the Airport, including any interest earned thereon.

The Series 2011 PFC Bonds will be issued pursuant to an ordinance adopted by the City Council of the City on September 8, 2010, as amended and supplemented by the Bond Ordinance and pursuant to a Master Trust Indenture Securing Chicago O'Hare International Airport Passenger Facility Charge Obligations, dated as of January 1, 2008 (the "*PFC Master Indenture*"), from the City to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "*PFC Trustee*"), as supplemented by the Seventh Supplemental Indenture with respect to the Series 2011 PFC Bonds (the "*Seventh Supplemental Indenture*"), dated as of April 1, 2011 and from the City to the PFC Trustee. The PFC Master Indenture as supplemented by the Seventh Supplemental Indenture, and as it may be amended and supplemented from time to time in accordance with its terms, is collectively herein referred to as the "*PFC Indenture*". The specific information for the Seventh Supplemental Indenture and the related Series 2011 PFC Bonds is included in the Official Statement.

Table V-1

Proposed Schedule of Expenditures and LOI AIP Payments

	LOI Expenditures[1/]				Schedule of LOI AIP Payouts			
		OMP Completion Phase				OMP Completion Phase (AGL-10-01)[2/]		
Federal Fiscal Year	OMP Phase 1	OMP Phase 2A	OMP Phase 2B	Total OMP	OMP Phase 1 (AGL-06-01)	OMP Phase 2A	OMP Phase 2B	AIP Payouts
Pre 2011	$300,000,000			$300,000,000	$100,000,000 [3/]			$100,000,000
2011		$75,000,000		75,000,000	20,000,000	$70,000,000		90,000,000
2012		125,000,000		125,000,000	20,000,000	60,000,000		80,000,000
2013		50,000,000		50,000,000	20,000,000	60,000,000		80,000,000
2014		30,000,000		30,000,000	20,000,000	40,000,000		60,000,000
2015			$25,000,000	25,000,000	20,000,000	30,000,000		50,000,000
2016			100,000,000	100,000,000	20,000,000	20,000,000	5,000,000	45,000,000
2017			125,000,000	125,000,000	20,000,000		25,000,000	45,000,000
2018			35,000,000	35,000,000	20,000,000		35,000,000	55,000,000
2019					20,000,000		45,000,000	65,000,000
2020					20,000,000		45,000,000	65,000,000
2021							25,000,000	25,000,000
2022							25,000,000	25,000,000
2023							20,000,000	20,000,000
2024							20,000,000	20,000,000
2025							20,000,000	20,000,000
2026							20,000,000	20,000,000
Total	$300,000,000	$280,000,000	$285,000,000	$865,000,000	$300,000,000	$280,000,000	$285,000,000	$865,000,000

Notes:

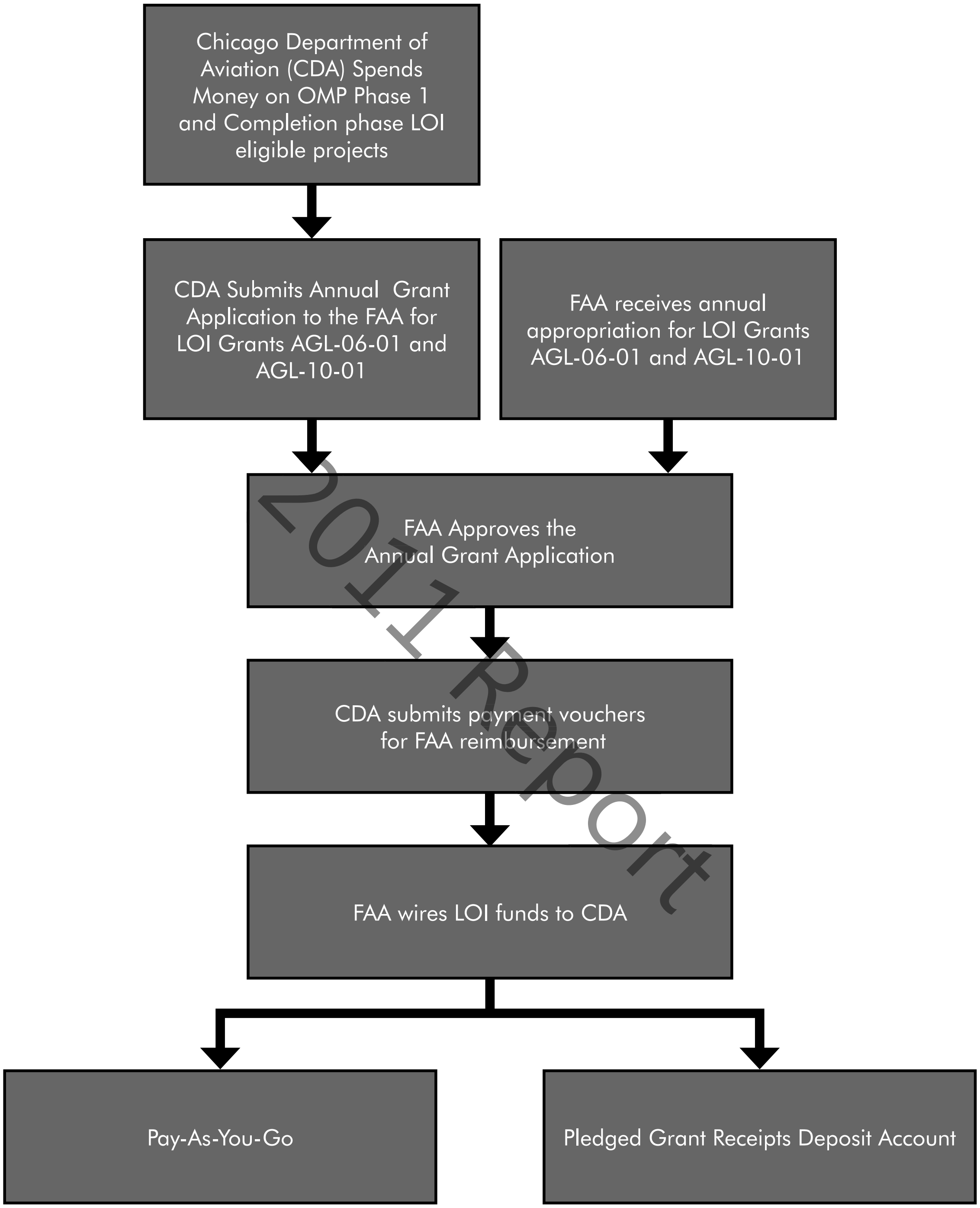
1/ FAA requires that AIP grants reimburse 75% of projects and that the remaining 25% be funded by a grantee share. Expenditures shown above represent the 75% portion assumed to be reimbursed by the grant. The 25% grantee shares are not shown in the above table but will be spent at the same time the funds above are expended.

2/ Reflects approved amendment to LOI AIP Payout Schedule separating OMP Phase 2A and Phase 2B, and amendment for an additional $155 million.

3/ OMP Phase 1 LOI AIP Reimbursements have been received for $100 million of expenditures prior to 2011. The 2011 payment will be the first installment pledged to bond holders of the Federal Funds-Backed GARBs and used to pay debt service for the Series 2011 Bonds.

Sources: LOI AIP Grant Payout Schedules and Amendments, 2006 & 2011; OMP Project Management Office, 2011.

Prepared by: Ricondo & Associates, Inc., 2011.



Sources: Chicago Department of Aviation, November 2010; Ricondo & Associates, Inc., November 2010.
Prepared by: Ricondo & Associates, Inc., November 2010.

Exhibit V-1

Process for Annual Request of Multi-Year LOI Reimbursement

5.3 Financing Plan

Table V-2 presents the estimated costs and sources of funds for the OMP Phase 1 including the OMP Phase 1 Noise Program. As shown, the City has funded and plans to fund the OMP Phase 1 projects through a combination of PFC funding (PFC Bonds and pay-as-you-go PFCs), FAA AIP LOI grants, other FAA Grants (including AIP entitlements and discretionary grants for the OMP Phase 1 noise program and the North Airport Traffic Control Tower), the Series 2011B Grant Receipts-Backed GARBs, prior GARBs, and certain other funds.

Table V-3 presents the estimated costs and sources of funds for the OMP Completion Phase airfield projects, broken out by Phase 2A and Phase 2B, including the Phase 2A and Phase 2B Noise Program. As shown, the City intends to fund the OMP Completion Phase airfield and noise projects through a combination of the Series 2011A PFC-Backed GARBs, the Series 2011B Grant Receipts-Backed GARBs, Series 2011C Third Lien GARBs, FAA Grant PAYGO, and future GARBs. Future FAA discretionary or entitlement grants may also be applied to the projects.

As shown, the approved OMP Phase 2A funding is $2.9 million higher than the estimated Phase 2A cost. Under the terms of the agreement with the Airlines, the City can use this funding, along with any savings on the Phase 2A projects, to pay any costs associated with the FAA South Air Traffic Control Tower (SATCT) to the extent that is not fully funded by FAA, or, if the SATCT is already fully funded, then to fund the costs of the Scope Deferral Projects, which include Bensenville Ditch East, RTR-U and ASR-9, and Taxiway WQ.

The City intends to complete the full OMP Completion Phase, and the Airlines agreed to begin negotiation of the funding plan for OMP Phase 2B airfield projects, no later than March 1, 2013, therefore, all OMP Completion Phase airfield projects are included in the financial analysis in this report.

Exhibit V-2 summarizes the Series 2011 Bonds, their intended use, and lien/security status.

The plans of finance for OMP Phase 1, Completion Phase airfield projects, and the projected CIP are discussed separately in the following sections.

5.3.1 OMP Phase 1 and OMP Completion Phase Financing Plan

5.3.1.1 Passenger Facility Charge Revenues

The City has approval from the FAA to impose a PFC at the Airport and to use PFC Revenue for approved Airport projects, including the OMP Phase 1 and OMP Completion Phase airfield projects. The City now has approved PFC authority from the FAA to impose and use PFCs for all project costs anticipated to be funded with PFCs for both OMP Phase 1 and OMP Completion Phase airfield projects. The City collects a $4.50 PFC per eligible enplaned passenger less an $0.11 airline processing charge at the Airport. As of March 2011, the City had received authority to impose and use $6.39 billion of PFC Revenues at the Airport, including approximately $177 million of PFC pay-as-you-go authority for the design of OMP Completion Phase airfield projects As of the end of the 2010 fiscal year, PFC Revenues received by the City for use at the Airport, including investment earnings, totaled $2.01 billion.

As shown in Table V-3, approximately $365 million of OMP Phase 2A projects costs are anticipated to be funded from the Series 2011A PFC-Backed GARBs. Future PFC-Backed GARBs are anticipated to be issued for OMP Phase 2B in the amount of $200 million.

Table V-2

OMP Phase 1 Estimated Funding Sources and Uses[1/] (Dollars in Thousands)

FUNDING SOURCES	
AIP Entitlement/Discretionary Funds	$91,898
Previous FAA Letter of Intent Grant Receipts	100,000
Series 2011B Grant Receipts-Backed GARBs	193,000
AIP LOI PAYGO	40,000
NATCT Revenues Pay-As-You-Go	4,000
PFC Pay-As-You-Go	292,375
Previously Issued GARBs	1,869,393
Previously Issued PFC-Secured GARBs	571,875
Previously Issued PFC Stand-Alone Bonds	30,100
Additional Funding Sources [2/]	87,359
TOTAL ESTIMATED FUNDING SOURCES	$3,280,000
USES OF FUNDS	
Program Formulation	$17,500
Program Wide Requirements	74,710
Program Administration	234,725
Preliminary Engineering	65,000
Land Acquisition	651,700
Wetlands Mitigation	44,161
OMP Phase 1 Noise Program	122,300
Future Runway 9L-27R	462,653
Extension of Future Runway 10L-28R	207,925
Future Runway 10C-28C	1,311,967
Contingency [2/]	87,359
TOTAL ESTIMATED USES OF FUNDS	$3,280,000

1/ Includes OMP-Phase 1 Noise Program.

2/ $87.4 million is not anticipated to be needed based on current working estimates.

Sources: Chicago Department of Aviation

Prepared by: Ricondo & Associates, Inc. March 2011

Table V-3

OMP Completion Phase Estimated Funding Sources and Uses[1/] (Dollars in Thousands)

OMP Phase 2A (excluding OMP Phase 1 remaining work)

FUNDING SOURCES	
FAA LOI Grant PAYGO	$235,000
Series 2011A PFC-Backed GARBs	365,000
Series 2011B Grant Receipts-Backed GARBs	45,000
Series 2011C GARBs	173,400
Future GARBs	124,900
TOTAL ESTIMATED FUNDING SOURCES	$943,300
USES OF FUNDS	
Runway 10R-28L	$516,500
2011 North Airfield Enabling Projects	231,400
OMP ATS & Parking	158,000
OMP Phase 2A Noise Program	34,500
Contingency/ Scope Deferral Projects [2/]	2,900
TOTAL ESTIMATED USES OF FUNDS	$943,300

OMP Phase 2B

FUNDING SOURCES	
Future PFC-Backed GARBs	200,000
OMP Phase 2B AIP LOI	285,000
Future GARBs	1,833,190
TOTAL ESTIMATED FUNDING SOURCES	$2,318,190
USES OF FUNDS	
Runway 9R-27L Extension	$516,006
Runway 9C-27C & Remaining Enabling Projects	1,130,356
Runway 10R-28L Deferral Projects [3/]	41,069
Taxiway LL	528,598
OMP Phase 2B Noise Program	102,161
TOTAL ESTIMATED USES OF FUNDS	$2,318,190

1/ Includes OMP-Completion Phase Noise Program.

2/ The approved OMP Phase 2A funding is $2.9 million higher than estimated Phase 2A cost. The City can use this $2.9 million of funding together with savings on Phase 2A to fund any costs associated with the FAA SATCT not already funded by the FAA or, if the SATCT is fully funded, any Scope Deferral Projects discussed in section 5.3.

3/ Assumes full cost of Scope Deferral Projects is funded in OMP Phase 2B.

Sources: Chicago Department of Aviation
Prepared by: Ricondo & Associates, Inc. March 2011

Exhibit V-2
O'Hare Series 2011 Bond Financing Matrix

	Series 2011A PFC-Backed GARBs	Series 2011B Grant Receipts-Backed GARBs	Series 2011C GARBs	Series 2011A&B PFC Bonds
Purpose/Use	Fund approximately $365 million of OMP Phase 2A, DSRF, and COI.	Fund approximately $238 million of OMP Phase 2A, Capitalized Interest, DSRF, and COI.	Fund approximately $173.4 million of OMP Phase 2A, Capitalized Interest, DSRF, and COI.	Refund approximately $47.3 million of debt for restructuring, savings, DSRF, and COI.
Security/Lien Status	GARBs with Pledge of PFCs	GARBs with Pledge of Grant Receipts	Third Lien GARBs	PFC Stand Alone Pledge of PFCs

Source: Citi
Prepared by: Ricondo & Associates, Inc March 2011

5.3.1.2 FAA Airport Improvement Program Grants

To date, the City has received $100 million of the $865 million multi-year LOI grants awarded by the FAA for OMP Phase 1 and OMP Completion Phase. Of the remaining $765 million in LOI grants to be received, $205 million will be pledged to debt service associated with the Series 2011B Grant Receipts-Backed GARBs, together with approximately $33.3 million of an additional $37 million of NATCT payments from the FAA, as previously described in section 5.2.1.1.

On November 21, 2005, the FAA issued to the City an LOI to award $300 million in LOI discretionary grants for OMP Phase 1 over a 15-year period from Federal Fiscal Years 2006 through 2020. As of March 2011, the City had received $100 million of the $300 million LOI discretionary grant. Of the remaining $200 million of the Phase 1 LOI grant to be received, $160 million will be pledged to debt service associated with the Series 2011B Grant Receipts-Backed GARBs, with the remaining $40 million being used on a pay-as-you-go basis.

On April 21, 2010, the FAA issued to the City an LOI to award $410 million in LOI discretionary grants for the OMP Completion Phase airfield over a 16-year period from Federal Fiscal Years 2011 through 2026. On March 14, 2011, the FAA approved an amendment to the grant award, splitting the $410 million between OMP Phase 2A and OMP Phase 2B. In mid-April 2011, the FAA is anticipated to approve a second amendment to the award, increasing the amount from $410 million to $565 million. In accordance with the letter agreement between the City and United and American, $280 million of the LOI will be used to fund OMP Phase 2A and the remaining $285 million will be used to fund OMP Phase 2B. The City will submit the application for the first OMP Phase 2A annual installment once the 2011 construction expenditures have been incurred, which is anticipated to occur by fall of 2011. As discussed previously, $45 million of the Phase 2A grant award has been pledged to debt service on the Series 2011B Grant Receipts-Backed GARBs, with the remaining $235 million being applied to the projects on a pay-as-you-go basis. The City will apply for LOI installments associated with OMP Phase 2B once construction has commenced.

Under the AIP, the City also receives annual entitlement grants for use at the Airport based on the number of enplaned passengers and cargo tonnage at the Airport and is eligible to receive discretionary grants.

5.3.1.3 Series 2011A PFC-Backed GARB Proceeds

As shown in Exhibit V-2, proceeds from the Series 2011A PFC-Backed GARBs will be used to fund approximately $365 million of costs associated with OMP Phase 2A. An additional $200 million of future PFC-backed GARBs will be used to fund OMP Phase 2B.

5.3.1.4 Series 2011B Grant Receipts-Backed GARB Proceeds

As shown in Exhibit V-2, proceeds from the Series 2011B Grant Receipts-Backed GARBs will be used to fund approximately $238 million of costs associated with the remaining construction of OMP Phase 1 and portions of OMP Phase 2A airfield projects approved under the LOI grant applications for the OMP. An additional $285 million of Phase 2B LOI funds will be used to fund OMP Phase 2B through a combination of Grant Receipts-Backed GARBs and pay-as-you-go.

5.3.1.5 Series 2011C GARB Proceeds

As shown in Exhibit V-2, proceeds from the Series 2011C GARBs will be used to fund approximately $173.4 million of costs associated with OMP Phase 2A.

5.3.1.6 Future OMP Completion Phase GARBs

As shown in Table V-3, future GARBs will be issued in the amount of approximately $124.9 million to complete the funding of the OMP Phase 2A airfield projects. This funding has been approved with MII approval as part of the $298.3 million of total GARBs to be issued for OMP Phase 2A. An additional $1.83 billion in future GARBs is estimated to be required to fund OMP Phase 2B airfield projects. As part of the letter agreement between United Air Lines, American Airlines, and the City, negotiations for the funding plan of OMP Phase 2B will begin no later than March 1, 2013.

5.3.2 Projected CIP Financing Plan

Bond proceeds from future GARBs are assumed to fund the approved portions of the Airport's CIP through the projection period.

The CIP costs included in the financial analysis include an estimated $40 million of annual CIP project costs funded with GARBs in 2011, $60 million in 2012, and then $90 million per year from 2013 through 2020, which is considered to be a conservative estimate based on historical GARB spending over the last five years and does not represent actual projects (as described previously in Chapter 3, Section 3.3.2.). As such, approximately $820 million of estimated CIP expenditures are estimated to be funded from future GARBs.

While the City may submit future applications to the FAA for additional sources of funding, such as AIP grants or PFC authority, this analysis only assesses the impacts of the CIP expenditures using future GARB funding. Until May 11, 2018, these CIP GARB funded projects, when warranted, would only be undertaken in the future with City and Airline MII approval.

5.4 Operation and Maintenance Expenses Projections

O&M Expenses include expenses associated with operating and maintaining the Airport, including the airfield, terminal, and landside facilities. O&M Expenses are classified into the following categories:

- Personnel
- Repairs and maintenance
- Energy
- Materials and supplies
- Engineering and professional services
- Other operating expenses
  - Equipment and property rental
  - Insurance and miscellaneous
  - Machinery
  - Vehicles and equipment

These expenses are further allocated to the various CRCs for rate-setting purposes.

O&M Expenses increased at a compounded annual growth rate of 2.0 percent from $346.7 million in 2005 to $382.9 million estimated in 2010. This increase in O&M expenses can be attributed to a combination of increased energy costs, a new custodial contract, an increase in Standard Parking Corporation union wages and benefits, an increase in snow removal costs as well as increased deicer costs and higher parking management fees in 2007 and 2008. Historical O&M Expenses for 2005 through estimated 2010 are presented in **Table V-4**:

Table V-4

Chicago O'Hare International Airport, Historical O&M Expenses 2005-Estimated 2010

	2005	2006	2007	2008	2009	Estimated 2010	Compounded Annual Growth Rate
Total O&M Expenses [1/] (thousands)	$346,702	$347,808	$388,244	$418,295	$384,207	$382,894	2.0 %
Enplaned Passengers (thousands)	37,948	37,764	37,763	34,011	31,957	33,201	(2.6)%
Total O&M Expenses per Enplaned Passenger	$9.14	$9.21	$10.28	$12.30	$12.02	$11.53	4.8 %

Notes:
1/ Excludes Land Support Area.

Source: City of Chicago Comptroller's Office; CDA
Prepared by: Ricondo & Associates, Inc.

As shown, the Airport's O&M Expenses per enplaned passenger have increased from $9.14 per enplanement in 2005 to $12.02 per enplanement in 2009, and then decreased to $11.53 for estimated 2010.

The Airport's 2011 budget serves as the base year from which O&M Expenses are projected. O&M Expense projections are based on the type of expense, expectations of future inflation rates (assumed to be 3.0 percent annually), and incremental O&M expenses related to the construction of OMP Phase 1 and OMP Completion Phase. The CDA does not anticipate any incremental O&M expenses associated with the Five-Year CIP. Projected O&M Expenses are presented in **Table V-5**. Areas where O&M Expenses are estimated to increase in the 2011 budget over the 2010 budget include the contract for parking management; employee benefits, operation of the ATS, deicer and anticipated legal expenses. The 2011 budget has been finalized with the Airlines. As shown in Table V-5, total O&M Expenses are projected to increase from $428.6 million in 2011 to $678.4 million in 2020, representing a compounded annual growth rate of 5.2 percent. Also shown in table V-5 are the annual O&M increase percentages, which illustrate the incremental impact on O&M Expenses of OMP Phase 1 and Completion Phase projects. As OMP projects are completed, the additional expenses are captured in the rate calculation based on the allocation of additional pavement square footage to the airfield discussed in section 5.4.7.

5.4.1 Personnel

Personnel expenses include Airport staff compensation as well as an allocation of personnel costs from other City departments that support Airport operations, such as Purchasing, Finance, and Corporation Counsel. Expenses for salaries, wages and employee benefits, including reimbursements from City and federal departments and increases attributable to future projects, are projected to increase at a compounded annual growth rate of 5.3 percent through 2020. This is attributable primarily to salary increases, escalating insurance premiums, and other benefits increases, as well as additional expenses attributable to future projects.

5.4.2 Repairs and Maintenance

Repairs and maintenance expenses at the Airport include the cost of outside contractors that provide ramp repair, taxiway painting, outside janitorial services for terminals, heating and air conditioning,

Table V-5

Operation and Maintenance Expenses
(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]									Compounded Annual
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth Rate (2011-2020)
Personnel Expenses [3/]	$183,574	$191,608	$202,706	$220,062	$230,071	$245,856	$256,382	$267,328	$278,713	$292,080	5.3%
Repairs & Maintenance [4/]	48,726	51,041	54,088	58,614	61,517	65,806	68,932	72,207	75,636	79,594	5.6%
Energy [5/]	35,026	36,602	38,520	41,102	43,003	45,528	47,576	49,717	51,955	54,449	5.0%
Materials & Supplies [6/]	20,545	21,161	22,411	24,983	25,846	27,904	28,741	29,603	30,491	31,726	4.9%
Engineering & Professional Services [7/]	74,087	77,421	80,905	84,546	88,350	92,326	96,480	100,822	105,359	110,100	4.5%
Other Operating Expenses [8/]	77,889	82,503	87,095	93,234	97,712	103,682	108,491	113,524	118,790	124,685	5.4%
Subtotal O&M Expenses (incl. Land Support)	$439,847	$460,336	$485,725	$522,540	$546,498	$581,102	$606,603	$633,201	$660,944	$692,634	5.2%
Less: Land Support Area	11,214	10,302	10,722	11,117	11,591	12,045	12,562	13,101	13,663	14,238	2.7%
Total O&M Expenses [9/]	$428,632	$450,034	$475,003	$511,423	$534,907	$569,056	$594,041	$620,100	$647,281	$678,396	5.2%
Percent Annual Increase in O&M [10/]		4.99%	5.55%	7.67%	4.59%	6.38%	4.39%	4.39%	4.38%	4.81%	

Notes:
1/ Final City 2011 Budget.
2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.
3/ Includes all Airport staff plus an allocation of personnel costs from other City departments which support Airport operations such as Purchasing, Finance and Corporation Counsel.
4/ Includes Equipment maintenance contracts, snow removal equipment rentals, painting, glass replacement, office fixtures, furnishings and other repair contracts.
5/ Includes gas, water, electricity and fuel oil required to operate the Airport.
6/ Includes disposal equipment, cleaning supplies, airfield deicing chemicals and other items used in daily Airport operations and maintenance.
7/ Includes fees for specialized engineering, legal and other technical services.
8/ Includes equipment and property rental, insurance, miscellaneous, machinery, and vehicles and equipment.
9/ Totals may not add due to rounding.
10/ Annual O&M growth is affected by the OMP Phase 1 and Completion Phase projects being completed in 2013, 2015, and 2020.

Sources: City of Chicago Department of Aviation, December (2011); Ricondo & Associates, Inc. (2012-2020).
Prepared by: Ricondo & Associates, Inc. March 2011

trash removal, escalator/elevator maintenance and miscellaneous repairs. Repairs and maintenance expenses are projected to increase at a compounded annual growth rate of 5.6 percent through 2020 primarily reflecting inflation, additional costs associated with maintaining existing aging facilities, and additional expenses related to future projects.

5.4.3 Energy

Energy costs include gas, water, electricity, and fuel oil required to operate the Airport. Energy costs are projected to increase at a compounded annual growth rate of 5.0 percent through 2020.

5.4.4 Materials and Supplies

Materials and supplies expenses include costs associated with the purchase of deicing fluid, office supplies, cleaning supplies, keys and locks, and other general maintenance supplies for the Airport. Baseline materials and supplies are projected to increase annually at the rate of inflation. When the additional material and supply expenses related to future projects are incorporated, expenses for materials and supplies are projected to increase at a compounded annual growth rate of 4.9 percent through 2020.

5.4.5 Engineering and Professional Services

Engineering and professional services expenses include fees for specialized engineering, legal, and other technical services. These expenses are projected to increase at a compounded annual growth rate of 4.5 percent through 2020, primarily as a result of increases in billing rates. The use of outside professional services was assumed to remain constant through the projection period.

5.4.6 Other Operating Expenses

Other operating expenses include equipment and property rental, insurance, and miscellaneous expenses (administrative expenses, telephone, and bad debt expenses), machinery, as well as vehicles and equipment. Equipment and property rental expenses include expenses related to the rental of heavy equipment and contracting of equipment operators, rental of unarmed security systems, operation of the automated transit system, shuttle bus services, rental of office equipment, and lease of a warehouse. Other operating expenses are projected to increase at a compounded annual growth rate of 5.4 percent through 2020 primarily reflecting inflation, the need to replace various equipment, and additional expenses related to future projects.

5.4.7 O&M Expenses Related to Future Projects

Once the proposed remaining OMP Phase 1 and OMP Completion Phase airfield projects become operational, additional O&M Expenses are expected to result from increased operation and maintenance required to maintain the runway pavement. Projections of O&M Expenses resulting from these projects were developed based on the incremental increase in runway pavement surface area in the Airfield. On the basis of this analysis, Airfield Area O&M Expenses are projected to increase by approximately $22.9 million in 2014, the first full year of operation assumed for OMP Phase 1 Runway 10C-28C, and $19.0 million in 2016, the first full year OMP Phase 2A Runway 10R-28L is expected to be operational, exclusive of other projected O&M Expenses. Incremental effects on O&M Expenses from OMP Phase 2B airfield projects are estimated to begin in 2021.

5.5 Non-Signatory Airline and Non-Airline Revenues

Non-Signatory Airline Revenues are revenues from airlines that are not parties to the Airport Use Agreement or International Terminal Use Agreement. Non-Airline Revenues consist of those revenues generated at the Airport from sources other than Airport Fees and Charges (e.g., auto parking, rental car, restaurant, news and gift).

A majority of the Airport's Non-Airline Revenues are generated from concessions. **Table V-6** presents Concession Revenues at the Airport from 2005 through estimated 2010. As shown, Concession Revenues increased from $189.9 million in 2005 to $215.1 million in 2008 then decreased to approximately $196.6 million estimated in 2010, a compounded annual growth rate of 0.7 percent during that period. The increase from 2005 through 2008 is the result of continually enhanced concession offerings at the Airport, with local and national favorites well represented. The decrease in concession revenue in 2009 is attributable to the decline in activity. Minimum annual guarantees from rental car companies and an increase in domestic and international parking lot rates in December 2007 have helped to keep auto rental parking revenues level despite the recent declines in activity. Parking revenue, which represents the Airport's largest Non-Airline Revenue source, increased from $95.5 million in 2005 to $108.5 million in 2008 then decreased to approximately $93.4 million estimated in 2010, representing a compounded annual growth rate of -0.4 percent.

Table V-6

Chicago O'Hare International Airport, Historical Concession Revenues, 2005-Estimated 2010

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Estimated FY 2010	Compounded Annual Growth Rate
Concession Revenues [1] (thousands)							
Auto Parking	$95,521	$98,613	$103,137	$108,545	$89,131	$93,439	-0.4%
Auto Rentals	19,604	19,928	22,376	22,213	22,915	22,643	2.9%
Restaurants	29,790	33,401	34,904	34,813	32,721	35,669	3.7%
News and Gifts	11,893	12,357	13,267	14,640	13,662	14,495	4.0%
Other	33,125	30,374	34,909	34,912	26,685	30,377	-1.7%
Total Concession Revenues	$189,933	$194,673	$208,593	$215,123	$185,114	$196,623	0.7%
Enplaned Passengers (thousands)	37,971	37,784	37,780	34,744	31,958	33,201	-2.6%
Concession Revenues per Enplaned Passenger	$5.00	$5.15	$5.52	$6.19	$5.79	$5.92	3.4%

Notes:
1/ Excludes Land Support

Source: City of Chicago Comptroller's Office; CDA
Prepared by: Ricondo & Associates, Inc.

Projections of Non-Signatory Airline Revenues and Non-Airline Revenues are presented in **Table V-7**. Revenues were projected on the basis of a review of historical trends, projected activity levels, and inflation. As shown, Non-Signatory Airline Revenues and Non-Airline Revenues are projected to increase from $268.8 million in 2011 to $423.9 million in 2020 at a compounded annual growth rate of 5.2 percent. OMP Phase 1 and OMP Completion Phase airfield projects are not expected to directly affect Non-Airline Revenues, although these projects are expected to increase the Airport's capacity, thus allowing for additional enplanement growth which will indirectly increase Concession Revenues at the Airport. Land rentals for hangar and cargo facilities are allocated to the Land Support Area. These revenues are used to offset expenses incurred in the Land Support Area and are not considered to be Revenues or pledged as security for GARBs; therefore, they are not included in Table V-7 as Non-Airline Revenues. Further information regarding Non-Airline Revenues at the Airport is provided below.

Table V-7

Non-Signatory Airline Revenue & Non-Airline Revenue [1/]

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [2/]	Projected [3/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NON SIGNATORY AIRLINE REVENUE [4/]	$50,129	$57,919	$62,513	$78,637	$81,895	$92,764	$102,900	$111,636	$114,833	$128,182
NON-AIRLINE REVENUE										
CICA TEC	$12,071	$12,247	$12,425	$12,606	$12,789	$12,976	$13,165	$13,356	$13,551	$13,749
Concessions										
Automobile Parking - Net of Tax	$89,423	$91,779	$96,718	$98,825	$103,981	$106,223	$111,780	$114,254	$120,292	$123,025
Automobile Rental [5/]	21,523	22,420	23,284	24,146	25,038	25,960	26,922	27,929	28,978	30,079
Restaurants	31,889	33,218	34,498	35,776	37,097	38,463	39,888	41,380	42,923	44,542
News & Gifts	19,719	20,376	21,163	21,947	22,758	23,596	24,470	25,385	26,328	27,322
Duty Free	8,685	9,047	9,395	9,743	10,103	10,475	10,863	11,270	11,706	12,164
Display Advertising	10,294	10,603	10,921	11,249	11,586	11,934	12,292	12,661	13,041	13,432
Hotel	5,991	6,240	6,481	6,721	6,969	7,226	7,493	7,774	8,066	8,372
Other [6/]	5,011	5,347	5,523	5,700	5,884	6,073	6,269	6,474	6,690	6,912
Concession Revenue	$192,535	$199,031	$207,983	$214,108	$223,416	$229,948	$239,977	$247,125	$258,024	$265,848
Reimbursements & Other [7/]	14,032	14,235	14,444	14,659	14,880	15,108	15,342	15,584	15,832	16,088
TOTAL NON-AIRLINE REVENUE	$218,639	$225,513	$234,852	$241,372	$251,085	$258,031	$268,484	$276,065	$287,407	$295,685
TOTAL NON-SIGNATORY AIRLINE & NON-AIRLINE REVENUE [8/]	$268,768	$283,432	$297,365	$320,010	$332,980	$350,796	$371,384	$387,701	$402,241	$423,867

Notes:

1/ Excludes Land Support Area per the Airport Use Agreements.

2/ Final City 2011 Budget; Non-Signatory Airline Revenue differs due to debt service.

3/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

4/ Includes landing fee revenue from the Non-Signatory Airlines.

5/ Includes percentage of gross receipts of eight rental car companies operating under agreements at the Airport.

6/ Includes rentals and fees from other concessions such as bus service, public pay phones, and other specialty shops.

7/ Includes CICA TEC Energy Reimbursement and Airport interest income.

8/ Totals may not add due to rounding.

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2018).
Prepared by: Ricondo & Associates, Inc. March 2011

5.5.1 Non-Signatory Airline Revenues

Non-Signatory Airline Revenues include landing fees and terminal rentals paid by airlines that are not parties to either the Airport Use Agreements or the International Terminal Use Agreements. These revenues are derived as a function of fees, rentals, and charges of the Airline Parties, based on O&M Expenses, Debt Service, and fund deposits. Non-Signatory Airline Revenues are projected to increase from $50.1 million in 2011 to $128.2 million in 2020 at a compounded annual growth rate of 11.0 percent, and can be primarily attributed to increasing O&M Expenses throughout the projection period and debt service associated with the Series 2011B and Series 2011C GARBs beginning in 2014 and 2016, respectively.

5.5.2 Non-Airline Revenues

Non-Airline Revenues include revenues from Chicago International Carriers Association Terminal Equipment Corporation (CICA TEC); concessions, including automobile parking and rentals; and reimbursements and other. A description of these categories follows.

5.5.2.1 CICA TEC

CICA TEC operates and maintains certain common-use airline equipment, including baggage systems and loading bridges for the airlines serving the International Terminal. This corporation was formed by the foreign flag carriers that operate at the International Terminal together with United Airlines and American Airlines, which also operate international arriving flights at the International Terminal. Lease payments by CICA TEC to the City are considered Non-Airline Revenues.

5.5.2.2 Concessions

Concession Revenues are projected to increase at a compounded annual growth rate of 3.6 percent from 2011 through 2020. Concession Revenues include those derived from the concessionaires in the terminal, such as restaurants and news and gift shops, and the Airport's landside operations such as automobile parking, automobile rentals, and bus service. The airport is continually looking for additional space that may be allocated to concessions, with the anticipation of adding locations by selecting merchants through the Request for Proposals process in 2011. Concession Revenues were projected as follows:

- **Automobile Parking.** Projected to increase by a combination of increases in number of O&D passengers and periodic rate increases. Periodic rate increases are assumed to occur every third year.
- **Automobile Rentals.** Projected to increase by a combination of increases in number of O&D passengers and half the rate of inflation.
- **Restaurant.** Projected to increase by a combination of increases in number of domestic and international enplaned passengers and half the rate of inflation.
- **News and Gifts.** Projected to increase by a combination of increases in number of domestic and international enplaned passengers and half the rate of inflation.
- **Duty Free.** Projected to increase by a combination of increases in number of domestic and international enplaned passengers and half the rate of inflation.
- **Display Advertising.** Projected to increase with inflation.
- **Hotel**. Projected to increase by a combination of increases in number of O&D passengers and half the rate of inflation.

- **Other Concessions**
  - **Bus Service.** Projected to increase by a combination of increases in number of O&D passengers and half the rate of inflation.
  - **Miscellaneous.** Projected to increase with inflation.
  - **Retail Gift Shops.** Projected to increase by a combination of increases in numbers of domestic enplaned passengers and half the rate of inflation.
  - **Telecommunications.** Projected to remain flat throughout the projection period.

Detailed descriptions of revenues generated by automobile parking, automobile rentals, restaurants, and news and gifts outlets, all of which account for approximately 84.4 percent of Concession Revenues in the Airport's 2011 budget, follow:

Automobile Parking

The Airport has six public parking areas: a main parking garage (Lot A), two outside daily parking lots (Lots B and C), an international terminal parking lot (Lot D), and two economy lots (Lots E and G). The six-story main parking garage contains approximately 9,300 spaces for public and employee parking. Current surface parking capacity includes approximately 13,700 public parking spaces, which includes approximately 2,800 spaces in Lot G currently leased to the TSA.

The City has a management agreement with Standard Parking Corporation, a provider of parking facility management services. Under the agreement, Standard Parking Corporation provides personnel to operate and maintain the parking facilities, provides cashier services, and provides ground transportation. This agreement commenced January 1, 2004 and expires December 31, 2012 (5-year contract with three 1-year extensions). The parking operator receives a fixed management fee adjusted annually by a pre-agreed upon contract rate and submits a daily, monthly, and annual accounting to the CDA. Any increase in rates requires approval by City Council. The last approval for increased rates occurred on September 27, 2007. Budgeted parking revenues net of City tax for 2011 are $89.4 million, or 46.4 percent of Concession Revenues.

Automobile Rental

As of December 2010, eight rental car brands operate "on Airport." They include Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, and Thrifty. Avis/Budget Group, Inc. operates the Avis and Budget brands; Dollar Thrifty Automotive Group operates the Dollar and Thrifty brands; Enterprise Holdings, Inc. operates the Alamo, Enterprise and National brands, and The Hertz Corporation operates the Hertz brand. All rental car facilities are located at sites remote from the terminals and are served by shuttle buses. The on-Airport rental car companies operate on concession agreements with the City and pay a fee to the City of 10 percent of gross revenues subject to a minimum annual guarantee based on the prior year's gross revenues. These rental car companies are the source of all rental car revenues for the Airport; no revenue is derived from "off-Airport" rental car companies. The rental car companies are currently in a five year concession and facility lease agreement, effective as of October 2008. Budgeted automobile rental revenues for 2011 are $21.5 million, or 11.2 percent of Concession Revenues.

Restaurant

Concessionaires operate a total of 100 restaurants/food and beverage outlets at the domestic and international terminals at the Airport. The terms of their agreements generally range from 5 years to 10 years. The City receives from the concessionaires a percentage of gross sales against minimum annual guarantees that are adjusted annually based on the previous year's sales. In 2010, the Airport opened new or remodeled six food/beverage locations. The budgeted restaurant revenues for 2011 are $31.9 million, or 16.6 percent of Concession Revenues.

News and Gifts

Two concessionaires operate 32 news and gifts outlets in the domestic and international terminals at the Airport. In the domestic terminals, Hudson Group operates 24 news and gifts outlets under a 10-year agreement assigned from WH Smith in December 2003. In 2009, four new Hudson News locations were added along with the remodel of another four locations. In the international terminal, Chicago Aviation Partners operates four news and gift outlets. The City receives from the concessionaires a percentage of gross sales against minimum annual guarantees that are adjusted annually based on the previous year's sales. The budgeted news and gifts revenues for 2011 are $19.7 million, or 10.2 percent of Concession Revenues.

5.5.2.3 Concessions Planning

The City is continually making efforts to maximize concessions revenues through strategic planning. These efforts include both near and long-term planning at the Airport as well as space and vendor management. Planning involving the renegotiation and remarketing of current concession leases expiring in the near term should yield an increase in overall concession revenue through the issuance of new contracts. The City is also maximizing the usage of terminal space to increase concession revenue. A combination of CDA terminal space and space that was released by the airlines is planned to be converted into viable concession space that will also allow for increased revenues. An improvement in the comprehensive plan can be seen in the bidding and anticipated issuance of new long-term concession contracts in Terminal 5, which will provide opportunities for vendors to maximize their investment and provide increased concession revenues.

5.5.2.4 Reimbursements and Other

Reimbursements primarily relate to utilities. Many of the buildings on Airport property are separately metered for utilities; however, the CDA pays the utility companies directly. The CDA then bills each tenant for individual metered usage at regular scheduled rates that are no higher than the rates paid by the CDA itself. Other revenue items included in this line item are CICA TEC energy reimbursement (CICA TEC's energy payments to the City) and interest income. Projections of these revenue items are not impacted by increases or decreases in aviation activity; increases are based on inflation. Other Non-Airline Revenues include interest income.

5.6 Debt Service

Table V-8 and **Table V-9** present the Airport's annual debt service requirements for PFC Bonds and GARBs, respectively, both of which are further discussed in the following sections. For the purposes of future debt service projections, the City's underwriter utilized then current market interest rates on the Series 2011 Bonds and a rate of 7 percent on all future bonds.

5.6.1 PFC Revenue Bond Debt Service

5.6.1.1 Existing PFC Revenue Bond Debt Service

As shown in Table V-8, debt service on the 2001A-E PFC Bonds is scheduled to be approximately $48.7 million in 2011, then decrease to approximately $47.1 million in 2012 and remain constant through 2017, decrease to $42.0 million in 2018, and then increase to $44.3 million in 2019 and 2020. The Series 2008A PFC Bond debt service is anticipated to be approximately $25.7 million per year through 2015. The Series 2010A-D Bonds debt service is scheduled to increase from $3.5

Table V-8

Annual PFC Bond Debt Service Requirements (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PFC Stand-Alone Debt										
Series 2001ABCDE PFC Bond Debt Service	$48,678	$47,094	$47,099	$47,098	$47,093	$47,093	$47,097	$41,962	$44,270	$44,275
Series 2008A PFC Bond Debt Service (Series 1996 Refunding)	25,655	25,655	25,655	25,655	25,658	0	0	0	0	0
Series 2010ABCD PFC Bond Debt Service 1/	3,529	5,104	5,106	8,928	8,924	8,934	8,925	10,337	9,509	9,506
Series 2001ABCDE Restructuring (Savings)	(4,015)	(9,024)	(6,257)	(12,179)	(9,468)	17,141	17,148	4,808	618	1,149
Subtotal PFC Stand-Alone Debt Service	$73,847	$68,829	$71,603	$69,502	$72,207	$73,168	$73,170	$57,107	$54,397	$54,930

Note:
1/ Net of capitalized interest

Source: Citi
Prepared by: Ricondo & Associates, Inc. March 2011

Table V-9
Annual GARB Debt Service Requirements (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Airport Revenue Bond (GARB) Debt										
Outstanding GARB Debt Service 1/ 2/	$317,895	$325,720	$359,430	$414,624	$417,183	$420,118	$459,968	$470,767	$432,141	$366,613
Series 2011A PFC-Backed GARB Debt Service	$16,813	$24,908	$24,908	$24,908	$24,908	$24,908	$24,908	$24,908	$24,908	$24,908
Series 2011B Grant Receipts-Backed GARB Debt Service	$0	$0	$2,115	$29,928	$29,929	$54,929	$49,931	$29,926	$29,927	$29,928
Series 2011C GARB Debt Service 2/	$0	$0	$0	$0	$0	$17,135	$17,135	$17,135	$17,135	$17,135
Future GARB Debt Service (OMP Phase 2A) 2/						$10,633	$10,633	$10,633	$10,633	$11,272
Future GARB Debt Service (OMP Phase 2B) 2/	$0	$0	$0	$0	$0	0	0	0	0	127,370
Future PFC-Backed GARB Debt Service (OMP Phase 2B) 2/	0	0	0	0	0	0	0	0	0	10,587
Future GARB Debt Service (CIP Projects) 2/	2,831	9,092	16,018	24,587	33,156	41,725	50,294	58,863	67,433	72,361
Total GARB Debt Service	$337,539	$359,720	$402,471	$494,047	$505,176	$569,449	$612,870	$612,233	$582,177	$660,173
Less: PFC's Applied to Series 2011A Debt Service	($16,813)	($24,908)	($24,908)	($24,908)	($24,908)	($24,908)	($24,908)	($24,908)	($24,908)	($24,908)
Less: PFC's Applied to existing PFC Double Barrel Debt Service	($30,336)	($31,146)	($31,146)	($36,385)	($36,385)	($36,385)	($36,385)	($54,051)	($57,029)	($57,031)
Less: PFC's Applied to Future PFC-Backed GARB Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	($10,587)
Less: Federal Funds Applied to Series 2011B Debt Service	$0	$0	($2,115)	($22,115)	($22,115)	($47,115)	($42,115)	($22,115)	($22,115)	($22,115)
Less: BAB Subsidy Applied to Debt Service on Series 2010B	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)	($13,320)
Net GARB Debt Service	$277,070	$290,346	$330,982	$397,319	$408,448	$447,720	$496,142	$497,839	$464,805	$542,800

Notes:
1/ Assumes 5% for variable rate debt
2/ Net of capitalized interest

Source: Citi
Prepared by: Ricondo & Associates, Inc. March 2011

million in 2011 to $8.9 million in 2014 and remain level through 2017 before increasing to $10.3 million in 2018 and decreasing to $9.5 million in 2019 and 2020.

5.6.1.2 Series 2001A-E PFC Revenue Bond Restructuring

The City intends to restructure the Series 2001A-E PFC Revenue Bonds for savings in years 2011 through 2015 of between approximately $4.0 million and $12.2 million per year. This restructuring results in an increase in debt service of approximately $17.1 million in 2016 and 2017 and between $618,000 and $4.8 million per year between 2018 and 2020, as shown in Table V-8.

5.6.2 General Airport Revenue Bond Debt Service

The following sections discuss projected annual GARB debt service on all currently outstanding GARBs and any future GARBs.

5.6.2.1 Outstanding GARB Debt Service

Outstanding bonds debt service includes all debt service on First Lien, Second Lien, and Third Lien GARBs currently outstanding.

5.6.2.2 Series 2011A PFC-Backed GARB Debt Service

The City intends to issue the Series 2011A PFC-Backed GARBs pursuant the Third Lien Indenture. These bonds are secured by PFC Revenues and airline revenues. As shown in Table V-9, debt service on the Series 2011A PFC-Backed GARBs is anticipated to increase from approximately $16.8 million in 2011 to $24.9 million in 2012 and then remain constant through the projection period. This debt service is anticipated to be fully paid through PFC revenues, shown in Table V-9.

5.6.2.3 Series 2011B Grant Receipts-Backed GARB Debt Service

The City intends to issue the Series 2011B Grant Receipts-Backed GARBs pursuant the Third Lien Indenture. These bonds are secured by FAA AIP LOI Grant Receipts, NATCT Revenues from the FAA, and airline revenues. As shown in Table V-9, debt service on the Series 2011B Grant Receipts-Backed GARBs is anticipated to begin in 2013 and increase to $29.9 million in 2014 and 2015 then increase to $54.9 million in 2016, and then decrease back to $29.9 million in 2018 through the projection period. Grant Receipts are anticipated to be applied to the Series 2011B debt service as shown in Table V-9.

5.6.2.4 Series 2011C GARB Debt Service

The City intends to issue the Series 2011C GARBs pursuant the Third Lien Indenture. These bonds are secured by airline revenues. As shown in Table V-9, debt service on the Series 2011 GARBs is anticipated to begin in 2016 in the amount of $17.1 million and remain constant through the projection period.

5.6.2.5 Future OMP Completion Phase GARB Debt Service

Future OMP Completion Phase GARBs anticipated to be issued in this analysis will be to fund the remaining portions of OMP Completion Phase airfield projects based on the OMP Completion Phase financing plan:

- **Future OMP Phase 2A GARBs –** Approximately $124.9 million of OMP Phase 2A airfield projects are estimated to be funded by future GARBs, as shown in Table V-3. The City intends to issue the Future OMP Phase 2A GARBs pursuant the Third Lien Indenture. These bonds have already received airline MII approvals.. As shown in Table V-9, debt service on the Future OMP Phase 2A GARBs is anticipated to begin in 2016 in the amount of $10.6 million and remain constant through 2019, then increase to $11.3 million in 2020.

- **Future OMP Phase 2B GARBs** – Approximately $1.8 billion and $200 million of OMP Phase 2B airfield projects are estimated to be funded by future GARBs and PFC-Backed GARBs, respectively, as shown in Table V-3. The funding plan for OMP Phase 2B has not yet been negotiated with the airlines, so no MII approval has been received for these GARBs at this time. Approximately $127.4 million of principal associated with the Future OMP Phase 2B GARBs, debt service associated with the Future PFC-Backed Phase 2B GARBs, and the PFC's applied to that debt service are shown in Table V-9.

5.6.2.6 Future CIP GARB Debt Service

Future CIP GARBs anticipated to be issued in this analysis will be to fund CIP projects based on the CIP financing plan:

- **Future CIP GARBs** – For purposes of this Report, approximately $820 million of estimated CIP expenditures are assumed to be funded from future GARBs. As described in Chapter 3 (Section 3.3.2.), this financial analysis assumes annual CIP GARB expenditures of $40 million in 2011, $60 million in 2012, and $90 million each year thereafter.

Future GARB debt service consists of series issued in each year throughout the projection period. As shown, future GARB debt service is projected to be $2.8 million in 2011 and increase steadily throughout the projection period as more debt comes online to $72.4 million in 2020.

All future debt service represents estimated Debt Service, net of capitalized interest, on the additional GARBs projected to be required to fund projects associated with OMP Completion Phase and future CIP projects, within the projection period.

GARBs for CIP projects will only be issued as MII approvals are received; to date, total MII approvals for future CIP GARBs have been received in the amount of approximately $69.5 million.

5.7 Fund Deposit Requirements

One of the components of the Airport Fees and Charges paid by the Airline Parties and the International Terminal Airline Parties is annual required deposits into the O&M Reserve Fund, the Maintenance Reserve Fund, and the Special Capital Projects Fund. **Table V-10** presents the forecasted required annual deposits to these funds.

5.8 Net Signatory Airline Requirement

Table V-11 indicates the ability of the Airport enterprise to generate sufficient revenues to pay O&M Expenses, Net Debt Service, and fund deposit requirements.

The projections of O&M Expenses, Non-Airline Revenues, and Non-Signatory Airline Revenues, including annual coverage requirements, are included in Table V-11. The Net Signatory Airline Requirement constitutes the total amount that must be paid by the Airline Parties and the International Terminal Airline Parties under the Airport Use Agreements and the International Terminal Use Agreements, respectively, through Landing Fees, Terminal Area Rentals, Terminal Area Use Charges, and Fueling System Fees during the year.

The Net Signatory Airline Requirement is projected to increase from $441.8 million in 2011 to $808.4 million in 2020.

5.9 Calculation of Airline Parties' Airport Fees and Charges

Under the Airport Use Agreements and the International Terminal Use Agreements, the Airfield Area, the Terminal Area, the International Terminal Area, and the Fueling System each generate fees, rentals, or charges payable by the airlines that are signatory to such agreements. The Airport

Table V-10

Fund Deposit Requirements (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fund Deposit Requirements:										
O&M Reserve Fund	143	5,351	6,242	9,105	5,871	8,537	6,246	6,515	6,795	7,779
Maintenance Reserve Fund	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Special Capital Projects Fund	960	989	1,018	1,049	1,080	1,113	1,146	1,181	1,216	1,253
Airport Development Fund	0	0	0	0	0	0	0	0	0	0
TOTAL FUND DEPOSIT REQUIREMENTS	$4,103	$9,339	$10,261	$13,154	$9,951	$12,650	$10,392	$10,696	$11,011	$12,031
Total Fund Deposits by Cost/Revenue Center:										
Airfield Area	$1,945	$3,634	$4,016	$5,238	$4,158	$5,262	$4,467	$4,593	$4,725	$5,139
Terminal Area	1,036	2,705	2,956	3,736	2,732	3,477	2,787	2,868	2,953	3,235
International Terminal Area	270	708	775	981	718	916	735	758	781	857
Terminal Support Area	852	2,292	2,513	3,199	2,343	2,996	2,404	2,476	2,552	2,801
TOTAL FUND DEPOSIT REQUIREMENTS	$4,103	$9,339	$10,261	$13,154	$9,951	$12,650	$10,392	$10,696	$11,011	$12,031

Notes:
1/ Final City 2011 Budget, as amended per the terms of the OMP Phase 2A agreement.
2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2020) March 2011.
Prepared by: Ricondo & Associates, Inc. March 2011

Table V-11

Net Signatory Airline Requirement

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
O & M Expenses	$428,632	$450,034	$475,003	$511,423	$534,907	$569,056	$594,041	$620,100	$647,281	$678,396
Net Debt Service [3/]	277,817	287,291	327,634	392,962	404,002	444,270	491,451	492,971	459,760	541,790
Fund Deposit Requirement	4,103	9,339	10,261	13,154	9,951	12,650	10,392	10,696	11,011	12,031
Total Expenses, Net Debt Service and Fund Deposits	$710,552	$746,664	$812,897	$917,540	$948,861	$1,025,976	$1,095,884	$1,123,767	$1,118,053	$1,232,218
Less:										
Non-Airline Revenue	$218,639	$225,513	$234,852	$241,372	$251,085	$258,031	$268,484	$276,065	$287,407	$295,685
Non-Signatory Airline Revenue	50,129	57,919	62,513	78,637	81,895	92,764	102,900	111,636	114,833	128,182
Total Non-Airline and Non-Signatory Revenue	$268,768	$283,432	$297,365	$320,010	$332,980	$350,796	$371,384	$387,701	$402,241	$423,867
Net Signatory Airline Airfield Requirement	$441,785	$463,233	$515,532	$597,530	$615,880	$675,181	$724,500	$736,065	$715,812	$808,351

Notes:

1/ Final City 2011 Budget; as amended per the terms of the OMP Phase 2A agreement.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

3/ Net of capitalized interest and BAB subsidy. Adjusted for debt service coverage, investment income, program fees, special facility debt service, and PFC credits.

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2020) March 2011.

Prepared by: Ricondo & Associates, Inc. March 2011

Fees and Charges presented in this section for 2011 through 2018 reflect the rate-making methodology in the Airport Use Agreements and the International Terminal Use Agreements. As discussed in section 5.1.1, the projected financial impacts from any rate-setting methodology after the expiration of the Airport Use Agreements and International Terminal Use Agreements would likely be similar to that currently used to recover costs of the Airfield Area. As a result, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

Applicable Non-Airline Revenues (i.e., rentals, Concession Revenues, and reimbursements) are allocated to each CRC, as well as the following costs, to calculate applicable rates used to generate such fees, rentals, and charges:

- **O&M Expenses.** Includes the O&M Expenses (direct and allocated indirect) attributable to the CRC.
- **Net Debt Service.** Includes the portion of Debt Service, net of capitalized interest, and Debt Service coverage attributable to the CRC. The debt service amounts included in the calculation of airline rates and charges also reflect certain adjustments required to be made to actual Debt Service under the Airport Use Agreements for the purpose of calculating of Airport Fees and Charges. Such adjustments include a charge for 10 percent Debt Service coverage, a credit for Debt Service coverage collected in the prior year, a credit for projected Investment Income on Debt Service Reserve Funds, an allowance for program fees and certain other adjustments related to variable rate debt, the inclusion of approximately $2 million of special facility bond debt service as required under the Airport Use Agreements, and a credit for PFCs applied to GARB debt service.
- **Fund Deposit Requirements.** Includes the allocated portions of the amounts required to be deposited to the funds described earlier.

Table V-12 presents such fees, rentals, and charges for the projection period. The following sections describe the specific rate calculation in greater detail.

5.9.1 Airfield Area

Generally, Landing Fees are calculated by first determining the Net Cost of the Airfield Area, which consists of portions of the following: sum of O&M Expenses, Net Debt Service, fund deposit requirements, and net deficit of the International Terminal Area less the sum of projected Non-Airline Revenues and net revenues of the International Terminal Area. The Net Cost of the Airfield Area is allocated among Signatory and Non-Signatory Airlines on the basis of the approved maximum landed weight of all aircraft. Each Signatory Airline and Non-Signatory Airline pays Landing Fees on the basis of the ratio of its total approved maximum landed weight to the total approved maximum landed weight of all Signatory Airlines and Non-Signatory Airlines. The landed weight of aircraft landed by certain classes on Non-Signatory Airlines may be increased by Non-Signatory Airline premium factors to be determined by the Commissioner of Aviation from time to time. As presented in Table V-12, the Landing Fee Rate is projected to increase from a budgeted $5.18 per 1,000 pounds of landed weight in 2011 to $10.19 per 1,000 pounds of landed weight in 2020.

In order to avoid "private business use" of the Airfield Area under federal tax law, certain modifications to the rate-setting methodology described in the preceding paragraph have been in effect since November 2005. The purpose and effect of these modifications is to cause the Airline Fees and Charges relating to the use of the Airfield Area by the Airline Parties to be computed

Table V-12

Airline Fees, Rentals and Charges (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Landing Fee Rate: [3/]										
Signatory Airline	$5.182	$5.472	$5.772	$7.108	$7.244	$8.034	$8.724	$9.266	$9.329	$10.186
Non-Signatory Airline	$5.182	$5.472	$5.772	$7.108	$7.244	$8.034	$8.724	$9.266	$9.329	$10.186
Terminal Area:										
Existing Footage Rate [4/]	$70.53	$71.27	$82.10	$88.05	$89.83	$95.24	$98.68	$92.26	$100.11	$106.03
Special Facility Additional Footage Rate [4/]	$83.75	$81.88	$96.46	$103.38	$104.51	$110.97	$115.05	$104.70	$113.33	$119.92
Additional Footage Rate [4/]	$85.09	$83.24	$97.85	$104.81	$105.98	$112.48	$116.59	$106.29	$114.96	$121.58
Ultimate Additional Footage Rate [4/]	$18.74	$15.03	$20.36	$21.74	$20.81	$22.30	$23.20	$17.64	$18.75	$19.69
Average Use Charge [4/]	$86.07	$84.77	$98.54	$105.26	$106.53	$112.77	$116.71	$107.23	$115.69	$122.14
International Terminal Area:										
Exclusive Use Rental Rate [4/]										
Base Rental Rate	$95.02	$94.46	$101.25	$110.55	$114.48	$123.08	$126.13	$128.47	$60.90	$72.48
Common Use Charge per Enplaned Passenger										
Base Rate	$14.72	$13.87	$14.46	$15.32	$15.53	$16.26	$16.34	$16.34	$9.08	$10.09
Common Use Charge per Deplaned Passenger										
Base Rate	$9.30	$9.02	$9.48	$10.12	$10.34	$10.90	$11.04	$11.13	$6.24	$7.03
Fueling System:										
Average Cost Per Gallon (excluding fuel)	$0.00615	$0.00301	$0.00603	$0.00621	$0.00633	$0.00573	$0.00595	$0.00110	$0.00168	$0.00181

Notes:

1/ Final City 2011 Budget, rates differ based on activity assumptions, as amended by the OMP Phase 2A agreement, and future CIP debt service.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

3/ Per thousand pounds.

4/ Per square foot.

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2020) March 2011.

without regard to deficits or surpluses relating to the use of the Airfield Area by parties other than the Airline Parties.

5.9.2 Terminal Area

The Airport Use Agreements establish a $5.00 per square foot Terminal Area Rental rate for space exclusively leased to the Airline Parties. O&M Expenses, Debt Service, and fund deposit requirements allocated to the Terminal Area are added together and offset by Non-Airline Revenues and Non-Signatory Airline Revenues attributable to the Terminal Area. A portion of the Terminal Support Area net deficit or net revenue is then allocated to the Terminal Area to yield the Terminal Area net deficit. The Terminal Area net deficit is paid by the Airline Parties in the form of Terminal Area Use Charges, which are calculated on a per square foot of exclusive use space leased basis. The projected average Terminal Area Use Charge is presented in Table V-12. This charge is estimated at $86.07 per square foot in 2011, and is projected to increase to $122.14 per square foot in 2020.

5.9.3 International Terminal Area

The International Terminal Use Agreements create sub-cost centers (the Exclusive Use Cost Center, the Enplaned Common Use Cost Center, and the Deplaned Common Use Cost Center) within the International Terminal Area. The International Terminal Airline Parties pay terminal rentals and common use charges based on their use of the International Terminal Area.

A portion of O&M Expenses, Debt Service on GARBs, and Non-Airline Revenues is allocated to the sub-cost centers, as appropriate, as well as a portion of the Terminal Support Area net deficit or net revenue, allocated to the International Terminal Area under the Airport Use Agreements. These sub-cost center expenses are generally allocated on the basis of the relative square footage of the respective sub-cost centers, yielding a net requirement for each sub-cost center.

The net requirement of the Exclusive Use Cost Center results in a base terminal rental rate according to leased square footage, the net requirement of the Enplaned Common Use Cost Center results in a base common use charge rate according to the number of International Terminal enplaned passengers, and the net requirement of the Deplaned Common Use Cost Center results in a base common use charge rate according to the number of International Terminal deplaned passengers.

As presented in Table V-12, the base terminal rental rate is projected to increase from an estimated $95.02 per square foot in 2011 to $128.47 per square foot in 2018, and then decrease to $72.48 in 2020 as debt associated with the international terminal is retired.

As presented in Table V-12, the base common use charge rate per enplaned passenger is projected to increase from an estimated $14.72 per enplaned passenger in 2011 to $16.34 in 2018, then decrease to $10.09 in 2020.

As presented in Table V-12, the base common use charge rate per deplaned passenger is projected to increase from $9.30 in 2011 to $11.13 in 2018, then decrease to $7.03 in 2020.

5.9.4 Fueling System

The net cost of the Fueling System consists of the portions of O&M Expenses and net Debt Service allocated to the Fueling System. Of this net cost, 10 percent is shared equally by all Airline Parties and International Terminal Airline Parties. The remaining 90 percent of the net cost is divided by the total gallons of fuel distributed from the Fueling System and charged to airlines based on the number of gallons used.

5.10 Airline Revenue

Table V-13 presents the airline revenue resulting from the previously described fees, rentals, and charges. Consistent with the Airport Use Agreements and International Terminal Use Agreements, the Total Signatory Airline Revenue presented in Table V-13 equals the Net Signatory Airline Requirement presented in Table V-11.

5.10.1 Airline Cost per Enplaned Passenger

A general test of reasonableness for Airport user fees is the airline cost per enplaned passenger. The airline CPE is calculated by dividing the Total Airline Requirement by the number of enplaned passengers at the Airport. **Table V-14** presents the airline CPE for the projection period, 2011 through 2020. The airline CPE at the Airport is estimated to be $14.39 in current dollars in 2011 and projected to be a maximum of $22.41 in 2020, which equates to approximately $17.18 in 2011 dollars. In summary, the airline CPE throughout the projection period is considered to be reasonable compared to those at other large-hub airports.

5.11 PFC Bond and GARB Debt Service Coverage

Table V-15 presents projected debt service coverage on the PFC Bonds through 2020. As contained in the City's PFC Indenture:

> "Prior to issuing any Project Obligations, there must be delivered to the Trustee, among other things, either (i) a Certificate signed by an Authorized Officer, stating that PFC Revenues (adjusted as herein described) received either (A) during the last completed fiscal year of the City or (B) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the date of issuance of such Series of PFC Obligations, were at least equal to 130 percent of Maximum Annual Debt Service as of the time immediately following the issuance of such Series of PFC Obligations; or (ii) a report of an Independent Airport Consultant estimating PFC Revenues for a forecast period of not less than three consecutive calendar years commencing with the calendar year next following the date of issuance of such Series of PFC Obligations and projecting that the estimated PFC Revenues for each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service as of the time immediately following the issuance of such Series of PFC Obligations."

As presented, the PFC stand-alone debt service coverage ratio exceeds the 1.40x coverage requirement in each year of the projection period.

Table V-16 presents the Debt Service coverage ratio projected for GARBs from 2011 through 2020. As contained in the Third Lien Indenture:

> "The City covenants that it will fix and establish, and revise from time to time whenever necessary, the rentals, rates and other charges for the use and operation of the Airport and for service rendered by the City in the operation of it in order that Revenues in each Fiscal Year, together with Other Available Moneys deposited with the Trustee with respect to that Fiscal year and any cash balance held in the Revenue Fund on the first day of that Fiscal Year not then required to be deposited in an Fund or Account, will be at least sufficient... to provide for… One and ten-hundredths times (1.10x) Aggregate First, Second, and Third Lien Debt Service for the Bond Year commencing during that Fiscal Year, reduced by any proceeds of Airport Obligations held by the Trustee for disbursement during that Bond Year to pay principal and interest on First Lien Bonds, Second Lien Bonds or Third Lien Obligations"

Table V-13

Airline Revenue (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Landing Fee Revenue:										
Signatory Airline [3/]	$193,466	$223,588	$241,303	$303,520	$316,079	$358,018	$397,120	$430,823	$443,148	$514,648
Non-Signatory Airline	50,129	57,919	62,513	78,637	81,895	92,764	102,900	111,636	114,833	128,182
TOTAL LANDING FEE REVENUE	$243,595	$281,507	$303,816	$382,157	$397,974	$450,783	$500,020	$542,459	$557,981	$642,830
Terminal Area Rental and Use Charge Revenue:										
Airline Parties	$158,507	$156,123	$181,476	$193,847	$196,193	$207,688	$214,942	$197,478	$213,065	$224,941
Non-Signatory Airline	0	0	0	0	0	0	0	0	0	0
TOTAL TERMINAL RENTAL AND USE CHARGE REVENUE	$158,507	$156,123	$181,476	$193,847	$196,193	$207,688	$214,942	$197,478	$213,065	$224,941
International Terminal Area Rental and Use Charge Revenue:										
Exclusive Use	$11,163	$11,097	$11,895	$12,988	$13,449	$14,460	$14,818	$15,093	$7,154	$8,515
Enplaned Common Use Charges	24,207	23,412	24,963	27,022	28,001	29,931	30,745	31,424	17,992	20,601
Deplaned Common Use Charges	42,007	40,643	43,331	46,903	48,593	51,939	53,343	54,510	31,119	35,648
Equipment	4,732	4,514	4,700	5,032	5,048	5,306	5,260	5,182	900	1,323
TOTAL INTERNATIONAL TERMINAL REVENUE	$82,109	$79,666	$84,888	$91,945	$95,091	$101,636	$104,166	$106,208	$57,165	$66,087
Fueling System Fee Revenue:										
Fixed Charges	$770	$386	$786	$822	$852	$784	$827	$156	$243	$267
Variable Charges	6,931	3,470	7,078	7,397	7,666	7,054	7,445	1,400	2,190	2,407
TOTAL FUELING SYSTEM FEE REVENUE	$7,702	$3,856	$7,864	$8,219	$8,517	$7,838	$8,272	$1,556	$2,434	$2,675
Total Airline Revenue	$491,913	$521,151	$578,045	$676,168	$697,775	$767,945	$827,400	$847,702	$830,646	$936,533
Less: Non-Signatory Airline Revenue	50,129	57,919	62,513	78,637	81,895	92,764	102,900	111,636	114,833	128,182
TOTAL SIGNATORY AIRLINE REVENUE	$441,785	$463,233	$515,532	$597,530	$615,880	$675,181	$724,500	$736,065	$715,812	$808,351

Notes:
1/ Final City Budget 2011; as amended by the OMP Phase 2A agreement.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.
3/ Includes airlines that are signatory to the Airport Use Agreements and/or International Terminal Use Agreements.

Sources: City of Chicago Department of Aviation, 2010 (December 2010); Ricondo & Associates, Inc. (2012-2020) March 2011.
Prepared by: Ricondo & Associates, Inc. March 2011

Table V-14
Airline Cost Per Enplanement (Dollars in Thousands for Fiscal Years Ending December 31)

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Signatory Airline Revenue	$441,785	$463,233	$515,532	$597,530	$615,880	$675,181	$724,500	$736,065	$715,812	$808,351
Non-Signatory Airline Revenue	50,129	57,919	62,513	78,637	81,895	92,764	102,900	111,636	114,833	128,182
Total Airline Requirement	$491,913	$521,151	$578,045	$676,168	$697,775	$767,945	$827,400	$847,702	$830,646	$936,533
Total Projected Enplaned Passengers	34,185	35,084	35,897	36,677	37,469	38,274	39,106	39,969	40,858	41,784
Total Airline Cost per Enplaned Passenger										
Current Dollars	$14.39	$14.85	$16.10	$18.44	$18.62	$20.06	$21.16	$21.21	$20.33	$22.41
2011 Current Dollars [3/]	$14.39	$14.42	$15.18	$16.87	$16.55	$17.31	$17.72	$17.24	$16.05	$17.18

Notes: Excludes Land Support
1/ Final City 2011 Budget; as amended by the OMP Phase 2A agreement.
2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.
3/ Inflation rate assumed at 3 percent

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2020) March 2011.
Prepared by: Ricondo & Associates, Inc. March 2011

Table V-15

Annual Passenger Facility Charge Revenues and Debt Service Coverage
(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Enplanements (000's)	34,185	35,084	35,897	36,677	37,469	38,274	39,106	39,969	40,858	41,784
Percent Eligible Enplanements	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%	85.1%
PFC Eligible Enplanements (000's)	29,095	29,860	30,552	31,215	31,890	32,575	33,283	34,017	34,774	35,562
Gross PFC Charge	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less: Administrative Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Charge	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
PFC Revenues	$127,727	$131,083	$134,123	$137,036	$139,995	$143,004	$146,111	$149,336	$152,658	$156,117
PFC Interest Income 1/	639	655	671	685	700	715	731	747	763	781
Total PFC Revenues	$128,365	$131,739	$134,794	$137,721	$140,695	$143,719	$146,841	$150,083	$153,421	$156,897
Total PFC Stand Alone Debt Service	$73,847	$68,829	$71,603	$69,502	$72,207	$73,168	$73,170	$57,107	$54,397	$54,930
Annual PFC Stand Alone DS Coverage	1.74	1.91	1.88	1.98	1.95	1.96	2.01	2.63	2.82	2.86
Maximum Total PFC Stand Alone Debt Service 2/	$73,847	$73,847	$73,847	$73,847	$73,847	$73,847	$73,847	$73,847	$73,847	$73,847
Indenture PFC Stand Alone DS Coverage	1.74	1.78	1.83	1.86	1.91	1.95	1.99	2.03	2.08	2.12

Notes:
1/ Assumes interest income of two percent per annum on 25 percent of the current year's PFC Revenues.
2/ The City's PFC Bond indenture states that PFC Revenues of each year of the forecast period will be at least equal to 140 percent of Maximum Annual Debt Service.

Source: Ricondo & Associates, Inc.
Prepared by: Ricondo & Associates, Inc. March 2011

Table V-16

GARB Debt Service Coverage [1/]

(Dollars in Thousands for Fiscal Years Ending December 31)

	Budget	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Signatory Landing Fee Revenue	$193,466	$223,588	$241,303	$303,520	$316,079	$358,018	$397,120	$430,823	$443,148	$494,648
Terminal Area Rental and Use Charge Revenue	158,507	156,123	181,476	193,847	196,193	207,688	214,942	197,478	213,065	224,941
International Terminal Area Rental and Use Charge Revenue	82,109	79,666	84,888	91,945	95,091	101,636	104,166	106,208	57,165	66,087
Fueling System Fee Revenue	7,702	3,856	7,864	8,219	8,517	7,838	8,272	1,556	2,434	2,675
Non-Airline and Non-Signatory Airline Revenue	268,768	283,432	297,365	320,010	332,980	350,796	371,384	387,701	402,241	423,867
Investment Income from Debt Service Reserve Fund	5,069	9,815	10,647	11,106	11,500	11,520	11,745	9,123	7,737	7,946
Federal Subsidy (BABs) Revenue	13,320	13,320	13,320	13,320	13,320	13,320	13,320	13,320	13,320	13,320
Total Revenue	$728,941	$769,799	$836,864	$941,966	$973,680	$1,050,816	$1,120,949	$1,146,209	$1,139,110	$1,233,484
Pledged PFC Revenue	47,149	56,054	56,054	61,293	61,293	61,293	61,293	78,959	81,937	92,525
Applied PFC Revenue [3/]	5,794	6,590	6,545	6,770	7,381	9,407	7,737	9,267	9,267	9,271
Federal Funds Applied to Series 2011B Debt Service	0	0	2,115	22,115	22,115	47,115	42,115	22,115	22,115	22,115
Total Revenue plus Pledged Other Available Moneys and Applied PFCs	$781,884	$832,443	$901,578	$1,032,144	$1,064,469	$1,168,631	$1,232,094	$1,256,551	$1,252,429	$1,357,395
COVERAGE CALCULATION										
Total Revenue plus Pledged Other Available Moneys and Applied PFCs	$781,884	$832,443	$901,578	$1,032,144	$1,064,469	$1,168,631	$1,232,094	$1,256,551	$1,252,429	$1,357,395
Plus: Prior Period Debt Service Coverage	30,045	34,016	36,731	40,904	49,574	51,453	57,729	61,998	62,207	59,346
Adjusted Total Revenue	$811,929	$866,459	$938,309	$1,073,048	$1,114,043	$1,220,084	$1,289,823	$1,318,548	$1,314,635	$1,416,741
Less:										
O&M Expenses	$428,632	$450,034	$475,003	$511,423	$534,907	$569,056	$594,041	$620,100	$647,281	$678,396
O&M Reserve Fund	143	5,351	6,242	9,105	5,871	8,537	6,246	6,515	6,795	7,779
Maintenance Reserve Fund	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Special Capital Projects Fund	960	989	1,018	1,049	1,080	1,113	1,146	1,181	1,216	1,253
Airport Development Fund	0	0	0	0	0	0	0	0	0	0
Net Revenue Available for Coverage	$379,195	$407,085	$453,046	$548,471	$569,185	$638,377	$685,390	$687,753	$656,343	$726,313
Debt Service [4/]	$337,539	$359,720	$402,471	$494,047	$505,176	$569,449	$612,870	$612,233	$582,177	$660,173
GARB DEBT SERVICE COVERAGE [5/]	1.12	1.13	1.13	1.11	1.13	1.12	1.12	1.12	1.13	1.10

Notes:

1/ Coverage calculation excludes O&M expenses and other reserve funds and therefore not directly comparable to the coverage calculation in the financial statements.

2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.

3/ Non-pledged PFC revenue applied to existing outstanding debt service pursuant to a letter agreement with the airlines.

4/ Net of capitalized interest. Actual and projected debt service.

5/ Based on preliminary and unaudited financial information for fiscal year 2010, the GARB debt service coverage is estimated to be 1.11.

Sources: City of Chicago Department of Aviation, December 2010; Citi (Debt Service); Ricondo & Associates, Inc. (Remaining Projections) March 2011

Prepared by: Ricondo & Associates, Inc. March 2011

In addition to Airport Revenues, the City also pledged, through 2018, PFC Revenues as Other Available Moneys equal to the amount of annual debt service on the Series 2008A and Series 2010F GARBs, and without expiration on the Series 2011A GARBs, plus any required coverage on those bonds. Also, the City has pledged Grant Receipts from FAA Letter of Intent grants and other FAA discretionary grants to the debt service on the Series 2011B GARBs, in addition to Airport Revenues. As shown, the Debt Service coverage ratio is projected to meet the minimum requirement of 1.10x in each year of the projection period.

5.12 Assumptions for Financial Projections

The techniques and methodologies used in preparing this report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A believes that the approach and assumptions used are reasonable, some assumptions regarding future trends and events detailed in this report including, but not limited to, implementation schedule and enplanement projections may not materialize. Achievement of the projections presented in this report, therefore, is dependent upon the occurrence of future events, which cannot be assured, and the variations may be material.

5.13 Sensitivity Scenarios

The following sections describe two sensitivity analyses that were conducted to assess the financial impacts of changes to activity levels projected in the previous sections of the financial analysis of this report. A wide range of scenarios could occur at the Airport that could result in decreased passenger enplanements and could stress the Airport's financial results. The scenarios analyzed are not anticipated to occur during the projection period and are presented for illustrative purposes only. It also is important to note that in the event of dramatic changes to the Airport's passenger demand, it is likely the City would take immediate steps to mitigate financial impacts by reducing its O&M Expenses, restructuring debt service, revisiting the airport's capital program, applying PFCs and other funding sources, as well as taking other initiatives.

The two illustrative scenarios are summarized below:

- Sensitivity Scenario 1 assesses the impacts of the loss of a hub carrier at the Airport. As part of this scenario, O&D and connecting passenger demand is assumed to decrease initially and then slowly return to previous levels as the remaining hub carrier and other airlines adjust their schedules to accommodate demand at the Airport.

- Sensitivity Scenario 2 represents a scenario where passenger activity at the Airport decreases (as a result of any number of causes), and does not return to the projected levels presented earlier in Section 2.5.

Table V-17 presents the key results of each sensitivity scenario, including the resulting estimated airline cost per enplanement and debt service coverage calculations. The assumptions for each scenario are further described below.

<u>Sensitivity Scenario 1: Loss of a Hub Airline</u>

In an effort to demonstrate the impacts of the loss of a hub carrier at the Airport, a sensitivity case was developed to assess the impacts of the larger of the two hub carriers, United Airlines and its affiliates, ceasing operations at the end of 2011. R&A does not believe the scenario is likely to occur as there have been no indications that either United or American would cease operations at the Airport.

Table V-17
Sensitivity Summary

	Budget [1/]	Projected [2/]								
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Enplanements										
Feasibility Report	34,185	35,084	35,897	36,677	37,469	38,274	39,106	39,969	40,858	41,784
Scenario 1 - Loss of Hub Airline	34,185	27,793	29,465	31,558	33,788	36,004	37,549	39,169	40,858	41,784
Scenario 2 - 15% Activity Reduction	34,185	29,821	30,513	31,175	31,849	32,533	33,240	33,974	34,729	35,516
Cost per Enplanement										
Feasibility Report	$14.39	$14.85	$16.10	$18.44	$18.62	$20.06	$21.16	$21.21	$20.33	$22.41
Scenario 1 - Loss of Hub Airline	$14.39	$20.14	$20.80	$22.31	$21.26	$21.68	$22.27	$21.76	$20.33	$22.41
Scenario 2 - 15% Activity Reduction	$14.39	$18.41	$19.90	$22.65	$22.89	$24.60	$25.91	$25.97	$24.96	$27.42
PFC Stand Alone Debt Service Coverage										
Feasibility Report	1.74	1.91	1.88	1.98	1.95	1.96	2.01	2.63	2.82	2.86
Scenario 1 - Loss of Hub Airline [3/]	1.74	1.52	1.55	1.70	1.76	1.85	1.93	2.58	2.82	2.86
Scenario 2 - 15% Activity Reduction [3/]	1.74	1.63	1.60	1.68	1.66	1.67	1.71	2.23	2.40	2.43
GARB Debt Service Coverage										
Feasibility Report	1.12	1.13	1.13	1.11	1.13	1.12	1.12	1.12	1.13	1.10
Scenario 1 - Loss of Hub Airline	1.12	1.13	1.13	1.11	1.13	1.12	1.12	1.12	1.13	1.10
Scenario 2 - 15% Activity Reduction	1.12	1.13	1.13	1.11	1.13	1.12	1.12	1.12	1.13	1.10

Notes: Excludes Land Support
1/ Final City 2011 Budget; as amended by the OMP Phase 2A agreement.
2/ The current Airport Use Agreements expire on May 11, 2018. For the purposes of this analysis, the financial projections presented herein assume a continuation of the current residual rate-setting methodology through 2020.
3/ Although not obligated, if PFC collection level remains at $4.50 per eligible enplaned passenger, the City may restructure PFC Stand Alone debt to increase the coverage ratio.

Sources: City of Chicago Department of Aviation, December 2010 (2011); Ricondo & Associates, Inc. (2012-2020) March 2011
Prepared by: Ricondo & Associates, Inc. March 2011

Air Traffic Assumptions:

- United and its affiliates cease operations at the Airport on December 31, 2011.
- A 4-year recovery period back to baseline levels is assumed for O&D passengers previously served by United and its affiliates. The following retained percentages of United's O&D passengers from the base projection were assumed:
  - 70 percent by the end of 2012,
  - 80 percent by the end of 2013,
  - 90 percent by the end of 2014, and
  - 100 percent by the end of 2015.

  It is assumed that other airlines would adjust their schedules and air service at the Airport to accommodate O&D passenger demand in the Air Trade Area.
- United's current percentage of connecting passenger traffic is 60 percent of its total passengers. This scenario assumed that only 10 percent of United's connecting passengers connected through the Airport on other air carriers in 2012, gradually increasing each year through 2018, with full recovery of connecting passengers in 2019.
- As a result of these assumptions, total Airport enplaned passenger numbers recover to 2010 levels in 2016.
- The projection for aircraft operations and landed weight was adjusted using the same methodology used to determine the relationships among enplaned passengers, aircraft operations, and landed weight in the base projection included in the R&A report.

Financial Assumptions:

- PFC revenue is assumed to decrease in direct proportion to the decrease in enplaned passengers.
- Certain Non-Airline Revenues that are driven by passenger enplanements are assumed to decrease as a result of the decrease in passenger enplanements. Automobile parking and automobile rental revenue is reduced in proportion to the number of O&D passengers. Other passenger non-airline revenues are reduced in proportion to the reduction in the total number of enplaned passengers.
- As a direct response to the loss of a hub carrier, it is assumed that the City would take targeted actions to reduce the Airport's O&M Expenses. As such, Terminal Area O&M Expenses for energy, materials and supplies, and repairs and maintenance are assumed to be reduced by eight percent from the Feasibility report's baseline projection in 2012, 2013, and 2014 and four percent in 2015, and 2016, and then return to the previously projected levels in 2017.
- Although the airport could revisit the capital programs, the scope and cost of OMP Phase 1, OMP Completion Phase, and Capital Improvement Program remains as presented previously in Chapters 3 and 5.

Sensitivity Scenario 2: 15 Percent Activity Reduction

In an effort to demonstrate the impacts of a permanent activity reduction at the Airport, a sensitivity case was performed assessing the impacts of a 15 percent annual reduction from the feasibility report activity projections in enplanements, operations, and landed weight. While this scenario could occur from any number of causes R&A does not have any indication this scenario is likely to occur.

Air Traffic Assumptions:

- Beginning in 2012, passenger enplanements, landed weight, and operational activity was assumed to be reduced by 15 percent each year from the feasibility report activity projection.
- Connecting passenger traffic and O&D traffic relative percentages were assumed to remain constant.

Financial Assumptions:

- PFC revenue is assumed to decrease in direct proportion to the decrease in enplaned passengers.
- Certain Non-Airline Revenues that are driven by passenger enplanements are assumed to decrease as a result of decrease passenger enplanements. Automobile parking and automobile rental revenue is reduced in proportion to the number of O&D passengers. Other passenger non-airline revenues are reduced in proportion to the reduction in the total number of enplaned passengers.
- As a direct response to the loss of 15 percent of its enplaned passengers, it is assumed that the City would take targeted actions to reduce the Airport's O&M Expenses. As such, O&M Expenses for salaries and wages are assumed to be reduced by five percent from the Feasibility report's baseline projection from 2012 through the projection period.
- Although the airport could revisit the capital programs, the scope and cost of OMP Phase 1, OMP Completion Phase, and Capital Improvement Program remains as presented previously in Chapters 3 and 5.

APPENDIX F

DESCRIPTION OF BOOK-ENTRY ONLY SYSTEM

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOOK-ENTRY ONLY SYSTEM

General. The following information has been furnished by DTC for use in this Official Statement and neither the City nor any Underwriter takes any responsibility for its accuracy or completeness. 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 2012 PFC Bonds. The 2012 PFC 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 2012 PFC Bond certificate will be issued for each maturity of each Series of the 2012 PFC Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2012 PFC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 PFC Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 PFC 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 2012 PFC 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 2012 PFC Bonds, except in the event that use of the book entry system for the 2012 PFC Bonds is discontinued.

To facilitate subsequent transfers, all 2012 PFC 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 2012 PFC 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 2012 PFC Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 PFC 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 2012 PFC Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 PFC Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2010 PFC Bond documents. For example, Beneficial Owners of the 2012 PFC Bonds may wish to ascertain that the nominee holding the 2012 PFC 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If fewer than all of the 2012 PFC 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 2012 PFC Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 PFC Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 PFC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2012 PFC 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2012 PFC Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2012 PFC Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the 2012 PFC Bonds will be printed and delivered to DTC.

For every transfer and exchange of the 2012 PFC Bonds, the 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 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 2012 PFC Bonds, (ii) the delivery to any Participant or any other person, other than an owner, of any notice with respect to the 2012 PFC 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 2012 PFC Bonds.

Effect on 2012 PFC Bonds of Discontinuance of Book Entry System. The following two paragraphs apply to the 2012 PFC Bonds only when they are not in the book entry system:

The 2012 PFC 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 in each case the 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 2012 PFC Bonds will be payable upon presentation and surrender when due at the principal corporate trust office of the Trustee. Interest on the 2012 PFC Bonds will be payable by check mailed to the 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 2012 PFC Bonds will be the 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 2012 PFC Bonds of a Series, all payments to such Registered Owner with respect to such Series of 2012 PFC 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 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).

[*Remainder of Page Intentionally Left Blank*]

APPENDIX G

DESCRIPTION OF REFUNDED BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

The Refunded Bonds consist of the following maturities of the Chicago O'Hare International Airport Second Lien Passenger Facility Charge Revenue Bonds, Series 2001A–D, all of which will be redeemed on October 17, 2012, at the redemption price of par, plus accrued interest.

Maturity Date (January 1)	Interest Rate	Principal Amount Refunded	CUSIP[+]
Series 2001A			
2013	5.750%	$ 6,035,000	167592RC0
2014	5.750	7,660,000	167592RD8
2015	5.750	3,755,000	167592RE6
2016	5.750	5,455,000	167592RF3
2017	5.750	9,060,000	167592RG1
2018	5.750	9,580,000	167592RH9
2019	5.375	10,135,000	167592RJ5
2020	5.625	10,675,000	167592RK2
2021	5.625	11,280,000	167592RL0
2022	5.500	11,915,000	167592RM8
2023	5.500	12,570,000	167592RQ9
2024	5.500	13,260,000	167592RR7
2026	5.350	28,725,000	167592RN6
2032	5.375	106,600,000	167592RP1
Series 2001B			
2014	5.500%	$ 1,495,000	167592SE5
2017	5.500	3,715,000	167592SH8
2018	5.500	3,925,000	167592SJ4
2019	5.500	4,135,000	167592SK1
2020	5.125	4,365,000	167592SL9
2021	5.125	4,590,000	167592SM7
2026	5.000	26,660,000	167592SN5
2030	5.750	26,840,000	167592SW5
2032	5.125	15,795,000	167592SP0
Series 2001C			
2013	5.500%	$ 3,620,000	167592UP7
2014	5.500	3,820,000	167592UQ5
2015	5.500	4,030,000	167592UR3
2016	5.500	4,250,000	167592US1
2017	5.500	4,485,000	167592UT9
2018	5.500	4,730,000	167592UU6
2019	5.500	4,995,000	167592UV4
2020	5.125	5,265,000	167592UW2
2021	5.125	5,535,000	167592UX0
2026	5.100	32,220,000	167592UY8
2032	5.250	51,085,000	167592UZ5
Series 2001D			
2020	5.000%	$ 2,315,000	167592TX2
2021	5.000	2,430,000	167592TY0
2026	5.000	14,095,000	167592TZ7
2032	5.000	22,145,000	167592UA0

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF CHICAGO • CHICAGO O'HARE INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE REFUNDING BONDS, SERIES 2012A (NON-AMT) AND SERIES 2012B (AMT)

CITY OF CHICAGO

URBS IN HORTO

INCORPORATED 4th MARCH 1837